2009

Qualitative and Quantitative Disclosures Relating to Capital Adequacy of the Capital Group of ING Bank Śląski S.A. for the year 2009

ING BANK ŚLĄSKI

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INTRODUCTION

Pursuant to Article 111 a. of the Banking Law Act dated 29 August 1997 (Journal of Laws of 2002 No. 72, item 665 as amended), hereinafter referred to as the "Banking Law Act", ING Bank Śląski S.A., hereinafter referred to as the Bank, is obliged to reveal qualitative and quantitative disclosures relating to the capital adequacy, excluding irrelevant information and information whose disclosure might have an adverse impact on the Bank's standing in the relevant market, within the meaning of regulations on competition and consumer protection and information covered by legal secrecy.

Pursuant to resolution 16/III/2010 of the Bank Supervisory Board of 5th March 2010, disclosures relating to the capital adequacy of the Capital Group of ING Bank Śląski S.A. are published.

Disclosures in this document are based on the data from the annual consolidated financial report of the Capital Group of ING Bank Śląski S.A. for the year 2009.

Other disclosures from the annual statements of ING Group (a dominant entity in the holding) are published in the enclosure hereto.

1. OWN FUNDS

1.1 OWN CAPITAL

The capital comprises: the share capital, the share premium account, revaluation capital and retained earnings. All capitals and funds are recognised at their face value.

The share capital is recognised at its face value, in accordance with the statute and entry into the commercial register.

The share premium account comprises the share premium earned from the issue of shares less the direct costs thereof.

The revaluation capital comprises:

- measurement of financial assets available for sale
- measurement of financial instruments hedging the cashflow
- measurement of fixed assets measured at fair value
- measurement of share based payments

Charges for deferred tax connected with the abovementioned measurements are carried through the revaluation capital. The revaluation capital is not subject to distribution.

Retained earnings represent the profits earned by the Bank in the previous term less paid up dividends. Retained earnings comprise:

- other supplementary capital
- capital reserve
- general risk fund
- undistributed profit/loss of past years
- net financial result for shareholders of the dominant entity

Other supplementary capital is established from earnings after tax with the aim of covering the balance sheet loss. The decision on using the supplementary capital is taken by the General Meeting.

The capital reserve is established separately from the supplementary capital from earnings after tax in the amount decided by the General Shareholder Meeting. The capital reserve is earmarked for covering special losses and expenses. The decision on using the capital reserve is taken by the General Meeting.

The General Risk Fund is established under the Banking Law Act from earnings after tax and is earmarked for covering unidentified risk of banking operations. The decisions on using the fund are taken by the Management Board.

1.2 SHORT-TERM CAPITAL

As per 31 December 2009 the short-term capital was calculated in accordance with Ordinance Fin/31/08 of the President of the Bank Management Board dated 17 January 2008, compliant with the regulations in this area. In view of the fact that the Bank's trading activity is material, the short-term capital is used in order to determine the capital adequacy standard.

The short-term capital is the sum of:

- the market profit including the daily market result on operations classified to the trading portfolio and the daily market result due to the exchange rate variations and prices of goods in operations classified to the banking portfolio, calculated on a cumulative basis until the reporting date, less the known charges,
- the losses (negative value) on all operations classified to the banking portfolio, calculated on a cumulative basis until the reporting date, excluding losses due to exchange rate variations and prices of goods.

A positive value of the short-term capital is taken into consideration when setting the capital adequacy standard, up to the level not exceeding the sum of capital requirements for market risk.

1.3 CALCULATION OF OWN FUNDS

Disclosures relating to the capital fund per Basel II were presented in line with Article 127 of the Banking Law Act and Resolution 381/2008 of the Polish Financial Supervisory Authority (KNF) dated 17 December 2008 concerning other reductions of Tier I capital, their volume, scope and conditions of Tier 1 capital reductions, other balance sheet items which are taken to Tier II capital, reductions of Tier II capital, their volume, scope and conditions of Tier 2 capital; and the scope and method of organising the activities of banks in calculating capital funds.

The capital fund and the short-term capital per Basel II in thousands PLN

	31.12.2009	31.12.2008
I. Tier I capital	**4 157 990**	**3 767 114**
1. Core capital	**1 161 281**	**1 161 239**
- Paid up capital	130 100	130 100
- Share premium account	956 250	956 250
- Other supplementary capital elements	74 931	74 889
2. Capital reserve	**2 533 873**	**2 191 882**
- Capital reserve, including undistributed profit of past years	2 273 276	1 887 836
- Minority capitals	2 314	2 299
- Net profit of the current term and profit under approval	263 524	407 470
- Tier I capital revaluation	-5 241	-105 723
3. General Risk Fund	**790 179**	**730 179**
4. Reductions of Tier I capital	**-327 343**	**-316 186**
- Intangible assets	-327 343	-316 186
II. Tier II capital	**2 858**	**4 727**
- Tier I capital revaluation adjustment recognised as Tier II capital	2 858	4 727
III. Reductions of Tier I and Tier II capitals	**-40 000**	**-40 000**
- Reductions of Tier I capital	-37 142	-35 273
- Reductions of Tier II capital	-2 858	-4 727
Total capital funds	**4 120 848**	**3 731 841**
Short-term capital	**65 495**	**79 691**
Total capital funds for capital adequacy purposes	**4 186 343**	**3 811 532**

The capital reserve includes profit in the process of approval and the net profit of the current reporting term less expected charges and dividend in the amount not exceeding the profit amount as verified by the chartered accountant.

Tier II capital comprises the Tier I capital revaluation adjustment recognised as Tier II capital in regard to unrealised earnings on debt and capital instruments available for sale.

Pursuant to KNF Resolution 381/2008 (article 4), the Group diminished Tier I and Tier II capitals by the value of capital exposures in financial institutions (in the event of the Capital Group of ING Bank Śląski it is the amount of exposure in the affiliated entity, ING Powszechne Towarzystwo Emerytalne S.A.). The reductions cover first Tier II capital and then Tier I capital.

The short-term capital is calculated in accordance with article 5 of KNF Resolution 380/2008.

2. CAPITAL REQUIREMENTS

2.1 CALCULATION OF CAPITAL REQUIREMENTS

The Bank applies the standard approach to the credit risk.

The standard approach compliant with Basel II is used to calculate the requirement for market risk.

The capital requirement for operational risk was estimated using the Basic Indicator Approach (BIA).

	31.12.2009	**31.12.2008**
Total capital requirements for the following risks: credit risk, counterparty's credit risk, dilution and delivery of instruments at a later date	2 432 020	2 580 271
Capital requirement for settlement-delivery risk	2 187	1 319
Total capital requirements for the following risks: prices of equity securities, risk of debt instrument prices, FX and commodity price risk	15 308	27 707
Total capital requirements for operational risk	290 789	274 247
Capital requirement for overall interest rate risk	48 000	51 984
Total capital requirements	**2 788 304**	**2 935 528**

The capital requirement for credit risk represents approx. 87% of the Group's overall capital requirement and has the greatest impact on capital adequacy calculation.

The table below presents the structure of credit exposures and the volume of exposures for individual risk weights:

Risk weight	Exposure value before off-balance-sheet exposure conversion ratio	Fully adjusted exposures of off-balance-sheet items per conversion ratios				Exposure value	Risk-weighted exposure value	Total capital requirements for the following risks: credit risk, counterparty's credit risk, dilution and delivery of instruments at a later date
		0%	20%	50%	100%			
0%	**21 584 041**	**0**	**0**	**12 018**	**0**	**21 578 032**	**0**	**0**
20%	**32 631 496**	**26 635 680**	**535**	**216 214**	**0**	**5 887 281**	**1 177 456**	**94 196**
50%	**6 552 994**	**2 684 707**	**45 238**	**290 694**	**1 410**	**3 686 749**	**1 843 375**	**147 470**
75%	**13 359 134**	**45 371**	**0**	**3 169 240**	**46 399**	**11 729 143**	**8 796 857**	**703 749**
100%	**36 495 670**	**15 359 444**	**111 145**	**5 619 210**	**1 346 176**	**18 237 705**	**18 237 705**	**1 459 016**
150%	**237 762**	**4 952**	**0**	**5 811**	**1 185**	**229 904**	**344 856**	**27 589**
Total	**110 861 096**	**44 730 153**	**156 918**	**9 313 187**	**1 395 170**	**61 348 814**	**30 400 249**	**2 432 020**

3. SOLVENCY RATIOS

The solvency ratio is calculated as percentage, namely a fraction whose:

– numerator is the value of the capital fund plus short-term capital,

– denominator is the overall capital requirement multiplied by 12.5,

multiplied by 100.

The consolidated solvency ratio of the ING Bank Śląski S.A. Capital Group as at 31 December 2009 is 12.01 %.

4. INTERNAL CAPITAL

The economic capital – a term used by ING Group for the internal capital - is defined as the capital required in order to cover all material risks in the bank's operations. The economic capital's volume should cover the level of unexpected losses, assumed by the bank, that the bank may be exposed to in the future. When estimating the level of capital indispensable to protect the bank against the adverse impact of risk, the yearly time span is assumed as well as the confidence level corresponding to AA rating, i.e. 99.95%. The Bank uses methodologies developed by ING Group for the needs of the economic capital calculation.

ING Bank Śląski identifies and measures the following types of economic capital:

1. Capital for coverage of the credit risk
   - includes the risk of the creditor's default,
   - is determined on the basis of the MKMV model, including among others the parameters of the transactions and client risk (EAD, PD, LGD) and the transaction's correlation with the entire Bank's portfolio;

2. Capital for coverage of the transfer risk
   - includes the risk of default in the event of transactions in foreign currencies,
   - is determined similarly to the credit risk, on the basis of the sovereign risk parameters;

3. Capital for coverage of the market risk
   - includes the risk of loss resulting from adverse developments in the financial market, including among others the interest rate risk, FX rate risk and the risk of changes in prices of financial instruments being part of the bank's portfolio,
   - is determined using the Value at Risk (VaR) method, i.e. the statistical estimation of the potential loss within the assumed time;

4. Capital for coverage of the operational risk
   - includes the risk of direct or indirect loss resulting from inadequate or faulty internal processes, people and systems, IT risk and internal events, reputational risk and litigation risk,
   - is determined using the Advanced Measurement Approach (AMA);

5. Capital for coverage of the business risk
   - includes two types of risk: cost risk and customer behaviour risk. Cost risk is a risk of actual cost deviation from the expected cost. Customer behaviour risk covers risk of potential losses due to uncertainty of customers actions,
   - Capital for customer behaviour risk represents potential losses which can arise from the structural mismatch between replicating portfolio and customer behaviour,
   - Capital for cost risk is based on actual costs and its changes over time;

The total value of the economic capital is the sum of the above mentioned capitals. The calculation of individual capitals does not account for correlations between specific risks the bank is exposed to, thus the calculated total capital level is adjusted with the diversification ratio. Taking account of the diversification effect is based on the assumption that the probability of materialisation of all risks at the same time is insignificant. Thus, the diversification ratio allows for avoiding overestimation of the overall economic capital needed to protect the bank against the risk.

The economic capital calculation models were developed at the ING Group's level in Amsterdam. It needs to be emphasised that most parameters needed in order to calculate the economic capital required for protecting the bank against the market, business and operational risk are also calculated at the Group's level. ING Group also provides data on the diversification effect.

ATTACHMENT

Additional Pillar 3 information

amounts in millions of euros, unless stated otherwise

INTRODUCTION

This Pillar 3 section includes information that Basel II requires to be made publicly available (unless it has already been provided in the risk management section). The information relates to ING Bank N.V. and all of its subsidiaries. The information contained in this section has not been audited by the Group's external auditors.

NEW CAPITAL ADEQUACY RULES – BASEL II ACCORD

The rules on capital adequacy, also referred to as Regulatory Capital (RECAP), express the regulators' and legislators' opinions of how much capital a bank and other regulated credit institutions must retain in relation to the size and the type of risk taking expressed in the form of risk-weighted assets. The most important part of the capital base is the shareholders' equity. In addition to equity, the institution may issue certain liabilities such as subordinated loans to be included in the capital base. The legal minimum requirement stipulates that the capital base must correspond to at least 8% of the Risk-Weighted Assets (RWA).

The Dutch government adopted the Capital Requirements Directive (CRD), the European reflection of the Basel II capital accord in December 2006. Since the new regulations adopt a 'risk-based approach' to determine the required capital base, there is a significant difference in the measurement of capital compared to the former rules. Therefore, the Dutch government adopted legislation to implement the new rules in stages. For 2008, the capital base was not allowed to fall below 90% of the amount that would have been applicable under the former rules, called Basel I. For 2009, the floor reduced to 80%. Although originally the floor was no longer applicable for 2010 and beyond, the Dutch government has decided to keep the floor at 80% for 2010.

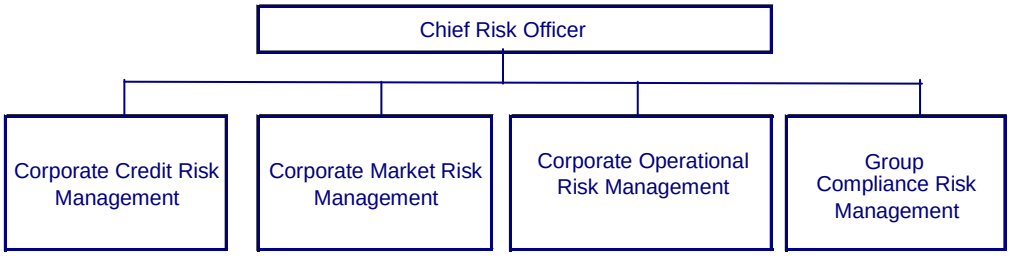
This section relates to Pillar 3, market discipline, and as such provides information on several topics. Some of the required information has already been given elsewhere in the annual report, e.g. in the risk management section and in the capital management section. This section provides additional information, as well as references to the relevant sections.

The Pillar 3 information mostly relates to credit risk, but also to market risk, operational risk and securitisations. The requirements are mainly for underlying exposure, risk weighted assets and regulatory capital. As such it relates primarily to the first Basel II pillar, the minimum capital requirement. The second pillar concerns the banks internally used Economic Capital, and the supervisors review of that capital and the underlying models. Economic Capital, and consequently Pillar 2, is disclosed extensively in the risk management section. As such, the text of this Pillar 3 section should be read in conjunction with statements made in the risk management section and capital management section of the annual accounts, where there is a comprehensive discussion of risk management and capital management.

RISK MANAGEMENT AT ING BANK

ING has a group risk management function that is embedded at all levels of the organisation and operates through a comprehensive risk governance framework.

The primary responsibility of the Bank risk management function lies with the Chief Risk Officer (CRO), who is a member of the Executive Board. The CRO is responsible for the management and control of risk on a consolidated level to ensure that ING's bank risk profile is consistent with its financial resources and the risk appetite defined by the Executive Board. The CRO has several direct reports who are all responsible for a specific risk management function within ING Bank.



A more detailed description of risk management at ING can be found in the risk management section.

REGULATORY CAPITAL REQUIREMENTS

Regulatory capital requirements

	2009	2008
Credit risk		
Portfolios subject to standardised approach	**2,540**	3,083
Portfolios subject to advanced IRB approach		
– Central governments and central banks	**245**	309
– Institutions	**1,235**	1,680
– Corporate	**9,629**	9,366
– Residential mortgages	**4,360**	3,062
– Other retail	**1,129**	885
Total portfolios subject to advanced IRB approach	**16,598**	15,302
Securitisation exposures	**1,156**	2,321
Equity portfolios in the banking book under the simple risk weight approach	**364**	194
Other Non-Credit Obligation Assets (ONCOA)	**2,132**	2,166
Total credit risk	**22,790**	23,066
Market risk		
Standardised approach	**150**	449
Internal models approach - trading book	**341**	587
Total market risk	**491**	1,036
Operational risk		
Advanced measurement approach	**3,309**	3,368
Total Basel II required Regulatory Capital	**26,590**	27,470
Basel II floor*	**28,709**	34,369
Additional capital requirement (due to floor)	**2,119**	6,899

* in 2008 the floor was 90% of Basel I required Regulatory Capital, while in 2009 the floor is 80%.

In order to prevent large short term effects on capital requirements, the regulators introduced transition rules (the 'capital floor') for institutions implementing the new capital adequacy reporting. For 2008 and 2009 the capital requirements should be no less than 90% and 80% respectively of the capital requirements calculated under Basel I regulations. The additional capital requirements according to the transition rules are EUR 2,119 million for 2009 (EUR 6,899 million in 2008).

The required regulatory capital shown in this section should be compared to the available regulatory capital for which details can be found in the Capital Management section under the heading 'Regulatory Capital'.

CREDIT RISK

BASIS OF PRESENTATION FOR CREDIT RISK

The following paragraphs address the risk information for Pillar 3 reporting.

For credit risk, data included in these tables is related to ING Bank's core credit risk activities in the areas of: Securities Financing, Derivatives (collectively Pre-Settlement Risk); Money Market activities (including reserve deposits at Central Banks); Lending (both on and off balance sheet); and Investment risks.

The amounts presented in this section relate to amounts used for credit risk management purposes, which follow ING's interpretation of the definitions as prescribed under the Basel II accords. Therefore, the numbers are different than the accounting numbers as reported in the annual accounts under IFRS-EU. Figures for Derivatives and Securities Financing are based on "risk weighted amounts", which generally is equal to the mark-to-market value of the underlying trades plus a (regulatory defined) "add-on" which represents estimated potential future exposure. The amounts are then further modified by an adjustment that is related to the underlying collateral (market) values (after a haircut is applied) and any legal netting or compensation that may be permitted under various master agreement arrangements, such as ISDAs, CSAs, GMLAs, etc.

Figures associated with Money Market and Lending activities are generally the nominal amounts, while amounts associated with Investment activities are based on the original amount invested less repayments. Off-Balance Sheet exposures include the letters of credits and guarantees, which are associated with the Lending Risk Category. Additionally, Off-Balance Sheet exposures include a portion of the unused limits, associated with the statistically expected use of the unused portion of the limit between the moment of measurement and the theoretical moment of statistical default. Collectively, these amounts are called "credit risk oustandings".

Exposures associated with Securitisations (Asset Backed Financing, Commercial/Residential Mortgage Backed Securities and Covered Bonds) are shown separately. These amounts also relate to the amount invested prior to any impairment activity or mark-to-market adjustments. This amount is also considered to be "credit risk outstandings".

Unless otherwise stated, the tables included in this Section focus on the measurement of Exposure at Default (EAD) and Risk Weighted Assets (RWA) under the Basel II definitions. EAD is generally the sum of the on-balance and off-balance sheet lending, investment and money market activities plus an estimated portion of the unused credit facilities extended to the obligor. Additionally, the risk weighting amounts (plus add-ons) are included. Multiplying RWA by 8% will result in the level of Regulatory Capital (RECAP) that is required to be held against these portfolios (for the credit risk portion of the activities). In this section a threshold of 2% of the total value reported is used for determining materiality where applicable. All categories below that threshold have been reported in the category "Other".

CREDIT RISK AT ING

ING Bank's credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the business lines by means of top-down concentration limits for countries, individual obligors and obligor groups. The aim is to expand relationship-banking activities, while maintaining stringent internal risk/return guidelines and controls.

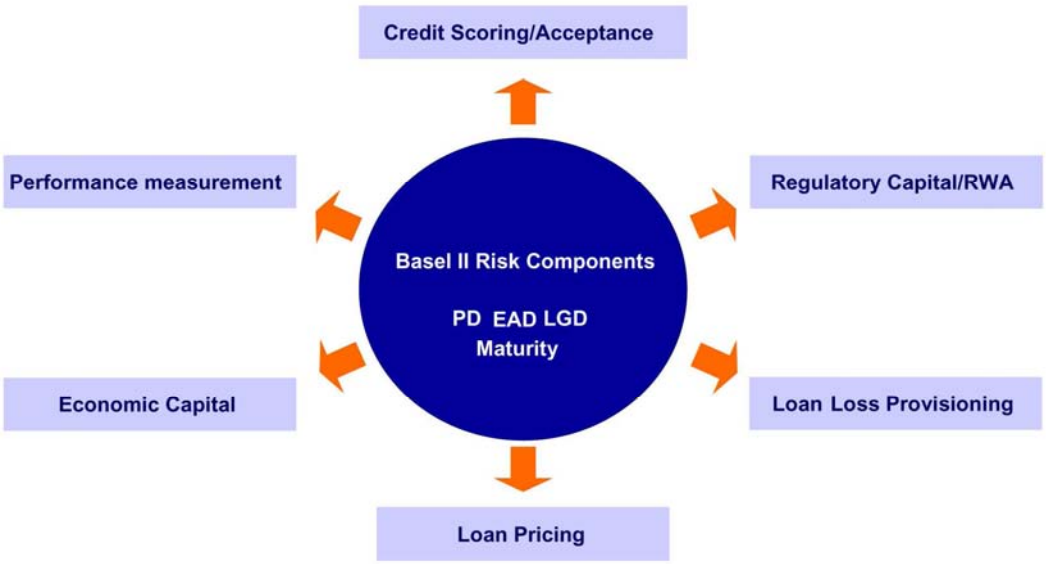
Credit Risk is the risk of loss from the default by debtors or counterparties. Credit risks arise in ING Bank's lending, money market, pre-settlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

ING Bank's credit exposure is mainly related to traditional lending to individuals and businesses, bonds held in the investment portfolios and financial markets trading activities. Loans to individuals are mainly mortgage loans secured by residential property. Loans to businesses are often collateralised, but can be unsecured based on internal analysis of the obligors' creditworthiness. Financial Markets activities include derivatives trading, securities financing, and Foreign Exchange (FX) transactions, which we collectively refer to as Pre-Settlement risks. ING uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING's potential future exposure on individual and portfolios of trades. Master agreements and collateral agreements are frequently entered into to reduce these credit risks.

PILLAR 3 CREDIT RISK IN PRACTICE

The Basel II Accord not only changes the way ING reports its credit risk for regulatory purposes; it also affects the daily operations and practices of all types of risk management at all levels within ING Bank. It has no effect on ING Insurance or Asset Management operations.

One of the key elements of the Basel II Accord is the "Use Test", which requires ING to use Basel concepts in its day-to-day activities. The diagram below illustrates where ING has incorporated the Basel II concepts into its daily activities, both globally and locally:



RISK MEASUREMENT AND REPORTING

ING distinguishes three separate information requirements from senior management related to the Advanced IRB (AIRB) approach for credit risk:

- Reporting on (minimum) regulatory capital requirements;
- Model monitoring reports; and
- Stress testing reports.

The acceptance, maintenance, measurement, management and reporting of credit risks at all levels of ING Bank is accomplished through promotion of single, common credit risk data standards and the integration into common credit risk tools that support standardised and transparent credit risk practices.

THE IRB METHOD IN SHORT

There are four elements which drive the Basel II "risk-based approach" to the determination of the capital base. For each of these elements, ING has developed a series of statistical, expert and hybrid models based on ING's historical experience and other market observations.

- **Probability of Default (PD):** The first is the borrower's, counterparty's, or issuer's (collectively referred to as the "obligor") probability of default, which measures an obligor's creditworthiness in terms of likelihood to go into default. The result of this calculation attempts to measure the senior, unsecured standalone creditworthiness of an organisation without consideration of structural elements of the underlying transactions, such as collateral, pricing, or maturity.

- **Exposure at Default (EAD):** The second element is the obligor's exposure at default. These models are intended to estimate the outstanding amount or obligation at the moment of default in the future. Since the fact that an obligor will go into default is not known, and the level of outstandings that may occur on that date is also not known, ING uses a combination of statistical, expert and hybrid models to estimate the Exposure at Default. With the exception of guarantees and letters of credit, the EAD is always equal to or higher than the associated credit risk outstandings, under the assumption that obligors tend to absorb liquidity from available credit resources before financial problems become apparent to the obligor's creditors.

- **Loss Given Default (LGD):** The third element is the loss given default. These models are intended to estimate the amount ING will lose when liquidating collateral pledged in association with a given loan or financial obligation, or alternatively, liquidating the company as a whole, as part of a workout process. LGD models are based on cover types, estimated recovery rates given orderly liquidation, and (in)direct cost of liquidation.

- **Maturity (M):** The fourth element is the time to the maturity of the underlying financial obligation. Basel II caps the maturity element at five years, despite the fact that many obligations extend longer than five years.

Expected Loss (EL): The expected loss provides a measure of the value of the credit losses that ING may reasonably expect to incur on its portfolio. ING must hold a reserve (as part of its capital base) to cover the expected losses in its credit portfolio. In its basic form, the expected loss can be represented as:

$$EL = PD * EAD * LGD$$

Unexpected Loss (UL): Additionally, ING must also maintain a capital buffer against unexpected losses in order to protect itself against credit losses associated with unusual market events outside of the statistical norms.

Basel II uses these same components (expected loss and unexpected loss) conceptually in the determination of the Risk Weighted Assets (RWA). Like EL, RWA takes PD, EAD, and LGD into account, but also includes variables associated with the type of obligor and its size.

The PD, EAD and LGD models that are used in the calculation of Basel II regulatory capital are the same models that ING uses in the determination of its internally based economic capital models. Additionally, these models are used for loan pricing and customer profitability calculations, as well as forming the foundation for loan loss provisioning calculations.

CREDIT RISK MODELS

ING considers a well-balanced and controlled set of rules around model development, maintenance and validation to be an essential component for professional risk measurement and risk management. In 2006, ING developed and implemented a Credit Risk Model Governance framework, which consists of a set of extensive guidelines and requirements to which all stakeholders must adhere when developing, implementing and maintaining PD, LGD and EAD models.

Types of Credit Risk Modelling

Within ING Bank, there are three types of modelling which form the foundation of the PD, EAD and LGD models used throughout the bank.

- **Expert models** are based on the knowledge of experts from both Risk Management and Front Office staff and literature from rating agencies, supervisors and academics. These kinds of models are especially appropriate for portfolios for which limited historical defaults exists thereby reducing the reliability of a statistical model. These portfolios are also often referred to as “Low Default Portfolios”;

- **Statistical models** are created where a large set of default or detailed loss data is available. They are characterised by a sufficient number of data points which facilitate meaningful statistical estimation of the model parameters. The model parameters are estimated with statistical techniques based on the data set available.

- **Hybrid models** contain characteristics of both expert and statistical models.

Next to the model choice, the definition of default is an important starting point for model building. ING uses a framework that integrates elements of the regulatory definition of “Default” and the loan loss provisioning indicators under IAS 39. The rationale is that several indicators are very close to the indications of an obligor’s “unlikeliness to pay” under Basel II and similar regulations.

Integration of both frameworks makes it possible to use the regulatory risk components PD, LGD and EAD in the collective provisioning process under IAS 39, further enhancing ING’s compliance with the Basel II “use test”.

Independent Model Validation is one of the cornerstones of this framework. It consists of the process of determining that a model is appropriate for its intended use. It is an ongoing process whereby the reliability of the model is verified at different stages during its lifecycle: at conception, before approval, periodically after implementation, and when significant changes are made to the model. The validation process contains a mix of developmental evidence, process verification and outcome analysis.

APPROACHES APPLIED BY ING BANK

On 1 January, 2008, ING adopted the AIRB to the majority of its significant portfolios that contain credit risk in accordance with the approvals granted by DNB (Dutch Central Bank), and various local regulators, as required. However, there remains a small portion of the portfolio that is subject to the Standardised Approach (SA). Individually, these portfolios are relatively small, very specialized, or are related to new acquisitions in companies that themselves did not yet follow the AIRB Approach. In some cases, the Standardised Approach is mandated in conjunction with transition restrictions imposed by local regulators.

During 2009 ING reduced its SA Portfolio by 28% in terms of credit risk outstandings, which fell short of the goal of reducing the SA portfolio by 50%. The lower rate of reduction was caused by slower regulatory approvals of internal models in certain countries. ING continues to work towards reducing the portion of its portfolio which falls under the Standardised Approach.

ING uses the AIRB and the Internal Assessment Approach (IAA) for liquidity lines provided to Asset Backed Commercial Paper programs. For a number of portfolios that are either on an exit strategy or immaterial in terms of size and risk profile, the Standardised Approach is used.

EXPOSURE CLASSES

The Basel II Accord has developed the concept of "Exposure Classes". These are essentially groupings of credit risks associated with a common obligor type or product type. For the AIRB Approach, most of the exposure classes have subcategories. ING has applied the following definitions to determine Exposure Classes:

Governments include Sovereign Government entities, Central Banks and Basel II recognised Local / Regional Authorities as well as Supranational Organisations;

Institutions include all Commercial Banks, non-Bank Financial Institutions, such as Leasing Companies, Funds and Fund Managers, and Insurance Companies, as well as local and regional government entities not classified as governments;

Corporates includes all legal entities, that are not considered to be Governments, Institutions or Retail Other;

Residential Mortgages include all mortgage loans for residential properties that are not part of a securitisation;

Retail Other includes all other credit obligations related to Retail SMEs, such as partnerships, one-man businesses and private individuals, such as consumer loans, car loans and credit cards.

Under these exposure class definitions, it is possible for a private individual to be included under both Residential Mortgages and Retail Other. For other types of counterparties or issuers, there is no potential overlap.

Gross credit risk exposures (EAD) by exposure class

	Central governments and central banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Standardized Approach	**8,721**	**3,052**	**15,965**	**5,981**	**12,020**	**45,739**	**63,848**
Advanced IRB Approach	**84,994**	**103,581**	**252,330**	**293,074**	**34,819**	**768,798**	**761,857**
Total 2009	**93,715**	**106,633**	**268,295**	**299,055**	**46,839**	**814,537**	**825,705**

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.

Gross credit risk exposures (EAD) by geographic area

	Central governments and central banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Netherlands	26,399	2,298	74,657	137,985	19,451	260,790	244,843
Germany	10,808	21,880	6,497	47,397	4,239	90,821	92,876
Belgium	13,181	5,906	30,231	19,838	8,813	77,969	80,773
United States of America	2,973	9,590	30,601	26,500	161	69,825	69,178
Spain	4,123	14,681	10,376	7,534	1,263	37,977	45,891
Australia	59	5,953	4,897	25,668	67	36,644	29,308
France	8,345	9,715	12,988	989	310	32,347	37,449
United Kingdom	307	7,335	14,670	2,215	1,535	26,062	29,453
Italy	6,638	2,284	6,973	6,405	2,951	25,251	26,234
Canada	3,176	2,828	941	17,028	476	24,449	20,094
Other	17,706	24,163	75,464	7,496	7,573	132,402	149,606
Total	93,715	106,633	268,295	299,055	46,839	814,537	825,705

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.

The figures presented in this table are EAD based on the country of the residence of the obligor. As such, these figures do not represent the risk associated with a country transfer risk event, such as a restriction on the convertibility of local currency into internationally tradable currencies. Nor do these figures represent the economic exposure that is present in a given country. The figures above are the most significant exposures. Smaller exposures are all group under Other, where none of the individual underlying exposures are more than EUR 15.0 billion. Figures associated with ING's transfer risk positions and economic country risk exposure can be found in risk management section, including their corresponding definitions.

The figures for Exposure Class "Central Government and Central Banks" for Italy include EUR 1.5 billion in exposure to the Central Bank and EUR 4.8 billion in investments in bonds issued by the central government. The Spanish figures include EUR 2.2 billion in exposure to the Central Bank and EUR 1.5 billion in investments in bonds issued by the central government.

Gross credit risk exposures (EAD) by economic sector

	Central governments and central banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Builders & Contractors	0		13,506		2,581	16,087	19,351
Central Banks	22,022					22,022	23,786
Central Governments	64,675	0				64,675	53,794
Commercial Banks	488	87,610	331		65	88,494	112,093
Food, Beverages & Personal Care	0		17,082		2,435	19,517	20,449
General Industries	0		14,774		2,096	16,870	20,209
Lower Public Administration	6,177	14,369			96	20,642	20,651
Natural Resources			31,162		441	31,603	29,200
Non-Bank Financial Institutions		3,514	46,262		869	50,645	52,879
Private Individuals		0	141	299,055	21,978	321,174	299,065
Real Estate	332		53,329		3,045	56,706	55,545
Services	0		16,891		4,475	21,366	22,973
Transportation & Logistics			21,131		1,366	22,497	25,232
Other	21	1,140	53,686		7,392	62,239	70,478
Total	93,715	106,633	268,295	299,055	46,839	814,537	825,705

* includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.

The figures presented above are based on the Basel II defined EAD, and differ from the industry distribution figures that are presented in the annual accounts. Note that all other sectors have exposures that are less than EUR 15.0 billion.

ING uses a common industry classification methodology based on the NAICS system (North American Industry Classification System). This methodology has over 1,500 detailed industry descriptions, which are aggregated into 22 industry classes at the highest level. Certain countries require ING to report locally based on other industry classification methodologies, which are generally derived from the NAICS classifications presented here. Residential mortgages are generally only extended to private individuals.

Outstandings by Tenor Bucket (based on credit risk outstandings)

	Central governments and central bank	Institutions	Corporates	Residential mortgages	Other retail	Total 2009	Total 2008
Current Outstandings	88,331	107,763	232,178	288,244	35,855	752,371	749,213
1 month	80,839	106,565	225,948	287,781	35,268	736,401	714,735
3 month	61,797	85,032	211,372	287,339	34,452	679,992	653,817
6 month	54,379	81,612	203,467	286,568	33,497	659,523	636,540
1 year	51,169	75,423	164,262	283,352	23,739	597,945	572,949
2 years	46,400	68,774	135,767	279,657	20,622	551,220	525,787
3 years	42,219	58,784	110,734	274,706	17,882	504,325	477,955
5 years	30,085	46,538	77,057	256,328	13,270	423,278	400,858
7 years	22,698	33,442	52,417	245,610	10,931	365,098	340,794
10 years	9,763	12,315	35,831	224,947	8,327	291,183	259,858

- Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Problem Loans (rating 20-22) are excluded in the figures above.

Basel II does not include a cash flow methodology that would look at future portfolio runoff. This table, therefore, presents figures that are based on credit risk outstandings, and not EAD. Credit Risk outstandings include amounts associated with both on and off balance sheet products, but exclude amounts related to unused limits. For derivatives and securities financing, the mark-to-market plus add-on methodology is applied, but the add-ons are generally less conservative than the add-ons applied under the Basel II definitions.

The figures above assume that loans, money market and investments in fixed income securities are fully repaid at their maturity dates and that limits are reduced in conjunction with repayment schedules contained in the associated loan documentation, without regard for potential renewal or extension, or portfolio sales or acquisitions. Pre-Settlement risks are assumed to reduce over the legal maturity of the underlying transactions. However, under mark-to-market plus add-on methodology, it is possible for exposures to increase in time, rather than decrease. This is a function of ING's estimates of future interest rates and foreign exchange rates, as well as potential changes in future obligations that may be triggered by such events. Generally, credit risk outstandings are lower than EAD.

Further, all figures assume that no new credit risks are introduced into the portfolio and that there are no delays in repayments associated with problem loans, nor are there write offs associated with provisions or impairments. The portfolio runoff is implied by the difference in the figures between two periods.

LOAN LOSS PROVISIONS

There are three types of provisions that have to be made and accounted for:

- Individually Significant Financial Asset (ISFA) Provisions for those loans where specific, individualized provisions are still required. These are generally loans that exceed the threshold amount.[1] These provisions are made using an estimated future recovery methodology and then applying a net present value concept. The future cash flows are based on the restructuring officers' best estimate of when/if recoveries will occur. Recoveries can be from any source, such as the sale of collateral, ongoing cash flows, sale of a business/subsidiary, etc. ISFA provisions are all calculated using a common tool across ING Bank.

[1] The threshold amount varies per business unit, but generally is EUR 0 in the international units, and EUR 1 million in the "home markets".

- Incurred But Not Recognized (IBNR) Provisions: are made for the "performing" loan portfolio as an estimate or proxy for the losses/defaults that may have already occurred in the portfolio, but which ING has not yet determined or recognised. These provisions are based on a modified expected loss methodology. The primary modification is that the PD time horizon (12 months) is shortened to periods of 3, 6, or 9 months, depending on the type of obligor. Generally, the larger the obligor, the shorter the PD time horizon. IBNR provisions are calculated centrally using a common tool across ING Bank.

- Individually Not Significant Financial Asset (INSFA) Provisions: are made for acknowledged problem loans (ratings 20-22) that are below the threshold amount. Due to their small size, the IFRS rules permit a statistical approach to measuring these provisions. Therefore, the calculation is based on the same statistical formula that is used to determine IBNR Provisions and is also calculated centrally using a common tool across ING Bank.

Cumulative Provisions by geographic area

Country	Central Governments and Central Banks	Institutions	Corporates	Residential mortgages	Other Retail	Total 2009	Total 2008
Netherlands			598	104	337	1,039	629
United States of America			211	536	3	750	266
Germany			94	263	122	479	354
Belgium			242	35	152	429	332
Spain			249	5	6	260	116
Poland			131	1	22	154	122
France			147	0	2	149	98
Turkey	1	2	59	2	73	137	85
Virgin Islands British			107			107	36
Italy			48	3	29	80	60
Romania			48	1	26	75	11
India		1	48	2	23	74	40
Russia		1	59			60	45
Ukraine		17	37			54	40
Australia			29	22		51	14
Other	2	44	396	5	54	501	363
Total	3	65	2,503	979	849	4,399	2,611

- Both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

Above presentation of the cumulative provisions is based on country of the residence of the obligor. Countries not shown in above table have cumulative provisions of less than EUR 50 million, and are grouped under Other.

Cumulative Provisions by economic sector

	Central governments and central banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Automotive			119		17	136	103
Builders & Contractors			290		65	355	217
Chemicals, Health & Pharmaceuticals			72		12	84	45
Commercial Banks		59	19		1	79	106
Food, Beverages & Personal Care			246		49	295	185
General Industries			359		48	407	226
Media			82		19	101	54
Natural Resources			129		6	135	79
Non-Bank Financial Institutions		4	180		12	196	87
Private Individuals			35	979	365	1,379	870
Real Estate			350		29	379	167
Retail			82		51	133	95
Services			194		71	265	136
Telecom			54		2	56	11
Transportation & Logistics			140		33	173	70
Other	3	2	152		69	226	160
Total	3	65	2,503	979	849	4,399	2,611

- Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Excludes impairments made directly to the equity accounts.

The tables above should be read in conjunction with the corresponding tables below related to Past due loans by geographic area and Past due loans by economic sector as well as information and statements in the annual accounts. Economic sectors not shown in above table have cumulative provisions of less than EUR 50 million, and are grouped under Other.

Past due loans by geographic area (based on outstandings)

	Residential mortgages	Other Retail	Total 2009	Total 2008
Belgium	2,201	324	2,525	2,399
Netherlands	2,374	23	2,397	2,330
Australia	905	0	905	775
United States of America	454	0	454	585
Germany	272	10	282	258
Turkey	94	152	246	321
Canada	178	1	179	137
Other	205	211	416	419
Total	6,683	721	7,404	7,224

- Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

Above presentation of the past due loans is based on country of the residence of the obligor. Countries not shown in above table have past due loans of less than EUR 150 million, and are grouped under Other.

Past due loans by economic sector (based on outstandings)

	Residential mortgages	Other retail	Total 2009	Total 2008
Private Individuals	6,683	373	7,056	6,868
Other		348	348	356
Total	6,683	721	7,404	7,224

- Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

Economic sectors not shown in above table have past due loans of less than EUR 150 million, and are grouped under Other.

The tables above should be read in conjunction with the corresponding tables below related to cumulative provisions by geographic area and cumulative provisions by economic sector as well as information and statements in the annual accounts.

ING considers past due loans to be those loans where any payment of interest or principal is more than one day past due. The methodology is principally extended to loans to private individuals, such as residential mortgage loans, car loans, and other consumer loans. For business loans (governments, institutions, corporates), ING has adopted a policy to classify the obligor as a problem loan as quickly as possible upon the occurrence of a payment default. Therefore, the concept of past due loans does not exist for these types of obligors (and hence the reason why certain exposure classes show no figures).

The figures above are based on credit risk outstandings, and not EAD. Credit Risk outstandings include amounts associated with both on and off balance sheet products, but exclude amounts related to unused limits. For derivatives and securities financing, the mark-to-market plus add-on methodology is applied, but the add-ons are generally less conservative than the add-ons applied under the Basel II definitions.

Loan Loss Provision Shortfall

The Loan Loss Provision Shortfall is the difference between the EL and loan loss provisions for AIRB exposures. This difference is caused by the different PD time horizons that exist for IAS 39 Loan Provisioning (3, 6, and 9 months) and the 12 month time horizon used for EL and regulatory capital calculation. Basel II requires that the shortfall is deducted from the regulatory capital, 50% from Tier 1 and 50% from Tier 2 capital.

At December 31, 2009, the loan loss provision shortfall (before tax) was: EUR 1,579 million. The relative level of loan loss shortfall compared to actual provisioning levels will generally increase in periods where loan loss provisions are decreasing and will decrease in periods where loan loss provisions are increasing.

The Standardised Approach

Unlike the AIRB approach, the standardised approach applies a fixed risk weight to each asset as dictated by the Financial Supervisory Authorities, and is based on the exposure class to which the exposure is assigned. As such, the Standardised Approach is the least sophisticated of the Basel II methodologies and is not as sensitive as the risk-based approach. Where external rating agency ratings are available, they may be used as a substitute to using the fixed risk weightings assigned by the Financial Supervisory Authorities. Because the underlying obligors are relatively small, the underlying obligors tend not to have external ratings. Portfolios under the standardised approach

Exposures (EAD) and amounts deducted for standardised approach portfolios

	2009		2008	
	Exposure before risk mitigation	Exposure after risk mitigation	Exposure before risk mitigation	Exposure after risk mitigation
Risk buckets used:				
0%	**4,722**	**5,055**	**6,881**	**7,072**
10%				
20%	**9,012**	**9,029**	**4,240**	**4,414**
35%	**5,639**	**5,639**	**20,188**	**20,188**
50%	**6,802**	**7,217**	**4,131**	**4,200**
75%	**16,263**	**15,636**	**24,259**	**21,456**
100%	**30,808**	**29,852**	**35,081**	**33,947**
150%	**799**	**745**	**610**	**562**
200%				
1250%				

- includes only the SA Portfolios; excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

Under the standardized approach there are two principal methods for reducing or mitigating credit risk:

a) reduction of credit risk through the acceptance of pledged financial assets as collateral, such as marketable securities or cash; or

b) mitigation or shifting of credit risks to a lower risk weighting group by accepting guarantees from unrelated third parties.

The risk weighting categories are defined in Basel 2 and are interpreted by ING as follows:

0% Risk Weighting

These assets fall into three categories as described below. In all of these cases, ING has developed credit risk models for the specific portfolios, but has not yet implemented the AIRB approach due to restrictions imposed by local regulators. In most cases, these portfolios are eligible to be converted to the AIRB approach in 2009.

Central government and central banks

In accordance with national discretion rules, the risk weight for many central governments and central banks under the standardised approach is 0%.

Regional governments and local authorities

In many countries, exposures to provincial, regional and municipal governments are treated as exposures to the central government in whose jurisdiction they are established.

Multilateral Development Banks

Exposures to certain specific multilateral development banks and other international organisations such as the International Bank for Reconstruction and Development are risk weighted at 0%.

10% Risk Weighting

The 10% risk weighting is applied to covered bonds exposures under the standardised approach. All of ING's covered bond positions are measured under the AIRB.

20% Risk Weighting

20% Risk Weighting is applied to exposures based on their exposure class and external rating. These are generally high quality exposures.

35% Risk Weighting

Exposures secured by mortgages on residential real estate are assigned a risk weight of 35%. The risk weight is only reduced for the part of the exposure that is fully secured.

50% Risk Weighting

50% Risk Weighting is applied to exposures based on their exposure class and external rating. These are generally not prime grade exposures

75% Risk Weighting

Retail exposures under the standardised approach are assigned a risk weight of 75%.

100% Risk Weighting

Under the standardised approach, exposures without external ratings that do not fall into one of the other categories are assigned a risk weight of 100%.

150% Risk weighting

Under the standardised approach, certain specified exposures, such as exposures to venture capital and private equity, as well as the unsecured portion of any past due obligation is assigned a risk weighting of 150%.

200% Risk weighting

The 200% risk weighting must be applied to collective investment undertakings which contain high risk equity investments.

PORTFOLIOS UNDER THE AIRB APPROACH

RISK RATING METHODOLOGY

In principle all Risk Ratings are based on a Risk Rating (PD) Model that complies with the minimum requirements detailed the CRD, the DNB Supervisory Rules and CEBS guidelines. This concerns all Obligor Types and Segments, including Countries.

ING's Probability of Default (PD) rating models are based on a 1-22 scale, which roughly corresponds to the same rating grades that are assigned by external rating agencies, such as Standard & Poor's and Fitch. For example, an ING rating of 1 would correspond to an S&P/Fitch rating of AAA; an ING rating of 2 would correspond to an S&P/Fitch rating of AA+, and so on.

Risk Ratings from Rating Models:

Risk Rating processes take on several forms as described below:

- Rating Models requiring manual interference: these are Models that require manual interference from the User who has to answer Rating Model based questions for each individual legal organisation in order to arrive at a Risk Rating. If not reviewed, the Risk Rating will expire 18 months after the previous review. These models are typically used for Governments, Institutions and larger Corporates; and

- Automated Rating Models: these are Models that do not require manual interference. Instead, data is automatically gathered and used to determine the Risk Rating (this process is detailed further in the sections that describe ING's Data Management and IT processes). These models are typically used for small businesses, consumer loans, and residential mortgage exposures.

- Risk Ratings from Appeals: Rating Model outcomes that are perceived to be inaccurate can be appealed through the relevant Rating Appeal Process, where this exists. The Rating Appeal Process applies to all Rating Models that require manual interference. It does not apply to automated Rating Models developed for consumer lending and residential mortgage business.

- Non-Rating Model based Ratings: this pertains to Risk Ratings not calculated by means of an approved Rating Model, but manually calculated or set on the basis of an approved subjective methodology. These are generally only used for problem loan classifications (20-22) which are owned by the relevant global or regional credit restructuring unit; and for the securitisation portfolios, whereby the external ratings of the tranche in which ING has invested are leading.

Exposures (EAD) by PD grade under the advanced IRB approach

	Central governments and central banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
1 (AAA)	14,562	2,129	3,014	0	10	19,715	38,481
2 (AA+)	41,369	5,435	3,255	71	70	50,200	32,014
3 (AA)	15,958	7,446	5,467	2,014	610	31,495	29,711
4 (AA-)	733	28,297	5,591	467	302	35,390	62,706
5 (A+)	8,304	18,456	7,335	3,887	625	38,607	40,248
6 (A)	2,073	13,412	8,959	3,940	753	29,137	24,966
7 (A-)	84	11,344	15,742	24,490	1,343	53,003	44,940
8 (BBB+)	611	5,907	19,119	26,976	3,689	56,302	52,281
9 (BBB)	153	3,915	25,924	48,909	3,433	82,334	76,884
10 (BBB-)	36	3,131	32,163	54,390	5,296	95,016	93,115
11 (BB+)	320	1,139	28,187	64,684	4,896	99,226	110,469
12 (BB)	468	792	28,032	22,522	3,727	55,541	66,082
13 (BB-)	42	881	23,171	9,739	2,768	36,601	33,177
14 (B+)	159	604	17,061	4,805	2,088	24,717	17,566
15 (B)	56	116	8,394	13,740	1,455	23,761	13,946
16 (B-)	53	101	3,720	2,157	573	6,604	3,894
17 (CCC-C)	10	299	5,372	3,190	999	9,870	8,048
18 (Special Mention)	0	50	4,364	372	476	5,262	3,034
19 (Substandard)	1	15	1,237	2,935	536	4,724	2,450
20 (Doubtful)	2	102	5,392	2,261	765	8,522	5,689
21 (Liquidation – no loss)		0	168	1,462	229	1,859	1,607
22 (Liquidation – with loss)		10	663	63	176	912	549
Total	84,994	103,581	252,330	293,074	34,819	768,798	761,857

- Includes only AIRB portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

The figures presented above are based on EAD and as such differ from those presented in the annual accounts due to different measurement methodology.

Over 95% of ING's credit risks have been rated using one of the in-house developed PD rating models. Within the AIRB Portfolio, the level of Basel II ratings exceeds 99% coverage by exposure. Bankwide, ING has implemented more than 100 rating models, including various submodels that may be applicable. Some of these models are universal in nature, such as models for Large Corporate, Commercial Banks, Insurance Companies, Central Governments, Local Governments, Funds, Fund Managers, Project Finance, and Leveraged Companies. While other models are more regional or country specific, such as PD models for SME companies in Central Europe, the Netherlands, Belgium, Luxembourg, and the United Kingdom, as well as residential mortgage and consumer loan models in the various retail markets.

Rating Models for retail obligors are predominantly statistically driven and automated, such that they can be updated on a monthly or bi-monthly basis. Models for SME companies, and larger corporates, institutions and banks are manually updated, and are individually monitored on at least an annual basis.

Under Basel II rules, the nominal exposures are weighted to determine the RWA (and regulatory capital) of a portfolio, under a "risk-based approach". This approach dictates that less capital is required for credit risks which are well-rated, while progressively more capital is required as an obligor's risk (rating) deteriorates. This effect can cause RWA assets to increase or decrease together with risk rating migration without a significant change in the size of the underlying financial assets, in terms of financial accounting. As such, rating migrations are closely monitored within ING.

Average LGD by PD Grade under the advanced IRB approach

	Central governments and central banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
1 (AAA)	20%	14%	26%	10%	46%	21%	23%
2 (AA+)	20%	22%	32%	10%	61%	21%	20%
3 (AA)	20%	19%	26%	23%	64%	22%	23%
4 (AA-)	20%	19%	42%	10%	76%	23%	23%
5 (A+)	20%	21%	31%	10%	63%	22%	27%
6 (A)	20%	20%	29%	21%	63%	24%	25%
7 (A-)	27%	24%	33%	19%	43%	25%	26%
8 (BBB+)	30%	23%	36%	18%	39%	26%	27%
9 (BBB)	13%	26%	30%	16%	41%	22%	23%
10 (BBB-)	43%	39%	26%	14%	37%	20%	19%
11 (BB+)	38%	29%	25%	14%	31%	19%	17%
12 (BB)	24%	44%	21%	17%	33%	20%	20%
13 (BB-)	4%	41%	20%	18%	31%	21%	20%
14 (B+)	8%	35%	19%	21%	32%	21%	23%
15 (B)	8%	44%	22%	21%	50%	23%	21%
16 (B-)	60%	51%	20%	19%	41%	22%	25%
17 (CCC-C)	11%	30%	24%	15%	34%	22%	24%
18 (Special Mention)	20%	29%	16%	21%	35%	19%	17%
19 (Substandard)	80%	46%	24%	20%	36%	23%	18%
20 (Doubtful)	36%	43%	28%	29%	47%	30%	27%
21 (Liquidation – no loss)	0%	0%	16%	15%	64%	21%	16%
22 (Liquidation – with loss)	0%	11%	32%	16%	65%	37%	36%
Total	**20%**	**22%**	**26%**	**16%**	**38%**	**22%**	**22%**

- Includes both AIRB portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

The table above represents the weighted average LGD for each of the represented combination of PD Grade and Exposure Class. For example, the weighted average LGD for an AAA rated Corporate is 26%, while the weighted average LGD for a BBB rated Corporate is 30%. LGD percentages are influenced by the transactional structure of the financial obligation, the related collateral or covers provided, and the country in which the collateral (if any) would have to be recovered.

In certain cases, the portfolio size is relatively small, which can also have an effect on the weighted average LGD in a given PD Grade and Exposure Class. Therefore, this table should be read in conjunction with the previous table (Exposures (EAD) by PD grade).

Undrawn Commitments

	Central governments and central banks	Institutions	Corporates	Residential Mortgages	Retail Other	Total 2009	Total 2008
Standardized Approach	6	272	2,470	586	5,492	8,826	10,518
Advanced IRB Approach	195	1,181	52,425	9,232	11,776	74,809	76,177
Total	201	1,453	54,895	9,818	17,268	83,635	86,695

- includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

These figures represent the potential exposure that may be drawn by ING's obligors under committed facilities. In most cases, the obligors have the right to make use of these facilities unless an event of default has occurred, or another defined event within the associated credit risk agreement has occurred. In most cases, the obligor pays a commitment fee to ING on the unused portion of these facilities. Pre-Settlement, Money Market and Investment limits are generally not committed.

If all of the unused commitments were called upon at the same time, ING's credit risks (in terms of outstandings) would increase by 11%. As part of its Exposure at Default (EAD) models, ING makes an estimate of how much of these unused commitments would be drawn under normal circumstances. The effect is included in the calculation of RWA, together with a similar effect applied to uncommitted facilities, albeit at a lower rate.

Exposures secured by third party guarantees received

	Central governments and central banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Standardised Approach	-	0	852	-	13	865	483
Advanced IRB Approach	14,022	7,738	42,583	563	5,856	70,762	143,444
Total	14,022	7,738	43,435	563	5,869	71,627	143,927

- includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

From time to time, ING extends loans for which it receives a specific financial guarantee from a non-related counterparty or obligor. The figures in this table represent the EAD that has been guaranteed by these non-related parties. It does not include non-guaranteed amounts. For example, if a given credit risk is only partially guaranteed by a third party then only the portion of the amount which is guaranteed is included in the figures above. These figures exclude any guarantees which are received from a party related to the obligor, such as a parent or sister company. The figures also exclude any guarantees that may be implied as a result of credit default swap activities. Additionally, amounts that have been guaranteed as part of a government-sponsored mortgage program are also excluded. The figures above do include amounts that are guaranteed through an unfunded risk participation construction.

Counterparty credit risk outstandings from derivatives (SA and AIRB)

	Central governments and central banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Credit Derivatives	9	1,543	875	-	-	2,427	4,243
Derivatives	-	23	92	-	4	119	64
Equity Derivatives	-	475	837	-	11	1,323	1,597
Foreign Exchange Derivatives	203	2,431	2,508	-	41	5,183	10,694
Interest Rate Derivatives	2,729	11,863	7,616	-	99	22,307	23,289
Commodity derivative	-	0	3	-	-	3	0
Total	2,941	16,335	11,931	-	155	31,362	39,887

- includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

The figures in above table are calculated using the mark-to-market plus (regulatory) add-on methodology used for calculating Basel II RWA and are shown after adjustments for compensation and legal netting. This methodology allows ING to classify virtually all of its derivatives exposures under the AIRB approach.

Counterparty credit risk outstandings from derivatives (SA and AIRB)

	Central governments and central banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Gross positive MTM before netting and collateral	3,275	62,566	20,361	-	156	86,358	129,767
Mark to market (MTM) after netting	2,941	19,254	12,606	-	155	34,956	43,869
MTM after netting and collateral	2,941	16,335	11,931	-	155	31,362	39,887

- Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

As part of its normal securities financing and derivatives trading activities, ING enters into master agreements such as ISDAs, GMRAs, etc. Under the terms contained in sections related to Minimum Threshold Amounts and Minimum Transfer Amounts of Collateral Support Annexes (CSAa) or other similar clauses, both ING and it counterparties may agree to pledge additional collateral to each other in the event that either party is downgraded by one of the established rating agencies. ING Bank has determined that under prevailing market conditions, a one notch downgrade would only have a limited effect on the amount of additional collateral that ING would be required to pledge under these agreements. However, the actual amount that ING may be required to pledge in the future may vary based on ING's portfolio composition of both derivatives and securities pledged in securities financing transactions, market circumstances, the number of downgrade notches as well as the terms and conditions of future CSAs or other similar agreements entered into.

Counterparty credit risk outstandings from securities financing (SA and AIRB)

	Central governments and central banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Bond Financing Given	330	2,997	3,062	-	-	6,389	2,080
Equity Financing Given	0	555	2,187	-	42	2,784	11,764
Bond Financing Taken	-	2,143	1,289	-	-	3,432	1,230
Equity Financing Taken	-	541	607	-	33	1,181	2,292
Total	330	6,236	7,145	-	75	13,786	17,366

- includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

Counterparty credit risk outstandings from securities financing (SA and AIRB)

	Central governments and central banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Gross positive MTM before netting and collateral	339	10,045	10,797	-	75	21,256	29,472
Mark to market (MTM) after netting	330	9,493	9,489	-	75	19,387	22,543
MTM after netting and collateral	330	6,236	7,145	-	75	13,786	17,366

- includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

The previous four tables are calculated using the mark-to-market plus (Regulatory) add-on methodology used for calculating Basel II RWA for determining the gross exposures. In order to determine the amount of credit risk applicable, ING first matches the trades with similar characteristics to determine their eligibility for offsetting. This offsetting effect is

called "compensation". Subsequently, ING reduces the amount by any legal netting that may be permitted under various types of Master Agreements, such as ISDAs, GMRAs, GMSLAs, etc. Lastly, the amount is further reduced by any collateral that is held by ING under CSAs or other similar agreements.

CREDIT RISK MITIGATION

Credit risks from credit derivatives (notional amounts)

	2009	2008
Credit derivatives used for hedging purposes		
– credit protection bought	**982**	2,019
– credit protection sold		
Credit derivatives used for trading activities		
– credit protection bought	**35,235**	50,092
– credit protection sold	**30,276**	45,395

- Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
- Excludes revaluations made directly through the equity account

ING actively participates in the credit risk derivative (CDS) trading market, as a net purchaser of credit risk protection from other counterparties. ING has purchased a small amount of credit risk protection for hedging purposes, usually in order to reduce concentration on certain “legal one obligor groups” without having to reduce ING’s relationship banking activities. ING does not actively sell credit default swaps for hedging or investment purposes. Although Basel II rules permit a reduction of credit risk capital under certain circumstances where ING has purchased CDS protection, ING does not currently make use of this provision in determining its Basel II capital base.

The figures above represent the notional amount of credit risk default swaps that ING has entered into for the represented purpose. The credit risk on the counterparties associated with credit default swap protection bought is included in the pre-settlement risk calculations for the given counterparty, and not in the figures above. For credit default protection sold, ING incurs synthetic issuer risk, on which capital is calculated, depending on its purpose, either hedging or trading.

SECURITISATIONS

Scope

The following information is prepared taking into account the ‘Industry Good Practice Guidelines on Pillar 3 disclosure requirements for securitisations’ (the Guidelines) issued by the European Banking Federation and other industry associations on 18 December 2008. It includes qualitative and quantitative disclosures addressing both the exposure securitised as well as securitisations positions held. While quantitative disclosures are limited to those securitisations that are used for the purpose of calculating the regulatory capital requirements under the CRD, qualitative information have a broader scope and give a view on ING Bank’s entire securitisation activity.

Depending on ING’s role as investor, originator, or sponsor the objectives, the involvement and the rules applied may be different. ING is primarily engaged in securitisation transactions in the role of investor (in securitisations arranged by others). To a lesser extent, ING is also an originator or sponsor of securitisations that are usually traded in the public markets.

Valuation and accounting policies

ING's activities regarding securitisations are described in the Note "Special Purpose Entities and Securitisation" in the annual accounts. The applicable accounting policies are included in the section "Accounting policies for the consolidated balance sheet and profit and loss account of ING Group/Bank" in the annual accounts. The most relevant accounting policies for ING’s own originated securitisation programmes are "derecognition of financial assets" and "consolidation". Where ING acts as investor in securitisation positions, the most relevant accounting policy is “classification of financial instruments.”

Regulatory capital method used and Rating Agencies

ING has implemented the AIRB approach for credit risk. As a consequence, ING uses the Rating Based Approach (RBA) for investments in tranches of asset-backed securities (ABS) and mortgage-backed securities (MBS) which have been rated by external rating agencies. Rating agencies which are used by ING under the RBA include: Standard & Poor’s, Fitch, Moody’s and DBRS.

Under the RBA, the risk-weighted assets (RWA) are determined by multiplying the amount of the exposure by the appropriate regulatory risk weights, which depend on:

- the external rating or an available inferred rating
- the seniority of the position.

ING uses the Internal Assessment Approach (IAA) for the support facilities it provides to Asset Backed Commercial Paper (ABCP) conduit Mont Blanc Capital Corp., based on externally published rating agency methodologies.

ING as Investor

ING Direct is the primary investor in securitisation transactions within ING Bank. ING Direct's core strategy is gathering customer deposits and reinvesting them in its investment portfolio and retail assets, mainly mortgages. The difference between retail liabilities (the savings product is typically the first product to be launched in a country) and retail assets (the mortgage product is typically the second product launched) is invested in high quality debt. The execution of this business model in a cost-efficient manner is ING Direct's competitive advantage. Given ING Direct's business model as a liability driven operation with a focus on cost efficiency, ING Direct invests with a view to minimise credit risk, while ensuring sufficient liquidity. Hence, ING Direct accumulates highly rated debt securities with minimal credit risk thereby capitalising on its economies of scale.

Securitisation markets provide investment opportunities in highly rated (generally AAA), liquid and discountable bonds and are therefore an important asset class in ING Direct's investment portfolio. At ING Direct, the investment policies define eligible product types, minimum ratings, maximum tenors and exposure amounts both at issue and issuer levels as well as for the portfolio. The dominant product classes in the investment portfolio are RMBS, Agency RMBS, Covered Bonds, and Senior Unsecured Debt issued by Banks, Other Financial Institutions as well as Sovereigns or Quasi-sovereign entities. Prior to purchase, each investment proposal from a Treasury Centre is analysed by Credit Risk Management and decided upon at the appropriate level by a treasury officer and a credit risk manager under delegated approval authorities. In 2009 ING Direct did not purchase any new ABS or MBS, other than Agency MBS.

Purchased Securitisation Exposures

The following table gives the break down of purchased exposures by weight bands. The amount of securitisation positions purchased from third parties are based on the regulatory exposure values calculated according to the CRD after consideration of credit conversion factors (CCFs) where applicable as used for the purpose of Pillar 1, but prior to the application of credit risk mitigants on securitisation positions.

Exposures per risk weight band (ING as Investor)

	Purchased Exposures 31/12/2009	31/12/2008
Risk weight band 1 <= 10%	**35,384**	**64,678**
Risk weight band 2 >10% and >= 18%	**10,397**	**11,381**
Risk weight band 3 >18% and >= 35%	**605**	**1,008**
Risk weight band 4 >35% and >= 75%	**162**	**764**
Risk weight band 5 >75%	**2,652**	**933**
Risk weight 1250%	**212**	**1,336**
Total	**49,412**	**80,100**

ING as Originator

ING originates own securitisation transactions for economic and regulatory capital purposes, as well as liquidity and funding purposes.

- **Economic and Regulatory Capital** Seven synthetic securitisations of mortgages, small and medium enterprise (SME) and corporate exposures have been issued since ING began actively undertaking the securitisation of its own assets in 2003. Upon the closer alignment of transfer and regulatory capital solvency rules at year end 2007, the most senior tranches of ING's own securitisations have been called and are now retained by ING. Except for Memphis 2005, ING has also hedged the first loss tranches in 2009. The mezzanine tranches are still transferred to third parties.

  The first transactions (Moon and Memphis 2003) were repaid in 2008 with no loss for the investors. Mars 2004 repaid in 2009 with no loss to investors either. As of 31 December 2009, four transactions totalling approximately EUR 15 billion (Mars 2004, Mars 2006 and BEL SME 2006 on SME exposures, Memphis 2005 and Memphis 2006 on residential mortgages) remain outstanding, as further detailed below. Memphis 2006 transfers risk on high Loan to Value (LTV) Dutch mortgages.

  Securitisations of residential mortgages release less capital under Basel II than under Basel I because the capital required for this type of exposure has been reduced under Basel II rules.

- **Liquidity/Funding** Although the most senior tranches in securitisations are no longer efficient to release regulatory capital under Basel II, they may still be used to obtain funding and improve liquidity. To be eligible as collateral for central banks securitised exposures must be sold to a Special Purpose Vehicle (SPV) which, in turn, issues securitisation notes ('traditional securitisations') in two tranches, one subordinated tranche and one senior tranche, rated AAA by a rating agency. The AAA tranche can then be used by ING as collateral in the money market for secured borrowings.

  ING Bank has created a number of these securitisations with a 31 December 2009 position of approximately EUR 70 billion of AAA rated notes. The underlying exposures are residential mortgages in the Netherlands, Canada, Germany, Belgium and Australia. ING Direct also created "own originated RMBS" backed by Spanish mortgages.

  As long as the securitisation exposures created are not transferred to third parties, the regulatory capital remains unchanged. These are not detailed hereunder. Apart from the structuring and administration costs of these securitisations these securitisations are profit / loss neutral.

Exposures securitised as originator: All securitisations reported in this section are synthetic securitisations used to transfer risk to third parties. Transactions for liquidity/funding purpose are not included.
The determination of impairments and losses occurs at least every quarter at the cut-off date applicable to each specific transaction. Figures as of 31 December are used whenever available.

Exposures securitised

2009	Cut off Date	Initial Pool	Outstandings	Credit Events	Past due Assets	Losses
Residential Mortgages						
Memphis 2005	31-Oct-09	**3,000**	**2,954**	**2**	**40**	**< 1**
Memphis 2006	31-Oct-09	**4,000**	**3,911**	**12**	**143**	**2**
		7,000	**6,865**			
SME						
Mars 2006	30-Sep-09	**4,500**	**4,351**	**29**	**34**	**3**
BEL SME 2006	30-Nov-09	**2,500**	**2,232**	**22**	**18**	**3**
Total		**7,000**	**6,583**			

2008	Cut off Date	Initial Pool	Outstandings	Credit Events	Past due Assets	Losses
Residential Mortgages						
Memphis 2005	31-Oct-08	**3,000**	**2,351**	**3**	**62**	**< 1**
Memphis 2006	31-Oct-08	**4,000**	**3,750**	**11**	**207**	**2**
		7,000	**6,101**			
SME						
Mars 2004	31-Oct-08	**2,000**	**1,995**	**3**	**25**	**< 1**
Mars 2006	31-Dec-08	**4,500**	**4,202**	**12**	**32**	**2**
BEL SME 2006	30-Nov-08	**2,500**	**2,406**	**11**	**5**	**1**
Total		**9,000**	**8,603**			

Notes:

Cut-Off Date — Most recent date in respect of which determination and allocation of losses have been made pursuant to the legal documentation of the transaction. Information on the performance of ING's securitized exposures is published regularly.

Outstandings — EAD on 31 December of assets that were performing on the Cut-off date.

Credit Events — Aggregate outstandings of assets subject to a credit event reported in the twelve months period ending on the Cut-off date.

Past Due Assets	Outstandings on the Cut-off date of assets that are past due, but not in credit event on that date, as more fully detailed in the quarterly reports. Past due for residential mortgage transactions means "more than 1 monthly payment in arrears". Past due for SME deals means "reference entities that are rated 20-22" .
Losses	Aggregate losses recognised on securitised assets and reported in the twelve months period ending on the Cut-off date.

Retained Securitisation Exposures

Retained exposures on securitisation of ING's own assets include the most senior tranches and the equity piece (first loss) of Memphis 2005. Economically, on a total of about EUR 13 billion underlying exposures in the four transactions mentioned above, ING has retained approximately EUR 6 million of first loss exposure and has transferred approximately EUR 1.1 billion of mezzanine and equity tranches (first and second loss) to third parties

Securitisations originated by a company may only be considered for balance sheet derecognition when the requirements for significant credit risk transfer have been fulfilled. However, for a securitisation transaction to be recognized as for RWA reduction, risk transfer alone may be insufficient due to the increasing impact of the maturity mismatch formula. As a consequence, The RWA of the retained tranches for one of the transactions in the table above would be higher than the total RWA of the underlying pool before securitisation, and therefore that transaction is are treated for RWA purposes as if it was not securitised.

ING as Sponsor

In the normal course of business, ING Bank structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients' receivables or other financial assets to an SPV. The transactions are funded by the ING administered multi seller Asset Backed Commercial Paper (ABCP) conduit Mont Blanc Capital Corp. (rated A-1/P-1). Despite the conditions in the international money markets Mont Blanc Capital Corp. continues to fund itself externally in the ABCP markets.

In its role as administrative agent, ING facilitates these transactions by providing structuring, accounting, funding and operations services. ING Bank also provides support facilities (liquidity and program wide enhancement) backing the transactions funded by the conduit.

The types of asset currently in the Mont Blanc Conduit include trade receivables, consumer finance receivables, credit card receivables, auto loans, RMBS and CDOs/CLOs.

Exposures Securitised as Sponsor

The total liquidity facilities, including programme wide enhancements, provided to the Mont Blanc conduit are EUR 3,240 million. The total drawn liquidity amount as of 31 December 2009 is EUR 584 million.

Securitisation in the trading book

The exposures involved are mainly synthetic Collateralized Debt Obligations (CDO's) in which the underlying credit exposures are taken on using a credit default swap rather than a vehicle buy physical assets.

The CDO's are a form of securitisation where payments from a portfolio of fixed-income assets are pooled together and passed on to different classes of owners in various tranches. The assets/loans are divided in different tranches according to their seniority: senior tranches (rated AAA), mezzanine tranches (AA to BB) and equity tranches (unrated). Losses are applied in reverse order of seniority. The CDO's in trading books are valued mark-to-market. The underlying assets are a pool of mostly Corporate Investment Grade names.

The Net Collaterised Debt Obligations position in the Trading portfolio as of 31-Dec 2009 is EUR -28 million (2008: EUR –83 million).

OTHER NON CREDIT OBLIGATION ASSETS

Other Non Credit Obligation Assets (ONCOA) represent assets of non credit obligation character that are not included in the SA or A-IRB calculations. Capital requirement for ONCOA as of 31 December 2009 is EUR 2,275 million (2008: EUR 2,166 million).

OPERATIONAL RISK

The Operational Risk Capital model of ING is based on a Loss Distribution Approach (LDA). The Loss Distribution is based on both external and internal loss data exceeding EUR 1 million. The model is adjusted for the scorecard results, taking into account the specific quality of control in a business line and the occurrence of large incidents ('bonus/malus'). This provides an incentive to local (operational risk) management to better manage operational risk. The capital calculation meets industry standards and was approved in April 2008 by DNB. Originally, the model was designed for Economic Capital (99.95% confidence level) and the Financial Risk Dashboard (90% confidence level). From 2008 onwards, the model is used for regulatory capital reporting purposes as well.

The Operational Risk Capital based on AMA slightly decreased to EUR 3,309 million in 2009, from EUR 3,368 million in 2008, due the reduction of the size of ING Bank relative to the total banking industry.

MARKET RISK

The general description of market risk in ING Bank can be found in the risk paragraph of the annual report, where the organisation, measurement and management of market risk is explained. Further, for 2009 the scope for Pillar 3 non-trading exposures is in line with the risk paragraph where several banking books are governed by the trading risk process. In the 2008 Pillar 3 figures non-trading exposures are excluded from the trading governance resulting in differences with the 2008 numbers from the risk paragraph.

CAPITAL REQUIREMENTS

Capital requirements

	Standardised approach		Internal Model Approach		Total	
Amount in EUR million	**2009**	2008	**2009**	2008	**2009**	2008
Interest rate risk	**127**	255	**233**	456	**360**	711
Equity position risk	**0**		**75**	80	**75**	80
Foreign exchange risk [1]	**23**	194	**33**	51	**56**	245
Total	**150**	449	**341**	587	**491**	1,036

[1] The FX exposure under the Standardised Approach contains FX exposures on both trading and banking books

TRADING BOOK POSITIONS

model approach

According to the Dutch regulation, regulatory capital for trading portfolios can be calculated using the standardised approach (CAD1) or an internal model approach (CAD2). In 1998, ING received approval from the Dutch Central Bank (DNB) to use an internal Value-at-Risk (VAR) model to determine the regulatory capital for the market risk in the trading book of ING Bank. Market risk capital of CAD2 trading books is calculated according to the internal VaR model, where correlations and volatilities are taken into account. On the other hand, market risk capital of CAD1 books is calculated using standardised fixed risk weights.
In 2009, ING applied the CAD2 model for most of its trading activities. The standard CAD1 model is used for some trading books in smaller locations and / or products for which the internal model is not yet CAD2 compliant. The aim of ING is to receive CAD2 status for all its trading books. It should be noted that due to the conservative nature of the CAD1 model the capital charge for the standardised approach is much larger than for the internal model approach.

VaR Values for IMA Portfolios

	Over the reporting Period 2009			31 Dec 2009	31 Dec 2008
Amount in EUR million	**High**	**Mean**	**Low**	**Period-end**	Period-end
Interest rate risk	**49**	**29**	**19**	**21**	40
Equity position risk	**11**	**7**	**4**	**5**	7
Foreign exchange risk	**10**	**4**	**1**	**3**	6
Diversification effect		**6**		**4**	3
Total		**35**		**25**	50

For a summary of the Value-at-Risk measurement applicable to the internal model approach please refer to the Market Risk Paragraph in the Annual Report 2009. It should be noted that the VaR figures in the above table only relate to the CAD2 trading books for which the internal model approach is applied. The VaR figures reported in the Annual Report relate to all books under trading governance.

BANKING BOOK POSITIONS

Equities

Total exposure under the Simple Risk Weight Approach at the 31 December 2009 is EUR 1,746 million (2008: EUR 1,042 million) resulting in EUR 364 million (2008: 194 million) of capital requirement.

Equities Unrealised Gains and Losses

Amount in EUR million	2009	2008
Gross unrealised gains	2,570	874
Gross unrealised losses	-12	-211
Total	2,558	663

Please refer to the Market Risk Segment in the Risk Management section for a description of the equity holdings and accounting methodology.

Interest rate risk

Earnings Sensitivity

Amount in EUR million	2009	2008
By line of business		
ING Commercial Banking	-44	–132
ING Retail Banking	-115	–101
ING Direct	-281	5
ING Bank Corporate Line	5	46
Total	-435	–182
By Currency		
Euro	-262	–221
US Dollar	-193	36
Pound Sterling	-26	3
Other	46	
Total	-435	–182

Net Present Value at Risk

Amount in EUR million	2009	2008
By line of business		
ING Commercial Banking	-427	–710
ING Retail Banking	-51	–100
ING Direct	49	–232
ING Bank Corporate Line	-1,406	–1,388
Total	-1,835	–2,430
By Currency		
Euro	-1,811	–2,140
US Dollar	-39	–238
Pound Sterling	-53	–41
Other	68	–11
Total	-1,835	–2,430

The Earnings Sensitivity and the Net Present Value at Risk are based on a 1% instantaneous upward shock.
In the Risk Management section a detailed description is given on the interest rate risk in the Banking book. For 2009 the scope for Pillar 3 non-trading exposures is in line with the risk paragraph where several banking books are governed by the trading risk process. In the 2008 Pillar 3 figures non-trading exposures are excluded from the trading governance resulting in minor differences with the 2008 numbers from the risk paragraph.

STRUCTURE OF RISK MANAGEMENT SECTION

RISK MANAGEMENT IN 2009

Taking measured risks is part of ING Group's business. As a financial services company active in banking, investments, life insurance and retirement services ING Group is naturally exposed to a variety of risks. To ensure measured risk-taking ING Group has integrated risk management in its daily business activities and strategic planning. Risk Management assists with the formulation of risk appetite, strategies, policies and limits and provides a review, oversight and support function throughout the Group on risk-related issues. The main financial risks ING Group is exposed to are credit risk (including transfer risk), market risk (including interest rate, equity, real estate, and foreign exchange risks), insurance risk and liquidity risk. In addition, ING Group is exposed to non-financial risks, e.g. operational and compliance risks. The way ING Group manages these risks on a day-to-day basis is described in this risk management section.

During 2009 the focus remained on risk mitigation and de-leveraging. However, a number of upgrades to methodologies were realised as well, and based on the experiences from the past two years more effort was put in stress testing. Besides the regularly performed stress tests, stress testing was also used for the mid-term planning. Furthermore, the economic capital model for credit risk is being updated to bring it more in line with the regulatory capital framework, which excludes diversification benefits. The updated model will be implemented in 2010. The risk appetite framework was revised as well and better aligned with the capital management targets for the capital ratios. Lastly, the most notable change in terms of risk governance during 2009 was the creation of the Risk Committee. The Risk Committee is a sub-committee of the Supervisory Board, dedicated to risk governance, risk policies and risk appetite setting.

MARKET DEVELOPMENTS 2009

After the turmoil on the financial markets during 2008, the financial markets improved considerably during 2009, with the exception of direct and indirect Real Estate investments. The volatility levels came down sharply, with volatility levels at year end 2009 similar to the levels in the first half of 2008. Throughout the world the prices of most major asset classes recovered strongly. Equity markets went up significantly: year on year the S&P 500 increased 23% and the Dutch Amsterdam Exchange Index (AEX) increased 36%. Real Estate prices remained under pressure, however. At 31 December 2009 the S&P Case-Shiller Index, the most prominent Real Estate index in the United States, was 3% lower than at the end of 2008. In December 2009, the price index of Dutch owner-occupied residential real estate, as reported by Statistics Netherlands (CBS) and the Dutch Land Registry Office ("Kadaster"), was 5.3% lower than in December 2008. This decline pertained to all types of residential real estate and to all Dutch provinces. Furthermore, after the credit spread widening during 2008, the credit spreads in the financial and corporate sector narrowed in 2009, both in the US and in Europe. Both in the US and Europe short term interest rates decreased further during 2009, with the exception of the 3 month T-bill which remained at a near zero level. Long term interest rates increased in the US, but in Europe they decreased slightly compared to year end 2008.

Risk mitigation

Anticipating a further downturn in the markets in 2009, ING took additional actions to reduce risk across major asset classes. First, the de-risking activities that started in 2008, were continued and increased during 2009. Second, de-leveraging helped reduce risk via reduction of the bank balance sheet. Finally, the Back to Basics initiative further reduced risk through the sale of businesses in order to focus more on ING's core activities and markets.

The activities for the bank balance sheet reduction were already started in 2008 (EUR 41 billion), but during 2009 the bank balance sheet was further reduced by EUR 153 billion, and as such the reduction target of EUR 108 billion was reached. Balance sheet reduction was also notable in the Available-for-Sale (AFS) portfolio which was reduced by EUR

45 billion in 2009. The reduction was realised through maturing bonds and pre-payments, but also reclassifications out of this category to loans and receivables. For ING Bank EUR 22.8 billion of AFS exposure was reclassified to loans and receivables. EUR 13.3 billion of this reclassification is related to ABS securities, and EUR 9.5 billion relates to covered bond exposures. This reclassification was done in January 2009. In January 2009 ING entered into an Illiquid Assets Back-Up Facility with the Dutch State. This agreement resulted in a de-recognition of AFS exposure of EUR 15.2 billion. At the beginning of the second quarter ING Insurance reclassified EUR 6.1 billion of AFS exposure to loans and advances. This reclassification is related to ABS securities.
In ING Direct the investment portfolio was reduced and more emphasis was placed on own originated assets. Next to the fact that ING's revaluation reserve improved significantly during 2009, ING is now also less sensitive for revaluation reserve changes. The combination of a reduced balance sheet and improved IFRS equity made the Bank asset leverage improve from 35.3 at 31 December 2008 to 27.8 at 31 December 2009.

Focus during the year was also on containment of risk weighted assets (RWA). Credit migration due to downgrades of counterparties resulted in higher risk weights for assets, leading to higher required capital. In order to mitigate the RWA increase several de-risking steps were taken. The first major step was taken at the start of the year when ING and the Dutch state entered into the Illiquid Asset Back-Up Facility (IABF) term sheet. The IABF covers ING's Alt-A residential mortgage backed securities (RMBS) portfolio. Through this transaction the Dutch State became the economic owner of 80% of the Alt-A RMBS portfolio. This transaction was concluded at 90% of the par value per year end 2008. Par value of the portfolio was approximately EUR 30 billion at that point in time. ING remains exposed to 20% of the result of the Alt-A RMBS portfolios, as well as the legal owner of 100% of the securities. As such the transaction significantly reduced the uncertainty regarding the impact on ING of any future losses in the portfolio. In addition, as a result of the IABF, 80% of the Alt-A RMBS portfolios was derecognised from ING's balance sheet under IFRS. Therefore, 80% of the negative revaluation reserve on the securities was reversed, resulting in an increase of EUR 4.6 billion in Shareholders' equity. The transaction also reduced ING's risk weighted assets by approximately EUR 13 billion.

Second, additional mitigation of the RWA migration was done by further reducing the RMBS portfolio, for example via the sale of US Prime RMBS trades during the fourth quarter. ING Direct sold 27 US prime RMBS securities with an amortised cost value of EUR 0.8 billion. The sale resulted in a pre-tax loss of EUR 83 million. The remaining US prime RMBS portfolio within ING Direct has a market value of EUR 0.9 billion and is fully investment grade rated. These and other management actions resulted in a RWA reduction during 2009 of EUR 11 billion, reducing them from EUR 343 billion at year end 2008 to EUR 332 billion at year end 2009.

During 2009, ING lowered, in its new production of Dutch mortgage loans, the share of mortgages with non-standard debt capacity calculations or high Loan to Value (LTV) ratios.

ING continued to de-risk its product offering in 2009. This was accomplished through the redesign of products, and by removing products from our product range in line with the Back to Basics strategy. The re-design of products mainly relates to US and European Variable Annuity products, and was done in stages, based on lower risk and more sustainable product design. The Single Premium Variable Annuity product is no longer part of the product range in Japan.

ING also hedged the listed equity exposure of ING Insurance via put options on the Eurostoxx 50. The nominal hedged amount was EUR 3.0 billion at 31 December 2009, partly via a collar structure.

A more detailed disclosure of outstanding risk factors facing ING and the financial industry is given in the Risk Factor section in the Additional Information part of the Annual Report.

Impact of financial crisis

Impact on pressurised asset classes

As a result of the fact that some markets remained distressed throughout 2009 ING Group incurred negative revaluations on its investment portfolio, which impacted shareholders' equity. Furthermore, ING Group incurred impairments, fair value changes and trading losses, which impacted its profit and loss account (P&L).

The table below shows the exposures and negative revaluations and losses taken on US sub-prime and US Alt-A residential mortgage backed securities (RMBS), Collateralised Debt Obligations (CDOs) and Collateralised Loan Obligations (CLOs) and Commercial Mortgage Backed Securities (CMBS) during 2009.

US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs, CMBS exposures, revaluations and losses							
		31 December 2009	Change in 2009			31 December 2008	
		Fair value	Revaluation through equity (pre-tax)	Write-downs through P&L (pre-tax)	Other changes	Fair value	Revaluations through equity (pre-tax)
US Subprime RMBS		1,428	335	-350	-335	1,778	-1,146
US Alt-A RMBS		2,964	7,235	-1,405	-21,713	18,847	-7,474
CDOs/CLOs		4,087	225	133	260	3,469	-352
CMBS		7,711	1,176	-25	-1,179	7,739	-3,010
Total		**16,190**	**8,971**	**-1,647**	**-22,967**	**31,833**	**-11,982**

- ING Group's total EUR 1.4 billion exposure to US sub-prime assets relates to non originated loans acquired as investments in RMBS and represents 0.1% of total assets. At 31 December 2009 approximately 50% of ING's US sub-prime portfolio was rated A or higher. ING Group does not originate sub-prime mortgages. (Residential) mortgages that are not classified as sub-prime are the vast majority of the total mortgage backed securities (MBS).
- ING Group's total US Alt-A RMBS exposure at 31 December 2009 was EUR 3.0 billion. About 32% of this portfolio was A rated or higher. ING's Available-for-Sale Alt-A investments are measured at fair value in the balance sheet. The significant reduction in exposure as indicated by "Other changes" is primarily due to the Illiquid Asset Back-Up Facility. The substantial amount of the negative pre-tax revaluation reserve in equity is mainly a result of the decline of market prices in illiquid markets. Under applicable accounting standards, impairments on debt securities are triggered by credit events only. Upon impairment, the full unrealised revaluation on the impaired security (including the amount attributable to market illiquidity) is recognised in the profit and loss account. The amount of impairments recognised in the profit and loss statement is principally a reflection of an illiquid market and occurred credit events.
- Net investments in CDOs/CLOs at 31 December 2009 were 0.4% of total assets. The vast majority of the CDOs/CLOs has investment grade corporate credit as underlying assets. Other changes includes purchases and sales of CDOs/CLOs, as well as foreign currency effects.
- The CMBS portfolio had a market value of EUR 7.7 billion at 31 December 2009. The current fair value is 81% of original purchase price. Improvements in the portfolio were mainly visible in the super senior and AAA tranches; however, ING still had to book EUR 25 million of impairments on the CMBS portfolio during 2009.

Of the EUR 16.2 billion exposure on US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS EUR 12.6 billion is measured at fair value (with the revaluation recognised in equity, except impairments on these trades going through P&L). At 31 December 2009 the fair value of US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS was as provided in the tables below, where the following split is made:
Level 1 – Quoted prices in active markets
Level 2 – Valuation technique supported by observable inputs
Level 3 – Valuation technique supported by unobservable inputs
An analysis of the method applied in determining the fair values of financial assets and liabilities is provided in Note 34 'Fair value of financial assets and liabilities'.

Fair value of US subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS					
2009		Level 1	Level 2	Level 3	Total
US Subprime RMBS		0	16	1,412	1,428
US Alt-A RMBS		0	2,308	656	2,964
CDOs/CLOs		2,509	454	54	3,017
CMBS		123	5,074	18	5,215
Total		**2,632**	**7,852**	**2,140**	**12,624**

Fair value of US subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS					
2008		Level 1	Level 2	Level 3	Total
US Subprime RMBS		20	26	1,732	1,778
US Alt-A RMBS		0	244	18,244	18,488
CDOs/CLOs		3,273	162	34	3,469
CMBS		5,020	2,050	42	7,112
Total		8,313	2,482	20,052	30,847

Impact on Real Estate
By the end of 2009 ING Group's total exposure to Real Estate was EUR 13.1 billion (2008: EUR 15.5 billion) of which EUR 7.7 billion (2008: 9.8 billion) is in the accounting class fair value through profit and loss. In 2009, ING recorded EUR 2,156 million pre-tax negative revaluations and impairments. ING's Real Estate portfolio has high occupancy rates and is diversified over sectors and regions, but is clearly affected by the ongoing negative Real Estate markets throughout the world.

Impact on Equity securities – available for sale
Direct equity exposure at 31 December 2009 was EUR 6.5 billion (listed) and EUR 2.4 billion (non-listed). During 2009 ING recognised EUR 409 million of pre-tax impairments on equity exposure. ING generally decides to impair a listed equity security based on two broad guidelines: when the fair value of the security is below 75% of the cost price or when the market price of the security is below the cost price for longer than six months.

Impact on counterparty risk
The impact on counterparties for 2009 is limited mainly to the collapse of the DSB Bank in the Netherlands. The DSB Bank was covered by the Dutch Deposit Guarantee scheme, and as such ING Group as a participant in the scheme is obliged to contribute to cover the claims from deposit holders. Under the scheme deposits upto an amount of EUR 100,000 per person, meeting definitions of the scheme, are guaranteed

Impact on monolines
ING has an exposure of EUR 1.1 billion to monolines at the end of 2009 (2008: EUR 2.2 billion). This position decreased during the year primarily due to sales.

Impact on Liquidity profile
Due to the financial crisis liquidity became scarce and central banks around the world provided funding to prevent the interbank market drying up. Throughout the year ING's liquidity position remained within internally set limits. ING Bank has a favourable funding profile as the majority of the funding stems from client deposits.

Impact on loan loss provisioning
ING's loan book consists mainly of corporate loans and mortgages. The loan book continues to perform well despite increases in risk cost over the year. The additions to ING Bank loan loss provisions were EUR 2,973 million or 102 basis points of average credit risk weighted assets (compared to net additions of EUR 1,280 million or 48 basis points in 2008). During the first half of 2009, the larger part of the risk costs were visible in the Commercial Bank; in the Structured Finance and Real Estate portfolios. During the second half of 2009, risk costs in the Commercial Bank came down due to less incidents and closing of several restructurings. The risk costs in the second half of 2009 were negatively impacted, however, by the distress in the Mid Corporate and SME sector in the home markets Netherlands and Belgium. The risk costs in the mortgage portfolio in the home markets were moderate as there were no material increases in arrears and default levels during 2009. ING Direct risk costs were impacted by the US housing market.

Ongoing changes in the regulatory environment
After the turmoil in the financial markets over the last couple of years and the need for governments to provide aid to financial institutions, financial institutions have been under more scrutiny from the public, supervisors and regulators. During 2009 several proposals were made to change regulations governing financial institutions. These revised regulations are intended to make sure that a crisis in the financial system can be avoided in the future. To accomplish this regulations focus primarily at the following issues:

- More stringently aligning risk taking with the capital position of the financial institutions (revised Basel II for Banks). The revised Basel II proposal narrows the definition of core Tier-1 and Tier-1 capital, and introduces a new definition for a leverage ratio that should become part of Pillar 1 of the Basel framework. The Basel Committee has also issued a proposal for new liquidity requirements.
  Apart from the above mentioned proposals, another aim is to reduce 'pro-cyclicality', to avoid that banks would be required to increase their capital in bad times when it is most scarce. Lastly, there is the proposal to introduce additional capital requirements for counterparty credit risk.

The Basel II proposals are still in consultation phase, and the benchmarks and limits remain to be specified after a series of quantitative impact studies have been performed.

- Separate from but in line with the revised Basel II proposal, on a country level local regulators are becoming more stringent on the maximum credit risk bank subsidiaries and branches are allowed to run on their parents. This leads to a new phenomenon of so-called trapped pools of liquidity, i.e. excess liquidity in a country can not merely be transferred (unsecured) to a central Treasury in another country.
- Solvency II: In 2009 the Solvency II Framework Directive was formally approved by the European Commission and European Parliament, with a specified deadline for implementation of October 2012. ING has always been a firm supporter of the Solvency II initiative, being an economic, risk-based solvency system that is based on commonly agreed principles, empirical insights and the economic reality in the financial markets. The detailed legislative implementing measures are currently under development. However industry participants have significant concerns on several aspects of the current proposals, which would be detrimental to consumers, the insurance industry, and the European economy. ING is committed to work actively together with all stakeholders to develop pragmatic solutions that would result in Solvency II meeting its original intent.

The following paragraphs provide a high level overview of the risk management governance and risk profile from an ING Group perspective. This is followed by a more detailed overview, split into the different risk types (credit, market, liquidity, insurance, operational and compliance risk) both for ING Bank and ING Insurance. The section concludes with disclosures on models for Earnings at Risk (EaR), Capital at Risk (CaR) and Economic Capital (EC).

ING GROUP

To ensure measured risk-taking throughout the organisation, ING Group operates through a comprehensive risk management framework. This ensures the identification, measurement and control of risks at all levels of the organisation so that ING Group's financial strength is safeguarded.

The mission of ING Group's risk management function is to build a sustainable competitive advantage by fully integrating risk management into daily business activities and strategic planning. This mission is fully embedded in ING Group's business processes.

The following principles support this objective:

- Products and portfolios are structured, underwritten, priced, approved and managed appropriately and compliance with internal and external rules and guidelines is monitored;
- ING Group's risk profile is transparent, managed to avoid surprises, and is consistent with delegated authorities;
- Delegated authorities are consistent with the overall Group strategy and risk appetite;
- Transparent communication to internal and external stakeholders on risk management and value creation.

RISK GOVERNANCE

ING's risk management framework is based on the 'three lines of defence' concept which ensures that risk is managed in line with the risk appetite as defined by the Executive Board (and ratified by the Supervisory Board) and is cascaded throughout the Group. This concept provides a clear allocation of responsibilities for the ownership and management of risk, to avoid overlaps and/or gaps in risk governance. Business line management and the regional and local managers have primary responsibility for the day-to-day management of risk and form the first line of defence. The risk management function, both at corporate and regional/local level, belongs to the second line of defence and has the primary responsibility to align risk taking with strategic planning e.g. in limit setting. Risk managers in the business lines have a functional reporting line to the Corporate Risk General Managers described below. The internal audit function provides an ongoing independent (i.e. outside of the risk organisation) and objective assessment of the effectiveness of internal controls, including financial and operational risk management and forms the third line of defence.

Group Risk Management Function

The risk management function is embedded in all levels of the ING Group organisation.

Chief Risk Officer

The Chief Risk Officer (CRO), who is a member of the Executive Board, bears primary overall responsibility for the Group risk management function. The CRO is responsible for the management and control of risk on a consolidated level to ensure that ING's group risk profile is consistent with its financial resources and the risk appetite defined by the Executive Board. The CRO is also responsible for establishing and maintaining a robust organisational basis for the management of risk throughout the ING organisation.

Group Risk Organisation
The organisation chart below illustrates the functional reporting lines within the ING Group risk organisation.

The risk organisation is structured independently from the business lines and is organised through five risk departments:
- Corporate Credit Risk Management (CCRM) is responsible for the credit risk management of ING Bank and ING Insurance.
- Corporate Market Risk Management (CMRM) is responsible for the market risk and liquidity risk management of ING Bank.
- Corporate Insurance Risk Management (CIRM) is responsible for the insurance, market and liquidity risk management of ING Insurance.
- Corporate Operational Risk Management (CORM) is responsible for the operational risk management of ING Bank and ING Insurance.
- Group Compliance Risk Management (GCRM) is responsible for (i) identifying, assessing, monitoring and reporting on the compliance risks faced by ING, (ii) supporting and advising management on fulfilling its compliance responsibilities, and (iii) advising employees on their (personal) compliance obligations.

The heads of these departments (Corporate Risk General Managers) report to the CRO and bear direct responsibility for risk (mitigating) decisions at the Group level. The Corporate Risk General Managers and the CRO are responsible for the harmonisation and standardisation of risk management practices.

In addition two staff departments report to the CRO:
- The Risk Integration and Analytics department is responsible for inter-risk aggregation processes and for providing group-wide risk information to the CRO and Executive Board.
- The Model Validation department. This department carries out periodic model validations of all material risk models used by ING. To ensure independence from the business and the other risk departments, the head of this department reports directly to the CRO.

Group Risk Committees
The Group risk committees described below are also part of the second line of defence. They act within the overall risk policy and delegated authorities granted by the Executive Board and have an advisory role to the CRO. To ensure a close link between the business lines and the risk management function, the business line heads and the respective Corporate Risk General Managers are represented on each committee (except for the Operational and Residual Risk Committee where the business is not represented).

- ING Group Credit Committee – Policy (GCCP): Discusses and approves policies, methodologies and procedures related to credit, country and reputation risks within ING Group. The GCCP meets on a monthly basis.
- ING Group Credit Committee – Transaction Approval (GCCTA): Discusses and approves transactions which entail taking credit risk (including issuer investment risk). The GCCTA meets twice a week.
- ING Group Investment Committee (GIC): Discusses and approves investment proposals for ING Real Estate. The GIC meets on a monthly basis.
- Asset and Liability Committee ING Bank (ALCO Bank): Discusses and approves the overall risk profile of all ING Bank's market risks that occur in its Commercial Banking, Retail Banking and ING Direct activities. ALCO Bank defines the policy regarding funding, liquidity, interest rate mismatch and solvency for ING Bank. ALCO Bank meets on a monthly basis.
- Asset and Liability Committee ING Insurance (ALCO Insurance): Discusses and approves all risks associated with ING's Insurance activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. ALCO Insurance meets ten times a year.
- Operational and Residual Risk Committee (ORRC): Discusses and approves issues related to Methods, Models and Parameters related to Operational risk, Business risk in Banking, inter-risk diversification and consistency across risk types and businesses. The committee meets at least twice a year.

In addition, the Finance and Risk Committee (F&RC) is a platform for the CRO and the CFO, along with their respective direct reports, to discuss and decide on issues that relate to both the finance and risk domains. After the Back to Basics initiative was launched in April 2009, the Finance & Risk Committee was split into a F&RC Bank and F&RC Insurance, in line with the strategy to manage the Bank and Insurance separately. At least on a quarterly basis there is also a F&RC Group meeting, covering specific Group issues.

ING Group uses risk assessment and risk measurement to guide decision making. As a result, the quality of risk models is important. The governance process for approval of risk models, methods and parameters ensures business and regulatory requirements, via a clear assignment of responsibility and accountability.

Board level risk oversight
ING Group has a two-tier board structure consisting of the Executive Board and the Supervisory Board; both tiers play an important role in managing and monitoring the risk management framework. At the highest level of the ING organisation, there are board committees which oversee risk taking, and have ultimate approval authority.

- The Executive Board is responsible for managing risks associated with the activities of ING Group. Its responsibilities include ensuring that internal risk management and control systems are effective and that ING Group complies with relevant legislation and regulations. On a regular basis, the Executive Board reports on these issues and discusses the internal risk management and control systems with the Supervisory Board. On a quarterly basis, the Executive Board reports on the Group's risk profile versus its risk appetite to the Audit Committee, explaining changes in the risk profile.
- The Supervisory Board is responsible for supervising the policy of the Executive Board, the general course of affairs of the Company and its business (including its financial policies and corporate structure). The Supervisory Board has several sub-committees related to specific topics. Of these, two sub-committees are relevant for the risk management organisation and risk reporting, which are:
    - The Audit Committee, which assists the Supervisory Board in reviewing and assessing ING Group's major risk exposures and the operation of internal risk management and control systems, as well as policies and procedures regarding compliance with applicable laws and regulations.
    - The Risk Committee, which assists the Supervisory Board on matters related to risk governance, risk policies and risk appetite setting. The committee was established in 2009. It reports in the Supervisory Board on the main risk issues in the group.

  Committee membership is organised such that specific business know-how and expertise relating to the activities of ING and the subject matter of the committees is available. The CRO attends the meetings of the Audit Committee and the Risk Committee.

The CRO makes sure that the boards are well informed and understand ING Group's risk position at all times. Every quarter the CRO reports to the board committees on ING's risk appetite levels and on ING Group's risk profile. In addition the CRO briefs the board committees on developments in internal and external risk related issues and makes sure the board committees understand specific risk concepts.

ING has integrated its risk management into the annual strategic planning process. This process aligns strategic goals, business strategies and resources throughout ING Group. The process is such that the Executive Board issues a Planning Letter which provides the organisation with the corporate strategic direction, and addresses key risk issues. Based on this Planning Letter the business lines and business units develop their business plans which align with the Group's strategic direction. The process includes a qualitative and quantitative assessment of the risks involved in the plans. It is part of the process to explicitly discuss strategic limits and group risk appetite levels. At each level, strategies and metrics are identified to measure success in achieving objectives and to assure adherence to the strategic plan. Based on the business unit and line of business plans, the Executive Board formulates the Group Strategic Plan which is submitted to the Supervisory Board for approval.

Group risk policies
ING has a framework of risk management policies, procedures and standards in place to create consistency throughout the organisation, and to define minimum requirements that are binding on all business units. The governance framework of the business units aligns with the Group level framework and meets local (regulatory) requirements. Senior Management is responsible to ensure policies, procedures and standards are implemented and adhered to. Employees globally have access to the Group's governance framework through an internal website. Policies, procedures and standards are regularly reviewed and updated via the relevant risk committees to reflect changes in markets, products and emerging best practices.

ING GROUP FINANCIAL RISK PROFILE
ING Group uses an integrated risk management approach. The risk dashboard captures the risks in all Banking and Insurance business lines in terms of Earnings at Risk and Capital at Risk, and shows the impact of diversification across the Group. The Executive Board uses the risk dashboard to monitor and manage the actual risk profile in relation to the Group risk appetite. It enables the Executive Board to identify possible risk concentrations and to support strategic decision making. The risk dashboard is reported to the Executive Board on a quarterly basis and is subsequently presented to the Risk Committee.

ING Group's risk appetite is defined by the Executive Board as part of the strategic planning process. Strict boundaries are established with regard to acceptable risk types and levels. ING's 'three lines of defence' governance framework ensures that risk is managed in line with the risk appetite as defined by the Executive Board. Risk appetite is cascaded throughout the Group, thereby safeguarding controlled risk taking. The role of the business lines is to maximise the value within established risk boundaries. Each quarter, the Executive Board monitors that the financial and non-financial risks are within the boundaries of the risk appetite as set in the strategic planning process.

During 2009 the risk appetite framework for ING Group was revised, and approved by the Executive Board. It now more closely aligns the risk appetite setting with the capital management targets for the capital ratios. This new framework will be implemented in 2010.

ING Group risk metrics in 2009

The Group's risk appetite is captured in three different metrics which are disclosed below:

- Earnings at Risk: the potential reduction in IFRS earnings over the next year, during a moderate (i.e. '1 in 10') stress scenario. Maintaining a high quality of earnings helps ING to safeguard against being downgraded by the rating agencies.
- Capital at Risk: the potential reduction of the current net asset value (based on fair values) over the next year, during a moderate (i.e. '1 in 10') stress scenario.
- Economic Capital: the amount of capital that is required to absorb unexpected losses in times of a severe (i.e. '1 in 2000') stress scenario given ING Group's 'AA' target rating.

ING Group's risk metrics cover the most important aspects in terms of different severities (moderate vs. extreme stress) and performance measures where risk can materialise (value vs. earnings). The Earnings and Capital at Risk metrics are important metrics from a shareholder point of view since they provide insight in the level of risk ING takes under 'moderate stress' market expectations to generate return. From the debt and policy holder point of view, Economic Capital is more important since it is the buffer against extreme losses.

The main differences and similarities between the risk metrics are illustrated below.

	Earnings at Risk	Capital at Risk	Economic Capital
Confidence interval	90%	90%	99.95% (based on AA target rating)
Stressed metric	IFRS earnings	Value	Value
Deviation from	IFRS earnings before market volatilities and risk costs (over the next year)	Current net asset value based on fair values (over the next year)	Current net asset value based on fair values (over the next year)
Interpretation	Potential IFRS earnings reduction during a 'moderate' stress scenario (i.e. 1 in 10)	Potential value reduction of net value during a 'moderate' stress scenario (i.e. 1 in 10)	Potential value reduction of net value during a 'severe' stress scenario (i.e. 1 in 2000)

When interpreting the Earnings and Capital at Risk metrics it is important to note that these are not loss estimates of a specific adverse scenario. Further, the metrics do not take into account discretionary management intervention in a specific crisis situation, and are based on instantaneous shock scenarios.

The methodology for the risk metric Earnings at Risk was upgraded during 2009 to more closely align with accounting rules. In particular, the impairment risk component was improved. The methodology now also takes into account potential impairments on goodwill, and better incorporates of impairments on debt securities. The approximate impact of these changes is an increase of EUR 900 million on total EaR level.
The revised risk appetite framework that will be implemented in 2010 will include some new metrics, like for instance Risk Weighted Assets at Risk for ING Bank, and Local Solvency at Risk for ING Insurance. The new metrics combined with the existing metrics will provide a better understanding of the movement in capital ratios in a moderate (i.e. '1 in 10') stress scenario.

Risk types

ING's financial risk profile measures the following main types of risks that are associated with its business activities:

- Credit risk: the risk of potential loss due to default by ING's debtors (including bond issuers) or trading counterparties.
- Market risk: the risk of potential loss due to adverse movements in market variables, such as equity prices, real estate prices, interest rates and foreign exchange rates. These four market risks cover all market risks identified in ING's businesses.
- Insurance risk: risks such as mortality, morbidity and property and casualty associated with the claims under insurance policies it issues/underwrites; specifically, the risk that premium rate levels and provisions are not sufficient to cover insurance claims.
- Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss, as well as legal risk; whereas strategic risks are not included.

– Business risk: the exposure to value loss due to fluctuations in volumes, margins and costs, as well as client behaviour risk. These fluctuations can occur because of internal, industry, or wider market factors. It is the risk inherent to strategy decisions and internal efficiency.

The business risk methodology for ING Bank was revised during 2008 and the first quarter of 2009. The methodology was changed to more closely align with the methodology used for ING Insurance and to make sure that the volumes, margins and cost fluctuations were better reflected than in the previous methodology. The new business risk methodology for Bank consists of three components, (i) volume/margin risk, (ii) expense risk, and (iii) client behaviour risk. The new methodology was implemented during the first quarter of 2009, after approval by the ORRC.

The above risk metrics do not cover liquidity risk: the risk that ING or one of its subsidiaries cannot meet its financial liabilities, at reasonable cost and in a timely manner, when they fall due. ING has a separate liquidity management framework in place to manage this risk. This framework is described below in the Liquidity Risk section of ING Bank and ING Insurance respectively.

A description of the models, underlying assumptions and key principles used by ING for calculating Earnings at Risk, Capital at Risk and Economic Capital is provided in the Model Disclosure section at the end of the risk management section.

Earnings at Risk
The level of Earnings at Risk (EaR) provides insight into the level of risk ING can absorb relative to its earnings capacity. The below two tables show the EaR figures per risk type, split between Bank and Insurance and combined for ING Group. The levels shown are undiversified levels for ING Bank and ING Insurance, meaning that the diversification between Bank and Insurance is not yet included in these figures. This diversification benefit is shown separately. The row 'Bank-Insurance diversification %' shows the benefit of combining the Bank and Insurance EaR figures. For example: the 1% for Credit and Transfer Risk indicates that the Group figure for Credit & Transfer Risk is 1% lower than the Bank and Insurance figures for Credit and Transfer Risk combined. Similarly the column 'Inter-risk diversification %' shows the diversification benefit derived from combining the different risk types at the Bank, Insurance or Group level respectively. This presentation format differs from the format in the 2008 annual report and as such the figures are different from those shown last year. Since this is only a different representation the final figure for ING Group has not changed.

Earnings at Risk by risk type

	Credit and Transfer	Market				Insurance	Business	Operational	Inter-risk diversification %	Total
2009		Interest Rate	Equity	Real Estate	FX					
ING Bank	**2,117**	**510**	**85**	**454**	**135**	**0**	**1,750**	**607**	**38%**	**3,505**
ING Insurance	**1,378**	**259**	**753**	**428**	**224**	**194**	**211**	**260**	**39%**	**2,269**
Bank-Insurance diversification	**1%**	**4%**	**2%**	**6%**	**6%**	**0%**	**7%**	**16%**		**7%**
Total ING Group	**3,471**	**737**	**821**	**825**	**337**	**194**	**1,814**	**730**	**40%**	**5,371**

Earnings at Risk by risk type

	Credit and Transfer	Market				Insurance	Business	Operational	Inter-risk diversification %	Total
2008		Interest Rate	Equity	Real Estate	FX					
ING Bank	2,519	444	303	476	89	0	357	626	30%	3,367
ING Insurance	320	61	699	525	224	214	223	344	42%	1,519
Bank-Insurance diversification	5%	9%	2%	6%	5%	0%	20%	26%		12%
Total ING Group	2,699	458	982	936	297	214	466	714	36%	4,313

Over 2009, the reported Earnings at Risk for ING increased. The increase is not due to additional risk taking, but due to the inclusion of risks which were not yet taken into account in the 2008 figures. Credit risk has increased because specific impairment rules for available for sale debt securities, whereby securities are written down to market value, even if expected credit losses are much smaller, are now beter reflected in the dashboard. Furthermore, the business risk figures have gone up significantly due to the inclusion of a) goodwill impairment risk and b) the risk that the business volumes are lower than expected.

Without the model refinements mentioned above, the Earnings at Risk profile of ING Group would have decreased in 2009. For example, Credit risk would have gone down due to large additions to provisions which were made during 2009. The decrease in equity risk is caused by the recovery of the markets: equity investments are now further away from the impairment thresholds.

Capital at Risk

The level of Capital at Risk (CaR) provides understanding as to whether ING can maintain a sound financial position under a 'moderate' (i.e. 1 in 10) stress scenario.
The below two tables show the CaR figures per risk type, split over Bank and Insurance and combined for ING Group. The levels shown are undiversified levels for ING Bank and ING Insurance, meaning that the diversification between Bank and Insurance is not yet included in these figures. This diversification benefit is shown separately. The column 'Inter-risk diversification %' shows the benefit of combining the CaR figures for all risk types. For example, the 39% for ING Bank indicates that the total Bank figure for all risk types is 39% lower than the sum of the individual CaR figures per risk type. Similarly the row 'Bank-Insurance diversification %' shows the diversification benefit derived from combining the Bank and Insurance CaR figures for each risk type into a Group CaR figure for each risk type. This presentation format differs from the format in the 2008 annual report and as such the figures are different from those shown last year. Since this is only a different representation, the final figure for ING Group has not changed.

Capital at Risk by risk type

	Credit and Transfer	Market				Insurance	Business	Operational	Inter-risk diversification %	Total
2009		Interest Rate	Equity	Real Estate	FX					
ING Bank	**3,396**	**2,128**	**930**	**720**	**210**	**0**	**1,367**	**607**	**39%**	**5,673**
ING Insurance	**1,047**	**3,287**	**2,209**	**401**	**681**	**736**	**1,059**	**260**	**42%**	**5,609**
Bank-Insurance diversification %	**0%**	**45%**	**8%**	**6%**	**5%**	**0%**	**21%**	**16%**		**18%**
Total ING Group	**4,427**	**2,970**	**2,892**	**1,054**	**850**	**736**	**1,928**	**730**	**41%**	**9,240**

Capital at Risk by risk type

	Credit and Transfer	Market				Insurance	Business	**Operational**	**Inter-risk diversification %**	Total
2008		Interest Rate	Equity	Real Estate	FX					
ING Bank	2,852	2,169	760	773	416	0	357	626	36%	5,097
ING Insurance	710	2,146	1,641	473	608	758	801	344	44%	4,226
Bank-Insurance diversification	0%	24%	4%	6%	6%	0%	18%	26%		12%
Total ING Group	3,562	3,294	2,306	1,171	960	758	955	714	40%	8,223

The Capital at Risk figure substantially increased over 2009 due to higher credit risk, equity risk and business risk.

The increase in credit risk was mainly caused by rating migration. The higher equity risk is primarily due to the recovery of the markets: higher values of equity investments mean higher exposures as well. The increase in business risk for the Bank resulted from the reclassification of client behaviour risk from interest rate risk to business risk. Client behaviour risk is related to retail portfolios; examples are outflow risk from savings portfolios and prepayment model risk for mortgages. Although the reclassification initially led to lower interest rate risk for the bank, that decrease was off-set by the inclusion of the interest rate risk for investments of core equity.

The table below shows the Earnings at Risk and Capital at Risk figures per line of business. The levels shown are undiversified levels for ING Bank and ING Insurance, meaning that the diversification between Bank and Insurance is not yet included in these figures. This diversification benefit is shown separately. The row 'Bank-Insurance diversification %' shows the diversification benefit derived from combining the Bank and Insurance CaR figures for each risk type into a Group CaR figure for each risk type. This presentation format differs from the format in the 2008 annual report and as such the figures are different from those shown last year. Since this is only a different representation the final figure for ING Group has not changed.

Capital at Risk and Earnings at Risk by Line of Business

	Earnings at Risk		Capital at Risk	
	2009	2008	**2009**	2008
Commercial Banking	**2,186**	2,310	**2,238**	2,752
Retail Banking	**1,124**	788	**1,747**	1,365
ING Direct	**565**	558	**1,575**	1,143
Corporate Line Bank	**120**	110	**1,240**	513
Line of Business diversification % Bank	**12%**	11%	**17%**	12%
ING Bank	**3,505**	3,367	**5,673**	5,097
Insurance Americas	**1,738**	790	**3,812**	2,467
Insurance Asia/Pacific	**232**	250	**678**	1,038
Insurance Europe	**718**	655	**1,593**	1,278
Corporate Line Insurance	**134**	208	**768**	782
Line of Business diversification % Insurance	**20%**	20%	**18%**	24%
ING Insurance	**2,269**	1,519	**5,609**	4,226
Bank-Insurance diversification %	**7%**	12%	**18%**	12%
ING Group	**5,371**	4,313	**9,240**	8,223

Bank-Insurance diversification for EaR decreased from 12% to 7% because the credit risk component increased. Credit Risk hardly diversifies between Bank and Insurance.
Bank-Insurance diversification for CaR increased from 12% to 18%. Main driver is the increase in off-setting positions for interest rate risk.

Economic Capital ING Group

Since 1999 ING Bank has been disclosing Economic Capital information externally, whereas ING Insurance disclosed Economic Capital information for the first time in 2007. Although the fundamental principles are the same, ING Bank and ING Insurance Economic Capital information is currently calculated based on (partly) separately developed models (see Model Disclosure section below) that may differ in the calculation and aggregation approach due to different market practices and standards used in the banking and insurance industries.
ING's Group Economic Capital is determined by applying one common aggregation approach to Bank and Insurance.

The table below shows the build up of ING Group Economic Capital. Please refer to the Bank and Insurance paragraphs below for further explanation on the respective EC numbers.

Group Economic Capital (in EUR billion)

	2009	2008
ING Bank	**23.1**	22.4
ING Insurance	**18.1**	13.7
Consolidated Benefit	**-6.2**	-5.4
Total ING Group	**35.0**	30.7

The potential risk capital impact for ING Group of the ING employee pension liability is currently not included in the aggregated group risk metrics. The standalone Economic Capital impact for ING employee pension liabilities is calculated separately, and from a capital management perspective there is currently no need to reserve any additional capital for ING pension liabilities.

ING Group Economic Capital is 15% lower than the sum of the parts (bank and insurance). Three different factors contribute to this consolidation benefit:

1. Offsetting positions between bank and insurance, especially on the interest rate risk side, where the long duration assets of the bank are offset by the long duration liabilities of Insurance.
2. Diversification between bank and insurance asset classes based on observed correlations; e.g. less than full correlation between insurance equity positions and bank Real Estate positions.
3. Diversification between bank and insurance risk drivers based on expert opinion correlations; e.g. less than perfect correlation between operational risk incidents at the bank and interest rate risk in insurance.

The 15% diversification benefit used for 2009 is supported by calculations done at ING Group level (2008: 15%).
The table below shows the contribution of the different risk drivers to the consolidation benefit:

Contribution to consolidated benefit		
Risk Type	2009	2008
Interest Rate risk	**70%**	60%
Equity risk	**7%**	7%
Foreign Exchange risk	**1%**	1%
Real Estate risk	**2%**	3%
Credit risk	**1%**	3%
Business risk	**13%**	12%
Operational risk	**6%**	14%
Total	**100%**	100%

Risk measurement ING Bank and ING Insurance
The overall ING Group risk appetite is translated into specific limits which are cascaded down into the organisation, e.g.
- Credit risk limits for bank and insurance business.
- Market Value at Risk limits for the insurance business.
- ALM/Value at Risk limits for bank operations.
- Mortality and concentration limits for insurance operations.

The following risk disclosures provide more insight into how the risk measures used by the risk organisation are linked to the Group risk dashboard and Group Economic Capital.

ING BANK

ING Bank is engaged in selling a broad range of products. The Bank Management Board is responsible for managing risks associated with the activities of ING Bank. The financial risks that arise from selling these products are managed by the Corporate Credit and Market Risk departments. Operational risks are managed by the Corporate Operational Risk department.

ING BANK RISK PROFILE

Economic Capital ING Bank
One of the main risk management tools for ING Bank is Economic Capital which is used to determine the amount of capital that a transaction or business unit requires to support the economic risks it faces. ING Bank implemented Economic Capital for internal use in 1998. Since 1999 ING Bank has been disclosing Economic Capital information externally. The tables below provide ING Bank's Economic Capital by risk type and business line.

Economic Capital (Bank diversified only) by risk type

	2009	2008
Credit risk (including Transfer risk)	**9,991**	8,686
Market risk	**8,435**	10,349
Business Risk	**2,581**	1,221
Operational Risk	**2,074**	2,151
Total banking operations	**23,081**	22,407

Economic Capital (Bank diversified only) by Line of Business

	2009	2008
Commercial Banking	**8,662**	9,849
Retail Banking	**7,166**	6,169
ING Direct	**4,466**	4,050
Corporate Line Bank *	**2,787**	2,339
Total banking operations	**23,081**	22,407

* Corporate Line includes funding activities at ING Bank level, internal transactions between business units and the Corporate Line, and is managed by Capital Management.

Figures shown reflect all diversification effects within ING Bank, including risk reduction between the risk categories. Diversification effects that arise as a result of combining ING Bank and ING Insurance activities are not taken into account. Business risk is to cover unexpected losses that may arise as a result of changes in client behaviour risk and costs.

The ING Bank Economic Capital model is described in more detail in the Model Disclosure section.

Despite de-risking activities, credit deterioration increased the credit risk capital. Starting in 2009, client behaviour risk is captured under business risks instead of market risk. This explains the increase in business risk. The drop in market risk capital is due to de-risking.

The de-risking efforts of Commercial banking have resulted in lower capital. For Retail banking, the increase in value of the strategic equity stakes and deterioration of the retail portfolio explains an increase of economic capital. Credit migrations for securitisations are the main contributor for the higher capital in ING Direct.

Economic capital is a non accounting measure which is inherently subject to dynamic changes and updates as a result of ING's portfolio mix and general market developments. ING is in the process of recalibrating the underlying assumptions to its economic capital models to bring closer alignment of the economic capital framework with the regulatory capital framework, and to include the effects of the extreme market influences over the last year. As of the first of January 2010, this may have a material impact on the economic capital values for credit risk going forward.

ING BANK – CREDIT RISKS

Credit risk is the risk of loss from default by debtors (including bond issuers) or trading counterparties. Credit risks are split into five principal risk categories: a) lending (including guarantees and letters of credit); b) investments; c) pre-settlement (derivatives, securities financing and foreign exchange trades); d) money markets and e) settlement. Corporate Credit Risk Management (CCRM) is responsible for the measurement and management of credit risk incurred by all ING Group entities, including country-related risks. CCRM is organised along the three business lines of ING Bank (e.g. Retail Banking, Commercial Banking and ING Direct) and ING Insurance. The CCRM General Manager is functionally responsible for the global network of credit risk staff, while the heads of the credit risk management functions for the business lines report directly to him.

Credit risk management is supported by dedicated credit risk information systems and internal credit risk measurement methodologies for debtors, issuers and counterparties. CCRM creates consistency throughout the credit risk organisation by providing common credit risk policies, methodologies, manuals and tools across the Group.

ING Group's credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the business lines by means of top-down concentration limits for countries, individual borrowers and borrower groups. The aim within the banking sector is to expand relationship-banking activities, while maintaining stringent internal risk/return guidelines and controls.

Credit analysis is risk/reward-oriented in that the level of credit analysis is a function of the risk amount, tenor, structure (e.g. covers received) of the facility, and the risks entered into. For credit risk management purposes, financial obligations are classified into lending, investments, pre-settlement, money market and settlement. ING Bank applies a Risk Adjusted Return on Capital framework (RAROC) which measures the performance of different activities and links to shareholder value creation. The use of RAROC increases focus on risks versus rewards in the decision making process, and consequently stimulates the use of scarce capital in the most efficient way. More sophisticated RAROC-based tools are used internally to ensure a proper balance of risk and reward within the portfolio and concentration parameters. ING's credit analysts make use of publicly available information in combination with in-house analysis based on information provided by the customer, peer group comparisons, industry comparisons and other quantitative techniques.

Lending risk

Lending risk arises when ING grants a loan to a customer, or issues guarantees on behalf of a customer. This is the most common risk category, and includes term loans, mortgages, revolving credits, overdrafts, guarantees, letters of credit, etc. The risk is measured at the notional amount of the financial obligation that the customer has to repay to ING, excluding any accrued and unpaid interest, discount/premium amortisations or impairments.

Investment risk

Investment risk is the credit default and risk rating migration risk that is associated with ING's investments in bonds, commercial paper, securitisations, and other similar publicly traded securities. Investment risk arises when ING purchases a (synthetic) bond with the intent to hold the bond for a longer period of time (generally through maturity). Bonds that are purchased with the intent to re-sell in a short period of time are considered to be trading risks, which are measured and monitored by the Corporate Market Risk Management department. For credit risk purposes, Investment risk is measured at original cost (purchase price) less any prepayments or amortisations and excluding any accrued and unpaid interest or the effects of any impairment.

Money market risk
Money market risk arises when ING places short term deposits with a counterparty in order to manage excess liquidity, as such, money market deposits tend to be short term in nature (1-7 days is common). In the event of a counterparty default, ING may lose the deposit placed. Money market risk is therefore measured simply as the notional value of the deposit, excluding any accrued and unpaid interest or the effect of any impairment.

Pre-settlement risk
Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk (potential or expected risk) is the cost of ING replacing a trade in the market. This credit risk category is associated with dealing room products such as options, swaps, and securities financing transactions. Where there is a mutual exchange of value, the amount of credit risk outstanding is generally based on the replacement value (mark-to-market) plus a potential future volatility concept, using an historical 7 year time horizon and a 99% confidence level.

Settlement risk
Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING has paid or delivered its side of the trade. The risk is that ING delivers, but does not receive delivery from the counterparty. Settlement risk can most commonly be contained and reduced by entering into transactions with delivery-versus-payment (DVP) settlement methods, as is common with most clearing houses, or settlement netting agreements.

For those transactions where DVP settlement is not possible, ING establishes settlement limits through the credit approval process. Settlement risk is then monitored and managed by the credit risk management units. Risk is further mitigated by operational procedures requiring trade confirmations to counterparties with all transaction details, and by entering into internationally accepted documentation, such as International Swaps and Derivatives Association (ISDA) Master Agreements for derivative transactions. Additionally, ING regularly participates in projects with other financial institutions to improve and develop new clearing systems and clearing mechanisms to further reduce the level of settlement risk. Due to the very short term nature of settlement exposure (daily), settlement risks do not attract economic or regulatory capital and are excluded from risk reporting disclosures.

Country risk
Country risk is the risk specifically attributable to events in a specific country (or group of countries). It can occur within each of the five above described risk categories. All transactions and trading positions generated by ING include country risk which is further divided into economic and transfer risk. Economic risk is the concentration risk relating to any event in the risk country which may affect transactions and any other exposure in that country, regardless of the currency. Transfer risk is the risk incurred through the inability of ING or its counterparties to meet their respective foreign currency obligations due to a specific country event.

In countries where ING is active, the relevant country's risk profile is regularly evaluated, resulting in a country rating. Country limits are based on this rating and ING's risk appetite. Exposures derived from lending, investment pre-settlement and money market activities are then measured and reported against these country limits on a daily basis. Country risk limits are assigned for transfer risk mainly for emerging markets.

Determination of credit risk outstandings
Figures associated with Money Market and Lending activities are generally the nominal amounts, while amounts associated with Investment activities are based on the original amount invested less repayments. Off-Balance Sheet exposures include the letters of credits and guarantees, which are associated with the Lending Risk Category. Additionally, Off-Balance Sheet exposures include a portion of the unused limits, associated with the statistically expected use of the unused portion of the limit between the moment of measurement and the theoretical moment of statistical default. Collectively, these amounts are called "credit risk oustandings".

Exposures associated with Securitisations (Asset Backed Financing, Commercial/Residential Mortgage Backed Securities and Covered Bonds) are shown separately. These amounts also relate to the amount invested prior to any impairment activity or mark-to-market adjustments. This amount is also considered to be "outstandings".

Collateral policies
As with all financial institutions and banks in particular, ING is in the business of taking credit risks in an informed and measured fashion. As such, the creditworthiness of our customers, trading partners and investments is continually evaluated for their ability to meet their financial obligations to ING. During the assessment process of creating new loans, trading limits, or making investments, as well as reviewing existing loans trading positions and investments, ING determines the amount and type of collateral, if any, that a customer may be required to pledge to ING. Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more collateral the customer or counterparty will have to provide. Within counterparty trading activities, ING actively enters into various legal arrangements whereby ING and/or counterparties may have to post collateral to one another to cover market fluctuations of their relative positions. Laws in various jurisdictions also affect the type and amount of collateral that ING can receive or pledge. Additionally, ING will sometimes enter into credit default swaps, and other similar instruments, in order to reduce the perceived credit risk on a given borrower or portfolio. The type of collateral which is held as security is determined by the structure of the loan or position. Consequently, since ING's portfolio is diversified, the profile of collateral it receives is also diversified in nature and does not reflect any particular collateral type more than others.

ING BANK CREDIT RISK PROFILE
ING Bank's credit exposure is mainly related to traditional lending to individuals and businesses followed by investments in bonds and other securitised assets. Loans to individuals are mainly mortgage loans secured by residential property. Loans (including guarantees issued) to businesses are often collateralised, but can be unsecured based on internal analysis of the borrowers' creditworthiness. Bonds in the investment portfolio are generally unsecured. Securitised assets such as Mortgage Backed Securities (MBS) and Asset Backed Securities (ABS) are secured by the pro rata portion of the underlying diversified pool of assets (commercial or residential mortgages, car loans and other assets) held by the issuer of the security. The last major area of credit risk involves pre-settlement credit exposures which arise from trading activities, including derivatives, repurchase transactions and securities lending/borrowing and foreign exchange transactions.

For the banking operations, ING uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING's potential future exposure on individual and portfolios of trades. Master agreements and collateral agreements are frequently entered into to reduce these credit risks.

Problem loans
Renegotiated Loans
ING's credit restructuring activities focus on managing the client relationships, improving the borrower's risk profile, maximising collection opportunities and, if possible, avoiding foreclosure or repossession. These activities are pro-actively pursued and primarily relate to Wholesale and Small and Medium Enterprise (SME) borrowers ('Business'), which are not yet in default. Common actions taken include, but are not limited to, revising or extending repayment arrangements, assisting in financial reorganisation and/or turnaround management plans, deferring foreclosure, modifying loan conditions and deferring certain payments pending a change in circumstances. For consumer and residential mortgage loans ('Consumer') the approach is more portfolio oriented.

Restructuring activities for Business borrowers normally start with a watch list indication. Borrowers on the watch list maintain their rating (1-19). A watch list indication may develop into a restructuring status (18-19) or even a recovery status (20-22). Most borrowers with a watch list indication return to a regular status. For Consumer clients the watch list of 'potential problem loan' status is usually caused by payment arrears (more than 1 month) which are subsequently reflected in the risk rating of 18-19 (or comparable status based on an increased probability of default). Following restructuring relationship management is either transferred to the regular commercial banking departments or terminated.

ING's renegotiated loans that would otherwise be past due or impaired are reflected below:

ING Bank renegotiated loans that would otherwise be past due or impaired (outstandings)

	2009	2008
From restructuring (18-19) to regular (1-17) status	**2,737**	1,183
From recovery (20-22) to regular or restructuring status (1-19)	**6,105**	3,556
Total of renegotiated loans	**8,842**	4,739

This total is broken down by Business and Consumer clients as follows:

Renegotiated business loans that would otherwise be past due or impaired (outstandings)

	2009	2008
From restructuring (18-19) to regular (1-17) status	**2,737**	1,183
From recovery (20-22) to regular or restructuring status (1-19)	**2,895**	978
Total of renegotiated Business loans	**5,632**	2,161

ING continues to take a proactive approach in working with its Business customers which are experiencing financial difficulties to restructure their loans and help return the companies to economic viability. The large increases in 2009 are a reflection of the larger part of loans eligible for restructuring as a result of the financial crisis.

Renegotiated consumer and mortgage loans that would otherwise be past due or impaired (outstandings)

	2009	2008
From recovery (20-22) to regular or restructuring status (1-19)	**3,210**	2,578
Total of renegotiated consumer and mortgages loans ('Consumer')	**3,210**	2,578

The increase in the total amount of renegotiated consumer and mortgage loans is a reflection of the growth of the portfolio and of ING's proactive (portfolio) management approach involving the automation of reminder and warning letters to Consumer borrowers who may otherwise be facing financial difficulties. Consumer borrowers do not have a restructuring status.

Past-due obligations
ING continually measures its portfolio in terms of payment arrears. Particularly the retail portfolios are closely monitored on a monthly basis to determine if there are any significant changes in the level of arrears. Generally, an obligation is considered 'past-due' if a payment of interest or principal is more than one day late. In practice, the first 5-7 days after an obligation becomes past due are considered to be operational in nature for the retail loans and small businesses. After this period, letters are sent to the obligor reminding the obligor of its (past due) payment obligations. If the arrear still exists after 90 days, the obligation is transferred to one of the 'problem loan' units. In order to reduce the number of arrears, ING banking units encourage their obligors to set up automatic debits from their (current) accounts to ensure timely payments.

Credit quality: ING Bank portfolio, outstandings

	2009	2008
Neither past due nor impaired	**790,377**	817,069
Past due but not impaired (1-90 days) [(1)]	**7,404**	7,224
Impaired	**11,983**	8,592
	809,764	832,885

(1) Based on lending (consumer loans and residential mortgages only).

Aging analysis (past due but not impaired): ING Bank portfolio, outstandings [(1),(2)]

	2009	2008
Past due for 1-30 days	**5,967**	5,844
Past due for 31-60 days	**1,281**	1,223
Past due for 61-90 days	**156**	157
	7,404	7,224

(1) Based on lending (consumer loans and residential mortgages only).
(2) The amount of past due but not impaired financial assets in respect of non-lending activities was not material.

There is no significant concentration of a particular type of loan structure in the past due or the impaired loan portfolio.

ING tracks past due but not impaired loans most closely for the consumer loan and residential mortgage portfolios. Generally, all loans with past due financial obligations of more than 90 days are automatically reclassified as impaired. For the wholesale lending portfolios and securities obligations, there are generally reasons for declaring a loan impaired prior to being 90 days past due. These include, but are not limited to, ING's assessment of the customer's perceived inability to meet its financial obligations, or the customer filing for bankruptcy or bankruptcy protection. In some cases, a material breach of financial covenants will also trigger a reclassification of a loan to the impaired category.

Repossession policy
It is ING's general policy not to take possession of assets of defaulted debtors. Rather, ING attempts to sell the assets from within the legal entity that has pledged these assets to ING, in accordance with the respective collateral or pledge agreements signed with the obligors. In those cases where ING does take possession of the collateral, ING generally attempts to sell the assets as quickly as possible to prospective buyers. Based on internal assessments to determine the highest and quickest return for ING, the sale of repossessed assets could be the sale of the obligor's business as a whole (or at least all of its assets), or the assets could be sold piecemeal.

Impaired Loans: ING Bank portfolio, outstandings by economic sector

	2009	2008
Private Individuals	**4,589**	3,718
Real Estate	**1,528**	1,094
General Industries	**933**	1,036
Food, Beverages & Personal Care	**681**	397
Builders & Contractors	**628**	676
Services	**611**	270
Media	**583**	135
Transportation & Logistics	**415**	146
Other	**2,015**	1,120
Total	**11,983**	8,592

The table above represents the economic sector breakdown of credit risk outstandings (including impaired amounts) for loans and positions that have been classified as problem loans and for which provisions have been made. Against this portfolio, ING holds specific and collective provisions of EUR 2,115 million and EUR 1,246 million, respectively (2008 EUR 1,067 million and EUR 799 million respectively), representing the difference between the amortised cost of the portfolio and the estimated recoverable amount discounted at the effective rate of interest. In addition, there is EUR 1,005 million in provisions against the performing portfolio.

Provisions
The credit portfolio is under constant review. A formal analysis takes place quarterly to determine the provisions for possible bad debts, using a bottom-up approach. Conclusions are discussed by the ING Provisioning Committee (IPC), which advises the Executive Board on specific provisioning levels. ING Bank identifies as impaired loans those loans for which it is probable, based on current information and events that the principal and interest amounts contractually due will not be collected in accordance with the contractual terms of the loan agreements.

Provisions: ING Bank portfolio

	Commercial Banking		Retail Banking		ING Direct		Total ING Bank	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Opening balance	**1,024**	921	**1,070**	771	**517**	309	**2,611**	2,001
Changes in the composition of the group	**0**	2	**-3**	**0**	**0**	0	**-3**	2
Write-offs	**-520**	-260	**-493**	-399	**-204**	-69	**-1,217**	-728
Recoveries	**21**	24	**125**	63	**2**	4	**148**	91
Increase/(decrease) in loan loss provision	**1,211**	596	**997**	401	**765**	283	**2,973**	1,280
Exchange differences	**-28**	-17	**-12**	-36	**-8**	3	**-48**	-50
Other changes	**-80**	-242	**27**	270	**-12**	-13	**-65**	15
Closing balance	**1,628**	1,024	**1,711**	1,070	**1,060**	517	**4,399**	2,611

Following the trend in the global economy, risk costs began to increase in 2008. The trend continued in 2009, albeit at a slower pace in the second half of 2009.

Collateral

As part of its securities financing business, ING entities actively enter into agreements to sell and buy back marketable securities. These transactions can take many legal forms. Repurchase and reverse repurchase agreements, buy/sellback and sell/buyback agreements, and securities borrowing and lending agreements are the most common. The amount of marketable securities that ING held as collateral under these types of agreements was EUR 72.7 billion at 31 December 2009 and EUR 82.1 billion at 31 December 2008. The reduction is commensurate with the overall decline in open securities financing trades at year end 2009 compared to year end 2008. These amounts exclude the cash leg of the respective transactions, as well as any pledges of securities under Tri-Party agreements (as the underlying is not directly pledged to or owned by ING). As a general rule, the marketable securities that have been received under these transactions are eligible to be resold or repledged in other (similar) transactions. ING is obliged to return equivalent securities in such cases.

Risk classes

Risk classes are defined based upon the quality of the exposures in terms of creditworthiness, varying from investment grade to problem grade expressed in S&P equivalents.

Risk classes ING Bank portfolio by business line, as % of total outstandings [1]

	Commercial Banking		Retail Banking		ING Direct [2]		Total ING Bank	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
1 (AAA)	**3.7%**	9.3%	**0.2%**	1.3%	**19.8%**	27.6%	**7.8%**	12.6%
2-4 (AA)	**18.7%**	19.3%	**3.5%**	5.7%	**17.2%**	17.1%	**13.4%**	14.5%
5-7 (A)	**21.4%**	16.7%	**4.9%**	4.0%	**18.3%**	15.6%	**15.2%**	12.5%
8-10 (BBB)	**20.7%**	23.2%	**37.5%**	34.3%	**25.0%**	22.2%	**27.4%**	26.2%
11-13 (BB)	**22.0%**	23.3%	**40.9%**	42.9%	**11.4%**	14.8%	**24.5%**	26.6%
14-16 (B)	**8.5%**	5.8%	**7.7%**	6.9%	**5.6%**	1.5%	**7.3%**	4.8%
17-22 (CCC & Problem Grade)	**5.0%**	2.4%	**5.3%**	4.9%	**2.7%**	1.2%	**4.4%**	2.8%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.

(2) Covered bonds are presented on the basis of the external credit rating of the issuer in question. Covered bond issues generally possess a better external credit rating than the issuer standalone, given structural features of such covered bonds.

Risk classes ING Bank portfolio, as % of total outstandings [1]

	Lending		Investment		Money Market		Pre-settlement		Total ING Bank	
	2009	2008	**2009**	**2008**	**2009**	2008	**2009**	2008	**2009**	2008
1 (AAA)	**0.8%**	1.3%	**36.9%**	49.8%	**1.2%**	7.1%	**5.9%**	8.1%	**7.8%**	12.6%
2-4 (AA)	**7.0%**	4.2%	**29.4%**	28.8%	**45.6%**	57.3%	**26.1%**	48.3%	**13.4%**	14.5%
5-7 (A)	**9.1%**	10.2%	**23.1%**	15.0%	**40.9%**	26.3%	**46.7%**	21.5%	**15.2%**	12.5%
8-10 (BBB)	**35.0%**	36.1%	**6.5%**	3.6%	**7.2%**	4.8%	**11.0%**	11.2%	**27.4%**	26.2%
11-13 (BB)	**32.7%**	37.8%	**1.8%**	1.5%	**4.7%**	4.4%	**7.3%**	7.2%	**24.5%**	26.6%
14-16 (B)	**9.9%**	6.6%	**0.6%**	0.6%	**0.2%**	0.1%	**1.8%**	2.7%	**7.3%**	4.8%
17-22 (CCC & Problem Grade)	**5.5%**	3.8%	**1.7%**	0.7%	**0.2%**		**1.2%**	1.0%	**4.4%**	2.8%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.

ING Bank experienced a considerable downward migration in terms of risk classes, largely as a result of continuing downward pressure on external ratings related to securitisation tranches held by ING Direct and deteriorating credit worthiness in the general economy. Additionally problem grades also increased during the year, largely related to increasing financial difficulties in the SME markets. This was reinforced by downgrades of financial institutions as visible in Money Market and Pre-Settlement activities.

Risk concentration: ING Bank portfolio, by economic sector [1][2]

	Commercial Banking		Retail Banking		ING Direct		Total ING Bank	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Private Individuals	**0.2%**	0.2%	**70.5%**	68.4%	**49.7%**	44.1%	**38.2%**	34.5%
Non-Bank Financial Institutions	**13.0%**	13.5%	**1.9%**	2.0%	**20.0%**	29.9%	**11.8%**	15.0%
Commercial Banks	**19.5%**	20.4%	**0.8%**	1.2%	**14.4%**	15.4%	**12.0%**	13.1%
Central Governments	**12.3%**	12.8%	**1.8%**	1.5%	**8.6%**	2.7%	**7.8%**	6.2%
Real Estate	**13.8%**	12.5%	**4.1%**	3.9%	**0.8%**	0.6%	**6.6%**	6.2%
Natural Resources	**8.7%**	6.9%	**0.8%**	0.7%			**3.4%**	2.9%
Central Banks	**3.7%**	2.4%	**0.3%**	1.6%	**2.8%**	4.5%	**2.3%**	2.8%
Transportation & Logistics	**5.6%**	5.4%	**1.5%**	1.6%			**2.5%**	2.6%
Services	**3.2%**	3.5%	**3.3%**	3.1%	**0.1%**		**2.2%**	2.3%
Other	**20.0%**	22.4%	**15.0%**	16.0%	**3.6%**	2.8%	**13.2%**	14.4%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

(1) Based on the total amount of credit risk in the respective column using ING's internal credit risk measurement methodologies.
(2) Economic sectors below 2% are not shown separately but grouped in Other.

ING Direct continued to increase its diversification into residential mortgages, while proportionally reducing its securitisation and bond portfolios. The increased concentration in "Central Governments" at ING Direct was due to the Alt-A transaction with the Dutch government. The following industries fell below the 2.0% threshold during 2009: Food, Beverage and Personal Care (2008: 2.2%), General Industries (2.1%) and Builders and Contractors (2.0%).

Largest economic exposures: ING Bank lending portfolio, by country [1][2]

	Commercial Banking		Retail Banking		ING Direct		Total ING Bank	
amounts in EUR billion	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Netherlands	**54.8**	56.2	**187.0**	171.9	**17.7**	1.0	**259.5**	229.1
Germany	**11.2**	12.5	**0.2**	0.2	**70.3**	61.5	**81.7**	74.2
Belgium	**26.5**	25.6	**52.9**	52.6	**0.9**	1.1	**80.3**	79.3
United States	**31.3**	35.3	**0.6**	0.2	**48.2**	63.6	**80.1**	99.1
Spain	**12.3**	15.2	**0.4**	0.4	**36.4**	40.1	**49.1**	55.7
Australia	**4.4**	4.3	**0.1**		**31.8**	23.0	**36.3**	27.3
France	**23.0**	23.4	**0.8**	0.7	**5.1**	4.2	**28.9**	28.3
Italy	**13.6**	14.7	**0.6**	0.5	**12.2**	12.8	**26.4**	28.0
United Kingdom	**13.9**	15.8	**0.2**	0.2	**12.1**	13.5	**26.2**	29.5
Canada	**0.7**	1.4	**0.0**	0.0	**21.8**	17.4	**22.5**	18.8
Poland	**9.0**	9.7	**6.2**	2.1			**15.2**	11.8
Turkey	**0.7**	0.8	**9.0**	8.6			**9.7**	9.4

(1) Only covers total exposures in excess of EUR 9 billion, including intercompany exposure with ING Insurance. The selection contains the same countries as in the previous year, albeit in a different order.
(2) Country is based on the country of residence of the obligor.

In line with ING's de-risking strategy, the portfolio developments in most countries mirrored the developments in the portfolio as a whole. The growth at ING Direct in The Netherlands and the decrease in the United States are the result of the Alt-A transaction with the Dutch government. The increase in Australia is largely driven by exchange rate effects. In Canada, the increase in exposure was principally caused by growth of the Residential Mortgage portfolio.

ING BANK – MARKET RISKS

Market risk is the risk that movements in market variables, such as interest rates, equity prices, foreign exchange rates and real estate prices, negatively impact the bank's earnings, market value or liquidity position. Market risk either arises through positions in trading books or through the banking book positions. The trading positions are held for the purpose of benefiting from short-term price movements, while the banking book positions are intended to be held in the long term (or until maturity) or for the purpose of hedging other banking book positions.

Within ING Bank, market risk (including liquidity risk) falls under the supervision of the ALCO function with ALCO Bank as the highest approval authority. ALCO Bank determines the overall risk appetite for market risk. The ALCO function is regionally organised with the exception of ING Direct, which has a separate ALCO. The business lines Retail Banking and Commercial Banking are represented within the respective regional and local ALCO's. The ALCO structure within ING Bank facilitates top-down risk management, limit setting and the monitoring and control of market risk. This ensures a correct implementation of the ING Bank risk appetite.

The Corporate Market Risk Management department (CMRM) is the designated independent department that is responsible for the design and execution of the bank's market risk management functions in support of the ALCO function. The CMRM structure recognises that risk taking and risk management to a large extent occurs at the regional/local level. Bottom-up reporting allows each management level to fully assess the market risk relevant at the respective levels.

CMRM is responsible for determining adequate policies and procedures for managing market risk and for monitoring the compliance with these guidelines. An important element of the market risk management function is the assessment of market risk in new products and businesses. Furthermore CMRM maintains an adequate limit framework in line with ING Bank's risk appetite. The businesses are responsible for adhering to the limits that ultimately are approved by ALCO Bank. Limit breaches are reported to senior management on a timely basis and the business is required to take the appropriate actions to reduce the risk position.

Market risk in trading books

Organisation
Within the trading portfolios, positions are maintained in the professional financial markets for the purpose of benefiting from short term price movements. Market risk arises in the trading portfolios through the exposure to various market risk factors, including interest rates, equity prices and foreign exchange rates.

The Financial Markets Risk Committee (FMRC) is the market risk committee that, within the guidelines set by ALCO Bank, sets market risk limits both on an aggregated level and on a desk level, and approves new products. CMRM advises both the FMRC and ALCO Bank on the market risk appetite of Commercial Banking activities.

For the trading portfolios, CMRM focuses on the management of market risks of Commercial Banking (mainly Financial Markets) as this is the only business line where significant trading activities take place. Trading activities include facilitation of client business, market making and proprietary position taking in cash and derivatives markets. CMRM is responsible for the development and implementation of trading risk policies and risk measurement methodologies, the reporting and monitoring of risk exposures against approved trading limits and the validation of pricing models. CMRM also reviews trading mandates and limits, and performs the gatekeeper role in the product review process. The management of trading market risk is performed at various organisational levels, from CMRM overall down to specific business areas and trading offices.

Measurement
CMRM uses the Value at Risk (VaR) methodology as its primary risk measure. The VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remain unchanged for a time period of one day. The impact of historical market movements on today's portfolio is estimated, based on equally weighted observed market movements of the previous year. ING uses VaR with a 1-day horizon for internal risk measurement, control and backtesting, and VaR with a 10-day horizon for determining regulatory capital. ING's VaR model has been approved by the De Nederlandsche Bank (DNB: the Dutch Central Bank) to be used for the regulatory capital calculation of its most important trading activities.

Market risk management for the fixed income and equity markets is split into two components: general market risk and specific market risk. The general market risk component estimates the VaR resulting from general market-value movements (e.g. interest rate movements). The specific market risk component estimates the VaR resulting from market-value movements that relate to e.g. the underlying issuer of securities in the portfolios. This specific risk relates to all value movements not related to general market movements.

CMRM has implemented a historical simulation Value at Risk model for consolidated risk reporting for the trading books that has replaced the Variance Covariance method used previously. ING has chosen to use a phased rollout approach and as of 1 January 2009, implemented the first phase after approval from DNB. In this first phase, calculations for linear portfolios and equity derivative positions have changed from variance-covariance to historical simulation. Most of the other non-linear risks and specific risks are still measured by Monte Carlo, or variance-covariance, methods. In due time, all non-linear and specific risks will be replaced by actual historical simulation results mainly based on full revaluation. The harmonization of VaR methodologies is one of the main targets of CMRM for 2010.

Limitations
VaR as a risk measure has some limitations. VaR uses historical data to forecast future price behaviour. Future price behaviour could differ substantially from past behaviour. Moreover, the use of a one-day holding period (or ten days for regulatory calculations) assumes that all positions in the portfolio can be liquidated or hedged in one day. In periods of illiquidity or market events, this assumption may not hold true. Also, the use of 99% confidence level means that VaR does not take into account any losses that occur beyond this confidence level.

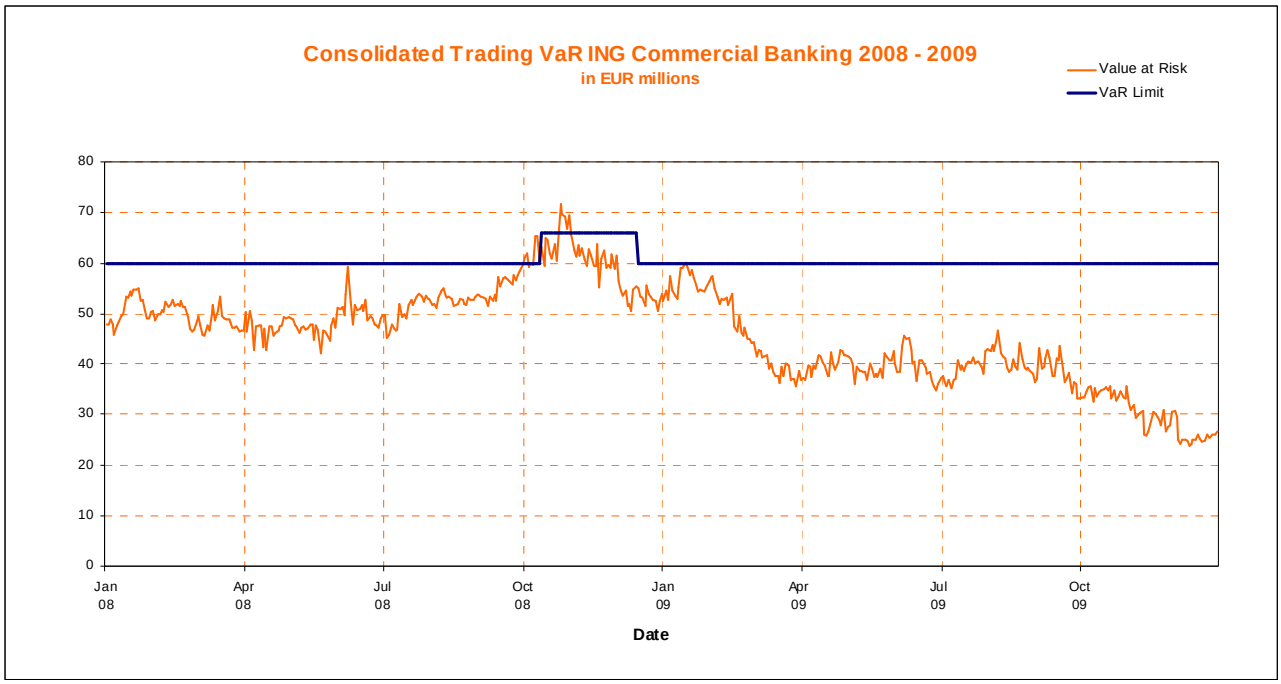
The Basel Committee has proposed to supplement the current VaR regulatory capital framework for trading exposures with e.g. an Incremental Risk Charge (IRC) and Stressed VaR to cover for the shortcomings of the current risk framework. The IRC will ensure that Basel II capital charges will capture certain risks which are not reflected in the current 99%, 10-day VaR model for the trading book such as defaults and credit migrations. The Basel II requirements on the incremental risk charge will come into force from 2011 onwards.

Backtesting
Backtesting is a technique for the ongoing monitoring of the plausibility of the VaR model in use. Although VaR models estimate potential future results, estimates are based on historical market data. In a backtest, the actual daily result is compared with the 1-day VaR. In addition to using actual results for backtesting, ING also uses hypothetical results, which measure results excluding the effect of intraday trading, fees and commissions. When the actual or hypothetical loss exceeds the VaR an 'occurrence' has taken place. Based on ING's one-sided confidence level of 99% an occurrence is expected once in every 100 business days. In 2009, like in 2008, there was no occurrence where a daily trading loss exceeded the daily consolidated VaR of ING Commercial Banking. ING reports the results of this backtesting to DNB on a quarterly basis

Stress testing
Stress tests are used for the monitoring of market risks under extreme market conditions. Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, ING uses structured stress tests for monitoring the market risk under these extreme conditions. Stress scenarios are based on historical and hypothetical extreme events. The result of the stress testing is an event risk number, which is an estimate of the profit and loss account effect caused by a potential event and its world-wide impact for ING Commercial Banking. The event risk number for the ING Commercial Banking trading activity is generated on a weekly basis. Like VaR, event risk is limited by ALCO Bank. The event-risk policy (and its technical implementation) is specific to ING as there is no event risk calculation method that is generally accepted by other banks and regulators (like the Value at Risk model). ING's event risk policy basically consists of defined stress parameters per country and per market (fixed income, equity, foreign exchange, credit and related derivative markets). The scenarios and stress parameters are back-tested against extreme market movements that actually occurred in the markets. If and when necessary, ING evaluates specific stress scenarios, as an addition to its structural stress tests. These specific scenarios relate to current concerns, like political instability in certain regions, terrorist attacks or extreme movements in energy prices.

Other trading controls
VaR and event risk limits are the most important limits to control the trading portfolios. Furthermore, ING uses a variety of other limits to supplement VaR and event risk. Position and sensitivity limits are used to prevent large concentrations in specific issuers, sectors or countries. In addition to this, other risk limits are set with respect to the activities in exotic derivatives trading. The market risk of these products is controlled by product specific limits and constraints.

Development of market risks
The following chart shows the development of the overnight VaR under a 99% confidence interval and a 1-day horizon. The overnight VaR is presented for the ING Commercial Banking trading portfolio which was risk managed by CMRM Trading during 2008 and 2009. Several banking books are governed by the trading risk process and are therefore excluded from the non-trading risk table and included in the trading risk graph and table below.



During 2009 the overnight VaR for the ING Commercial Banking trading portfolio ranged from EUR 25 million to EUR 60 million. One minor limit excess was observed in 2009. On 16 January 2009, the EUR 60 million VaR limit was exceeded by EUR 50,000.

The average VaR over 2009 was substantially lower than 2008 (average VaR 2009: EUR 39 million and average VaR 2008: EUR 53 million). After the extreme market volatility in Q4 2008 following the failure of several financial institutions and the gloomy economic outlook, the VaR decreased to EUR 27 million in Q4 2009. This decrease is to a large extent related to the de-risking strategy of ING and the decrease of volatility in the different financial markets.

More details on the VaR of the ING Commercial Banking trading portfolio for 2009 and 2008 are provided in the table below.

Consolidated VaR trading books: ING Commercial Bank

	Minimum		Maximum		Average		Year end	
	2009	2008	**2009**	2008		2008	**2009**	2008
Foreign exchange	**1**	4	**11**	9	**5**	5	**3**	7
Equities	**4**	5	**11**	13	**7**	8	**5**	7
Interest rate / Credit spread	**20**	33	**54**	58	**33**	45	**24**	43
Diversification [(1)]					**-6**	-5	**-5**	-3
Total VaR	**24**	42	**60**	72	**39**	53	**27**	54

[(1)] The total VaR for the columns Minimum and Maximum can not be calculated by taking the sum of the individual components since the observations for both the individual markets as well as total VaR may occur on different dates.
Note: the above categories are consistent with those used for internal risk management purposes and do not relate to financial statement captions.

In general, the level of the trading VaR was lower in 2009, and also showed a decreasing trend after February 2009. The interest rate market, which includes both the general interest rate and credit spread exposures, provided the largest contribution to the trading VaR.

The following tables show the largest trading foreign exchange positions and interest rate and corporate credit spread sensitivities. The corporate credit spread sensitivities are furthermore split in different risk classes and sectors.

Most important foreign exchange positions trading books (year end 2009)

	2009		2008
Foreign exchange		**Foreign exchange**	
US dollar	**-266**	Singapore dollar	-91
Chinese yuan	**208**	Mexican peso	69
Bulgarian lev	**37**	South Korean won	-68
Polish zloty	**31**	US dollar	55
South Korean won	**20**	Chinese yuan	46

Most important interest rate and credit spread sensitivities trading books (year end 2009)

In EUR thousands	2009		2008
Interest Rate (BPV [1])		**Interest Rate (BPV [1])**	
Eurozone	**-1,175**	Eurozone	-1,272
United States	**-359**	Mexico	-289
Mexico	**-153**	United States	241
UK	**-109**	South Korea	-111
Japan	**107**	Taiwan	60
Credit Spread (BPV [1])		**Credit Spread (BPV [1])**	
United States	**-115**	Eurozone	-247
Eurozone	**-86**	United States	-187
Mexico	**-57**	Mexico	-97
Japan	**-17**	Japan	-56
Russia	**-13**	United Kingdom	-32

[1] Bpv (or basis point value) refers to profit and loss account sensitivity per 1bp increase in the interest rate or credit spread.

Credit spread sensitivities per risk class and sector trading books (year end 2009)

In EUR thousands	2009		2008	
Credit Spread (BPV [1])	**Corporate**	**Financial Institutions**	Corporate	Financial Institutions
Risk classes				
1 (AAA)	-18	-145	-20	-40
2-4 (AA)	-18	-34	-19	-115
5-7 (A)	83	-100	4	-88
8-10 (BBB)	16	14	-75	-103
11-13 (BB)	-12	-20	-37	-54
14-16 (B)	-21	20	-6	-18
17-22 (CCC and Problem Grade)	-47	-11	-21	-2
No rating	15	-16	-19	-28
Total	-2	-292	-193	-448

[1] BPV (or basis point value) refers to profit and loss account sensitivity per 1bp increase in the credit spread.

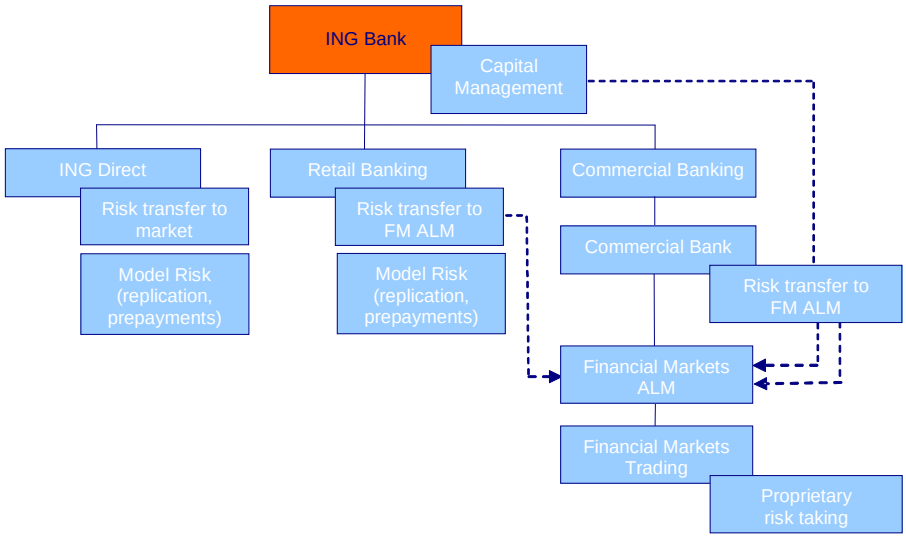
Market risk in banking books

Organisation

Within ING Bank, positions are either labelled as trading or non-trading (banking book) positions. The most important aspect in segregating the banking from the trading books is the intent of the positions held in these books. The banking book positions are intended to be held for the long-term (or until maturity) or for the purpose of hedging other banking positions emerging from commercial business, as for instance in the mortgage book.

Interest rate risk in banking books

The interest rate risk of the banking books is the risk that ING Bank's earnings or market value resulting from the non-trading positions is negatively impacted by movements in interest rates. To assign clear responsibilities for risk and return within the banking book structure an Asset and Liability Management (ALM) framework has been implemented by ALCO Bank. This framework enables a clear separation of three types of activities: the investment of own capital, the commercial business and the management of the bank's strategic interest rate risk position in the designated ALM books. The figure below presents the ALM framework of ING Bank within which the interest rate risk is measured and monitored:



ING Bank's capital management positions, i.e. the own funds (core capital) and the investments of these own funds, are isolated in the ING Bank Corporate Line. ALCO Bank determines the target maturity profile over which ING Bank's own funds must be invested. This maturity profile reflects the long term nature of the rate of return required by ING Bank's investors and aims for both earnings maximisation and stabilisation. ALCO Bank considers a well balanced portfolio of long-dated fixed income investments as the risk neutral position in its internal risk transfer framework.

The risk transfer principle forms the basis of ING Bank's ALM framework. This refers to the principle whereby the outright interest rate risk resulting from the commercial business is transferred to the ALM books. The interest rate risk from the commercial business arises from the fact that own originated assets and liabilities do not reprice simultaneously with respect to interest rate characteristics. The transfer of the outright interest rate risk is to a large degree based on modelling client behaviour. Within CMRM, extensive research is being done in order to optimise this modelling. For this purpose, several methods are in place to replicate the interest rate risk, taking into account both the contractual and behavioural characteristics of demand deposits, saving accounts and mortgages. All models and assumptions are back-tested regularly and results are presented to the designated ALCO.

For the determination of the interest rate sensitivity of savings accounts and current accounts, several methods depending on the focus of the risk analysis have been developed, e.g. historical simulation, Earnings Sensitivity analysis and valuation models. Pricing strategies, outstanding volumes and the level and shape of the yield curve are taken into account in these models. Based on these analyses, investment rules are determined for the various portfolios.

The hedging of the embedded prepayment options within mortgage portfolios is based on prepayment prediction models. These models include the incentive for clients to prepay. The parameters of these models are based on historical data and are regularly updated. The interest sensitivity of the embedded offered rate options for the mortgage portfolio is determined as well and a hedging process is in place to minimise the resulting interest rate risk.

After transferring the outright interest rate risk position to the ALM books, the residual interest rate risk that remains in the commercial banking books is caused by basis risk and optionality. The commercial business units bear responsibility for these residual interest rate risks that result from banking products of which future cash flows depend on client behaviour (e.g. optionality in mortgages) and from banking products of which the client rate earned and paid imperfectly correlate with the changing market rates (basis risk). Examples of products in which these risks are inherent are current accounts, saving accounts and mortgages.

Within ING Direct the interest rate risk is managed and measured at the level of the local ING Direct entities. The interest rate risk that remains in the ING Direct entities also largely results from basis risk and optionality as the outright interest rate risk is to a large extent hedged.

The ALM books are managed within ING Commercial Banking and contain the strategic interest rate risk position of ING Bank. The main objective is to maximise the economic value of the book and to generate adequate and stable yearly earnings within the risk appetite boundaries of ING Bank.

In the following sections, the risk figures for interest rate risk in the banking books are presented. In line with the group risk metrics, ING Bank uses several risk measures to manage interest rate risk both from an earnings and a value perspective. Earnings Sensitivity (ES) is used to provide the earnings perspective and the Net Present Value (NPV)-at-Risk and Basis Point Value (BPV) figures provide the value perspective. Several small banking books are governed by the trading risk process and are therefore excluded from the following banking book risk tables. These are included in the trading risk graph and table under 'Market Risk in Trading Books'.

Earnings Sensitivity (ES)

ES measures the impact on (pre tax) IFRS earnings resulting from changes of market interest rates over a time period of one year. Management interventions are not incorporated in these calculations; balance sheet dynamics (e.g. new business) only where significant. The ES figures in the table below are determined on the basis of an instantaneous upward 1% parallel shock in market rates. After the shock the market rates are assumed to remain stable for the next 12 months. For the ALM books ES measures the potential loss of earnings due to the structural mismatch in interest rate positions. The calculations for the ALM books capture the ES resulting from the current positions. For the commercial banking books the ES captures the interest rate risks resulting from savings, current accounts and the main mortgage portfolios. The impact of new business is included in the ES calculations for the savings and demand deposits portfolios, as it is most relevant for these portfolios. The ES of the Corporate Line, i.e. the investment of ING Bank's equity capital, reflects the interest risk profile of the investments only.

Earnings Sensitivity banking books (1% instantaneous upward shock to interest rates)

	2009	2008
By Business Line		
ING Commercial Banking	**-44**	-91
ING Retail Banking	**-115**	-102
ING Direct	**-281**	5
ING Bank Corporate Line	**5**	46
ING Bank Total	**-435**	-142
By Currency		
Euro	**-262**	-220
US dollar	**-193**	80
Pound sterling	**-26**	5
Other	**46**	-7
Total	**-435**	-142

Note: Compared to ES figures in the group risk dashboard, the above figures exclude diversification with other bank risk types and group/insurance risks

The total ES figure increased from EUR –142 million to EUR –435 million. In 2008 interest rates decreased to exceptionally low levels in the light of substantial rate cuts by central banks. Retail Banking and ING Direct in particular invested in more short term assets. This led to a relatively low level ES figure at the end of 2008.
In the course of 2009 the client coupons on savings accounts were lowered in line with the development of market rates. Simultaneously, client rates became more sensitive to upward rate shocks, leading to a further increase of the ES figure. This effect was magnified by the growth in savings volume. Moreover, the duration of mortgages of ING Direct US increased significantly after the increase of long term interest rates by approx +1% in the course of 2009. Consequently, Earnings Sensitivity further increased. The ES of Commercial Banking decreased following a reduction in the structural interest rate mismatch position in the strategic ALM portfolio.

Net Present Value at Risk (NPV)
The Net Present Value (NPV) at Risk figures represent the full value impact (i.e. including convexity) on the banking books resulting from changing interest rates. This full value impact cannot be linked directly to the balance sheet or profit and loss account as the fair value movements in banking books are generally not reported through the profit and loss account or through equity. The largest part, namely the value mutations of the amortised cost balances, is neither recognised in the balance sheet nor directly in the profit and loss account. These mutations would be expected to materialise over time in e.g. the profit and loss account, if interest rates develop according to forward rates throughout the remaining maturity of the portfolio. The NPV at Risk figures in the table below are determined on the basis of an instantaneous upward 1% parallel shock of market rates in line with the ES calculations. For the ALM books the NPV at Risk figures again capture the potential change of value due to the structural mismatch in interest rate positions. For the commercial banking books the NPV at Risk calculations capture the convexity resulting from the optionality in the main mortgage portfolios, e.g. the option for clients to prepay in case of moving house. In these calculations it is assumed that savings and other demand deposits of Retail and Commercial Banking are perfectly represented via the replicating methods and therefore are fully hedged. The NPV at Risk of the Corporate Line again only reflects the interest risk profile of the investments of the bank's own funds.

NPV-at-Risk banking books (1% instantaneous upward shock to interest rates)

	2009	2008
By Business Line		
ING Commercial Banking	**-427**	-674
ING Retail Banking	**-51**	-100
ING Direct	**49**	-232
ING Bank Corporate Line	**-1,406**	-1,388
ING Bank Total	**-1,835**	-2,394
By Currency		
Euro	**-1,811**	-2,105
US dollar	**-39**	-238
Pound sterling	**-53**	-40
Other	**68**	-11
Total	**-1,835**	-2,394

The end-of-year NPV at Risk decreased significantly by EUR 559 million to EUR –1,835 million. This change is mainly driven by ING Direct where shortening of investments at certain units changed the NPV at Risk figure from a negative to a positive value. Within Commercial Banking the structural interest rate mismatch position in the strategic ALM portfolio was reduced, leading to a reduction in NPV at Risk.

Basis Point Value (BPV)
The Basis Point Value (BPV) figures below represent the value impact to the banking books resulting from a change in interest rates of 1 basis point. The BPV figures represent the directional position under a small upward shift in interest rates and do not capture the convexity resulting from the optionality in mortgages under larger interest rate movements.

BPV per currency banking books

In EUR thousands

Currency	**2009**	2008
Euro	-15,340	-19,176
US dollar	757	337
Pound sterling	-684	-582
Other	475	-373
Total	-14,792	-19,794

The outright interest rate risk that is represented through the BPV positions in the table above is mainly caused by the investments of the Bank's core capital. The BPV figures are consistent with the NPV-at-Risk figures, showing the reduced exposure to changing interest rates.

Foreign exchange risk in banking books
Foreign exchange (FX) exposures in banking books result from commercial banking business (business units doing business in other currencies than their base currency), FX translation risk on foreign currency investments (including realised results) and strategic equity stakes in foreign currencies. The policy regarding these exposures is briefly explained below.

Commercial banking business
Every business unit hedges the FX risk as result of their commercial activities into the base currency of the unit. Consequently assets and liabilities are matched in terms of currency.

FX Translation result
ING's strategy is to protect the bank'sTier-1 ratio against unfavourable FX rate fluctuations[1]. The protection is largely achieved by the issuance of US dollar and Pound sterling denominated hybrid debt that qualifies as Tier-1 capital ("Tier-1 securities") and furthermore by taking structural foreign currency positions. The goal of deliberately taking open FX positions is to make the Tier-1 capital and risk-weighted assets evenly sensitive to changing FX rates. The US dollar, Pound sterling, Polish zloty, Australian dollar and Turkish lira are the main currencies in this respect.

The following tables present the currency exposures in the banking books.

Net banking currency exposures banking books

In EUR million	Foreign Investments		Hedges		Net Exposure	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
US dollar	6,913	9,061	-3,980	-4,502	2,933	4,559
Pound sterling	-1,155	-1132	1,220	1113	65	-19
Polish zloty	1,153	1,027	-486	-490	667	537
Australian dollar	2,186	1,031	-1,423	-700	763	331
Turkish lira	1,752	1,687	-233	-193	1,519	1,494
Other currency	7,321	4,897	-3,549	-3794	3,772	1,103
Total	18,170	16,571	-8,451	-8,566	9,719	8,005

The US dollar Foreign Investments declined in 2009 due to significant negative results, mainly within ING Direct US. The Australian dollar Foreign investments increased significantly for different reasons: a capital injection in ING Direct Australia, strengthening of the FX rate by 25% and positive realised results. The significantly increased Net Exposure in the category 'Other currency' is mainly caused by increased share prices related to strategic equity stakes. For example, the share price of Bank of Beijing increased over 100%, increasing the exposure to the Chinese renminbi.

In order to measure the remaining sensitivity of the Tier-1 ratio against FX rate fluctuations, the Tier-1 ratio at Risk (TaR) measure is used as presented in the following table. It measures the drop in the Tier-1 ratio when stressing a certain FX rate. The stress scenarios for the FX rates that are used for calculating the TaR, are presented in the last two columns. A positive stress scenario means that the foreign currency appreciates against the Euro. For the US dollar this means that at the end of 2009 the Tier-1 ratio would decrease by 0.030% in absolute terms (e.g. from 9.030% to 9.000%) if the US dollar depreciates by 15%.

Tier-1 ratio sensitivity ING Bank

	TaR		Stress Scenario	
	2009	**2008**	**2009**	**2008**
US dollar	0.030%	0.041%	-15%	-10%
Pound sterling	0.002%	0.000%	-15%	+5%
Polish zloty	0.006%	0.001%	-15%	+20%
Australian dollar	0.010%	0.003%	-20%	+5%
Turkish lira	0.006%	0.017%	-25%	-30%
Total	n/a	n/a	n/a	n/a

[1] Recently, the strategy changed and the core Tier-1 ratio, instead of the Tier-1 ratio, will be protected against FX rate fluctuations going forward.

Equity price risk in banking books

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments whose price reacts similarly to a particular security, a defined basket of securities, or a securities index. ING Bank maintains a strategic portfolio with substantial equity exposure in its banking books. This equity exposure mainly consists of the investments in associates of EUR 1,396 million (2008: EUR 1,813 million) and equity securities held in the Available-for-Sale portfolio of EUR 3,682 million (2008: EUR 1,863 million). The value of equity securities held in the Available-for-Sale portfolio is directly linked to equity security prices with increases/decreases being recognised (except in the case of impairment) in the revaluation reserve. During the year ended 31 December 2009 the revaluation reserve relating to equity securities held in the Available-for-Sale portfolio fluctuated between a month-end low amount of EUR 1,198 million (2008: EUR 776 million) and a high amount of EUR 2,536 million (2008: EUR 1,969 million). Investments in associates are measured in accordance with the equity method of accounting and the balance sheet value is therefore not directly linked to equity security prices

Real Estate price risk in banking books

Real estate price risk arises from the possibility that real estate prices will fluctuate affecting both the value of real estate assets and earnings related to real estate activities.

ING Bank has three different categories of real estate exposure on its banking books. First, ING Bank owns buildings it occupies. Second, ING Bank has a Real Estate Development company for which results are dependent on the overall real estate market, although the general policy is to mitigate risk by pre-sale agreements where possible. Third, for various real estate funds, ING Bank has co-invested seed capital and bridge capital to support the launch of new funds. A decrease in real estate prices will cause the value of this seed and bridge capital to decrease and will lower the level of third party assets under management, which in turn will reduce the fee income from this activity.

The crisis in the financial markets could lead to a further slowdown of the world economy in general. These global economic factors could also have future negative consequences for the value of real estate assets.

For the third category mentioned above real estate price shocks will have a direct impact on reported net profit. ING Bank's real estate exposure (i.e. including leverage and committed purchases) is EUR 7.0 billion of which EUR 3.3 billion is recorded as fair value through P&L and EUR 3.7 billion is not revalued through P&L, but is either booked at cost or is revalued through equity (with impairments going through P&L). In total, Real Estate exposure decreased by EUR 1.9 billion mainly as a result of negative fair value changes (EUR 800 million), impairments (EUR 620 million), net divestments (EUR 900 million) and compensated by FX appreciation (EUR 420 million).

Real Estate Exposure banking books recorded as fair value through P&L

2009	Residential	Office	Retail	Industrial	Other	Total
Europe	**0**	**357**	**196**	**94**	**224**	**871**
Americas	**146**	**93**	**91**	**1,040**	**220**	**1,590**
Australia	**18**	**24**	**298**	**121**	**32**	**493**
Asia	**34**	**24**	**267**	**0**	**0**	**325**
Total	**198**	**498**	**852**	**1,255**	**476**	**3,279**

Real Estate Exposure banking books recorded as fair value through P&L

2008	Residential	Office	Retail	Industrial	Other	Total
Europe	1	893	454	133	98	1,579
Americas	237	172	234	1,199	295	2,137
Australia	3	93	261	126	51	534
Asia	244	99	278	7	19	647
Total	485	1,257	1,227	1,465	463	4,897

ING Bank's real estate exposure revalued through P&L has decreased as a result of value declines, outflow of investments in funds and sales. Europe's real estate exposure recognised EUR 80 million of fair value changes and was not severely impacted compared to other regions. However, sales and outflow within funds of EUR 650 million decreased European real estate exposure. Exposure in the Americas was negatively impacted by fair value changes in the Summit portfolio (EUR 290 million) and other US exposures (EUR 200 million). The sale of Canadian assets (EUR 160 million), partly offset by the Canadian dollar appreciation, contributed to a further decrease in exposure. Exposure in Australia decreased slightly because of negative fair value changes (EUR 160 million) partly offset by the Australian dollar appreciation. Asia's real estate exposure decreased mainly due to the sale of assets and outflow within funds (EUR 250 million) and negative fair value changes (EUR 70 million).

Real Estate Exposure banking books not revalued through P&L

2009	Residential	Office	Retail	Industrial	Other	Total
Europe	**515**	**1,392**	**846**	**74**	**463**	**3,290**
Americas	**95**	**140**				**235**
Australia	**8**	**15**	**37**		**99**	**159**
Asia						
Total	**618**	**1,547**	**883**	**74**	**562**	**3,684**

Real Estate Exposure banking books not revalued through P&L

2008	Residential	Office	Retail	Industrial	Other	Total
Europe	644	1,500	853	81	359	3,437
Americas	78	158	7		24	267
Australia	22	1	87		147	257
Asia						
Total	744	1,659	947	81	530	3,961

ING Bank's real estate exposure not revalued through P&L has decreased. Main changes as a result of impairments (EUR 620 million) and net investments (EUR 290 million) are observed in Europe and Australia, partly offset by the AUD appreciation.

ING BANK – LIQUIDITY RISK

As with other bank market risks, liquidity risk falls under the supervision of the ALCO function within ING Bank with ALCO Bank as the highest approval authority.

Definition

Liquidity risk is the risk that ING Bank or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner. Liquidity risk can materialise both through trading and non-trading positions. Within ING Bank the liquidity risk framework has been determined by ALCO Bank, which bears the overall responsibility for liquidity risk. The liquidity risk framework is further cascaded down the organisation under the responsibility of the regional and local ALCOs. The main objective of ING's liquidity risk framework is to maintain sufficient liquidity in order to ensure safe and sound operations. For this purpose liquidity risk is considered from three different angles namely from a structural, tactical and a contingency point of view.

Structural liquidity risk

Structural liquidity risk is the risk that the structural, long term balance sheet can not be financed timely or at a reasonable cost. In this view of liquidity risk the total on and off balance sheet positions are considered from a structural asset and liability management perspective. For this purpose ALCO Bank established a working group consisting of Corporate Market Risk Management, Capital Management and Financial Markets that focuses on liquidity risk aspects from a going concern perspective. The main objective of the working group is to maintain a sound liquidity profile through:

- Maintaining a well diversified mix of funding sources in terms of instrument types (e.g. unsecured deposits, commercial paper, long term bonds or repurchase agreements), fund providers (e.g. professional money market players, wholesale or retail clients), geographic markets and currencies;
- Actively managing access to the capital markets by regularly issuing public debt in all material markets and the maintenance of investor relations;
- Holding a broad portfolio of eligible assets that can be used to obtain secured funding, e.g. from repo market or ECB; in this respect the total eligible collateral amounts to EUR 165 billion (nominal);
- Maintaining an adequate structural liquidity gap taking into account the asset mix and both the secured and unsecured funding possibilities of ING Bank;
- Maintaining a funds transfer pricing methodology in which ING Bank's cost of liquidity is adequately reflected both under a going concern and a contingency perspective.

With respect to funding sources, ING Bank aims to fund its own originated assets (loans) by an equal amount of own originated liabilities (deposits), meaning a loan-to-deposit-ratio of 1 (ultimo 2009 value equals 1.16). In the table below the actual funding mix is displayed.

ING Bank Funding Mix

Funding type	2009	2008
Retail deposits	46%	36%
Corporate & other deposits	17%	25%
Interbank (incl. central bank)	10%	14%
Lending / repurchase agreement	8%	11%
Public debt	16%	11%
Subordinated debt	3%	3%
Total	100%	100%

Note: this table excludes IFRS equity, trading and non-trading liabilities, derivatives and other liabilities

The funding mix remained favourable and well diversified. Deposits accounted for more than 60% of the total funding base.

Tactical liquidity risk

From a tactical, short-term perspective the liquidity risk resulting from the short term cash and collateral positions is managed. ALCO Bank has delegated day-to-day liquidity management to Financial Markets Amsterdam, which is responsible for managing the overall liquidity risk position of ING Bank, while regional and local Financial Markets departments are responsible for managing liquidity in their respective regions and locations.

Within Financial Markets the focus is mainly on the daily and intraday cash and collateral positions and it is policy to sufficiently spread day-to-day funding requirements. For this purpose the Treasury function monitors all maturing cash flows along with expected changes in core business funding requirements.

The liquidity risk management function is delegated to CMRM, which bears the responsibility for liquidity risk stress testing and for the identification, measurement and monitoring of the liquidity risk position. For the measurement and monitoring of the actual liquidity position the focus is on the daily cash and collateral position. For stress testing purposes the liquidity risk positions are calculated in line with the regulatory reporting requirements for liquidity risk of the Dutch Central Bank. For this purpose ING Bank's weekly and monthly liquidity positions are stress tested under a scenario that is a mix between a market event and an ING specific event. The resulting liquidity positions are corrected for liquidity surpluses in inconvertible currencies and in locations with restrictions on capital transfer.

Contingency liquidity risk

Contingency liquidity risk relates to the organisation and planning for liquidity management in times of stress. Within ING a specific crisis team is responsible for the liquidity management in times of crisis. This crisis team consists of the CRO, the CFO, the Board member responsible for Commercial Banking, the Directors of CMRM and Capital Management and all the main treasurers of both ING Bank and ING Insurance. Within ING it is policy to have adequate and up-to-date contingency funding plans in place throughout the organisation. The main objective of ING's contingency funding plans is to enable senior management to act effectively and efficiently in times of crisis. The contingency funding plans are established for addressing temporary and long-term liquidity disruptions caused by a general event in the market or an ING specific event. These plans ensure that all roles and responsibilities are clearly defined and all necessary management information is in place. The contingency funding plans are regularly tested both on consolidated and local level in order to be best prepared for potential liquidity risk issues.

ING INSURANCE

ING is engaged in selling a broad range of life and non-life insurance products. Risks from these products arise with respect to the adequacy of insurance premium rate levels and provisions for insurance liabilities and capital position, as well as uncertainty as to the future returns on investments of the insurance premiums. Risks are classified as insurance risk (actuarial and underwriting), market risk, liquidity risk, credit risk, business risk and operational risk.

The Insurance Management Board is responsible for managing risks associated with the activities of ING Insurance. The responsibility for measurement and management of credit risk and operational risk resides with Corporate Credit Risk Management (CCRM) and Corporate Operational Risk Management (CORM) respectively. Corporate Insurance Risk Management (CIRM) is responsible for insurance risk (actuarial and underwriting) market risk and liquidity risk measurement and management, business risk measurement, as well as ensuring that investment mandates adequately address credit portfolio risk.

Risk management governance
ING's Insurance Risk Management (IRM) is organised along a functional line comprising three levels within the organisation: the corporate, business line and business unit levels. The General Manager of CIRM, the Chief Insurance Risk Officer, heads the functional line and reports to the Corporate CRO. Each of the business lines and business units has a similar function headed by a Chief Insurance Risk Officer (business line and business unit CIRO). This layered, functional approach ensures consistent application of guidelines and procedures, regular reporting and appropriate communication vertically through the risk management function, as well as providing ongoing support for the business. The scope, roles, responsibilities and authorities of the risk management function at different levels are clearly described in an Insurance Risk Management Governance Framework to which all consolidated business units and business lines must adhere.

The objective of the insurance risk management function is to provide the business a sustainable competitive advantage by fully integrating risk management into the tactical daily business activities as well as ING's broader business strategy. Insurance Risk Management accomplishes this through four core activities. First, the IRM function ensures that products and portfolios are structured, underwritten, priced, approved and managed appropriately in compliance with internal and external rules and guidelines. Second, IRM ensures that the ING Insurance risk profile is transparent and well understood by management and stays within delegated authorities, with a 'no surprises' approach to reporting and monitoring risks. Third, IRM ensures that both risk and reward are adequately considered in the development of business strategy, for example by supporting the planning and allocation of Economic Capital and limits during the strategic planning process. Finally, IRM ensures that these steps are understood by ING's stakeholders, including shareholders, rating agencies, regulators and policy holders.

Risk management policies and tools
To ensure appropriate risk management, CIRM in close co-operation with the business line CIROs, has developed Standards of Practice guidelines and tools to manage risks. While these standards are principle based, they include mandatory requirements to which the business unit CIROs must adhere.

A critical aspect of risk management is that all new products are designed, underwritten and priced appropriately. This is explicitly covered by the Standard of Practice for the Product Approval and Review Process (PARP). This standard includes requirements related to risk profile, traditional and value-oriented pricing metrics and targets, and documentation. As part of the Back to Basics strategy, Customer Suitability is integral part of the PARP requirements since December 2009. In addition to insurance and market risks, the requirements refer to operational risk, legal and compliance risk, etc. For these risks, the IRM network works closely together with the other relevant risk departments. The PARP also includes requirements to assess sensitivities to changes in financial markets, insurance risk (e.g. mortality and claims development), compliance risks and operational risks, as well as assessment of the administration and accounting aspects of the product.

Other standards prescribe quarterly insurance risk reporting, ALM procedures and reporting, actuarial and economic assumption setting, reserve adequacy testing and embedded value measurement and reporting, amongst others.

ING Insurance has developed an Economic Capital approach similar to that used within ING Bank as one of its core risk measurement tools. More details on the Economic Capital model are described below. In 2007, ING Insurance introduced ECAPS, a new intranet-based Economic Capital reporting system which is based on replicating portfolio techniques. The ECAPS system provides a well controlled and automated basis for Economic Capital and risk reporting, and also provides greatly enhanced market risk analysis tools for the insurance group and corporate reporting purposes. ECAPS relies on an innovative replicating portfolio methodology. CIRM expects this system to be the foundation of its internal fair value and solvency model, including the calculation of capital requirements following the introduction of Solvency II. Through 2009 the system has been enhanced and functionality expanded.

To further manage risk, ING Insurance has implemented several limit structures. Examples include but are not limited to the following:
- Market Value at Risk (MVaR) limits that provide the fundamental framework to manage the market and credit risks resulting from the Insurance operations' asset / liability mismatch;
- Credit risk concentration limits;
- Mortality concentration limits;
- Catastrophe and mortality exposure retention limits for its insurance risk; and
- Investment and derivative guidelines.

More information on some of these limits is included in the sections below.

Reserve adequacy

CIRM instructs and supervises all ING entities to ensure that the total insurance liabilities of ING Insurance (both reserves and capital) are tested for adequacy taking into account the insurance premium rate levels and the uncertainty of future returns on investments. This is done by evaluating insurance liabilities on current best estimate actuarial assumptions plus a risk margin, ensuring that the reserves remain adequate based on current assumptions. The assumed investment earnings are a combination of the run-off of portfolio yields on existing assets and new money and reinvestment rates. For new money and reinvestments long-term best estimate assumptions are taken into account, although current new money rates are used for the short-term reinvestments. For most products stochastic testing is required, taking the 90% point as the testing outcome. In the case where deterministic testing is used the 90% confidence level is achieved by subtracting risk margins of 20% of the best-estimate interest rates or 1%, whichever is higher.

ING's policy for reserve adequacy testing is disclosed in the 'Principles of valuation and determination of results' section. As of 31 December 2009 (and 31 December 2008), reserves for ING's insurance businesses in aggregate are adequate at a 90% confidence level. All business lines are adequate on a stand alone basis at a 90% confidence level, except business line Americas, that is inadequate by EUR 1.6 billion (0.6 billion adequate as at 31 December 2008). The deterioration in reserve adequacy is largely driven by changes to assumed surrender rates for certain US legacy retail annuity products.

ING INSURANCE RISK PROFILE

Economic Capital ING Insurance

The objective of the ING Insurance Economic Capital framework is to achieve an advanced risk and capital measurement and management structure that:

- Covers all the risks in the business units and is applied consistently across all risks and business units;
- Facilitates and encourages adequate risk and capital management, including the proper pricing of products and sound capital allocation decisions.

The ING Insurance Economic Capital model is based on a 99.95% one-year Value at Risk framework. It is important to note that since industry practice relating to Economic Capital is still evolving and moreover Solvency II standards are still under discussion, ING Insurance models are expected to evolve as a result. Solvency II currently calls for a 99.5% Value at Risk standard for internal models which is a lower risk threshold than used in ING's model.

The ING Insurance Economic Capital model is described in more detail in the Model Disclosure section.

Economic Capital disclosures relating to ING Insurance include diversification benefits that arise within ING Insurance. The following table provides an Economic Capital break down by risk category with diversification benefits proportionally allocated to the risk types:

Economic capital break-down ING Insurance by risk category [(1)(2)]

	2009	2008
Credit risk (including Transfer risk)	1,319	891
Market risk	11,552	8,455
Insurance risk	1,666	1,557
Other risks [(2)]	3,568	2,779
Total insurance operations	**18,105**	13,682

(1) The Economic Capital outcomes do not reflect any potential tax benefit resulting from the loss that occurs under the specified circumstances.
(2) Other risk includes operational risk as well as business risk (covering expense risk and lapse risk).

Total diversification across these risk types is 32% for 2009 (34% for 2008).

The Economic Capital for ING Insurance is mostly related to market risks, both hedgeable and non-hedgeable. Overall, Economic Capital and risk profile increased during 2009. The primary change came from increased market risk, relating to a recovery in financial markets in combination with improved modelling of interest rate and credit spread risk exposure. In addition, there were several changes to the risk profile due to selling of business units and increases in business risk due to improved lapse risk modelling.

The following table provides the Economic Capital breakdown by business line with diversification benefits proportionally allocated to the business lines.

Economic Capital break-down by ING Insurance business line

	2009	2008
Insurance Americas	9,705	6,049
Insurance Asia/Pacific	2,256	2,817
Insurance Europe	3,969	2,985
Corporate Line Insurance [1]	2,175	1,831
Total insurance operations	**18,105**	13,682

[1] Corporate Line includes funding activities at ING Insurance level, explicit internal transactions between business unit and Corporate Line, managed by Capital Management, and corporate reinsurance. The responsibility (and risk) of free assets located within the business line for which there is no explicit transfer via a Corporate Line transaction remain at the business unit level.

While the figures above are shown by business line, the diversification of risks across ING businesses is calculated across business units. Total diversification between ING Insurance's business units and the Corporate Line Insurance is 32% for 2009 (39% in 2008).

Insurance Americas is the largest user of Economic Capital. Improved modelling of interest rate guarantees embedded in liabilities and credit spread risk on assets has increased EC exposure. Asia Pacific exposure dropped partially due to divested business units in Australia and New Zealand. Economic Capital in Asia/Pacific and Europe has now an equal balance for financial and non-financial risks, while capital in Americas is still primarily driven by interest rate, credit spread and client fund related equity risk. The Corporate Line risk relates mostly to foreign exchange translation risk related to the potential loss of market value surplus in non-EUR denominated business units.

ING INSURANCE – MARKET RISKS

ING Insurance is exposed to market risk to the extent to which the market value of surplus can be adversely impacted due to movements in financial markets; these include interest rates, equity prices, implied volatilities of options, foreign exchange rates and Real Estate prices. Changes in financial market prices impact the market value of ING's current asset portfolio and hedging derivatives directly as well as the calculated market value of ING's insurance liabilities. The following table provides information on Economic Capital split by risk category:

Economic Capital insurance market risks

	2009	2008
Interest rate risk	4,244	2,739
Credit spread risk	1,914	880
Equity risk	1,836	1,293
Real Estate risk	239	252
Implied volatility risk	1,451	1,857
Foreign exchange risk	1,868	1,434
Total	**11,552**	8,455

Interest rate risks are the largest market risks for ING Insurance. Interest rate risks are most significant in the United States. In general, the primary risk is to falling interest rates. The table shows a notable increase in the interest rate risk during 2009 mainly as a consequence of the improved modelling of interest rate guarantees in US variable annuities.

Credit spread risk relates to potential increases in credit spreads from investments in fixed income securities. Real Estate risk exists mostly in the Netherlands and relates in a large part to direct Real Estate investments. Implied volatility risk is the risk that market values of assets or liabilities change due to movements in market option prices. In general, ING is exposed to increases in implied volatility as the guarantees provided to customers become more expensive. Foreign exchange risk is small in the business units. Hence, most of the exposure relates to the risk of change in the market value surplus of non-EUR businesses.

The equity risk has become more dominant due to unwinding of hedging activities, relating to both direct and indirect exposure and a higher equity value due to the market recovery in 2009. Direct exposure relates to the holding of shares and is most significant for ING in the Netherlands. Indirect exposure relates to the potential loss of fee income from unit linked, variable annuity, and pension fund business across all regions. Direct exposure represents approximately 25% of the equity risk, after taking the hedge positions into account.

The credit spread risk has become more dominant due to higher credit spread shocks applied to our assets and improved risk modelling of structured bond assets.

ING continues to manage the market and credit risks resulting from its global Insurance operations by setting Market Value at Risk (MVaR) limits. On at least an annual basis, ALCO Insurance sets an aggregate MVaR limit for ING Insurance and sub-limits for each of the business lines, which are ultimately allocated to the business units. The MVaR limit is measured in a manner consistent with the Economic Capital measure, i.e. based on a 99.95% confidence level over a one-year horizon.

The MVaR limits are managed by ALCO Insurance at the relevant organisational level. The Group Insurance ALCO determines the aggregate limit and ensures that the Group stays within the limit and allocates the sub-limits to business lines, with similar roles for the business line and business unit ALCOs. Limit breaches by business lines are reported to ALCO Insurance and resolved in accordance with the policy within the next quarter.

CIRM consolidates and monitors the MVaR exposures of the business lines including diversification effects on a quarterly basis. Together with ING Capital Management, MVaR is managed within the limits.

In 2009 there was a breach of the overall ING Insurance MVaR limit, due to breaches in USFS and Corporate Line. Both breaches were waived temporarily to be able to resolve regulatory issues which had a higher priority than economic capital. Actions to reduce interest rate risk would have had an adverse effect on regulatory capital and as such a waiver for the limit breaches was temporarily given.

Real Estate

Real Estate price risk arises from the possibility that the value of Real Estate assets fluctuate because of a change in earnings related to Real Estate activities and/or a change in required investor yield.

ING Insurance has two different categories of Real Estate exposure on its insurance books. First, ING Insurance owns buildings it occupies. Second, ING Insurance has invested capital in several Real Estate funds and direct Real Estate assets. A decrease in Real Estate prices will cause the value of this capital to decrease and as such ING Insurance is exposed to Real Estate price shocks.

The second category can be divided on the one hand in minority stakes in Real Estate assets that are revalued through equity and on the other hand stakes in funds managed by ING and direct Real Estate revalued through P&L. Only for the last category Real Estate price shocks will have a direct impact on reported net profit.

The crisis in the financial markets has led to a further slowdown of the world economy in general. These global economic factors also had negative consequences for the value of Real Estate assets.

As of Q4 2009 ING Insurance has EUR 3.7 billion of Real Estate related investments. ING Insurance' Real Estate exposure (i.e. including leverage) is EUR 6.1 billion of which EUR 4.4 billion is recognised as fair value through P&L and EUR 1.7 billion is not revalued through P&L, but is either booked at cost or is revalued through equity (with impairments going through P&L). In total, Real Estate exposure decreased by EUR 0.4 billion mainly as a result of negative fair value changes (EUR 396 million), impairments (EUR 77 million) and compensated by net investments (EUR 22 million) and FX appreciation (EUR 42 million).

Real Estate Exposure recorded as fair value through P&L

2009	Residential	Office	Retail	Industrial	Other	Total
Europe	**379**	**1,366**	**1,958**	**450**	**83**	**4,236**
Americas					**94**	**94**
Australia					**25**	**25**
Asia					**68**	**68**
Total	**379**	**1,366**	**1,958**	**450**	**270**	**4,423**

Real Estate Exposure recorded as fair value through P&L

2008	Residential	Office	Retail	Industrial	Other	Total
Europe	438	1,609	2,207	522	28	4,804
Americas					93	93
Australia						
Asia						
Total	438	1,609	2,207	522	121	4,897

Real Estate Exposure not valuedrevalued through P&L

2009	Residential	Office	Retail	Industrial	Other	Total
Europe	**747**	**228**	**3**	**5**	**541**	**1,524**
Americas		**125**				**125**
Australia						
Asia		**20**				**20**
Total	**747**	**373**	**3**	**5**	**541**	**1,669**

Real Estate Exposure not valuedrevalued through P&L

2008	Residential	Office	Retail	Industrial	Other	Total
Europe	781	250	9	20	469	1,529
Americas		149				149
Australia						
Asia		21				21
Total	781	420	9	20	469	1,699

Earnings sensitivities

Complementing Economic Capital, which is based on a market value analysis, ING Insurance also measures risk based on IFRS earnings. More specifically, using scenario analysis, ING Insurance measures the potential sensitivity of realised pre tax earnings of the insurance operations to an increase/decrease in different risk factors over a full year. These earnings sensitivities are used as input into the ING Group Earnings at Risk measure, where these sensitivities are fully diversified with the Bank. Interpretation of the underlying earnings sensitivities must be done individually as ING does not assume that all of the scenarios presented below will happen concurrently.

Earnings sensitivities are defined on a shock scenario at the 90% confidence level on pre-tax IFRS earnings, projected one year forward from the calculation date. Therefore the table below provides earnings sensitivities to an instantaneous shock at the 90% confidence level projected through to 31 December 2010.

Earnings sensitivities for insurance market risks

	2009	2008
Interest rate (1% up)	-222	-67
Interest rate (1% down)	270	82
Equity (25% (US 15%) down)	-814	-795
Real Estate (8% down)	-434	-533
Foreign Exchange (10% worst case)	-224	-224

The table presents figures before diversification between risks and business units. For interest rate risk, the effect of a parallel shock of 1% across all regions is determined and the sum of the shocks is presented. For the Japan business, a shock of 0.5% is applied since this business operates in a lower interest rate environment. Foreign exchange risk includes the sum of both local business currency risk plus translation risk for earnings of non-Euro business units.

The table shows that Real Estate fluctuations can have a relatively large impact on earnings since most price volatility is fully reflected in earnings for Real Estate investments. The impact on earnings of interest rates and equity price changes are normally lower than the economic and shareholder's equity impact given the fact that current accounting rules are not fully market value based. The sensitivity results reflect the impacts of asymmetric accounting, whereby the hedges must be marked-to-market through earnings while the liability value is not marked-to-market through earnings.

Earnings sensitivities provide an indicator of future earnings that are at risk in case markets deteriorate. Earnings can deteriorate significantly when certain thresholds have been reached for impairment and DAC unlocking. At the moment the increase in equity Earnings Sensitivity - despite de-risking - is driven by DAC unlocking and negative revaluations being close to hitting or at impairment triggers. Offset from the hedging programs existing at year end is taken into account.

ING Insurance - Liquidity risk

As with other ING Insurance market risk, liquidity risk falls under the supervision of the ALCO function. Liquidity risk is the risk that ING Insurance or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner. ING Insurance monitors structural, tactical and contingency liquidity risk and tests adverse scenarios to measure its resiliency against these risks. The severe economic downturn has caused liquidity risk to increase substantially. To manage these risks, ING Insurance has increased its allocation to liquid assets

ING INSURANCE – INSURANCE RISKS

General

Actuarial and underwriting risks are risks such as mortality, longevity, morbidity, adverse motor or home claims development, etc., which result from the pricing and acceptance of insurance contracts. In general, these risks cannot be hedged directly in the financial markets and tend to be mitigated by diversification across large portfolios. They are therefore primarily managed at the contract level through standard underwriting policies, product design requirements as set by ING's IRM function, independent product approval processes and risk limitations related to insurance policy terms and conditions agreed with the client.

Measurement

For portfolio risks which are not mitigated by diversification, the risks are managed primarily through concentration and exposure limits and through reinsurance and/or securitisation. Aggregate portfolio level limits and risk tolerance levels are set in reference to potential losses stemming from adverse claims in ING's insurance portfolios which are reviewed annually by the ING Group Executive Board. ING Group has established actuarial and underwriting risk tolerance levels in specific areas of its insurance operations as described below. For non-life insurance, risk tolerance levels are set by line of business for catastrophic events (e.g. natural perils such as storms, earthquakes and floods) and for individual risks.

For the main non-life units (in the Benelux) the risk tolerance for property and casualty (P&C) business is generally set at 2.5% of the Group's expected after-tax earnings. For 2009, this translated into an aggregated (pre-tax) risk tolerance level of EUR 190 million for the Benelux (2008: EUR 265 million).

In order to determine how much reinsurance protection is required these risk tolerance levels are compared to the estimated maximum probable loss resulting from catastrophic events with a 1 in 250 probability of occurrence which is in line with industry practice. The maximum probable loss estimates for Fire business are based on risk assessment models that are widely accepted in the industry.

For the smaller non-life units, the (pre-tax) risk tolerance level for catastrophe related events for 2009 was set at EUR 5 million (2008: EUR 5 million) per event per business unit.

With respect to life business, ING Group's (pre-tax) risk tolerance level for 2009 was set at EUR 22 million (2008: EUR 22 million) per insured life for mortality risk. While life insurance risks are considered to be naturally diversifiable by virtue of each life being a separate risk, group contracts may result in significant exposures. For potential losses, resulting from significant mortality events (e.g. pandemics or events affecting life insurance contracts involving multiple lives), ING applies a separate risk tolerance level which equalled EUR 1,100 million in 2009 (2008: EUR 1,100 million). The potential impact of pandemics continues to be modelled by ING based on studies published by respected international organisations.

Due to substantial lower earnings, ING is currently reviewing the way to set risk tolerance levels for insurance risks in the future. ING is considering whether these risk limits should be derived from Economic Capital and Available Financial Resources at Risk.

Overall exposures and concentrations are actively managed within limits and risk tolerance levels through the purchase of external reinsurance from approved reinsurers in accordance with ING's reinsurance credit risk policy. Particularly for the property and casualty portfolio, ING purchases protection which substantially mitigates ING's exposure due to natural catastrophes. ING believes that the credit risks to which it is exposed under reinsurance contracts are minor, with exposures being monitored regularly and limited by a reinsurance credit risk policy.

For catastrophic losses arising from events such as terrorism, ING believes that it is not possible to develop models that support inclusion of such events in underwriting in a reliable manner. The very high uncertainty in both the frequency and severity of these events makes them, in ING's opinion, uninsurable. For the non-life business, losses that result from these events are generally not covered unless required by law. In various countries industry pools have been established to mitigate the terrorism risk to which the individual insurers are nevertheless still exposed. ING participates in such pools.

The following table provides an overview of the Economic Capital for insurance risks, split into mortality risk, morbidity risk and risk related to P&C products:

Economic Capital Insurance risks

	2009	2008
Mortality	981	781
Morbidity	505	483
P&C	180	293
Total	**1,666**	1,557

The mortality risk relates to the potential for increasing deaths (life risk) or decreasing deaths (longevity risk). This risk relates to a potential mortality catastrophe or to changes in long term mortality rates. As noted, ING manages these risks via limits and external reinsurance. Morbidity risk relates to disability products in the Netherlands and some health riders sold in Asia. Finally, property and casualty risk exists primarily in the Benelux.

Through scenario analyses, ING Insurance measures the sensitivity of pre-tax earnings of the insurance operations to an increase/decrease of the insurance risk factors over a one year period. These changes to earnings can relate to realised claims or any other profit item that would be affected by these factors. ING assumes that not all the shifts presented below will happen at the same time.

Earnings sensitivities are defined on a shock scenario at the 90% confidence level on pre-tax IFRS earnings, projected one year forward from the calculation. Therefore the table below provides earnings sensitivities to an instantaneous shock at the 90% confidence level projected through to 31 December 2010.

Earnings sensitivities for Insurance risks

	2009	2008
Mortality	-39	-61
Morbidity	-113	-105
P&C	-42	-49

The table above presents figures after diversification between insurance risks and diversification across business units of ING Insurance. The largest earnings sensitivity to P&C claims relates to health and P&C claims in the Netherlands. Earnings sensitivity from Mortality and Morbidity is more evenly spread over the regions.

ING INSURANCE – CREDIT RISKS

The credit risks in the general accounts portfolio within ING Insurance are subject to the same principles, policies, definitions and measurement as those of the banking operations. The credit risks are measured and monitored by Corporate Credit Risk Management (CCRM) as well as local credit risk managers within the various locations where credit risk is taken within ING Insurance and ING Investment Management. Within ING Insurance, the goal is to maintain a low risk, well diversified credit risk portfolio that meets or exceeds market based benchmark returns.

ING Insurance's credit exposure arises from the investment of insurance premiums in assets subject to credit risk, largely in the form of unsecured bond investments, and smaller amounts of residential mortgages and structured finance products. In addition, credit exposure also arises from derivatives, sell/repurchase transactions, securities lending/borrowing and reinsurance contracts used to hedge the portfolio. ING Insurance has a policy of maintaining a high quality investment grade portfolio.

Overall portfolio credit risk limits are established and integrated into investment mandates by ALCO Insurance based on asset or investment category and risk classes. Individual issuer limits are determined based on the obligor's rating. These limits are managed by the region where the parent company is domiciled but may be sub-allocated to regional or local portfolios. In addition, each Insurance company has one or more investment mandates that may differ by insurance portfolio specify credit risk appetite by issuer type and quality.

The credit risk classification of issuers, debtors and counterparties within the Insurance companies' credit risk portfolios continues its transition to the methodology used by the banking operations. Similar to ING Bank, ING Insurance uses risk classes which are calibrated to the probability of default of the underlying issuer, debtor or counterparty. These ratings are defined based upon the quality of the issuer in terms of creditworthiness, varying from investment grade to problem grade expressed in S&P equivalents.

Risk classes: ING Insurance portfolio, as % of total outstandings[1]

		Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
		2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
1	(AAA)	**24.8%**	27.5%	**39.8%**	34.8%	**3.5%**	5.3%	**28.1%**	27.2%
2-4	(AA)	**13.1%**	19.6%	**16.0%**	20.2%	**21.9%**	29.6%	**15.4%**	21.1%
5-7	(A)	**22.7%**	18.9%	**22.5%**	23.5%	**56.7%**	43.1%	**26.9%**	23.7%
8-10	(BBB)	**20.1%**	20.0%	**11.7%**	9.3%	**7.4%**	9.6%	**15.1%**	14.8%
11-13	(BB)	**8.0%**	5.2%	**7.2%**	10.7%	**0.8%**	0.9%	**6.8%**	6.6%
14-16	(B)	**5.0%**	5.0%	**1.2%**	1.2%	**7.1%**	9.4%	**3.7%**	4.2%
17-22	(CCC & Problem Grade)	**6.3%**	3.8%	**1.6%**	0.3%	**2.6%**	2.1%	**4.0%**	2.4%
		100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

[1] Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.

ING Insurance risk class distribution deteriorated during 2009, mostly due to downgrades. The increase in the CCC and Problem Grade class was largely due to downgraded securitizations. This category also includes unrated private equity investments. The shift from AA to AAA at Insurance Europe is caused by an increase in outstandings to governments as a result of derisking.

Risk concentration: ING Insurance portfolio, by economic sector[1][2]

	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Non-Bank Financial Institutions	**47.9%**	53.3%	**23.9%**	26.4%	**14.0%**	18.7%	**34.0%**	39.1%
Central Governments	**12.1%**	3.2%	**42.2%**	33.7%	**39.1%**	22.7%	**27.7%**	16.6%
Commercial Banks	**3.8%**	6.2%	**10.5%**	12.8%	**15.1%**	23.7%	**7.9%**	10.8%
Private Individuals	**3.5%**	3.5%	**10.1%**	10.5%	**7.0%**	11.8%	**6.6%**	7.1%
Real Estate	**9.1%**	8.7%	**0.9%**	1.7%	**1.3%**	2.0%	**4.8%**	5.4%
Utilities	**4.0%**	4.0%	**1.8%**	1.7%	**4.4%**	4.0%	**3.1%**	3.2%
Natural Resources	**3.6%**	3.5%	**0.8%**	0.6%	**2.4%**	1.6%	**2.3%**	2.2%
Other	**16.0%**	17.6%	**9.8%**	12.6%	**16.7%**	15.5%	**13.6%**	15.6%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

[1] Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.
[2] Economic sectors below 2% are not shown separately but grouped in "Other".

Overall risk concentrations within ING Insurance shifted towards Central Governments in 2009, especially in Europe. The relative share of Central Governments in the total portfolio also increased due to drops in other parts of the portfolio, especially mortgage backed securities at Insurance Americas.

Largest economic exposures: ING Insurance portfolio, by country [1][2]

amounts in EUR billion	Insurance Americas		Insurance Europe		Insurance Asia/ Pacific		Total ING Insurance	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
United States	**54.3**	58.6	**2.4**	2.0	**1.2**	1.1	**57.9**	61.7
Netherlands	**2.6**	0.8	**14.7**	14.6	**0.2**	0.2	**17.5**	15.6
France	**0.3**	0.3	**8.1**	6.8	**0.1**	0.1	**8.5**	7.2
South Korea	**0.1**	0.1			**7.4**	6.2	**7.5**	6.3
Germany	**0.2**	0.3	**6.0**	5.3	**0.1**	0.1	**6.3**	5.7
Italy	**0.3**	0.3	**5.0**	5.9		0.2	**5.3**	6.4
United Kingdom	**1.4**	1.8	**3.2**	3.5	**0.3**	0.4	**4.9**	5.7
Japan	**0.2**	0.4	**0.1**		**4.3**	4.5	**4.6**	4.9

(1) Only covers total exposures in excess of EUR 4 billion, including intercompany exposure with ING Bank.
(2) Country is based on the country of residence of the obligor.

The declining portfolio in the United States is primarily the result of the currency depreciation of the US Dollar against the Euro, impairments and the Alt-A transaction with the Dutch government. The portfolio in the Netherlands increased due to the IABF Receivable. There were no other significant shifts in the portfolio concentration.

ING GROUP - NON-FINANCIAL RISKS

In addition to the above financial risks (credit, market, insurance and liquidity risk) the next paragraphs describe the non-financial risks, being operational and compliance risks.

GENERAL

Policy implementation

To ensure robust non-financial risk management, ING monitors the full implementation of ING's risk policies and Minimum Standards. Business units have to demonstrate that the appropriate steps have been taken to control their operational and compliance risk. ING applies scorecards to measure the quality of the internal control within a business unit. Scoring is based on the ability to demonstrate that the required risk management processes are in place and effective within the business units.

Enhancements of the Non-financial Risk Dashboard

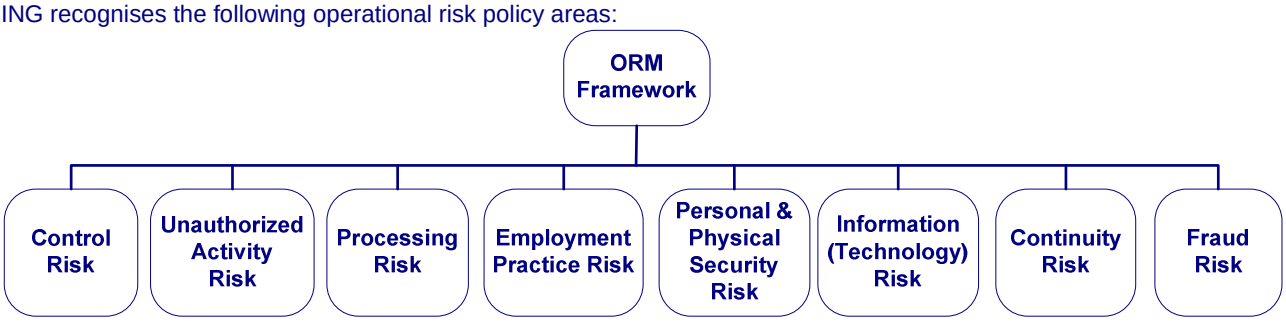
The Non Financial Risk Dashboard (NFRD) is a report, that is standard on the agenda for the meetings of the Management Boards Banking and Insurance and the Risk Committee. NFRD provides management at all organisational levels with integrated risk information on Operational, Compliance and Legal Risks. ORM, Compliance Risk Management and Legal work closely together to prepare the NFRD, using a consistent approach and risk language. NFRD gives management an overview of key risks based on their own risk tolerance within their business and a clear description of the risks and responses enabling management to better prioritise and to manage operational, compliance and legal risks.

OPERATIONAL RISKS

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the related risk of reputation loss, as well as legal risk whereas strategic risks are not included. Effective operational risk management leads to more stable business processes (including IT systems) and lower operational risk costs. Generic mandatory controls are described in the ORM policy house. Most of the policies have been updated in 2009 and are structured in line with the risk areas. Each policy has one or more minimum standards.

ING recognises the following operational risk policy areas:



- *Control risk* is the risk of loss due to not complying with controls set through governance procedures and/or project management methods. Control risk deals with, for example, identifying potential flaws in the set-up or structure of the governance process, maintaining a proper control and governance structure, having clear roles and responsibilities, an adequate reporting structure, ensuring good risk response on identification of risks. Control risk events typically deal with a deficiency in the governance framework. Control risks can lead to losses incurred due to non-compliance with controls established in connection with items such as governance procedures, new product approval procedures, and/or project management methods. Control risk can stem from improper or insufficient monitoring of entities or activities.
- *Unauthorised activity risk* is the risk of a loss caused by unauthorised employee activities, including -but not limited to- unauthorised approvals or overstepping of authority.
- *Processing risk* is the risk of losses due to human errors or omissions during (transaction) processing caused by unexpected or unforeseen problems. Processing risk deals with the risk of losses due to failed transaction processing or process management. These events are normally not intentional and usually occur when documenting or completing current business transactions.
- *Employment practice risk* is the risk of loss due to actions which are inconsistent with employment, health or safety laws, or agreements, from payment of personal injury claims or from diversity /discrimination events.
- *Personal and physical security risk* is the risk of criminal and environmental threats that might endanger the security of ING personnel (within and outside ING locations, while travelling or being expatriated) and ING assets or might have an impact on the ING organisation.
- *Information (Technology) risk* is the risk of loss due to inadequate information security, resulting in a loss of information confidentiality and/or integrity and/or availability. Aspects of information (technology) risks are user access controls, IT resilience, platform security controls, change management controls, sourcing controls, security monitoring controls and fundamental information security controls.
- *Continuity risk* is the risk of events (e.g. natural disasters, power outages, terrorism) leading to a situation that threatens the continuation of business (including people and assets).
- *Internal and external fraud risk* is the risk of loss due to deliberate abuse of procedures, systems, assets, products and/or services of ING by those who intend to deceitfully or unlawfully benefit themselves or others.

Clear and accessible policies and minimum standards are embedded in ING business processes in all business lines. An infrastructure is in place to enable management to track incidents and operational risk issues. A comprehensive system of internal controls creates an environment of continuous improvement in managing operational risk. ING uses this knowledge (including lessons learned from incidents) to improve the control of key processes.

Organisation of Operational Risk Management

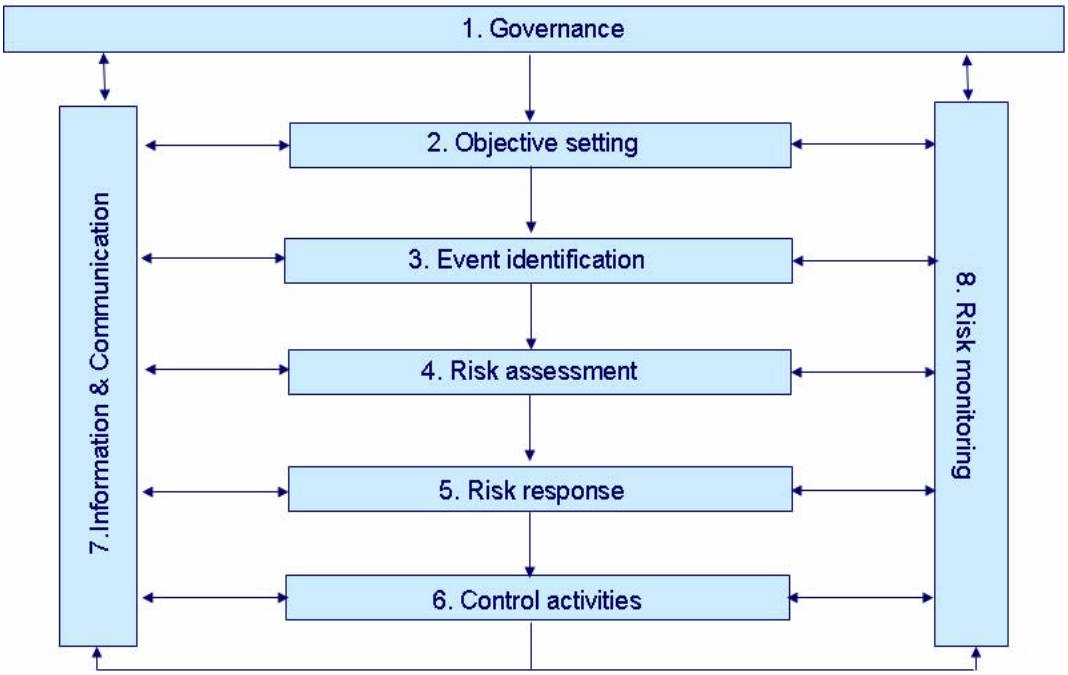
The General Manager Corporate Operational Risk Management (CORM) reports directly to the CRO and is responsible for managing operational risks and developing and establishing the Operational Risk Framework within ING Group, ING Bank and ING Insurance. The General Manager Corporate ORM also establishes and approves the policies and minimum standards, and assists and supports the Executive Board in managing ING's operational risks. The ORM function is organised along functional reporting lines. The Business Line operational risk managers report functionally to the General Manager CORM.

The CORM function consists of functional departments for Operational risks (including policies, systems, SOX testing, capital allocation and reporting), for Information (Technology) risks and for Security & Investigations. The CORM function is responsible for developing and communicating ING's operational risk framework, policies, minimum standards and guidelines. The corporate function advises the Executive Board and senior management, supports the business line ORM staff, monitors the quality of operational risk management and leads the group-wide reporting of operational risks to the Executive Board.

ORM uses a layered functional approach within business lines to ensure systematic and consistent implementation of the group-wide ORM framework, policies and minimum standards. The local and regional/division ORM Officer has the responsibility to assist local and regional/division management in managing operational risk. The business line ORM officer has a monitoring role in the operational risk management process and manages and supervises all functional activities of the ORM officers in the business line and region/division.

To avoid potential conflicts of interests, it is imperative that the ORM officer is impartial and objective when advising business management on operational risk matters in their business unit or business line. To facilitate this, a strong functional reporting line to the next higher level ORM officer is in place. The functional reporting line has clear accountabilities with regard to objective setting, remuneration, performance management and appointment of new ORM staff.

Operational risk framework
ING has developed a comprehensive framework supporting and governing the process of identifying, mitigating, measuring and monitoring operational risks thus reflecting the stages described in the Enterprise Risk Management model of COSO (Committee of Sponsoring Organisations of the Treadway Commission).



At all levels in the organisation Operational Risk Committees (ORC's) are established that identify, measure and monitor the operational risks of the region or business unit with appropriate quality of coverage (granularity) and to ensure that appropriate management action is taken by the responsible line managers at the appropriate level of granularity. ORC's, chaired by the business management, steer the risk management activities of the first and second line of defence in their entities. On a group level the Operational & Residual Risk Committee approves the operational risk capital model.

IT Risk Governance: IT risk management has become more and more important because of increasing dependency on IT and the increase of IT risk due to amongst others cybercrime. In 2009 the Executive Board has established two Executive IT Risk Steering Committees, one for Banking and one for Insurance, to be able to steer and monitor ING's IT Risk Management process and results more closely.

The operational risk appetite within ING is defined as the acceptable and authorised maximum level of risk, in each of the operational risk areas that must be adhered to in order for ING to achieve its business plan within approved budgets. This risk appetite is monitored quarterly through the Non-Financial Risk Dashboard which reports the key risk exposures.

Processes are in place to identify key threats, vulnerabilities and the associated risks which might cause adverse events. Event identification is performed proactively and precedes a risk assessment. Different techniques for event identification exist within ING, e.g. the structured team approach, scenario analysis, external events inventories, internal incident analysis (e.g. based on information from incident reporting), key risk indicator events and threat scans.

At least once a year business units and departments perform an integrated risk assessment with involvement of other departments such as Operational Risk, Compliance, Legal and Finance.

Based on the results of the risk assessment, response measures must be determined for the identified risks. Risk response actions balance the expected cost for implementing these measures with the expected benefits regarding the risk reduction. Risk response can be achieved through several combinations of mitigation strategies, for example reducing likelihood of occurrence, reducing impact, risk avoidance, risk acceptance or through the transfer of risk. Tracking takes place through a global Action Tracking system.

Certain operational risks can best be transferred to the insurance market if risks are high but difficult to mitigate internally. In order to protect ING against financial consequences of uncertain operational events ING has acquired insurance policies issued by third-party insurers with world-wide cover for (Computer) Crime, Professional Liability, Directors and Officers Liability, Employment Practices Liability and Fiduciary Liability. The portion of the risks that ING retains is of a similar magnitude to the risk retained for casualty business-related catastrophe exposures.

Control activities are defined as the control measures that have been implemented and are maintained. Generic mandatory controls are described in the ORM policy house.

Management at all levels in the organisation periodically need information on their key operational risks (including compliance and legal risks) and mitigating actions. In order to make it easier for management to access this kind of information, business units periodically report through the Non-Financial Risk Dashboard (NFRD).

The yearly objective setting process for both business management and ORM professionals aims to keep improving the management of operational risk throughout ING to ensure that ING stays in control of its current and future operational risks. ING's ORM Framework is further maturing towards an integrated controls framework according to pre-agreed requirements and development stages in the individual business units. This development is measured through the scorecard process. The scorecards are an integral part of ING's operational risk capital model.

The Operational Risk Capital calculation model of ING Bank and ING Insurance calculates the amount of capital that is required to absorb unexpected operational risk losses in times of severe stress. The Operational Risk Capital model of ING is based on a Loss Distribution Approach (LDA). The Loss Distribution is based on both external and internal loss data exceeding EUR 1 million. The model is adjusted for the scorecard results taking into account the specific quality of control in a business line and the occurrence of large incidents ('bonus/malus'). This provides an incentive to local (operational risk) management to better manage operational risk.

Main developments in 2009

Control risk policy
A new Control Risk policy was developed which now provides overall-policy direction for control-risk related areas from ORM, Finance and Legal, such as governance, new product approval, project management, financial reporting, outsourcing and operational control. This policy integrates the control-risk related standards of the contributing functions and is part of ING's efforts to work towards a more integrated risk management.

Fraud risks
Based on the Corporate Anti-Fraud policy each business unit had to complete the implementation of anti-fraud key controls for the identified top three fraud risks. Furthermore, fraud patterns and fraud alerts (red flags) had to be identified and communicated to staff. Generic anti-fraud training has been rolled out to ensure that all staff (including management) will be trained. To make the ORM community more streetwise an e-learning training anti-fraud has been developed and rolled out via the ING learning centre.

Information (Technology) risk
ING has fully reviewed and updated its IT risk policy and minimum standards and aligned it with regulatory and (external) international ISO standards. All IT-related staff worldwide were informed about the changes in policy and standards and e-learning is being developed. ING's quarterly monitoring process through NFRD was also aligned with the new policy and standards.

Continued risk mitigation efforts were made in the IT risk domain worldwide as IT is a key resource and enabler for ING businesses. Managing IT risk is amongst ING's key management priorities. The Executive IT Risk Steering Committee is chaired by ING's CEO.

ING developed a Risk Forecasting methodology that shows over time the effects on the risk profile of Business Units from ongoing and intended mitigating actions. In the course of 2009, forecasting has been implemented successfully for the Information (Technology) area.

Continuity risk
A continuity risk forecasting model has been introduced. Through this model, Management can determine if current actions are sufficient to maintain the continuity risks at an acceptable level or if additional mitigation projects are necessary. Furthermore an overall Group value chain ranking list for critical products and services has been introduced in which management can prioritise supporting activities. Because of the worldwide influenza (H1N1) pandemic outbreak special focus has been put on business continuity planning and crisis management using a realistic scenario of a staff absence of 50%.

COMPLIANCE RISKS

Compliance Risk is defined as the risk of damage to ING's integrity as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies, procedures and ethical standards. In addition to reputational damage, failure to effectively manage Compliance Risk could expose ING to fines, civil and criminal penalties, and payment of damages, court orders and suspension or revocation of licenses, which would adversely impact customers, staff and shareholders of ING.

ING believes that fully embedded Compliance Risk Management preserves and enhances the trust of its customers, shareholders and staff. Being trusted is essential to building sustainable businesses. ING's Business Principles set the foundation for the high ethical standards ING expects of all our business activities.

ING's Business Principles require all staff at every level to conduct themselves, not only in compliance with laws and regulations, but also by acting with integrity, being open and clear, respectful, and responsible.

Clear and practical policies and procedures are embedded in ING business processes in all Business Lines. Systems are in place to enable management to track current and emerging Compliance Risk issues, to communicate these to internal and external stakeholders, and to drive continuous improvement. ING understands that good Compliance Risk Management involves understanding and delivering on the expectations of customers and other stakeholders, thereby strengthening the quality of key relationships.

The Scope of the Compliance Risk Management function

The Compliance Risk Management function focuses on managing the risks arising from laws, regulations and standards which are specific to the financial services industry. The Compliance Risk Management function actively educates and supports the business in managing areas including anti-money laundering, preventing terrorist financing, conflicts of interest, proper sales and trading conduct and protection of customer interest.

ING separates Compliance Risk into four conduct-related integrity risk areas. These are shown below with examples of the sub-risks in each risk area:

Client Related Integrity Risk	Personal Conduct Related Integrity Risk	Organisational Conduct Related Integrity Risk	Financial Services Conduct Related Integrity Risk
• Money laundering • Terrorist financing • Political or reputational exposed person • Client engagements or transactions with (ultra) high risk countries	• Market abuse & personal trading • Breaches of the ING Business Principles or local code of conduct • Outside positions by ING officers • Gifts or entertainment given or received; bribery. • External incident reporting	• Organisational conflicts of interest, market abuse and insider trading. • Anti-trust/competition law • New or modified products and services (e.g. customer base, design) and governance changes • Agreed sector /industry standards. • Regulatory registration and reporting requirements • Third party intermediaries as representatives of ING	• Marketing, sales & trading conduct • Conduct of advisory business • Complaint handling • Transparency of product offerings (e.g. costs, disclosures).

In addition to effective reporting systems, ING has a Whistleblower procedure which encourages staff to speak up if they know of or suspect a breach of external regulations or internal policies or Business Principles.

The Compliance Risk Management function

The Chief Compliance Officer (CCO) reports directly to the Chief Risk Officer who is a member of the Executive Board. The CCO is responsible for developing and establishing the company-wide Compliance Risk Management Charter & Framework, establishes the Minimum Standards for managing Compliance Risks and assists and supports the Executive Board in managing ING's Compliance Risks.

ING uses a functional approach within Business Lines to ensure systematic and consistent implementation of the company-wide Charter & Framework, policies, Minimum Standards and related procedures. The Local Compliance Officer has the responsibility to assist local management in managing Compliance Risk within that business unit. The regional or division Compliance Officer has a management and supervisory role over all functional activities of the Compliance Officers in the respective region or division. Reporting functionally into the CCO, the Business Line Compliance Officers perform this task for their Business Line and also provide leadership and overall direction to the regional or divisional Compliance Officers.

To avoid potential conflicts of interest, it is imperative that the Compliance Officers are impartial and objective when advising business management on Compliance Risk in their Business Unit, region, division or Business Line. To facilitate this, a strong functional reporting line to the next higher level Compliance Officer is in place. The functional reporting line has clear accountabilities relating to objective setting, remuneration, performance management and the appointment of new Compliance Risk Management staff as well as obligations to veto and escalate.

Compliance Risk Management Policies and Tools
The responsibility of the Compliance Risk Management function is, in accordance with the Charter and Framework, to proactively:

- Identify, assess, monitor and report on the Compliance Risks faced by ING;
- Assist, support and advise management in fulfilling its responsibilities to manage Compliance Risks;
- Advise any employee or officer with respect to their (personal) obligations to manage Compliance Risks.

The Framework consists of three key components: the Compliance Chart, an Advisory component and the Scorecard as illustrated below

Compliance Risk Management Framework

1. The Chart
The Chart is an output from five key activities carried out in accordance with the requirements of the Framework:

A. Identification of Compliance Risk Obligations;
B. Risk Assessment;
C. Compliance Risk Mitigation (includes Training and Education);
D. Compliance Risk Monitoring (includes Action Tracking);
E. Compliance Risk Reporting (includes Incident Management).

2. Advisory
Compliance Officers proactively advise their CEO, Management, local boards and committees, the next higher level Compliance Officer, and employees on Compliance Risk, responsibilities, obligations and concerns.

The Compliance Risk Management function participates in the Operational Risk Management Scorecard process which measures how the risk management framework including Compliance Risk Management is embedded in each business. Scoring is based on the ability of the business unit to demonstrate that the required policies and procedures are implemented.

3. Scorecard
The Compliance Risk Management function works with the Operational Risk Management Scorecard process to evaluate how well the Compliance Risk Management Framework is embedded in each business. Scoring is based on the ability of the business unit to demonstrate that the required policies and procedures are implemented. The scoring indicates the level of control within the business units and the result is integrated with the Operational Risk Management results into ING's Dutch Central Bank approved regulatory capital model (AMA).

Extra-territorial regulations
As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives ING continues to believe that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba. ING Bank N.V. has in 2009 liquidated the Netherlands Caribbean Bank, which had been a 100% owned subsidiary since 2007.

ING Bank N.V. has continued discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the US and other authorities and its earlier review of transactions involving sanctioned parties. In connection with that review and related discussions ING Bank has undertaken to complete the global implementation of enhanced compliance and risk management procedures, and to monitor the implementation of such procedures on an ongoing basis, as instructed by DNB. ING Bank also remains in discussions with authorities in the US and in other jurisdictions concerning these matters, including with respect to ongoing information requests and it is not possible to predict at this time the outcome thereof. Financial institutions continue to experience close scrutiny by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws, regulations, standards and expectations. Bank and insurance regulators and other supervisory authorities in Europe, the US and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and conduct business in an efficient, orderly and transparent manner. ING seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinizing account holder information, payment processing and other transactions to support compliance with regulations governing money-laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or perceived failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING's licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING's reputation and financial condition, and accordingly ING's primary focus is to support good business practice through its Business Principles and group policies.

Main developments in 2009
Building Customer Trust
Group Compliance Risk Management and Corporate Operational Risk Management have worked closely together with the business lines to strengthen ING's Product Approval and Review Process. This work demonstrates ING's commitment to treating customers fairly and ensuring alignment with the various regulatory initiatives including the Dutch Banking Code, new FSA regulations in the UK and US President Obama's white paper on financial regulatory reform.

Regulator relationships
Group Compliance Risk Management continued to invest in pro-active relationships with regulators in the jurisdictions where ING operates, striving for an open approach and cooperation in identifying and mitigating compliance risks for ING.

Further embedding of Financial Economic Crime & Extra-Territorial Laws
ING's commitment to prevent any involvement in criminal activity was reinforced by the review and updating of the Financial Economic Crime and Extra-Territorial policies.
In keeping with our obligation to provide consistent relevant education, a series of specialised face-to-face training sessions were held for over 250 Money Laundering Reporting Officers. These global events not only provided information on the updated policies but also gave a valuable opportunity to share best practices.

Learning
The "Leading Compliance Risk Management in your business" workshop targeted the top four echelons of ING management (Bank and Insurance) worldwide. It helped provide over 12,000 Managers with a deeper understanding of the effective embedding of ING's Three Lines of Defence model and the strategic value of Compliance Risk Management. Managers also learned in practical steps what actions they can take to strengthen the management of Compliance Risk as well as how to apply the Framework and tools.
Additionally over 700 Compliance Officers world-wide completed a five day face-to-face Compliance Officer training focused on raising technical knowledge and enhancing personal effectiveness.

Compliance risk reporting - Quality Assurance – Challenging Process
The embedding of policies in all ING's Business Units is vital to the effectiveness of ING's Compliance Risk Management strategy.
To ensure that ING has clarity on the status of policy embedding and what actions are planned or in place to ensure all policies are operationally effective, all ING Business Units produce quarterly progress reports.
To ensure the quality of the policy embedding data, Group Compliance Risk Management has formalised a robust Risk Challenging and verification process. The process is lead by the Chief Compliance Officer and is conducted with members of the Business units and the Group Compliance Reporting and Analytics team.

Communication
Communication in 2009 focused on delivering clear messages and useable knowledge to the Compliance Risk Management community through vehicles such as E-Bulletins, workshops and poster campaigns. The Group Compliance Risk Management intranet site was re-designed to provide all employees with an easier more engaging tool to find reference material, policies and Compliance Risk Management news.
When communicating to all ING's' employees, Group Compliance Risk Management embraced all forms of media from high tech intranet to engaging cartoons that convey the key messages on how to apply compliance risk management policies in their work environment.

MODEL DISCLOSURES

The risk profile of ING Group, as described in the risk management section is captured by three key risk metrics:
- Earning at Risk;
- Capital at Risk;
- Economic Capital.

The analyses set out in the risk management section provide a valuable guide to investors as to the risk profile of ING Group. Users of the information should bear in mind that the analyses provided are forward looking measures that rely on assumptions and estimates of future events, some of which are considered extreme and therefore unlikely to occur. In the normal course of business ING Group continues to develop, recalibrate and refine the various models that support risk metrics, which may result in changes to the risk metrics as disclosed.

This model disclosure section explains the models applied in deriving these three metrics. The methodology to derive the Earnings at Risk and Capital at Risk metrics, as presented in the ING Group risk dashboard, is described first. Thereafter, the methodologies used to determine Economic Capital for ING Bank, ING Insurance and ING Group are described. The risk models used for the ING Bank and Insurance Economic Capital calculations and the ING Group risk dashboard are reviewed on a periodical basis and validated by the internal Model Validation department. The ING Bank Economic Capital calculation is also used as part of the Basel II Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP) that is performed regularly by the Dutch Central Bank.

EARNINGS AND CAPITAL RISK

Earnings at Risk

Earnings at Risk (EaR) measures the potential reduction in IFRS earnings over the next year. EaR is measured using a 90% confidence level (i.e. '1 in 10' stress scenario). Discretionary management interventions are not explicitly modelled unless their measurement can be based on historical performance tracking (e.g. regular or planned actions). It should be noted that the 90% confidence level used for EaR is not an absolute requirement, but regarded as a general guideline. For each major risk type the earnings sensitivities are calculated based on existing best-practice e.g. 1% instantaneous shock to interest rates. To reflect bottom-line IFRS earnings as close as possible in EaR measurement, the amount is compared to the forecasted commercial result (IFRS earnings excluding volatile items) to determine risk appetite levels. The ING Bank credit risk component of EaR bank is adjusted for forecasted risk costs (addition to Loan Loss Provision).

Capital at Risk

The Capital at Risk (CaR) measures the potential reduction of the net asset value (based on fair values) over the next year relative to expected value. CaR is measured using a 90% confidence level (i.e. '1 in 10' stress scenario).

Economic value is defined as the mark-to-market net asset value (assets less liabilities). For each major risk type the value sensitivities are calculated based on the existing Economic Capital methodology, applying the 90% confidence level. CaR risk appetite is measured against Available Financial Resources.

Aggregation model risk dashboard

To derive the Earnings at Risk and Capital at Risk figures at an ING Group level, the underlying risk inputs from the ING Bank and ING Insurance business units are aggregated bottom-up, using a combination of the 'variance-covariance' method and Monte Carlo simulation. For aggregation up to Group level, two sets of correlation assumptions are required, namely the Bank-Insurance correlations per risk type and inter-risk correlations.

The basic data input for the group risk dashboard is provided along 13 major risk types (e.g. equity risk Europe; see table below) and diversified within ING Bank or ING Insurance.

The first aggregation step is between ING Bank and ING Insurance for each major risk type. All risk capitals, except for credit risk that is already aggregated for ING Bank and ING Insurance, are delivered on a standalone basis for ING Bank and ING Insurance. These risk capitals are aggregated between ING Bank and ING Insurance using a variance-covariance approach. Depending on the accounting treatment the Bank - Insurance correlation factors used for EaR may differ from CaR correlation factors (e.g. for interest rate risk). The result of this aggregation step are Group diversified EaR and CaR figures for each major risk type.

Major risk types distinguished

Risk type	Distribution used
Credit and transfer risk (2)	KMV distribution
Market risk (8) – Interest rate risk Europe, Asia and America – Equity risk Europe, Asia and America – FX risk – Real Estate risk	Normal distribution
Insurance risk (1)	Normal distribution
Business risk (1)	Normal distribution
Operational risk (1)	Empirical distribution

(Note numbers in parentheses indicate the number of risk types distinguished (total of 13)).

A second aggregation step exists between these major risk types at an ING Group level. The Group diversified EaR and CaR figure for each major risk type are aggregated using a Monte Carlo simulation in combination with an inter-risk correlation matrix to obtain the overall EaR and CaR figures for ING Group. The outcomes of the simulation represent the potential losses arising from the major risk types, which are summed together to derive the aggregate potential losses. The diversified Group EaR or CaR is then calculated as the 90th percentile of the simulated aggregate potential losses.

Principal assumptions of EaR and CaR measurement

CaR and EaR figures should always be viewed in the context of principal assumptions made to enable both comparability and updated measurement of ING Group's risk profile:

- Risk dynamics are based on historic observation; historical events are used as a proxy for future risk estimates e.g. price changes, defaults, dependencies of markets;
- Point-in-time risk profile of in-force business is presented; in general risk measurement does not include future volumes and margins;
- Discretionary management interventions are not explicitly modelled unless their measurement can be based on historical performance tracking (e.g. regular or planned actions);
- Correlation factors between risk types used for diversification are based on best estimate assumptions supported by statistical analysis of historical data, ING risk expert judgement, external benchmark studies and common logic;
- Behavioural assumptions for clients are included in risk measurement where applicable e.g. variable savings, embedded mortgage options or lapse ratios.

Reporting Framework

All data for each risk type and business line, as well as the empirical Group risk distributions, are uploaded to a web-based risk dashboard program. The aggregation and simulation steps, as described above, are performed in a secure server based environment.

ECONOMIC CAPITAL ING BANK

Economic Capital is defined as the amount of capital that a transaction or business unit requires in order to support the economic risks it originates. In general Economic Capital is measured as the unexpected loss above the expected loss at a given confidence level. Specific measurement by risk type is described in greater detail in the separate risk type sections; i.e. credit and transfer and operational risk as well as market and business risk bank.

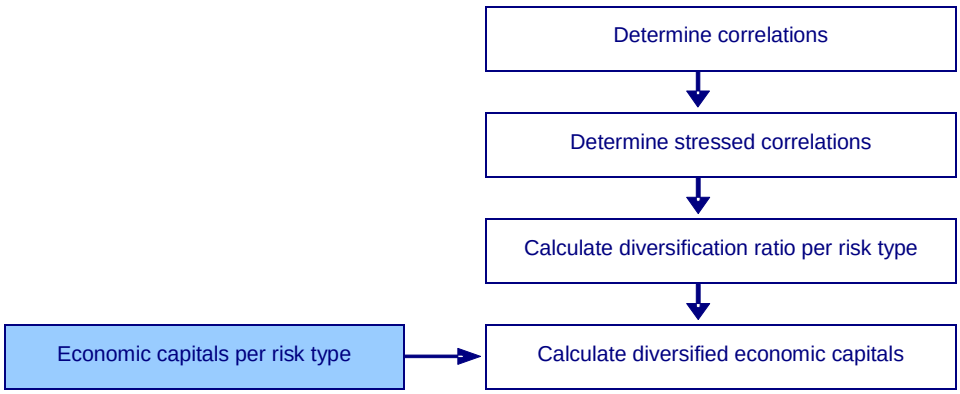
This Economic Capital definition is in line with the net market value (or surplus) definition. The process of Economic Capital modelling enables ING Bank to allocate Economic Capital to the business units and support risk-adjusted performance measurement (RAROC)..

The following fundamental principles and definitions have been established for the model:

- ING Bank uses a one-sided confidence level of 99.95% - consistent with ING's target debt rating (AA) - and a one-year time horizon to calculate Economic Capital;
- It is assumed that all currently known measurable sources of risk are included;
- The best estimate risk assumptions are as objective as possible and based on proper analysis of statistical data. There is one set of best-estimate assumptions for each risk type to be used at ING Bank;
- The Economic Capital calculation is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;
- The Economic Capital calculations reflect known embedded options and the influence of client behaviour in banking products;
- The Economic Capital calculations are on a pre-tax basis and do not consider the effect of regulatory accounting and solvency requirements on capital levels;
- The framework does not include any franchise value of the business, discretionary management intervention or future business volumes and margins.

Further details are provided in the relevant model descriptions for each risk area.

Aggregation model
The main processes executed in the ING Bank Economic Capital aggregation model are depicted in the flowchart below. The white boxes show the processes performed by the model while the shaded box indicates inputs from other corporate risk departments.



As a foundation the correlations in the risk dashboard are applied based on a 90% confidence level, i.e. they correspond to the correlations observed in the 10% largest downward movements (a '1 in 10' event). As shown in the flow-chart, these correlation factors are stressed upwards where necessary to account for potential measurement inaccuracy in extreme events due to limited historic data observations. For aggregating other risk (business and operational), expert opinion is used.

The Economic Capital for ING Bank involves the aggregation of the underlying Economic Capitals of five risk types, namely credit, transfer, market, operational and business risks (latter two also referred to as other risks). These risk types are aggregated to provide a total diversified ING Bank Economic Capital by applying the variance-covariance approach with a 5 x 5 inter-risk correlation matrix.

For allocation of Economic Capital to units and products, diversification factors are calculated for each risk type. These factors are applied consistently throughout ING Bank. The level of diversification benefit is dependent on both the inter-risk correlations as well as the relative size of the undiversified Economic Capital exposure for each risk type.

Reporting Framework
For each business unit and product line, the gross Economic Capital for each risk type is delivered to MISRAROC - the financial data warehouse for RAROC and Economic Capital reporting of ING Bank. The net Economic Capital figures are calculated by taking the product of the gross Economic Capital and one minus the diversification factor. Total Economic Capital is calculated as the sum of the net Economic Capital for each risk type at all reporting levels.

CREDIT AND TRANSFER RISK
Economic Capital for credit risk and for transfer risk is the portion of Economic Capital held to withstand unexpected losses inherent in the credit portfolios related to (unexpected) changes in the underlying creditworthiness of debtors or the recovery value of underlying collateral (if any). Credit risk and transfer risk capital are calculated on all portfolios which contain credit or transfer risk, including investment portfolios. The same methodology is used for both the banking and the insurance operations.

Economic Capital for credit risk and for transfer risk are calculated using internally developed models with a 99.95% confidence level and a time horizon of one year, which represents ING's desired credit rating.

ING uses a series of credit risk models that can be grouped into three principal categories: Probability of Default (PD) models, which measure the standalone creditworthiness of individual debtors; Exposure at Default models (EAD) which estimate the size of the financial obligation at the moment of default in the future; and Loss Given Default Models (LGD), which estimate the recovery value of the underlying collateral or guarantees received (if any) and the unsecured part. Collectively, ING uses over 100 models for credit risk. The various models can be grouped into three categories: statistical, expert and hybrid. Each model is individually reviewed and validated annually by the Model Validation department (MV), in order to determine the continued viability or need to adjust each individual model.

The Economic Capital formula for credit and transfer risks relies on seven different risk drivers. In addition to the PD, EAD, and LGD models mentioned above, the formula also considers the industry and the country of the debtor as well as the remaining term of the respective underlying transactions. Lastly, the formula considers the correlation of the individual transactions to the portfolio as a whole. ING uses Monte Carlo simulation tools to determine certain parameters which are then applied to individual transactions in determining the level of Economic Capital related to credit and transfer risk in a bottom up approach. The correlations, which are updated quarterly, are determined at a business line level, and diversification effects are applied at the transactional level.

The underlying formulas and models that are used for determining Economic Capital for credit and transfer risk are similar to those used for determining the level of regulatory capital that is required under Basel II (Pillar 1). Despite the fact that the same underlying formulas are used, (internal) Economic Capital and regulatory capital are not the same, due to various specific rules imposed by Basel II, such as regulatory caps and floors, and the use of the standardised approach for certain portions of ING's portfolio. These differences are permitted under the Basel II guidelines.

The table below summarises different capital measures used for different purposes and shows the difference in key elements and purposes.

Credit Risk Capital Measurements	Methodology	Location	Confidence level	Inputs	Purpose
Regulatory Capital	Basel II Formula	Vortex Basel Engine ('VBE') in the Central Risk Database	99.90%	Basel II model outputs	RWA
Economic Capital	Risk Adjusted Capital (RAC) Closed Algebraic Formula	Vortex Risk Engine ('VRE') in the Central Risk Database	99.95%	Basel II model outputs excluding Basel II caps and floors, maturity, repayment schedules, correlation factors, migration matrix. Some inputs come from EC-MC portfolio calculator but with 99.95% confidence level country and industry.	Pricing, Economic Capital for credit at transactional level and above
Capital and earnings at risk	Monte Carlo simulation based on aggregate portfolio ('EC-MC portfolio calculator')	Stand alone tool using same data from Central Datawarehouse as VRE	90.00%	Basel II model outputs excluding Basel II caps and correlation factors, migration matrix country and industry.	Risk Dashboard at Line of Business Level and above

With regard to methodology, the EC-MC Portfolio calculator provides a sophisticated and consistent framework to measure capital numbers for credit risk. Because of its complexity and required calculation time the EC-MC Portfolio calculator is more suited for portfolio calculation, rather than to be implemented in an environment requiring real time reporting at a transactional level for day-to-day management, pricing of new transactions and limit setting. As a result, Economic Capital figures are based on RAC figures that are derived from the EC-MC Portfolio calculator but are not fully equivalent. The main characteristics are:

- RAC is calculated at facility level with closed algebraic formulas rather than from a Monte Carlo Simulation. The RAC algebraic formula includes parameters which incorporate the impact of portfolio dynamics, such as correlations and diversification effects. These parameters are derived through a regression of the outputs of the EC-MC portfolio calculator;
- Due to its proprietary nature the inputs in the EC-MC Portfolio calculator are subject to certain technical caps and floors (LGD/EAD is constant and PD migration matrix is capped) which are not applicable in RAC. Also, due to the implemented mathematical routines the EC-MC portfolio calculator is subject to a minimum Probability of default (PD) and maximum tenor, which are not applicable in RAC.

Additionally the banking operations use the RAC model for determining the optimal pricing on (new) lending transactions in order to ensure that ING meets its desired RAROC returns.

During 2009, the Economic Capital levels for credit and transfer risk were calculated on a daily basis for most of the Commercial Bank and ING Direct investment portfolios and for the SME portfolios within the Retail banking operations. For consumer loans, residential mortgages, credit cards, and the insurance portfolios, the calculations are made on a monthly basis. On a quarterly basis, the Economic Capital for credit risk and transfer risk figures are consolidated with the corresponding Economic Capital components from other disciplines.

Governance of Economic Capital for Credit and Transfer Risk
All PD, EAD and LGD models are approved by the Credit Risk Committee (CRC) after thorough review of documentation by the Model Development Steering Committee (MDSG) and MV. In addition, each model is validated on an annual basis by MV. Each model has both a credit risk and a front office co-sponsor. Both the MDSG and the CRC have participation from both credit risk officers as well as the front office to ensure maximum acceptance by the organisation.

MARKET RISK BANK

General

Economic Capital for market risk is the Economic Capital necessary to withstand unexpected value movements due to changes in market variables, such as interest rates, equity prices, foreign exchange rates and Real Estate prices. Economic Capital for market risk is calculated for exposures both in trading portfolios and non-trading portfolios.

Measurement

Economic capital for market risk is calculated using internally developed methodologies with a 99.95% confidence interval and a horizon of one year, which represents extreme events and ING's target rating. The Economic Capital for market risk for non trading portfolios is calculated for each risk type, while for trading portfolios it is calculated on a portfolio level. The calculations for Economic Capital market risk include Real Estate risk, foreign exchange rate risk, equity price risk, interest rate risk and model risks.

Real Estate price risk includes both the market risks in the investment portfolio and the development risk of ING Real Estate. The Real Estate price risk for ING Real Estate is calculated by stressing the underlying market variables. The stress scenarios at a portfolio level take into account all diversification effects across regions and Real Estate sectors. Also, the leverage of participations in the Real Estate investment funds is taken into account.

For the Real Estate development process, in addition to market sale price risk, the risk drivers of market rent, investor yield and construction delays are taken into account. Furthermore the risk model differs for each development phase (i.e., research, development, and construction) to appropriately reflect the risk taken in each phase. Using correlations, all risk drivers, and stages are used to calculate a possible market value loss representing the Economic Capital for market risk for the development portfolio.

For the direct market risks, the actual VaR (measured at a 99% confidence interval, a one day holding period and under the assumption of an expected value of zero) of the trading and non-trading portfolios is taken as a starting point for the Economic Capital calculations for market risk. To arrive at the Economic Capital for market risk, a simulation based model is used which includes scaling to the required confidence interval and holding period. In determining this scaling factor, several other factors are also taken into account like the occurrence of large market movements (events) and management interventions.

The economic capital for the equity investments is calculated based on the ECAPS system. Using Monte-Carlo simulation, the model generates 20,000 possible 'states-of-the-world', by randomly simulating all risk drivers simultaneously. For each state-of-the-world, the market value is recalculated and the 99.95% worst-case change in market value is the Economic Capital level.

Economic Capital for market risk for the mortgage portfolios within ING Retail Banking and ING Commercial Banking is calculated for embedded option risk (e.g. the prepayment option and offered rate option in mortgages). The embedded options are hedged using a delta-hedging methodology, leaving the mortgage portfolio exposed to convexity and volatility risk. The Economic Capital model for market risk is based on the estimated 99% confidence adverse interest rate change.

While aggregating the different Economic Capital market risk figures for the different portfolios, diversification benefits are taken into account as it is not expected that all extreme market movements will appear at the same moment.

The nature of market risk Economic Capital, evaluating the impact of extreme stress with a 99.95% confidence level, can sometimes be difficult to evidence in a statistical sound manner with the available historical data. The Economic Capital figures disclosed by ING Group are a best effort estimate based on available data and expert opinions.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss, as well as legal risk, whereas strategic risks are not included. While operational risk can be limited through management controls and insurance, operational risk incidents may have a substantial impact on the profit and loss account of financial institutions.
The capital model, an actuarial model, consists of a combination of three techniques:

– Loss Distribution approach (LDA), which applies statistical analysis to historical loss data;
– Scorecard approach, which focuses on the quality of risk control measures within a specific business unit;
– 'Bonus/Malus' approach, which focuses on the actual operational incidents of a specific business unit.

Loss Distribution approach

The main objective of the LDA approach is to derive an objective capital amount based on the size and the risk appetite of an institution and its business units. This approach estimates the likely (fat-tailed) distribution of operational risk losses over some future horizon for each combination of business line and loss event type. The main characteristic of the LDA is the explicit derivation of a loss distribution, which is based on separate distributions for event frequency (Poisson) and severity (Inverse Gaussian). The model uses both external and internal loss data above one million EUR.

The calculation of operational risk capitals for the units follows five basic principles:

– Principle 1: If the world gets riskier, the business units need more Economic Capital;
– Principle 2: If a business unit's size increases, so does its capital;
– Principle 3: If the business of a business unit is more complex, it needs more capital;
– Principle 4: If the level of control of a business unit is higher, it needs less capital;
– Principle 5: If the business units' losses from internal incidents exceed the level of expected loss accounted for in the first four framework principles, it needs more capital.

The capital calculated according to the first three is 'generic': if two business units operate in the same markets and have the same size, the resulting capital will be the same. The specific capital adjustments mentioned below adjust the generic capital of a specific institution to its specific operational risk capital.

Scorecard approach (principle 4)

The scorecard adjustment reflects the level of quality of control in a specific institution. Scorecards aim to measure the quality of key operational risk management processes. The scorecard procedure concerns questions that require quantitative data, qualitative judgements or simple yes/no questions (e.g. indicating compliance with certain group policies). The scorecards are completed by all business units using self-assessment and reviewed by an expert panel who determines the final score. The set of scorecards then leads to an increase or decrease of the capital of the specific institution.

'Bonus/Malus' approach (principle 5)

Units are assigned additional capital in case losses from internal incidents exceed the level of expected losses that have been accounted for in the LDA. When the actual loss of a business unit is lower than expected based on a comparison with external losses of peers, the capital of the related business unit is reduced.

BUSINESS RISK BANK

Business Risk for ING Bank has been defined as the exposure to value loss due to fluctuations in volumes, margins and costs, as well as client behaviour risk. It is the risk inherent to strategy decisions and internal efficiency. The calculation of Business Risk Capital is done by calculation of three components, (i) volume/margin risk, (ii) expense risk, and (iii) client behaviour risk.

(i) Volume/Margin risk relates to volumes and margins developing adversely compared to their expected levels.
(ii) Expense risk relates to the (in)flexibility to adjust expenses, when that is needed.
(iii) Client behaviour risk relates to clients behaving differently than expected and the effect that this behaviour can have on customer deposits and mortgage pre-payments. The client behaviour risk is calculated by stressing the underlying assumptions in the models for behavioural assets and liabilities.

Each of these components is calculated separately, and combined to one business risk figure via the variance-covariance methodology. For the calculation of EaR, CaR and EC the same methodology is used, with two differences. The first difference is the confidence interval used for EaR and CaR is 90%, while for EC this is 99.95%. The second difference is that the Volume/Margin component is used for EaR, but not for CaR and EC.

ECONOMIC CAPITAL ING INSURANCE

Economic Capital, 'EC', is defined by ING as the amount of assets that needs to be held in addition to the market value of liabilities to assure a non-negative surplus at a 99.95% level of confidence on a 1 year time horizon. ING measures Economic Capital by quantifying the impact on the market value surplus (MVS) as a result of adverse events that occur with a specified probability related to the AA rating. Therefore ING's Economic Capital model is based on a 'Surplus-at-Risk' concept. The confidence level consistent with an AA rating has been defined as the 99.95% one-sided confidence level over a one-year horizon. The change in market value surplus (MVS) is the combined effect of changes in Market Value of Assets (MVA) minus market value of liabilities (MVL) and an adjustment for illiquidity spreads due to current dislocated asset markets. The MVS is adjusted to correct this asymmetry by applying an illiquidity spread to the insurance liability cash flows.

ING continues to adjust AFR to reflect the illiquidity in its insurance portfolios as reporting AFR with MVLs discounted at the swap rates results in an asymmetry between the assets and liabilities in terms of reflection of illiquidity premiums. In addition to valuing assets at current market values, the Euro denominated liability illiquidity risk profile has been proxied by applying a Bloomberg composite Euro AAA spread (weighed average of 44 bps over swaps). For the US illiquid liabilities the Bloomberg composite Euro AAA spread is adjusted by the Basis swap curve, which gives a further +20 bps average illiquid premium over USD swaps.

The adjustment of the MVS for the illiquidity of our insurance liabilities impacts the market risk in our Economic Capital model in the following ways:
– Interest Rate Risk: The illiquidity spread applied on our liability cash flows effectively reduces the duration of our liabilities and therefore reduces the duration mismatch between our assets and liabilities resulting in a reduced interest rate risk.
– Credit Spread Risk: The Economic Capital model stresses both the asset spreads and the illiquidity spread on our liabilities. The netting of asset spread risk with illiquidity liability spread risk results in a lower credit spread risk. During 2009 the modelling of the illiquidity spread has been refined and illiquidity spreads have significantly declined resulting in a lower impact on our Economic Capital compared with 2008. Discussions have also started within the industry and with regulators to achieve a consistent application of illiquidity across the industry.
– Foreign Exchange Risk: The adjustment of the MVS for illiquidity results in a reduced net exposure to foreign currency movements and in particular the US dollar. This results in a lower foreign exchange risk.

The MVL consist of the Financial Component of Liabilities (FCL) and a Market Value Margin (MVM) for non-hedgeable risks (e.g. insurance risk). The MVM is calculated using a Cost-of-Capital approach based on an estimate of required shareholder return on Economic Capital.

The following fundamental principles have been established for the model:
- Economic Capital requirements are calculated to achieve a target AA rating for policyholder liabilities;
- All sources of risk should be considered;
- The best estimate actuarial assumptions should be as objective as possible and based on a proper analysis of economic, industry, and company-specific statistical data. There is one set of best-estimate assumptions per product to be used for all purposes at ING;
- Valuation of assets and liabilities is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;
- The Economic Capital and valuation calculations should reflect the embedded options in insurance contracts;
- The Economic Capital and valuation calculations are on a pre-tax basis and do not consider the effect of local regulatory accounting and solvency requirements on capital levels. Capital is assumed to be fully transferable between legal entities;
- The framework does not include any franchise value of the business. It does, however, include the expense risk associated with the possibility of reduced sales volume in the coming year.

ING quantifies the impact of the following types of risk in its Economic Capital model:
- Market risk for ING Insurance is the change in value based on changes in interest rates, equity prices, Real Estate prices, credit spreads, implied volatilities (interest rate and equity), and foreign exchange rates. It occurs when there is less than perfect matching between assets and liabilities. Market risk may exist in the insurance activities as a result of selling products with guarantees or options (guaranteed crediting rates, surrender options, profit sharing, etc.) that cannot be hedged given the assets available in a certain market. Market risk may also occur when there is an intentional mismatch between asset and liability cash flows even when it is possible to match or hedge the cash flows;
- Credit risk is the risk of changes in the credit quality of issuers due to defaults or credit migration of securities (in the investment portfolio), counter parties (e.g. on reinsurance contracts, derivative contracts or deposits given) and intermediaries to whom ING has an exposure. In addition to credit risk, ING includes a calculation of transfer risk for the risk of being unable to repatriate funds when required due to government restrictions;
- Business risk is defined as the exposure to the possibility that experience differs from expectations with respect to expenses, the runoff of existing business (persistency) and future premium re-rating;

- Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk capital is difficult to quantify, since it is driven by infrequent events of high severity, and can be significantly mitigated or exacerbated by the quality of internal controls and guidelines. It may be partially managed through the purchase of insurance;
- Life risk relates to deviations in timing and amount of the cash flows (premium payments and benefits) due to the incidence or non-incidence of death. The risk of non-incidence of death is also referred to as longevity risk to distinguish it from the risk associated with death protection products. ING notes risks due to uncertainty of best estimate assumptions concerning level and trend of mortality rates, volatility around best estimates, and potential calamities and recognises external reinsurance;
- Morbidity risk is the risk of variations in claims levels and timing due to fluctuations in policyholder morbidity (sickness or disability) recognising external reinsurance. A wide variety of policy classes are subject to morbidity risk, including disability, accidental death and disability, accelerated death benefits, workers compensation, medical insurance, and long-term care insurance;
- P&C risk comprises the risk of variability of size, frequency and time to payment of future claims, development of outstanding claims and allocated loss adjustment expenses for P&C product lines recognising external reinsurance.

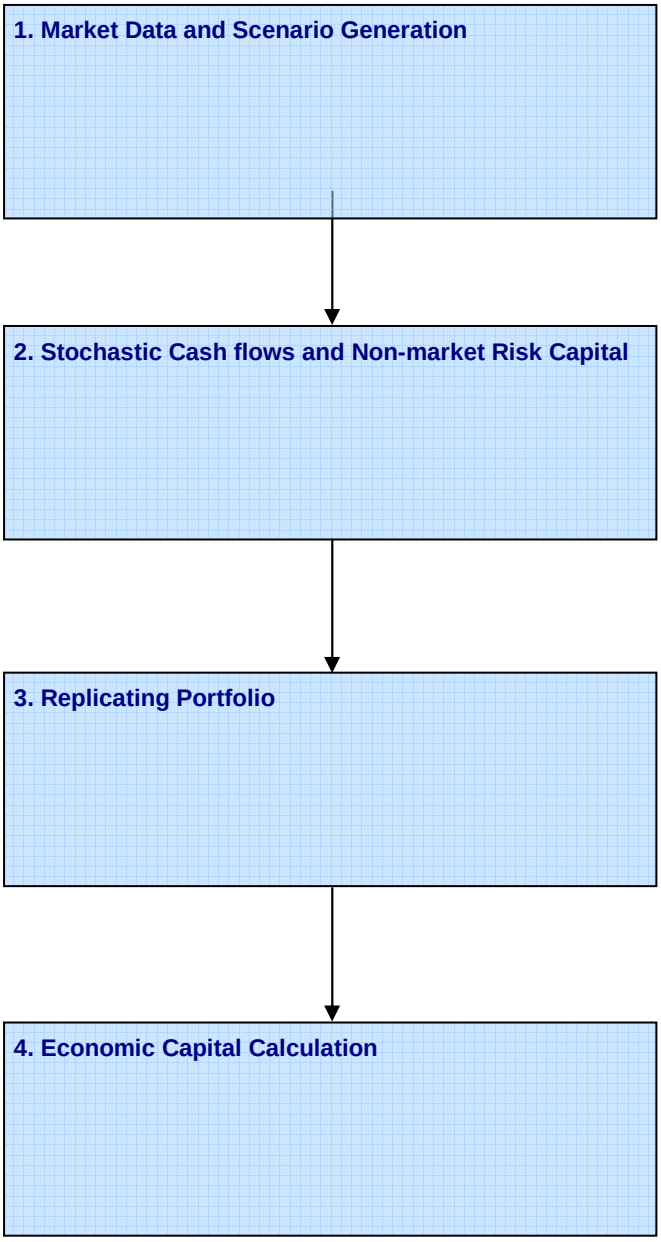
Strategic business risk has been excluded from the EC calculations of ING Insurance.

Economic Capital Model

The ING Economic Capital calculation is calculated based on a ‘Surplus-at-Risk’ concept. ‘Surplus-at-Risk’ is calculated based on the steps:

- Calculate the complete balance sheet (all assets and liabilities) on a Market Value basis;
- Generate Monte-Carlo shock scenarios for all of the relevant risk factors (market and non-market);
- Recalculate the complete balance sheet (all assets and liabilities) on a Market Value basis for each shock scenario. For practical purposes, the MVM is not recalculated under shock scenarios;
- Calculate the 99.95% worst case decrease in the Market Value Surplus over all the shock scenarios. This value will be the EC. Note that the shock scenario resulting in the Economic Capital will differ by business unit, business line, and at an ING Insurance level.

In 2007, ING Insurance introduced ECAPS as an intranet-based Economic Capital reporting system utilising replicating portfolio techniques. The ECAPS system provides a well controlled and automated basis for Economic Capital and risk measurement. Each business unit enters the risk characteristics of its assets and liabilities into the ECAPS system on a regular basis. These risk characteristics are then translated to a uniform basis in the form of replicating portfolios of standardised financial instruments. Based on the constellation of replicating portfolios (including representations of non-market risks), the ECAPS system then is capable of calculating Economic Capitals at every level of aggregation. The following is a brief description of the model.



- Automated retrieval of all current and historical market data
- 500 risk scenarios sent to each business unit to locally develop stochastic asset and liability cash flows
- 20,000 Real World Monte-Carlo scenarios for Economic Capital calculation

- Actuarial software used to produce the stochastic cash flows by scenario
- Business units upload stochastic asset and liability cash flows for optimised replicating portfolio
- Asset derivatives are directly processed as replicating instruments.
- Non-market risk capitals calculated in accordance with ING Standards of Practice submitted to

- Capture the risk profile of the financial component of insurance liabilities by mapping onto a small set of standard financial instruments
- Standard instruments contain discount bond, swaption, callable bonds, CMS options, equity forward/option and FX option
- Find a replicating portfolio that matches the present value of cash flows as closely as possible for the 500 risk scenarios

- Replicating portfolio used to capture the risk profile of Insurance assets and liabilities
- EC market shocks and diversification benefits from Real World Monte-Carlo scenarios
- Non-market risk aggregation
- Total diversified EC

Further details on Economic Capital model

Market Data and Scenario Generation

ING Insurance uses ING Bank's Global Market Database (GMDB) as a provider of market price and risk data for financial risk drivers. All market data is obtained from reputable data providers such as Reuters and Bloomberg. The GMDB operational team then validates the market data and calculates relevant risk parameters. This validated data is then automatically delivered to the ECAPS system.

Since ING Insurance operates in many developing financial markets, extrapolation algorithms are in place for extending beyond observable market data when this is needed for the calculation of the Market Value Liabilities and the Economic Capital. These algorithms are based on comparable data in mature markets.

Based on the market data from GMDB, ING calibrates two economic scenario generators:

- Risk Neutral Economic Scenario Generator (RN ESG): capable of generating multiple equity indices and exchange rates, consistent with a multi-currency dynamic term structure model. Scenarios are used in the cash flow projection to determine replicating portfolios. RN ESG scenarios are consistent with observed market prices of equity, FX and interest options;
- Real World Economic Scenario Generator (RW ESG): capable of jointly simulating all risk types, i.e. all market risks, credit risk, business risk, operational risk, life risk, morbidity risk and P&C risk. Diversification between risks is taken into account through a Gaussian copula, allowing for different marginal probability distributions at the risk driver level. RW ESG scenarios are consistent with historical time series of the market risk drivers using 5 years of weekly data observations. The volatilities are scaled from weekly to quarterly and the weekly correlations are used directly as estimates of quarterly correlations.

Stochastic Cash Flows and Non-Market Risk Capital

The market risks in assets and liabilities are captured in and represented by stochastic cash flows in 500 scenarios. Business units are responsible for generating these cash flows, the modelling of embedded options and guarantees and a proper mapping of risk drivers in the scenario set to cash flow determinants such as policyholder behaviour and management actions restricted to dynamic hedge programs and setting of crediting rates/profit sharing. To better capture the behaviour in the tails of the distribution, the set of scenarios consist of 300 Risk Neutral scenarios and 200 'Risk Volatile' scenarios with double volatilities. The average of the 300 Risk Neutral scenarios provides a check on the market value of the replicating portfolio. It should be noted that this serves only as a check, and that the actual market value of liabilities is derived directly from the replicating portfolio. The 200 Risk Volatile scenarios ensure that the replicating portfolio is calibrated against enough extreme scenarios such that it can be used safely in Economic Capital calculations.

Non-market risk Economic Capital is calculated by business units, Corporate Credit Risk Management and Corporate Operational, Information and Security Risk Management and inputted into ECAPS at the sub risk level. ECAPS than aggregates 21 sub-risk types (e.g. mortality and trend risk) to 9 non-market risk types using a bottom-up Economic Capital diversification approach based on a matrix of tail correlations. The information inputs relate to 9 sub risk types:

- Credit risk;
- Business risk;
- Operational risk;
- Life risk catastrophe;
- Life risk non-catastrophe;
- Morbidity risk catastrophe;
- Morbidity risk non-catastrophe;
- P&C risk catastrophe;
- P&C risk non-catastrophe.

The inputs are used to calibrate marginal distributions for these risk types. These distributions, in combination with the Gaussian copula, are then used in the Economic Capital Calculation to measure diversification between market and non-market risks.

Replicating Portfolios

To handle the full complexity of calculating diversification by Monte Carlo simulation, ING maps its assets and liabilities to a set of standard financial instruments. The set of standard instruments consists of zero coupon bonds, market indices, equity forwards, swaptions, callable bonds, FX options and equity options. Assets and the financial components of the liabilities are represented by a portfolio of this standard set of instruments. A user interface allows the selection of different types of replicating instruments for different cash flow types. Then an optimal replicating portfolio is created that matches the risk profile of the stochastically generated cash flows as good as possible. The resulting replicating portfolio is used in the calculation of Economic Capital.

Through the inclusion of equity options, FX options and swaptions in the set of replicating instruments, ING is able to incorporate implied volatility risk in the considered risk types. The same holds for the credit spread risk through the inclusion of credit risk bearing zero coupon bonds in the set of replicating instruments.

The quality of the replicating portfolio is monitored by several statistical criteria including R-squared and benchmarked against market value sensitivities such as duration, convexity, and changes in value for larger interest rate and equity shocks. High quality replicating portfolios are important in several ways. First, they ensure a good reflection of the actual risk profile and an accurate calculation of Economic Capital. Second, they assist business units in hedging strategies and management of Economic Capital. Third, the process of replicating portfolio calculations increases the understanding of the complex nature of insurance liabilities in a market consistent environment.

Replicating portfolios are currently determined from a single factor RN ESG interest rate model. This limits the ability of the replicating portfolios to pick up sensitivity to non-parallel shifts of the term structure of interest rates. Hence RW ESG interest rate scenarios for the Value at Risk calculations are generated using a single factor model as well. However both RN ESG and RW ESG models are consistent with respectively, the RN ESG and RW ESG volatility structure of interest rates.

Economic Capital Calculation
ECAPS uses Monte-Carlo simulation to determine diversification benefits for the complete 'portfolio hierarchy', from business unit level up to an ING Group level. All diversification calculations are done within ECAPS and are driven by the Gaussian copula of all risk drivers using the underlying distributions applicable for each risk type.

For the calculation of Economic Capital ING uses a one-year time horizon. In practice, the model calculates instantaneous quarterly shocks and then annualises the resulting VaR statistic to determine an annualised EC. The quarterly shock is used to stabilise the results, to ensure the shocks are within a range that can be more credibly valued for assets and liabilities, to better capture the impact of dynamic hedge strategies, to more reasonably use weekly correlations of risk factors, and to get closer to actual risk practices and reporting cycles.

Using Monte-Carlo simulation, ING's Economic Capital model generates 20,000 possible 'states-of-the-world', by randomly simulating all risk drivers - simultaneously. For each state-of-the-world, the market value of assets and liabilities are recalculated and the change in value of the Market Value Surplus (MVS) is stored. All these changes in MVS are then sorted, and the 99.95% worst-case change in MVS is identified, to provide the Economic Capital level for the given level of aggregation.

ECONOMIC CAPITAL GROUP
ING's Group Economic Capital and Bank-Insurance diversification benefit is determined by applying one common aggregation approach to the banking and insurance businesses. The starting point is the actual reported Economic Capital figures for ING Bank and ING Insurance, excluding inter-risk diversification. In addition an aligned set of best-estimate correlation assumptions is constructed by applying the weighted average of the Bank and Insurance specific inter-risk correlation assumptions for each of the five major risk types i.e. credit, market, insurance, business, and operational (See also Economic Capital model sections of Bank and Insurance).

The group diversification benefit is calculated by applying a 'Gaussian-copula' simulation approach. Due to the inherent uncertainties around correlation assumptions and changes in risk exposures the results are put to extensive sensitivity tests.

Capital management

OBJECTIVES

ING Group Capital Management (Capital Management) is responsible for the sufficient capitalisation of ING Group entities at all times in order to manage the risk associated with ING's business activities. This involves the management, planning and allocation of capital within ING Group. ING's Corporate Treasury is part of Capital Management. It executes the necessary capital market transactions, term (capital) funding and risk management transactions. Capital Management monitors and plans capital adequacy on a consolidated basis at three levels: ING Group, ING Insurance and ING Bank. The rating objective for these three entities is AA. Capital Management takes into account the metrics and requirements of regulators (EU Solvency, Tier-1 and BIS ratios and limits for hybrid capital), rating agencies (leverage ratios, Adjusted Equity) and internal models such as the economic capital and market value balance sheet approach for ING Insurance including Available Financial Resources (AFR).

ING applies three main capital definitions:

- Adjusted Equity (ING Group and ING Insurance) – This rating agency concept is defined as shareholders' equity plus core Tier-1 securities, hybrid capital, prudential filters and an adjustment for Value in Force and Deferred Acquisition Cost. See 'Capital Base' disclosures in this section. This capital definition is applied in comparing available capital to core debt (leverage) for ING Group and ING Insurance.
- Core Tier-1 capital, Tier-1 capital and total BIS capital (ING Bank) – Tier-1 capital is defined as shareholders' equity including core Tier-1 securities plus hybrid capital less certain prudential filters and deductible items. Tier-1 and BIS capital divided by risk weighted assets equals the Tier-1 and BIS ratio respectively. Core Tier-1 capital is equal to Tier-1 capital excluding hybrid capital.
- AFR (ING Insurance) – This is a market value concept, defined as market value of assets (MVA) less the market value of liabilities (MVL) on the balance sheet. The liabilities do not include perpetual hybrid capital which are included in AFR as equity. The valuation of ING Insurance includes an adjustment for portfolio illiquidity. AFR is used as the measure of available capital in comparison with EC employed. EC, or Economic Capital, is the amount of capital that is required to absorb unexpected losses in times of severe stress given the 'AA' target rating of ING Insurnace.

In prior years, ING also measured AFR for ING Bank and ING Group. However, during 2009, the management focus shifted mainly to regulatory and rating agency metrics for ING Bank (core Tier-1, Tier-1, BIS) and ING Group (debt/equity). For ING Insurance, AFR continues to be important but is a lower priority than in prior years. For ING Insurance, the main focus is now on ensuring operating entities are adequately capitalized based on local regulatory and rating agency requirements and ensuring that on a consolidated basis, the leverage of ING Insurance (debt/equity) is appropriate.

DEVELOPMENTS

In 2009 Capital Management's main focus was to strengthen the capital position of ING Group, ING Bank and ING Insurance. To achieve this ING Group did not pay a dividend in 2009 and launched a rights issue in November of EUR 7.5 billion. The proceeds of the rights issue were largely used to repay EUR 5 billion of the core Tier-1 securities issued in November 2008 to the Dutch State and to provide for additional pre-tax EUR 1.3 billion future payments to the Dutch State for the Illiquid Assets Back-up Facility (IABF) as agreed with the European Commission.

POLICIES

The activities of Capital Management are executed on the basis of established policies, guidelines and procedures. The main documents that serve as guidelines for capital planning are the Capital Letter (comprising the approved targets and limits for capital), the Capital Planning Policy, the Dividend Policy and the Capital Request Policy. For the Corporate Treasury there are many policies and limits that guide the management of the balance sheets and the execution of capital market transactions.

The above capital definitions and policies have been approved by the ING Group Executive Board or delegated authorities.

PROCESSES FOR MANAGING CAPITAL

In addition to measuring capital adequacy, Capital Management also ensures that sufficient capital is available through setting targets and limits relevant to the above mentioned metrics for ING Bank, ING Insurance and ING Group and ensuring adherence to the set limits and targets through planning and executing capital management transactions. The process is supplemented by stress testing and scenario analysis. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management's capital planning process and results in a quarterly Capital Adequacy Assessment Report which is presented to both the ING Group Finance and Risk Committee and the ING Group Executive and Supervisory Boards. The main objective of the assessment is to ensure that ING Group as a whole has sufficient capital relative to its risk profile both in the short and the medium term.

CAPITAL ADEQUACY ASSESSMENT

As at 31 December 2009 and 2008, ING Group, ING Bank and ING Insurance met all key target capital ratios and metrics and regulatory requirements. As at 31 December 2009 and 2008, ING Group, ING Bank and ING Insurance were adequately capitalised in relation to their risk profile and strategic objectives.

ING's Capital base

	Insurance		Bank		Group	
	2009	2008	**2009**	2008	**2009**	2008
Shareholders' equity (parent)	**15,887**	11,893	**30,222**	22,889	**33,863**	17,334
Core Tier-1 securities					**5,000**	10,000
Group hybrid capital [1]	**3,410**	4,560	**8,057**	7,085	**11,478**	11,655
Group leverage/core debt [2]					6,913	**7,170**
Total capitalisation	**19,297**	16,453	**38,279**	29,974	**57,254**	46,159
Adjustments to equity:						
Revaluation reserve debt securities	**2,334**	8,271	**123**	5,185	**2,481**	13,456
Revaluation reserve crediting to life policyholders	**-156**	-2,235			**-156**	-2,235
Revaluation reserve cashflow hedge	**-926**	-1,360	**472**	128	**-372**	-1,177
Goodwill	**-1,857**	-1,889	**-1,636**	-1,636	**-3,244**	-3,275
- Revaluation reserves fixed income & other	**- 605**	2,787	**-1,040**	3,677	**-1,291**	6,769
- Revaluation reserves excluded from Tier-1 [3]			**-3,111**	-1,790		
- Insurance hybrid capital [4]	**2,250**	2,250				
- Minorities	**80**	520	**960**	1,198		
Deductions Tier-1			**-1,073**	-1,040		
Available capital (Tier-1 capital for Bank)	**21,022**	22,010	**34,015**	32,019		
Other qualifying capital [5]			**10,716**	11,870		
DAC/ViF adjustments (50%) [6]	**2,931**	1,893				
Group leverage (core debt)					**-6,913**	-7,170
Adjusted Equity (BIS capital for Bank) (a)	**23,954**	23,903	**44,731**	43,889	**49,050**	45,758
Ratios						
Core debt (b)	**2,586**	2,301			**6,913**	7,170
Debt/Equity ratio (b/(a+b))	**9.74%**	8.78%			**12.35%**	13.55%

[1] Tier-1 instruments issued by ING Group (e.g. perpetual debt securities and preference shares) at nominal value. Group hybrid Tier-1 instruments other than preference shares are provided as hybrid capital to ING Insurance or ING Bank.
[2] Investments in subsidiaries less equity (including core Tier-1 securities) of the Group holding company. This net debt position is provided as equity to ING Insurance and ING Bank.
[3] Includes mainly EUR -2,536 million (2008: EUR -1,019 million) in participations (e.g. Kookmin, Bank of Beijing) and other equity investments, EUR -546 million (2008: EUR -615 million) for Real Estate for own use. The Dutch banking regulator requires this deduction to be made from Tier-1 capital. This deduction is added back to Tier-2 capital.
[4] Dated subordinated debt issued by ING Insurance at nominal value.
[5] Includes EUR 11,789 million (2008: EUR 12,910 million) Tier-2 capital and nil (2008: nil) Tier-3, offset by EUR 1,073 million (2008: EUR 1,040 million) of regulatory deductions.
[6] Mainly includes 50% of the excess of the present value of future profits generated by policies in force (Value in Force) over the after-tax deferred acquisition costs.

All leverage ratios were within their targets at the end of the year. The debt/equity ratio of ING Group as at year-end 2009 was 12.35% (2008: 13.55%). The debt/equity ratio of ING Insurance as at year-end 2009 was at 9.74% (2008: 8.78%). The Basel II ING Bank Tier-1 ratio ended at 10.23%, this is a strong increase from 9.32% at year-end 2008.

REGULATORY REQUIREMENTS

ING Bank

Capital adequacy and the use of regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision (The Basel Committee) and the European Union Directives, as implemented by the Dutch Central Bank (DNB) for supervisory purposes. The minimum Tier-1 ratio is 4% and the minimum total capital ratio (known as the BIS ratio) is 8% of all risk-weighted assets.

BASEL II

As of 2008 ING Bank publishes risk weighted assets (RWA), Tier-1 and BIS capital and the accompanying capital ratios based on Basel II data only. In addition, ING publishes the minimum required capital level according to Basel II and according to the Basel I floor. As of 2009 the Basel I floor is based on 80% of Basel I RWA. The minimum requirements according to Basel II and Basel I are both compared to total BIS available capital according to Basel II.

Capital position of ING Bank

	2009	2008
Shareholders' equity (parent)	**30,222**	22,889
Minority interests	**960**	1,198
Subordinated loans qualifying as Tier-1 capital [1]	**8,057**	7,085
Goodwill and intangibles deductible from Tier-1	**-1,636**	-1,636
Deductions Tier-1 (as of 2007)	**-1,073**	-1,040
Revaluation reserve [2]	**-2,516**	3,523
Available capital – Tier-1	**34,015**	32,019
Supplementary capital – Tier-2[3]	**11,789**	12,910
Available Tier-3 funds		
Deductions	**-1,073**	-1,040
BIS capital	**44,731**	43,889
Risk-weighted assets	**332,375**	343,388
Tier-1 ratio	**10.23%**	9.32%
BIS ratio	**13.46%**	12.78%
Required capital based on Basel I floor[4]	**28,709**	34,369
BIS ratio based on Basel I floor[4]	**12.46%**	10.22%

[1] Subordinated loans qualifying as Tier-1 capital have been placed by ING Groep N.V. with ING Bank N.V.
[2] Includes revaluation debt securities, revaluation reserve cash flow hedge and revaluation reserves equity and real estate (see Capital base table, note 3)
[3] Includes eligible lower Tier-2 loans and revaluation reserves equity and real estate revaluations removed from Tier-1 capital
[4] Using 80% and 90% of Basel I Risk Weighted Assets in 2009 and 2008 respectively. In case a 80% floor would have been used in 2008, the required capital would have been EUR 30,550 million and the BIS ratio based on Basel I floor 11.49%.

ING Insurance

European Union directives require insurance companies established in member states of the European Union to maintain minimum capital positions. The ING Insurance companies outside the EU have to comply with their respective local requirements. ING Insurance's companies comply with local regulatory requirements. The table below shows the global required capital of ING Insurance measured on the basis of the European Union requirement. This requirement is compared with ING Insurance consolidated available capital.

Capital position of ING Insurance

	2009	2008
Available capital[1]	**21,022**	22,010
Required capital	**7,774**	8,582
Surplus capital	**13,248**	13,428
Ratio of available versus required capital	**270%**	256%

[1] For breakdown of available capital see Capital base table

Under ING's internal economic capital (EC) and market value balance sheet approach, the ratio of Available Financial Resources (AFR) to EC was 107% at the end of 2009 compared to 106% at the end of 2008.

ING Group

ING Group reports to the Dutch Central Bank as required under the Dutch implementation of the financial conglomerates directive. The directive mainly covers risk concentrations in the group, intra-group transactions and an assessment of the capital adequacy of the Group.

In the following table, we show the Group's capital adequacy on the following basis:

- Insurance required capital from applying European Solvency I rules to all of ING Insurance entities globally (regardless of local capital requirements)
- Bank required capital based on applying Basel II with the Basel I floor (80% and 90% in 2009 and 2008 respectively)
- Group available capital using an approach similar to that used for Bank BIS capital whereby IFRS equity is adjusted for certain revaluation reserves, minority interests are added, goodwill and certain intangibles are deducted and Group hybrids and qualifying subordinated debt of Bank and Insurance are included.

Regulatory required capital ING Group

	2009	2008
Shareholders' equity (parent)	**33,863**	17,334
Core Tier-1 securities	**5,000**	10,000
Excluding: Revaluation reserves [1]	**1,953**	10,044
Group hybrid capital	**11,478**	11,655
Goodwill and intangibles deductible from Tier-1	**-3,244**	-3,275
Minorities	**915**	1,593
Capital base ING Group	**49,966**	47,351
Subordinated loans ING Bank N.V. (included in Tier-2)	**10,127**	11,879
Subordinated loans ING Verzekeringen N.V.	**2,250**	2,250
Capital base including subordinated loans	**62,343**	61,480
Required capital banking operations	**28,709**	34,369
Required capital insurance operations	**7,774**	8,582
Total required capital	**36,484**	42,951
Surplus capital	**25,859**	18,529
Group capital ratio	**171%**	143%

[1] Revaluation reserves debt securities, crediting to life policyholders and cashflow hedge (see ING's Capital base table)

Capital adequacy and ratios

Quantitative disclosures on capital measures and ratios

	Group		Bank		Insurance	
	2009	2008	**2009**	2008	**2009**	2008
Tier-1 ratio (Bank)						
Year-end actual Tier-1 ratio			**10.23%**	9.32%		
Regulatory minimum Tier-1 ratio			**4.00%**	4.00%		
Target minimum Tier-1 ratio			**9.00%**	7.20%		
BIS ratio (Bank)						
Year-end actual BIS ratio			**13.46%**	12.78%		
Regulatory minimum BIS ratio			**8.00%**	8.00%		
Target minimum BIS ratio			**10.50%**	10.80%		
Capital coverage ratio (Insurance)						
Year-end Capital coverage ratio					**270%**	256%
Required capital					**100%**	100%
Target ratio					**150%**	150%
Debt/Equity ratio						
Debt/Equity ratio	**12.35%**	13.55%			**9.74%**	8.78%
Target maximum Debt/Equity ratio	**15.00%**	15.00%			**15.00%**	15.00%

Main credit ratings of ING at 31/12/2009 (1)

	Standard & Poor's		Moody's		Fitch	
ING Group						
- long term	A	stable	A1	negative	A	stable
ING Bank						
- short term	A-1		P-1		F1+	
- long term	A+	stable	Aa3	negative	A+	stable
- financial strength			C+			
ING Insurance						
- short term	A-2		P-2			
- long term	A-	negative	Baa1	developing	A-	negative

(1) Moodiy,s changed the long term outlook from ING Group and ING Bank from negative to stable on 2 February,

ING's key credit ratings and outlook are shown in the table above. Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency.

A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.