2004

ING BANK
ANNUAL REPORT

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ING Bank N.V.,
ING House, Amstelveenseweg 500, 1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
Telephone: +31 20 5415411
Telefax: +31 20 5415444

Internet: www.ing.com

Commercial Register of Amsterdam, nr. 33031431

PROFILE ING GROUP

ING BANK IS PART OF ING GROUP

Profile
ING Group is a global financial services company of Dutch origin with 150 years of experience, providing a wide array of banking, insurance and asset management services in over 50 countries. Our 113,000 employees work daily to satisfy a broad customer base: individuals, families, small businesses, large corporations, institutions and governments. Based on market capitalisation, ING is one of the 20 largest financial institutions worldwide and in the top-10 in Europe.

Business
ING is the number one financial services company in the Benelux home market. ING services its retail clients in these markets with a wide range of retail-banking and insurance products. In our wholesale banking activities we operate worldwide, but also with a primary focus on the Benelux countries. In the United States, ING is a top-5 provider of retirement services and life insurance. In Canada, we are the top property and casualty insurer. ING Direct is a leading direct bank with over 10 million customers in nine large countries. In the growth markets of Asia, Central Europe and South America we provide life insurance. We are also a large asset manager with assets under management of almost EUR 500 billion.

Mission
We strive to deliver our financial products and services in the way our customers expect: with exemplary service, maximum convenience and at competitive rates. This is reflected in our mission statement: To set the standard in helping our customers manage their financial future.

Stakeholders
ING conducts its business on the basis of clearly defined business principles. In all our activities we carefully weigh the interests of our stakeholders: customers, employees, shareholders, business partners and society at large. ING strives to be a good corporate citizen.

ING Bank
In 2004 ING introduced a new structure of business lines. A clear client focus and strong business logic are the key elements in this structure.

Wholesale Banking Takes care of all the global wholesale banking operations. It has five divisions: Clients, Network, Products, Corporate Finance and Equity Markets, and Financial Markets. It offers a full range of products to corporates and institutions in the home markets in the Benelux countries and elsewhere it operates a more selective and focused client and product approach.

Retail Banking Holds retail banking activities in the Netherlands, Belgium, Poland, Romania and India. Retail Banking also offers private banking in selected markets; for instance in the Netherlands, Belgium, Switzerland, Luxembourg and several countries in Asia.

ING Direct Operates direct retail-banking activities for individual clients in the United States, Canada, Australia, United Kingdom, France, Italy, Spain, Germany and Austria. Main products offered are savings and mortgages. A separate activity is ING Card, which manages a credit-card portfolio within the Benelux.

CONTENTS

1 FIVE YEARS KEY FIGURES ING BANK

amounts in millions of euros	**2004**	2003	2002	2001	2000
BALANCE					
Group equity	**14,992**	15,890	15,836	16,546	16,104
Group capital base	**34,888**	31,687	30,244	28,819	26,393
Deposits and funds borrowed (1)	**551,558**	482,280	418,875	386,087	349,349
Loans and advances	**321,258**	293,987	284,638	255,892	247,440
Total assets	**616,474**	541,594	477,111	443,356	406,393
BIS ratio	**11.47%**	11.34%	10.98%	10.57%	10.75%
Tier-1 ratio	**7.71%**	7.59%	7.31%	7.03%	7.22%
RESULTS					
Total income	**12,512**	11,508	11,036	10,989	11,958
Operating expenses	**8,755**	8,272	8,376	8,282	8,860
Additions to the provision for loan losses	**465**	1,125	1,435	750	400
Value adjustments to financial fixed assets	**-6**	-48	136		
Additions to the Fund for general banking risks	**140**	140	140	140	140
Profit before tax	**3,158**	2,019	949	1,817	2,558
Taxation	**897**	520	272	426	732
Profit after tax	**2,261**	1,499	677	1,391	1,826
Net profit for the period	**2,239**	1,440	638	1,363	1,781

(1) Including Banks, Funds entrusted and Debt securities.

2

SUPERVISORY BOARD, EXECUTIVE BOARD, SME ADVISORY COUNCIL AND ADVISORY COUNCIL HEALTH CARE

as at 31 December 2004

ING Bank has a two-tier board system, consisting of a Supervisory Board and an Executive Board. The Supervisory Board consists in majority of independent non-executives. Its task is to supervise the policy of the Executive Board and the general course of events in the company and to assist the Executive Board by providing advice. The Executive Board is responsible for the daily management of the company. The composition of the Executive Board and the Supervisory Board of ING Bank N.V. has been changed on 11 May 2004. Their composition is as follows:

SUPERVISORY BOARD

Alexander Rinnooy Kan, Chairman
Anneke van Doorne-Huiskes
Kees Izeboud
Eli Leenaars
Hanja Maij-Weggen
Rudy van der Meer

EXECUTIVE BOARD

Diederik Laman Trip, *Chairman* (until 1 January 2005)
Jan Zegering Hadders, *Chairman* (as of 1 January 2005)
Dick Boot, *Chief Financial Officer*
Wilbert Buiter (as of 1 June 2004)
Henk Kruidenier
Hans van der Noordaa (as of 1 June 2004)
Ludo Wijngaarden

The business address of all members of the Supervisory Board and the Executive Board is: ING Bank N.V., ING House, Amstelveenseweg 500, P.O. Box 810, 1000 AV Amsterdam, The Netherlands.

SME ADVISORY COUNCIL

Having its origins in the Dutch small and medium-sized business sector, ING Bank Netherlands enjoys a special relationship with small and medium-sized enterprises (SMEs) and is closely involved in their operations. The SME Advisory Council, which reports to the Executive Board, has been established to support the Bank's activities in this area by identifying needs and providing advice.

As at 31 December 2004, the composition of the Dutch SME Advisory Council was as follows:

H. de Boon, *Chairman of Netherlands Wholesale and International Trade Federation (Nederlands Verbond van de Groothandel)*
Ch.P. Buijink, *Director-general of Commerce and Innovation of the Department of Trade and Industry (Ministerie van Economische Zaken)*
G. Doornbos, *Chairman of the Dutch Organisation for Agriculture and Horticulture (LTO Nederland)*
H. Dijkstra, *Member of the board Netherlands Association of Universities of Professional Education (HBO Raad)*
M.C. van der Harst, *Chairman of Netherlands Transport and Logistics (Transport en Logistiek Nederland)*
L.M.L.H.A. Hermans, *Chairman Netherlands Federation of Small and Medium-Sized Enterprises (MKB Nederland)*
P.H.M. van Hoesel, *Chairman Executive Board Small Business Research and Consultancy (EIM)*
J. ten Hoopen, *Chairman Foundation Social Entrepreneurship (Stichting Maatschappelijk Ondernemen)*
K.J. Koekkoek, *Chairman Royal Association of the Printing Industry (Koninklijk Verbond van Grafische Ondernemingen)*
J.J. Meerman, *Chairman of the National Shopkeepers Council (Nationale Winkelraad)*
A.L.M. Nelissen, *Chairman of the Dutch Organisation BouwNed*
J.B. Schueler, *Chairman Netherlands Motor Trade Association (BOVAG)*
C.M. Verdiesen, Chairman Netherlands Association of Small-Business Advisors and Accounting Consultants *(Nederlandse Orde van Accountants-Administratieconsulenten)*
Mrs. H.C.W. Verhoeven-van Lierop, *Member Executive Board Netherlands Organisation of Small and Medium-Sized Engineering Enterprises (Metaalunie)*
C. Vis, *Member Board of Management Netherlands Public Broad Casting (NOS)*

2

SUPERVISORY BOARD, EXECUTIVE BOARD, SME ADVISORY COUNCIL AND ADVISORY COUNCIL HEALTH CARE

as at 31 December 2004

ADVISORY COUNCIL HEALTH CARE

For many years ING Bank keeps up a warm relationship with institutions and companies in the health care market. The Advisory Council Health Care has been established to inform and advise the Executive Board of ING Bank about relevant developments in the health care world and in this way to contribute to the preservation respectively reinforcement of ING's market position in this segment.

As at 31 December 2004, the composition of the Advisory Council Health Care was as follows:

H.A.W.M. Brons, *General manager Groenhuysen Foundation (foundation for social services)*
L.C. Bruggeman, *Executive Board AZG (academic hospital)*
P.M Burger, *Vice-chairman Order of Medical Specialists Albert Schweitzer Hospital Dordrecht*
T.E.D. van der Grinten, *Institution BMG/EUR, member Council for Public health and Care*
A.J.P. Höppener, *Chairman Executive Board Altrecht (foundation for social services)*
H. Luik, *General manager Kennemer Hospital*
E. van der Veen, *Chairman Executive Board AGIS Group Health insurance companies*
Mrs. E. ter Veld, *Counsellor Nationale-Nederlanden*
J. Verhaar, *General practitioner*

3 REPORT OF THE SUPERVISORY BOARD

TO THE SHAREHOLDER,

The Supervisory Board hereby presents you the 2004 Annual Report of ING Bank N.V. The Annual Report includes the report of the Executive Board, the Annual Accounts and Other information.

Annual Accounts and dividend

The Annual Accounts have been prepared by the Executive Board and have been discussed by the Supervisory Board. They are presented to you for adoption. Approval of the Annual Accounts will serve to ratify the actions of the Executive Board in respect of their management and the members of the Supervisory Board in respect of their supervision during the past financial year. Subject to adoption of the Annual Accounts a dividend for 2004 is proposed of EUR 701 million. An amount of EUR 600 million has already been paid as interim dividend to the holders of ordinary shares and EUR 100 million has been paid as interim dividend to the holders of preference shares. The remaining dividend of EUR 1 million will be paid to the holders of preference shares.

Meetings

In 2004, the Supervisory Board met on six occasions, all in the presence of the Executive Board. The most important subjects were financial performance, strategy, social policy and corporate governance.

Composition of the Supervisory Board

With effect from 11 May 2004 the Supervisory Board has the following composition: Alexander Rinnooy Kan (Chairman), Anneke van Doorne-Huiskes, Kees Izeboud, Eli Leenaars, Hanja Maij-Weggen and Rudy van der Meer.

Composition of the Executive Board

As at 31 December 2004 the Executive Board had the following composition: Diederik Laman Trip (chairman, until 1 January 2005), Jan Zegering Hadders (chairman as of 1 January 2005), Dick Boot (Chief Financial Officer), Wilbert Buiter, Henk Kruidenier, Hans van der Noordaa and Ludo Wijngaarden.

Amsterdam, 7 March 2005

THE SUPERVISORY BOARD

4 REPORT OF THE EXECUTIVE BOARD

GENERAL

ING Bank N.V., together with ING Verzekeringen N.V., is part of ING Groep N.V. The Annual Report of ING Group pays ample attention to its banking and insurance operations. ING Bank accounts for the major part of the banking operations.

MAIN DEVELOPMENTS

Business lines

A new business line structure was introduced in 2004. In the new structure a clear distinction is made between the insurance and banking business. The business lines for banking are Wholesale Banking, Retail Banking and ING Direct.

Wholesale Banking

Wholesale Banking repositioned itself in 2004 to become a more client-focused organisation. Together with the sale of non-core activities, this creates the foundations for a value-adding business line with predictable returns within ING Group. Operating profit before tax rose by 52% and the credit profile of the Wholesale Banking portfolio improved materially.

In 2005, Wholesale Banking will start implementing a single global brand. This will consolidate the work carried out last year to restructure the organisation and underpin our efforts to build a united approach to our clients.

Wholesale Banking's overall priorities for 2005 are cross-selling, controlling costs and focused execution. Cross-selling will improve service for core clients and help sustain income growth; the intermediation activities of the Financial Markets division are expected to help these efforts. Cost-control is a prerequisite for profitability, especially in the area of risk costs and operational efficiency. Finally, focused execution in all of our activities is the only way to remain a strong and stable business with good value-creating opportunities.

Retail Banking

Retail Banking reported solid income growth and slightly lower risk costs. The results were bolstered by higher profit in the Netherlands and Poland. By focusing on customer satisfaction, profitable growth and strict cost control, we are aiming for further selective growth in the Netherlands and Belgium and for expanding our market share in emerging markets.

In 2005, Retail Banking aims to create value by maintaining selective growth in mature markets and developing its capacity for more growth in emerging markets. The focus will remain on customer satisfaction, profitable growth and cost leadership.

In the Netherlands, there is scope for Postbank to increase sales of mortgages and mutual funds, while ING Bank aims to increase customer satisfaction and branch productivity. In Belgium, the objective is to sell more savings, insurance and investment products. In Poland, ING Bank Slaski has ambitious growth plans, especially for deposits, savings and mutual funds. In India and Romania, we are aiming for volume growth.

ING Direct

ING Direct, with 11.5 million customers worldwide, continued on its rapid growth trajectory, registering big rises in customers acquired, funds entrusted and mortgages advanced. All business units of ING Direct rank first in their direct banking markets in terms of total retail funds entrusted. Brand awareness and customer satisfaction reached new heights. Yet it managed to ensure that its cost base remained one of the lowest in the market.

In 2005, ING Direct will concentrate on organic growth in savings and mortgages, including a gradual roll-out across new regions in the United States. Our approach has given us a substantial retail presence in mature markets at low cost: all business units rank first in terms of total retail funds entrusted in each direct banking market, a position achieved in a relatively short period of time. We aim to build on that leading position in the coming years.

RESULTS

Net profit and result before taxation

The net profit of ING Bank N.V. improved strongly by 55.5% from EUR 1,440 million in 2003 to EUR 2,239 million in 2004. The profit before taxation rose by EUR 1,139 million, or 56.4%, to EUR 3,158 million, driven by an 8.7% increase in income and a sharp reduction in risk costs. One-off items, including results on divestments and restructuring charges, on balance had a negative impact on profit before taxation of EUR 308 million against a negative impact of EUR 82 million in 2003. Excluding one-off items, profit before taxation increased 65.0% to EUR 3,466 million from EUR 2,101 million in 2003. The transfer of activities between ING Verzekeringen N.V. and ING Bank N.V. had a positive impact on profit before taxation of EUR 73 million.

Total income rose 8.7% to EUR 12,512 million. Interest income continued to be the most important and stable contributor to income at the bank. The interest result increased 9.2% to EUR 8,681 million, driven by a higher average balance sheet total, mainly due to the continued strong growth of ING Direct. In 2004, total income was negatively affected by the losses on the sale of the Asian cash equities business (EUR 42 million) and the partial sale of ING BHF-Bank (EUR 210 million), partly offset by the gain on the sale of CenE Bankiers (EUR 87 million).

Total operating expenses increased 5.8% to EUR 8,755 million. Restructuring provisions had a negative impact of EUR 101 million. Including EUR 42 million in one-off costs related to the sale of the Asian cash equities business in the first quarter 2004, total one-off expenses in 2004 amounted to EUR 143 million against EUR 82 million in 2003. The additions to the provision for loan losses decreased sharply by 58.7% to EUR 465 million.

All three business lines (based on the accounting principles of ING Groep N.V.) reported higher profits before tax. (see page 65).

Wholesale Banking posted an increase in profit before tax of EUR 660 million, or 51.9%, to EUR 1,932 million. The increase was fully driven by a sharp decline in risk costs. The additions to the provision of loan losses declined to EUR 192 million from EUR 868 million in 2003, mainly due to improvements in the Netherlands, Belgium, Germany and the Americas. The addition was equal to 12 basis points of average credit-risk-weighted assets, compared with 56 basis points in 2003. Profit was impacted by a number of one-off items, including losses on the sale of ING BHF-Bank activities and the Asian cash equities business, a gain on the sale of CenE Bankiers in the Netherlands, as well as restructuring costs and the transfer of businesses between insurance and banking. Excluding those items, operating profit before tax increased 57.0% to EUR 2,240 million. Currency effects had a negative impact of EUR 25 million.

Profit before tax from Retail Banking rose 10.6% to EUR 1,170 million, driven by solid income growth and slightly lower risk costs. Results were bolstered by higher profit in the Netherlands, driven by increased mortgage lending and savings, and in Poland, which benefited from lower risk costs. Profit from Belgium declined, due to non-recurring expenses and risk costs which resulted in a loss in the fourth quarter of 2004, despite a 12.1% increase in operating income for full-year 2004.

Profit before tax from ING Direct increased to EUR 432 million in 2004 compared with EUR 151 million in 2003 as it continued to attract new customers and gain critical mass in the markets where it operates. Since year-end 2003, the number of customers increased by nearly 3 million, or 34.6%, reaching 11.5 million at the end of December. In 2004, total funds entrusted grew by EUR 46.0 billion, or 46.3%, to EUR 145.4 billion. At year-end 2004, ING Direct had a total mortgage portfolio of EUR 33.1 billion, an increase of EUR 12.1 billion from the end of 2003. Of the eight countries in which ING Direct is active, it is profitable in seven.

Profit before tax of Other improved by EUR 86 million to a loss of EUR 376 million. Included in Other are the differences between the accounting principles of ING Groep N.V. and ING Bank N.V., and capital gains realised on the sale of activities to ING Verzekeringen N.V. The main differences in accounting principles are: depreciation on real estate in own use, value adjustments to financial fixed assets and the addition to the fund for general banking risks. Furthermore, the line Other consists mainly of interest expenses and other results that are not allocated to the three business lines.

Interest

The interest result increased substantially by EUR 730 million, or 9.2%, to EUR 8,681 million, driven by a higher average balance sheet total, mainly caused by the continued strong growth of ING Direct. The total interest margin narrowed 9 basis points to 1.5% compared with full year 2003. That was mainly caused by lower interest results on the asset and liability matching book in the Netherlands as well as the increased share of the balance sheet total from outside the Netherlands, mainly triggered by ING Direct, which has an interest margin of about 1%.

Lending (loans and advances) increased by EUR 27.3 billion, or 9.3%, from the end of 2003 to EUR 321.3 billion at year-end 2004. Corporate lending rose by EUR 4.4 billion, while personal lending increased by EUR 22.5 billion. The growth in personal lending was almost entirely due to a EUR 22.0 billion increase in residential mortgages, of which EUR 11.8 billion was from ING Direct. The sale of CenE Bankiers (as of 30 September 2004) and parts of ING BHF-Bank (as of 31 December 2004) had a negative impact of approximately EUR 8 billion on the growth of total bank lending. Funds entrusted increased by EUR 60.2 billion, or 19.6%, to EUR 368.0 billion, to a large extent caused by the continued strong growth of ING Direct.

Income from securities and participating interests

Income from securities and participating interests decreased by EUR 9 million to EUR 129 million. In 2004, total income from securities and participating interests included a loss before tax of EUR 165 million related to the sale of the Asian cash equities business, the sale of CenE Bankiers and the partial sale of ING BHF-Bank. This was partly offset by EUR 88 million capital gains realised on the sale of activities to ING Verzekeringen N.V., which were eliminated on ING Group level.

Commission income

Total commission increased 4.7% to EUR 2,581 million, mainly driven by higher securities-related commissions. Management fees increased by EUR 172 million, or 29.0%, of which EUR 97 million is the net effect from the transfer of activities between insurance and banking.

Commissions from the securities business were EUR 665 million, unchanged from 2003, despite the sale of the Asian cash equities business in the first quarter of 2004, which had a negative impact on revenue of about EUR 60 million.

Commission from insurance broking rose 18.3% to EUR 136 million, mainly in the Netherlands. Commissions on Funds Transfer, Brokerage and Advisory Fees, and Other items were down 2.0%, 4.8% and 16.0% respectively.

COMMISSION INCOME

amounts in millions of euros	**2004**	2003
Funds transfer	**575**	587
Securities business	**665**	665
Insurance broking	**136**	115
Management fees	**766**	594
Brokerage and advisory fees	**139**	146
Other	**300**	357
Total	**2,581**	2,464

Results from financial transactions

On balance, results from financial transactions increased by EUR 34 million (+6.0%) to EUR 596 million, despite a loss of EUR 48 million taken by Postbank in the first quarter of 2004 to compensate customers for a disappointing return on investments related to the unit-linked mortgage ‘MeerWaardeHypotheek’. Excluding this loss, results from financial transactions increased EUR 82 million, mainly attributable to the international Wholesale Banking units and ING Belgium.

There are strong fluctuations between the separate lines of results from financial transactions, which are to a large extent interrelated. The strong increase of the results from currency trading was more than offset by lower other results from financial transactions, especially related results from derivatives trading. Also included in other results from financial transactions is the loss taken by the Postbank on the unit-linked mortgage product.

RESULTS FROM FINANCIAL TRANSACTIONS

amounts in millions of euros	**2004**	2003
Results from securities trading portfolio	**365**	226
Results from currency trading portfolio	**566**	46
Other	**-335**	290
Total	**596**	562

Other revenue

Compared to 2003, Other revenue rose by EUR 132 million, or 33.6%, to EUR 525 million, mainly due to higher leasing income and higher results from real estate, including rental income and profit from sales.

Operating expenses

Total operating expenses increased 5.8% to EUR 8,755 million, in large part due to continued investments to support the growth of ING Direct. Restructuring provisions had a negative impact of EUR 101 million, including EUR 60 million in the third quarter for ING BHF-Bank and EUR 41 million for the international Wholesale Banking network in the fourth quarter.

Including EUR 42 million in one-off costs related to the sale of the Asian cash equities business in the first quarter, total one-off expenses in 2004 amounted to EUR 143 million against EUR 82 million previous year, when provisions were taken to pay for restructuring at Wholesale Banking. Excluding those one-off items, currency effects, and the impact of transfers of activities between insurance and banking, operating expenses increased 5.6% of which 3.5%-points was due to ING Direct.

As the increase in income outpaced the expense growth, the cost/income ratio (total operating expenses as a percentage of total income) improved to 70.0% in 2004, from 71.9% in 2003. Excluding one-off items, the cost/income ratio improved to 67.9% from 71.2%.

Additions to the provision for loan losses

In 2004, ING Bank added EUR 465 million to the provision for loan losses, compared with EUR 1,125 million in 2003. The addition equalled 18 basis points of average credit-risk-weighted assets in 2004, compared with 46 basis points in 2003. The lower addition was possible due to a further improvement of the credit portfolio, the release of some debtor provisions and the absence of large defaults. Risk costs remained well below the long-term average of about 30-35 basis points.

STAFF

Number of staff decreases

The total average number of staff (full-time equivalents) decreased by 613, or 1.0%, to 63,569 in 2004. In Wholesale Banking, the average number of staff decreased by 1,045 to 23,965, mainly due to the sale of the Asian cash equities business and CenE Bankiers, while staff numbers in Retail Banking decreased by 875 to 34,326. The average number of full-time employees at ING Direct increased by 1,307 to 5,278 in 2004, mainly due to expansion in Germany, the U.S. and the U.K.

RISK ADJUSTED RETURN ON CAPITAL (RAROC)

ING Bank applies the Risk Adjusted Return on Capital framework (RAROC). This method consistently measures the performance of different activities and is linked to shareholder-value creation. RAROC is calculated as the risk-adjusted return divided by economic capital. The risk-adjusted return is based on similar valuation principles as applied in the financial accounts, with two important exceptions. The actual credit-risk provisioning is replaced by expected losses reflecting statistically calculated average credit losses over the entire economic cycle. In addition, the profit and loss account is adjusted for effects that relate to replacing actual book capital by economic capital. Economic capital is defined as the amount of capital required to bear the economic risks created by the activities employed and at the company's desired level of comfort. The economic capital is based on detailed calculations for credit, transfer, market, operational and business risk and includes the diversification benefit within the bank.

In 2004, the RAROC and economic capital have been calculated for ING Bank in total.

The total pre-tax RAROC for 2004 was 19.7%, a significant improvement compared to 2003 (17.0%). The post-tax RAROC was 14.8% and well above the target of 12% and the 12.7% realised in 2003. This improvement is caused by higher economic return contributed by all the three lines of business. Economic capital increased by 3% to EUR 14.9 billion, mainly due to the strong growth of ING Direct and the inclusion of ING Vysya Bank. Credit and transfer risk capital declined mainly because of methodology refinement and improved data quality. Market risk capital increased partly due to growth at ING Direct.

The post-tax RAROC of wholesale banking improved to 12.2%, compared to 10.3% last year and performed just above the target. The post-tax RAROC of retail banking was 29.1% and almost equalled the high level of 2003 (29.3%). ING Direct improved further to a post-tax RAROC of 11.3% compared to 6.1% last year, mainly due to higher economic returns.

RISK MANAGEMENT

Balancing risk, return and capital

Risk management is one of the crucial processes within ING Bank. The Executive Board manages the overall risk profile of ING Bank, aiming for a good balance between risk, return and capital. The CFO bears primary responsibility for ING Bank's risk management, supported by separate departments for credit risk and market risk management.

Credit risk

The credit exposure of ING Bank is mainly related to traditional lending to individuals and businesses. Loans to individuals are mainly mortgage loans secured by residential property. Loans to businesses are often collateralised but can be granted on an unsecured basis if supported by internal analysis of the borrowers' creditworthiness. Credit exposure arises also from our trading activities for instance in derivatives, repurchase transactions and securities lending/borrowing.

Debtor provisioning The credit portfolio is under constant review. A formal analysis takes place on a quarterly basis to determine the provisions for possible bad debts, using a bottom-up approach. ING Bank is of the opinion that its loan loss provisions as of 31 December 2004 are adequate to absorb losses from ING Bank's credit-risk-taking activities. The table on the next page shows the division of the portfolio into 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 Moody's and S&P equivalents.

The table on the next page shows the regional specification of the additions to the provision for loan losses.

Country risk In countries where ING is active, the risk profile is regularly evaluated, resulting in a country rating. Based on this rating and ING's risk appetite, country-risk limits are defined. Country-risk limits are assigned for transfer risk, generally only in emerging markets. The emerging-markets transfer risk as a percentage of total retail and wholesale activities decreased from 4.6% in 2003 to 4.0% in 2004. Exposure is closely monitored for economic country risks, although no formal limits are established. The table on the next page shows the largest economic country risks.

RISK CLASSES: ING BANK PORTFOLIO, AS % OF TOTAL OUTSTANDINGS [1]

	2004	2003
AAA (1)	**11.8%**	9.1%
AA (2-4)	**21.9%**	23.2%
A (4-7)	**10.9%**	14.1%
BBB (8-10)	**22.5%**	10.6%
BB (11-13)	**29.1%**	39.4%
B (14-17)	**2.3%**	1.9%
Watch / Problem Grade (18-22)	**1.5%**	1.7%
	100.0%	100.0%

[1] Based on retail and wholesale lending, financial markets activities and investments activities.

The growth in AAA (1) outstandings is largely attributable to the conservative investment policy and growth in assets at ING Direct.

There has also been a significant shift from BB (11-13) to BBB (8-10) ratings resulting from the introduction of improved rating models and a more complete coverage of the portfolio with these models, removing conservative default ratings.

ADDITIONS TO THE PROVISION FOR LOAN LOSSES ING BANK (BASED ON COUNTRY OF THE BORROWER)

amounts in millions of euros	**2004**	2003
Netherlands	**197**	352
Belgium	**56**	114
Rest of Western Europe	**126**	410
Central and Eastern Europe	**70**	94
North America	**55**	194
Latin America	**-23**	-18
Asia	**-15**	-31
Other	**-1**	10
	465	1,125

LARGEST ECONOMIC EXPOSURES BY COUNTRY [1]

amounts in billions of euros	**2004**	2003
Netherlands	**178.4**	183.5
Germany	**60.5**	49.4
United States	**58.2**	50.4
Belgium	**43.3**	41.1
United Kingdom	**41.3**	47.1
Spain	**33.9**	19.2
France	**25.2**	24.6
Italy	**16.5**	11.8
Australia	**15.6**	11.0
Canada	**11.5**	12.3

[1] Only covers exposures in excess of EUR 10 billion, including intercompany exposures with ING Insurance.

Market risk

Trading Risk Wholesale Banking focuses on an internationally diversified and mainly client related trading portfolio and the avoidance of large risk concentrations. ING applies Value-at-Risk (VaR) to measure the trading risk.

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) if positions remain unchanged for a time interval of one day. In addition ING performs stress testing for monitoring market risk under extreme market movements.

CONSOLIDATED TRADING VALUE-AT-RISK ING BANK		
amounts in millions of euros and stated on an ING GAAP basis	**2004**	2003
Foreign exchange	**3.4**	4.8
Equities	**9.2**	11.2
Interest	**11.7**	11.1
High yield/Emerging markets	**7.5**	6.4
Diversification	**-6.3**	-10.6
Total VAR	**25.5**	22.9

Non-Trading Risk Next to market risk resulting from trading activities, ING Bank has a structural interest rate risk mismatch in its non-trading books.

ING Bank applies Earnings-at-Risk (EaR) to measure the interest rate risk. EaR measures the loss of net accrual interest income over a time period of one year, resulting from an instantaneous increase in market interest rates by 2%, in line with Basel II requirements.

EARNINGS-AT-RISK BY BUSINESS LINE (1)		
amounts in millions of euros and stated on an ING GAAP basis	**2004**	2003
Wholesale Banking	**-292**	-449
Retail Banking	**-155**	-123
ING Direct	**-367**	-226
ING Bank Total	**-814**	-798

(1) Amounts represent changes in expected earnings.

Liquidity risk

Liquidity risk is the risk that ING Bank cannot meet its financial liabilities when they come due at reasonable costs and in a timely manner. Liquidity risk is managed at a consolidated and local level through a combination of investment mandates, product features, close monitoring of the day-to-day funding needs and maintenance of an adequate mix of funding sources and liquid assets.

Operational risk

ING's policy is to manage operational risks through clear governance, an embedded operational risk management function, and the implementation of comprehensive operational risk identification, measurement, monitoring and mitigation processes. All business managers are responsible for establishing specific internal policies, procedures and controls and for continuously monitoring and controlling of the operational risks.

SOLVENCY

The Tier-1 ratio of ING Bank N.V. stood at 7.71% on 31 December 2004, an improvement of 12 basis points compared to year-end 2003 (7.59%). The solvency ratio (BIS ratio) improved to 11.47% from 11.34% at the end of 2003.

Compared with year-end 2003, total risk-weighted assets increased by EUR 22.8 billion, or 9.1%, to EUR 274.1 billion, almost fully caused by the growth of ING Direct. An increase at Retail Banking was largely offset by a decrease at Wholesale Banking, due to the sale of CenE Bankiers and of activities of ING BHF-Bank.

TRANSITION TO IFRS

As of 2005, the European Union requires all listed companies in its member states to prepare consolidated financial statements under International Financial Reporting Standards ('IFRS'). ING Bank will adopt IFRS as of 1 January 2005.

IFRS differs significantly from the current accounting principles (as applied in the 2004 annual accounts) in several areas. Therefore, shareholders' equity and net profit under IFRS may differ significantly from those under current accounting principles. The transition impact of implementing IFRS will be reported in shareholders' equity.

Restated 2004 comparatives under IFRS will be presented together with the publication of the IFRS financial information for 2005. However, in line with the IFRS transitional provisions, ING Bank will not restate the 2004 comparatives for IAS 32 and 39 (Financial instruments).

On 11 March 2005 ING Group presented the most significant impacts of the transition to IFRS. This presentation, which is available on the ING web site, includes the following preliminary unaudited information:
- the impact on shareholders' equity at transition;
- the impact on 2004 net profit;
- the impact on ratios;
- an explanation of differences between current accounting principles and IFRS.

4 REPORT OF THE EXECUTIVE BOARD

GRATITUDE
The Executive Board wishes to express its appreciation to the clients for entrusting their business to us and to the employees for their commitment and dedication, which were the basis for the good 2004 results.

Amsterdam, 7 March 2005

THE EXECUTIVE BOARD

Jan Zegering Hadders, *Chairman*
Dick Boot, *Chief Financial Officer*
Wilbert Buiter
Henk Kruidenier
Hans van der Noordaa
Ludo Wijngaarden

CONSOLIDATED AND COMPANY BALANCE SHEET OF ING BANK AS AT 31 DECEMBER

before profit appropriation

amounts in millions of euros	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
ASSETS				
Cash 1	**7,537**	10,135	**3,851**	6,975
Short-dated government paper 2	**12,382**	6,521	**9,532**	4,141
Banks 3	**57,300**	61,060	**28,840**	33,848
Public sector loans and advances	**12,913**	14,917	**600**	685
Private sector loans and advances	**308,345**	279,070	**163,184**	145,451
Loans and advances 4	**321,258**	293,987	**163,784**	146,136
Interest-bearing securities 5	**185,619**	140,032	**32,305**	28,062
Shares 6	**10,607**	8,882	**5,507**	3,872
Participating interests in group companies 7			**21,140**	16,916
Other participating interests 8	**1,593**	1,613	**451**	452
Property and equipment 9	**6,214**	5,720	**262**	283
Other assets 10	**4,153**	4,581	**1,184**	1,008
Accrued assets 11	**9,811**	9,063	**4,311**	4,099
Total	**616,474**	541,594	**271,167**	245,792

The numbers against the items refer to the notes starting on page 32.

amounts in millions of euros

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
LIABILITIES AND EQUITY				
Banks 12	**112,797**	102,115	**93,692**	77,998
Savings accounts	**221,121**	168,168	**13,331**	12,048
Other funds entrusted	**146,894**	139,625	**77,729**	65,291
Funds entrusted 13	**368,015**	307,793	**91,060**	77,339
Debt securities 14	**70,746**	72,372	**29,146**	36,422
Other liabilities 15	**20,840**	17,400	**12,662**	12,840
Accrued liabilities 16	**7,718**	8,815	**12,404**	12,519
General provisions 17	**1,470**	1,412	**804**	745
	581,586	509,907	**239,768**	217,863
Fund for general banking risks 18	**1,446**	1,281	**1,446**	1,281
Subordinated liabilities 19	**18,450**	14,516	**15,976**	11,780
Share capital			**525**	525
Preference share premium reserve				3,002
Share premium reserve			**6,992**	6,839
Revaluation reserve			**324**	235
Reserve for participating interests			**103**	114
Exchange differences reserve			**-1,320**	-1,096
Other reserves			**5,152**	3,851
Profit available for distribution			**2,201**	1,398
Shareholders' equity 20	**13,977**	14,868	**13,977**	14,868
Third-party interests	**508**	553		
Capital and reserves of Stichting Regio Bank 21	**507**	469		
Group equity	**14,992**	15,890		
Group capital base	**34,888**	31,687	**31,399**	27,929
Total	**616,474**	541,594	**271,167**	245,792
Contingent debts	**23,675**	22,810	**23,265**	19,116
Irrevocable facilities	**69,011**	66,640	**28,726**	25,546
Contingent liabilities 22	**92,686**	89,450	**51,991**	44,662

The numbers against the items refer to the notes starting on page 41.

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING BANK FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros	2004	2003	2002
Interest income	25,389	23,600	23,883
Interest expense	16,708	15,649	16,405
Interest 23	8,681	7,951	7,478
Income from securities and participating interests 24	129	138	197
Commission income	3,336	3,085	3,231
Commission expense	755	621	616
Commission 25	2,581	2,464	2,615
Results from financial transactions 26	596	562	454
Other revenue 27	525	393	292
Other income	3,831	3,557	3,558
Total income	12,512	11,508	11,036
Staff costs 28	4,981	4,694	4,787
Other administrative expenses 29	3,369	3,150	3,178
Staff costs and other administrative expenses	8,350	7,844	7,965
Depreciation 30	405	428	411
Operating expenses	8,755	8,272	8,376
Additions to the provision for loan losses	465	1,125	1,435
Value adjustments to financial fixed assets	-6	-48	136
	9,214	9,349	9,947
Additions to the Fund for general banking risks	140	140	140
Total expenses	9,354	9,489	10,087
Profit before tax	3,158	2,019	949
Taxation 31	897	520	272
Profit after tax	2,261	1,499	677
Third-party interests	22	59	39
Net profit for the period	2,239	1,440	638
Non-distributable profit of Stichting Regio Bank	38	42	43
Profit available for distribution	2,201	1,398	595

The numbers against the items refer to the notes starting on page 60.

COMPANY PROFIT AND LOSS ACCOUNT OF ING BANK FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros	**2004**	2003	2002
Distributable result of group companies after taxation	**2,224**	1,351	668
Other results after taxation	**-23**	47	-73
Profit available for distribution	**2,201**	1,398	595

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET PROFIT OF ING BANK FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros	**2004**	2003	2002
Net profit for the period	**2,239**	1,440	638
Other components of comprehensive net profit:			
– unrealised revaluations (1)	**79**	53	-57
– exchange differences (2)	**-224**	-494	-454
Net profit not recognised in the consolidated profit and loss account	**-145**	-441	-511
Realised revaluations released to the profit and loss account		-2	-117
Comprehensive net profit for the period	**2,094**	997	10

(1) In 2004, deferred taxes with regard to unrealised revaluations amounted to EUR 34 million (2003: EUR 18 million; 2002: EUR -20 million).
(2) In 2004, deferred taxes with regard to exchange differences amounted to EUR -96 million (2003: EUR -170 million; 2002: EUR -157 million).

Comprehensive net profit for the period includes all movements in shareholders’ equity during the year, except for the cumulative effect of changes in the principles of valuation and determination of results and those resulting from the write-off of goodwill, the enlargement of share capital and distributions to shareholders.

Realised revaluations previously recognised in shareholders’ equity are released from *shareholders’ equity* to the profit and loss account. As these revaluations have already been included in comprehensive net profit of the year under report and previous years under the caption unrealised revaluations and are also included in net profit for the period in the year of realisation, these realised results are adjusted in the comprehensive net profit for the period.

CONSOLIDATED STATEMENT OF CASH FLOWS OF ING BANK FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros	2004	2003 [1]	2002
Profit before tax	**3,158**	2,019	949
Adjusted for:			
– depreciation	**405**	428	411
– additions to the provision for loan losses	**465**	1,125	1,435
– value adjustments to financial fixed assets	**-6**	-48	136
– additions to the Fund for general banking risks	**140**	140	140
– other	**-993**	410	-2,333
Loans and advances granted/repaid	**-35,564**	-10,473	-30,181
Trading portfolio purchases/sales (incl. securities and property)	**-2,944**	-6,783	3,298
Taxation	**-687**	-227	-105
Movements in:			
– funds entrusted and debt securities	**67,927**	61,456	45,660
– banks, not available on demand	**20,780**	-8,463	-5,896
– other receivables and accrued assets	**-1,384**	-77	3,843
– other liabilities and accrued liabilities	**4,055**	-180	-130
– provisions	**58**	-185	-327
Net cash flow from operating activities 32	**55,410**	39,142	16,900
Investments and advances:			
– participating interests	**-2,093**	-434	-729
– investments in interest-bearing securities	**-98,084**	-90,811	-70,273
– investments in shares	**-421**	-519	-543
– property and equipment	**-1,355**	-1,691	-1,314
Disposals and redemptions:			
– participating interests	**927**	369	66
– investments in interest-bearing securities	**47,135**	52,799	52,537
– investments in shares	**510**	851	1,815
– property and equipment	**1,159**	797	682
Net cash flow from investing activities	**-52,222**	-38,639	-17,759
Movements in long-term liabilities	**4,206**	1,146	2,048
Repayment preference share premium reserve	**-2,294**		
Cash dividends	**-818**	-636	-298
Net cash flow from financing activities	**1,094**	510	1,750
Net cash flow	**4,282**	1,013	891
Cash at beginning of year	**5,735**	5,191	3,467
Exchange differences	**4**	-469	833
Cash at year-end	**10,021**	5,735	5,191
Cash comprises the following items:			
Short-dated government paper	**12,382**	6,521	8,398
Bank deposits available on demand	**-9,898**	-10,921	-11,989
Cash	**7,537**	10,135	8,782
Cash at year-end	**10,021**	5,735	5,191

[1] Restated to better reflect the impact of exchange differences on the net cash flow.

The numbers against the items refer to the notes starting on page 68.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED AND COMPANY BALANCE SHEET AND CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING BANK

INTRODUCTION

The financial data of ING Bank are also included in the consolidated annual accounts of ING Groep N.V., which is the holding company of ING Bank. The annual accounts of ING Groep N.V. and ING Bank N.V. are available on the Internet at the ING Group website: www.ing.com.

CONSOLIDATION PRINCIPLES

ING Bank comprises ING Bank N.V. and its group companies. The consolidated financial statements of ING Bank include the financial statements of all companies that form an organisational and economic entity and are controlled by ING Bank. Control is presumed to exist when ING Bank has, directly or indirectly through group companies, more than one half of the voting power or otherwise exercises effective control. The financial statements of these group companies are consolidated in full on a line-by-line basis, using uniform accounting principles. Third-party interests are presented separately in the consolidated balance sheet and profit and loss account.

The financial data of joint ventures are included in proportion to ING Bank's interest where it is relevant to the understanding of ING Bank's shareholders' equity and results. Intercompany financial relationships between business units of ING Bank are eliminated.

Assets, liabilities, income and expenses of Stichting Regio Bank are included in full. By virtue of this savings bank's legal status as a non-profit organisation (Stichting), its net profit is not eligible for distribution to the shareholders of ING Bank, but is instead added to this organisation's reserves. These reserves, together with the capital, are shown separately as a part of Group equity.

The parent company profit and loss account has been drawn up in accordance with Section 402, Book 2, of the Dutch Civil Code. A list containing the information referred to in Section 379 (1) and Section 414, Book 2, of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Section 379 (5), Book 2, of the Dutch Civil Code.

CHANGES IN THE COMPOSITION OF THE GROUP

IMPACT MOST SIGNIFICANT CHANGES IN COMPOSITION OF THE GROUP

amounts in millions of euros	**Before acquisition/ disposal**	**After acquisition/ disposal**	**Impact 2004**	Before acquisition/ disposal	After acquisition/ disposal	Impact 2003
Assets	**630,160**	**616,474**	**-13,686**	534,885	541,594	6,709
Liabilities	**616,124**	**602,497**	**-13,627**	519,908	526,726	6,818
Shareholders' equity	**14,036**	**13,977**	**-59**	14,977	14,868	-109
Net profit for the period	**2,382**	**2,239**	**-143**	1,419	1,440	21

The impact of a change in the composition of the group is defined as the change in assets, liabilities, shareholders' equity or net profit resulting from the acquisition or disposal of a group company, compared to the situation where no acquisition or disposal took place. The impact is included in the financial year in which the acquisition or disposal took place.

In 2004, ING Bank sold the most of the German banking unit of ING BHF-Bank. The transaction includes ING BHF-Bank's asset management, private banking, financial markets and core corporate banking business. The value of the transaction amounted to EUR 600 million.

In 2004, ING Bank acquired the Dutch real estate fund Rodamco Asia. As a result, the fund was delisted from Euronext in Amsterdam and will be delisted from the Frankfurt Stock Exchange in 2005. The goodwill amounted to EUR 22 million and is charged to *Shareholders' equity*.

In 2004, ING Bank sold its 100% subsidiary CenE Bankiers to Van Lanschot. CenE Bankiers is specialised in commercial and private banking in the Netherlands. The value of the transaction amounted to EUR 250 million.

In 2004, ING Bank acquired Mercator Bank, a Belgium medium-sized savings bank. The negative goodwill amounted to EUR 26 million and is added to Shareholders' equity.

In 2004, ING Bank sold its Asian cash equities business to Macquarie Bank. The cash equities business comprises sales, trading, research and equity capital markets operations.

In 2003, ING Bank acquired a 100% stake in Entrium, Germany's second largest direct Bank. ING Bank acquired Entrium from Fineco/Capitalia (Italy). The goodwill amounted to EUR 100 million and is charged to Shareholders' equity.

In 2003, ING Bank acquired an additional 30% stake in DiBa (Allgemeine Deutsche Direktbank) from BGAG, the investment company of a number of German trade unions. In this way, ING Bank owns all shares in DiBa. The goodwill amounted to EUR 9 million and is charged to *Shareholders' equity*.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

CRITICAL ACCOUNTING POLICIES

ING Bank has identified the accounting policies that are most critical to its business operations and the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to provisions for loan losses, the determination of the fair values of financial assets and liabilities, and the determination of impairments. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce materially different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the consolidated financial statements and the information below.

Provisions for loan losses

Management regularly assesses the adequacy of the provisions for loan losses by performing ongoing evaluations of the loan portfolio. A formal analysis of specifically identified loans takes place every quarter, including evaluation of economic risks associated with each loan, the current financial condition of the borrower, the economic environment in which the borrower operates, the level of delinquent loans and the value of collateral. Credit ratings are assigned to the borrowers by allocating all outstanding loans into various Risk Rating categories on a regular basis.

In determining the amount of the provisions, corporate loans are assessed on a case-by-case basis and the following factors are considered:

- the financial standing of the customer, including a realistic assessment of the likelihood of repayment of the loan within an acceptable period and the extent of ING Bank's commitments to the customer;
- the realisable value of any security for the loan;
- the costs associated with obtaining repayment and realisation of any such security.

For certain homogeneous groups of small personal and corporate loans, provisions are assessed using statistical techniques.

ING Bank also maintains an unallocated provision for loan losses that is required to adequately capture various subjective and judgmental aspects of credit risk assessment that are not considered on an individual basis. Considerable judgement is exercised in determining the extent of the provision and is based on the management's evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit and geographical concentration trends. Changes in such judgements and analyses may lead to changes in provisions over time.

Fair value of financial assets and liabilities

Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realised under current market conditions, assuming an orderly liquidation over a reasonable period of time. Certain financial instruments, including OTC derivative instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlations, time value, credit, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair value.

Impairments
The carrying value of all assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The determination of impairment is specifically relevant to the investments in equity securities and fixed interest securities.

In order to determine whether negative revaluations on equity securities represent impairment, all equity securities for which the market value has been significantly below cost price for a considerable period of time are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer-specific developments. The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the Bank's long term investment strategy.

In order to determine whether investments in fixed interest securities are impaired, all fixed interest securities for which the market value has been significantly below cost price for a considerable period of time are individually reviewed. Distinction is made between negative revaluations due to general interest rate and other market fluctuations and due to issuer-specific developments. The impairment review focuses on issuer specific developments regarding financial condition and prospects of the issuer identifying whether repayment of interest and principal is expected, taking into account the intent and ability to hold the securities under the Bank's long term investment strategy.

Although all individual securities are reviewed to ensure that no material impairments are required to be charged to the profit and loss account, the identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. Further developments after the balance sheet date may indicate that certain unrealised losses that existed as of the balance sheet date will result in impairment in future periods, resulting in a negative impact on the profit and loss account for future periods.

GENERAL PRINCIPLES
Recognition
An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the enterprise and the asset can be measured reliably. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. If the criteria for recognition are no longer met, the assets and liabilities are derecognised.

Income is recognised in the profit and loss account when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. Expenses are recognised in the profit and loss account when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Valuation
Assets and liabilities are shown at face value except where a different valuation principle is stated below.

Use of estimates
The preparation of the annual accounts necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities as at balance sheet date as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

Foreign currencies
General The euro is the reporting currency of ING Bank. Assets and liabilities in foreign currencies are translated at the spot mid-rates (Amsterdam exchange rates) prevailing on the balance sheet date. Non-monetary items, which are expressed in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Income and expenses arising from foreign currency transactions are translated at the rates prevailing on the transaction date.

The following exchange differences are credited or debited, net of any related taxes, to *Shareholders' equity*:
– exchange differences on participating interests and liabilities assumed in connection with their financing;

– exchange differences on loans serving to hedge exchange rate risks on foreign interests.

All other exchange differences are taken to the profit and loss account.

Forward foreign exchange contracts Forward foreign exchange contracts relating to borrowing and lending are translated at the spot mid-rates prevailing on the balance sheet date. In general, differences between the spot rates prevailing on the balance sheet date and on the contract date are taken to the profit and loss account. Differences between the valuations at the forward rate and the spot rate at the contract date are amortised and charged to the profit and loss account in proportion to the expired part of the terms of the contracts concerned. The other forward foreign exchange contracts are valued at the market quotations for their remaining terms at the balance sheet date. In general, differences resulting from revaluations are taken to the profit and loss account. Exchange differences on forward foreign exchange contracts serving to hedge exchange rate risks on participating interests are taken to *Shareholders' equity*.

Business units outside the euro zone Assets and liabilities of business units outside the euro zone are translated at the closing rate prevailing on the balance sheet date. Income and expenses of business units outside the euro zone (excluding business units in countries with hyperinflation) are translated at average exchange rates for the year. The financial statements of a business unit that reports in the currency of a hyperinflationary economy, are restated for the influences of inflation before translation into euros. Income and expenses of business entities in countries with hyperinflation are translated at the closing rate prevailing on the balance sheet date.

Exchange differences on assets and liabilities of business units outside the euro zone are credited or debited, net of any related taxes, to *Shareholders' equity*, except for exchange differences on monetary assets and liabilities of business units in countries with hyperinflation. These differences are taken to the profit and loss account.

Exchange differences on results arising from differences between the spot rates on the balance sheet date and the average rates for the year are taken to *Shareholders' equity*.

Geographical analyses
The geographical analyses of assets, liabilities, income and expenses in the notes to the consolidated balance sheet and profit and loss account are based on the location of the office from which the transactions are originated.

Derivatives
Derivatives are stated at fair value. Changes in the fair value are included in the profit and loss account. However, derivatives serving to hedge the risks on own positions are recognised in accordance with the accounting principles of the hedged items.

Hedge accounting
Transactions qualify as hedges if these transactions are identified as such and there is a negative correlation between the hedging results and the results of the positions being hedged. Hedging instruments are accounted for in accordance with the accounting principles of the hedged item.

Impairments
The carrying value of *Property and equipment*, participating interests and *Shares* and *Interest-bearing securities* as part of the investment portfolio is reviewed to ascertain whether there has been a permanent diminution in value. These impairments are assessed on an individual basis and are taken to the profit and loss account immediately. Impairments of participating interests, shares and interest-bearing securities that are part of the investment portfolio are included in the profit and loss account as *Value adjustments to financial fixed assets*. Impairments of assets carried at revalued amounts are first charged directly to any revaluation reserve for these assets.

For more details, reference is made to the critical accounting policies.

Receivables
Receivables are carried at the face value less any diminution in value deemed necessary to cover the risk of uncollectibility.

Investment and trading portfolios

The investment portfolio comprises those assets which are intended for use on a continuing basis and have been identified as such. These investments are held in order to manage interest rate, capital and liquidity risks. Positions held with trading intent are those held intentionally for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits, and positions held through matched principal broking and market making.

If due to a change in management's intent transfers are made between investment and trading portfolios, these assets are remeasured to fair value and gains and losses are accounted for in accordance with the accounting principles applicable to the portfolio in which the assets were originally held.

Repurchase transactions and reverse repurchase transactions

Interest-bearing securities and shares which have been sold with an agreement to repurchase (repurchase transactions), are included as assets in the balance sheet. Interest-bearing securities and shares, which have been acquired in reverse sale and repurchase transactions, are not recognised in the balance sheet.

Securities borrowing and lending

Interest-bearing securities and shares which are lent out, are included in the balance sheet. Interest-bearing securities and shares which are borrowed, are not recognised in the balance sheet.

Leases

Assets held under a lease for which substantially all the risks and rewards are transferred to the lessee (finance lease) are reported in the balance sheet at net present value. Income from a finance lease is recognised in the profit and loss account over the lease term in proportion to the funds invested. Income from an operating lease is recognised over the lease term in the profit and loss account. Lease payments under an operating lease are recognised as an expense in the profit and loss account over the lease term.

SPECIFIC PRINCIPLES

Acquisition and disposal of group companies and goodwill

ING Bank's acquisitions are accounted for under the purchase method of accounting, whereby the cost of the acquisitions is allocated to the fair value of assets and liabilities acquired. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and ING Bank's interest in the fair value of the acquired assets and liabilities as at the date of acquisition, is debited to *Shareholders' equity*. The results of the operations of the acquired companies are included in the profit and loss account from their respective dates of acquisition.

Adjustments to the fair value as of the date of acquisition of acquired assets and liabilities that are identified before the end of the first annual accounting period commencing after acquisition are recorded as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. However, recognition of deferred tax assets after the acquisition date is recorded as an adjustment to goodwill even after the end of the first annual accounting period.

On disposal of group companies the difference between the sale proceeds and cost is included in the profit and loss account; for disposals within five years of acquisition, goodwill is adjusted on a pro-rata basis.

Short-dated government paper and interest-bearing securities

Investment portfolio securities are stated at redemption value. The difference between redemption value and purchase price is amortised over the weighted average remaining term of the investments concerned, either credited or debited to the profit and loss account. Investment portfolio securities on which interest is not received annually and on which the redemption value is paid out as a lump sum on maturity (such as zero-coupon bonds and savings certificates) are included at purchase price plus the proportion of the difference between purchase price and redemption value related to the period elapsed since the date of purchase.

The results on the disposal of investment portfolio securities i.e. the difference between the proceeds on disposal and the carrying amount of the investment portfolio securities sold, are shown as yield differences. Results on disposal of derivatives related to the investment portfolio securities concerned are likewise shown as yield differences. Allowing for the weighted average remaining term of the investment portfolio, these yield differences are included in the profit and loss account as interest income. Results on disposal due to a structural reduction of investment portfolio securities are included directly in the profit and loss account, including the results on disposal of the related derivatives.

Securities that are part of the trading portfolio are stated at the fair value; which generally means quoted prices. Changes in the fair value, both realised and unrealised, on these securities are included in the profit and loss account. The company's own debentures repurchased for sale at a future date and interest-bearing securities repurchased after issue by group companies are stated at the lower of cost and fair value.

Banks and Loans and advances

Banks and *Loans and advances* refer to receivables from banks and non-banks. Receivables that are part of the non-trading portfolio are carried at face value less any diminution in value (impairment) deemed necessary to cover the risk of uncollectibility. Receivables are impaired if it is probable that the principal and interest contractually due will not be collected. In general, to determine the amount of the impairment (provision for loan losses), the degree of risk of uncollectibility is assessed on a static basis:

- per individual loan, taking into account among other things amounts outstanding at year-end, the financial position, results and cash-flow information of the debtor, the payment history and the value of the collateral (provision for debtor risk);
- per group of loans subdivided by country, taking into account country-specific risks;
- per group of loans subdivided by the degree of risk of uncollectibility (risk classification), determined on the basis of a wide range of aspects with regard to creditworthiness and taking into account empirically determined risk percentages for each risk category.

The net amounts added to or withdrawn from these provisions are included in the profit and loss account.

When a borrower is in default as regards repayment of principal or payment of interest for 90 days or when, in the judgement of management, the accrual of interest should cease before 90 days, such a loan is given non-accrual status. Any accrued but unpaid interest is reversed and charged to current period interest revenue. Interest payments received during the period are recorded as interest income on a cash basis.

Receivables are written off and charged against the provision for loan losses when all the necessary legal procedures have been completed and the amount of the loss is finally determined.

Receivables included in *Loans and advances* that are part of the trading portfolio are stated at the fair value. Changes in the fair value, both realised and unrealised, on these receivables are included in the profit and loss account.

For more details, reference is made to the critical accounting policies.

Shares

Shares are stated at the fair value as at balance sheet date, which generally means quoted prices. Changes in the carrying amount resulting from revaluations, on the securities in the trading portfolio are included in the profit and loss account.

In the case of investment portfolio shares, changes in the carrying amount resulting from revaluations are credited or debited to *Shareholders' equity* allowing for taxation where necessary. Dividends received and the difference between the sale proceeds and cost on disposal of investment portfolio shares, are taken to the profit and loss account.

Equity participations are stated at the lower of cost and fair value. Unrealised losses and results on disposal of equity participations are included in the profit and loss account.

Participating interests in group companies

Movements in balance sheet values due to movements in the revaluation reserves of the participating interests are reflected in the Revaluation reserve, which forms part of *Shareholders' equity*. Movements in balance sheet values due to the results of these Participating interests in group companies, accounted for in accordance with ING Bank accounting principles, are included in the profit and loss account. In case of a permanent diminution in value (impairment) the movement is included in the profit and loss account as *Value adjustments to financial fixed assets*. Other movements in the balance sheet value of these Participating interests in group companies, other than those due to movements in share capital are included in Other reserves, which forms part of *Shareholders' equity*.

The Reserve for participating interests is carried at an amount equal to the share in the results of Participating interests in group companies since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Reserve for participating interests, which forms part of Shareholders' equity.

Other participating interests

Investments in associates Participating interests in which a significant influence is exercised over the financial and operating policy are stated at net asset value. ING Bank's share in the results of these investments in associates is recognised in the profit and loss account.

Investments in non-associates Investments in non-associates are stated at fair value. Each year, the net asset value of the investment is determined, which approximates the fair value. Dividends received are credited to the profit and loss account. Changes due to revaluation are credited or debited to *Shareholders' equity*. In case of a permanent diminution in value (impairment) the movement is included in the profit and loss account as *Value adjustments to financial fixed assets*. On disposal of Investments in non-associates, the difference between the sale proceeds and cost is included in the profit and loss account.

Property and equipment

Property in use by the bank Property in use by the Bank is stated at fair value as at balance sheet date. Changes in the carrying amount, resulting from revaluations are credited or debited to *Shareholders' equity*, allowing for taxation where necessary. External valuations are made by rotation in such a way as to ensure that all properties are appraised at least once every five years. Value-enhancing investments in properties made since the last valuation are capitalised at the cost of the investment until the next valuation. The buildings are depreciated on a straight-line basis over an estimated economic life of at most 50 years. The installations and banking facilities are depreciated on a straight-line basis over ten years. In determining depreciation, no allowance is made for residual value. Land is not depreciated.

Property not in use by the bank Buildings let as a long-term investment and bank premises no longer in use are stated at the fair value as at balance sheet date. Changes in the carrying amount resulting from revaluations are credited or debited to *Shareholders' equity*, allowing for taxation where necessary. On disposal of these investments, the difference between the sale proceeds and cost is recognised in the profit and loss account. Buildings are depreciated on a straight-line basis over a maximum of 50 years, no allowance is made for residual value.

Properties under construction are stated at direct purchase and construction cost incurred up to the balance sheet date plus interest during construction and the group's own development and supervision expenses, where necessary less any diminution in value on completion. The difference between the net proceeds and cost of property under construction and any downward diminution in value are reflected in the profit and loss account. Infrastructure projects and properties let on a lease basis are valued at cost including interest and own development costs less investment grants, or at fair value if lower; depreciation is charged over the term of the contracts concerned on the basis of the value thus obtained. Properties not let on a lease basis and vacant properties are stated at estimated value on private sale and are depreciated at 2% per annum.

Equipment and other operating assets Equipment and other operating assets are stated at cost less accumulated depreciation. The cost of these assets is depreciated on a straight-line basis over their estimated useful lives, which are as follows; data processing equipment 2 to 5 years and other movable fixed assets 4 to 10 years. Expenditures for maintenance and repair are charged to the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated. On disposal of these assets, the difference between the proceeds on disposal and net book value is recognised in the profit and loss account.

Other assets

Deferred tax assets Deferred corporate tax assets are stated at face value and are calculated for the carryforward of unused tax losses and for temporary valuation differences between carrying amounts of assets and liabilities in the balance sheet and tax base based on tax rates that are expected to apply in the period when the assets are realised. Deferred corporate tax assets in relation with the carryforward of unused tax losses are recognised only to the extent that it is probable that future taxable profits will be available for compensation. Deferred tax assets are reported net of adjustable deferred tax liabilities.

Computer software Computer software that has been purchased or generated internally for internal use is capitalised and amortised on a straight-line basis over its useful life. This period will generally not exceed three years.

Funds entrusted

The savings accounts included in *Funds entrusted* are stated including interest payable insofar as it is contractually agreed that this will be added to the savings accounts. Liabilities that are not included in the trading portfolio are stated at face value. Liabilities that are part of the trading portfolio are stated at the fair value. Changes in the fair value, both realised and unrealised, on these liabilities are included in the profit and loss account.

Other liabilities

Liabilities that are part of the trading portfolio are stated at fair value, which generally means quoted prices. Changes in the fair value, both realised and unrealised, on these liabilities are included in the profit and loss account.

General provisions

General A general provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, whereas the timing or the amount is uncertain. Unless stated otherwise below, general provisions are discounted using a pre-tax discount rate to reflect the time value of money.

Deferred tax liabilities Deferred corporate tax liabilities are stated at face value and are calculated for temporary valuation differences between carrying amounts of assets and liabilities in the balance sheet and tax base based on tax rates that are expected to apply in the period when the liabilities are settled. Deferred tax liabilities are reported net of adjustable deferred tax assets.

Pension liabilities and other staff-related liabilities Provisions for pension liabilities and other staff-related liabilities are calculated using the projected unit credit method of actuarial cost allocation. In accordance with this method, the discounted value of the pension liabilities and other staff-related liabilities is determined on the basis of the active period of service up to the balance sheet date, the projected salary at the expected retirement date and the market yields at the balance sheet date on high quality corporate bonds. In order to distribute expenses for pensions and other staff-related liabilities evenly over the years, these expenses are calculated using the expected rate of return on plan assets. Differences between this expected return and the actual return on these plan assets and actuarial changes are not recognised in the profit and loss account, unless the accumulated differences and changes exceeds 10% of the greater of the defined benefit obligation and the fair value of the plan assets. The excess is amortised and charged to the profit and loss account over employees remaining working lives.

The rates used for salary developments, interest discount factors and other pension adjustments reflect specific country conditions.

WEIGHTED AVERAGES OF BASIC ACTUARIAL ASSUMPTIONS IN ANNUAL % AS AT 31 DECEMBER

	2004	2003	2002
Discount rates	**4.75**	5.50	5.75
Expected rates of salary increases (excluding promotional increase)	**2.50**	2.50	2.75
Medical cost trend rates	**4.00**	4.00	3.25
Consumer price inflation	**2.00**	1.75	2.00

The expected rate of return for 2004 on plan assets was 6.50% (2003: 7.00%; 2002: 7.00%).
The expected rate of return on plan assets was weighted by the fair value of these assets. All other assumptions were weighted by defined benefit obligations.

Fund for general banking risks

The *Fund for general banking risks* serves to hedge the general risk inherent in the banking operations. Amounts added to or withdrawn from the Fund for general banking risks are recognised separately as such in the profit and loss account. Apart from characteristics of a provision, the Fund for general banking risks bears the nature of group equity and is recognised net of deferred tax claims. In accordance with the rules of the Dutch Central Bank, the Fund for general banking risks is regarded as Tier-1 capital.

Contingent liabilities

Contingent liabilities are commitments or risks of which it is more likely than not that no outflow from ING Bank of resources embodying economic benefits will occur. The underlying value of these commitments or risks is not recorded as a liability in the balance sheet.

Revenue recognition

Interest income Interest income is recognised in the profit and loss account for all interest bearing instruments on an accrued basis. Interest income includes coupons earned on fixed income investment and trading securities and amortisation of accrued discounts and premiums and yield differences.

Commission Fees and commissions from banking and asset management services are recognised in the profit and loss account over the period in which the related services are performed. Fees and commissions with the nature of interest are deferred and amortised on a time proportionate basis that takes into account the effective yield on the related asset and are recognised under interest income.

Taxation

Taxation is calculated on the profit before tax shown in the annual accounts, taking into account tax-allowable deductions, charges and exemptions.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED STATEMENT OF CASH FLOWS OF ING BANK

The cash flow statement has been drawn up in accordance with the indirect method, distinguishing between cash flows from operating, investing and financing activities.

Cash flows in foreign currencies are translated at the average exchange rates for the year. Where the balance of items in the cash flow statement does not correspond to the movements in the relevant balance sheet items, this is mainly due to differences on translation.

In the net cash flow from operating activities, the profit before tax is adjusted for those items in the profit and loss account and movements in balance sheet items which do not result in actual cash flows during the year. The net cash flow shown in respect of *Loans and advances* only relates to transactions involving actual payments or receipts. The *Additions to the provision for loan losses* which is deducted from the item *Loans and advances* in the balance sheet has been adjusted accordingly for the profit before tax and is shown separately in the cash flow statement.

The Value adjustments to financial fixed assets which is deducted from the items Shares an Other participating interests is also shown separately in the net cash flow statement.

The investments in and disposals of participating interests have been included in the cash flow from investing activities at cost/sales price, insofar as payment was made in cash. The cash-assets of the consolidated participating interests concerned have been eliminated from the cost/sales price. The cash-assets of the consolidated participating interests that were transferred from ING Group to ING Bank as a payment of share premium are included in Cash-assets from acquisitions.

Cash dividends are included in the cash flow from financing activities.

Included in *Cash* are those assets which can be converted into cash without restriction and without material risk of diminution in value as a result of the transaction. The difference between the net cash flow in accordance with the cash flow statement and the movement in *Cash* in the balance sheet is due to exchange differences and is separately accounted for as part of the reconciliation of the net cash flow and the balance sheet movement in cash.

amounts in millions of euros, unless stated otherwise

ASSETS

1 CASH
Cash includes till money at Dutch post offices and deposits with central banks in countries where the bank has a presence and which are available on demand. Cash and balances with central banks amount to EUR 6,476 million (2003: EUR 8,838 million) consolidated and EUR 3,717 million (2003: EUR 6,841 million) for the company.

2 SHORT-DATED GOVERNMENT PAPER
Short-dated government paper includes international government paper amounting to EUR 11,799 million (2003: EUR 6,365 million) consolidated and EUR 8,949 million (2003: EUR 3,984 million) for the company.

The cost and fair value of the *Short-dated government paper* as at balance sheet date are virtually the same, both consolidated and for the company (year-end 2003 also virtually the same).

3 BANKS
Banks includes receivables from banks, other than in the form of interest-bearing securities.

BANKS

	Netherlands	International	Total 2004	Netherlands	International	Total 2003
Loans and advances to banks	**6,909**	**25,769**	**32,678**	7,877	19,088	26,965
Cash advances, overdrafts, and other balances	**1,733**	**22,907**	**24,640**	1,674	32,448	34,122
	8,642	**48,676**	**57,318**	9,551	51,536	61,087
Provision for loan losses			**-18**			-27
			57,300			61,060

Banks includes receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 22,915 million (2003: EUR 14,494 million) consolidated and EUR 10,996 million (2003: EUR 9,163 million) for the company.

BANKS ANALYSED BY NON-SUBORDINATED AND SUBORDINATED RECEIVABLES

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Non-subordinated receivables from:				
Group companies			**11,632**	14,470
Third parties	**57,034**	60,514	**14,976**	18,921
	57,034	60,514	**26,608**	33,391
Subordinated receivables from:				
Group companies			**1,675**	400
Third parties	**266**	546	**557**	57
	57,300	61,060	**28,840**	33,848

LEASE CONTRACTS INCLUDED IN BANKS

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Assets held under finance lease contracts	**158**	134		
Assets held under operating lease contracts	**60**	158		
	218	292	**0**	0

4 LOANS AND ADVANCES

Loans and advances is subject to credit risk, which means the risk of suffering losses following default by a debtor or counterparty. Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate exposure is material in relation to ING Bank's total exposure. Although ING Bank's portfolio of financial instruments is broadly diversified along industry and product lines, material transactions are completed with other financial institutions. Additionally, mortgages and loans in the Netherlands represent areas of significant credit exposure.

LOANS AND ADVANCES ANALYSED BY SECURITY

			Consolidated			Consolidated
	Netherlands	**Inter-national**	**Total 2004**	Netherlands	Inter-national	Total 2003
Private sector:						
– loans guaranteed by public authorities	**6,624**	**4,838**	**11,462**	5,631	2,502	8,133
– loans secured by mortgages	**103,595**	**53,156**	**156,751**	94,125	39,604	133,729
– loans guaranteed by credit institutions	**414**	**702**	**1,116**	701	1,289	1,990
– other private lending	**6,420**	**8,473**	**14,893**	7,009	7,813	14,822
– other corporate loans	**39,439**	**88,889**	**128,328**	38,201	86,812	125,013
Public sector	**672**	**12,280**	**12,952**	843	14,101	14,944
	157,164	**168,338**	**325,502**	146,510	152,121	298,631
Provision for loan losses	**-1,072**	**-3,172**	**-4,244**	-1,150	-3,494	-4,644
	156,092	**165,166**	**321,258**	145,360	148,627	293,987

LOANS AND ADVANCES ANALYSED BY NON-SUBORDINATED AND SUBORDINATED RECEIVABLES

		Consolidated		Company
	2004	2003	**2004**	2003
Non-subordinated receivables from:				
ING Group	**3,247**	2,224	**1,300**	1,000
Other group companies			**59,167**	48,573
Third parties	**317,630**	291,223	**103,265**	96,559
	320,877	293,447	**163,732**	146,132
Subordinated receivables from:				
Other group companies			**3**	4
Third parties	**381**	540	**49**	
	321,258	293,987	**163,784**	146,136

The receivables from ING Group relate among others to the financing transaction in respect of acquisitions of group companies. The ensuing interest income is offset by charging group expenses to ING Bank.

LOANS AND ADVANCES ANALYSED BY INDUSTRY

		Consolidated
	2004	2003
Private sector:		
– agriculture, horticulture, forestry and fisheries	**2,094**	1,797
– manufacturing	**27,112**	30,503
– service industry	**55,746**	57,012
– financial institutions	**75,326**	63,869
– personal	**144,083**	121,598
– other	**8,189**	8,909
	312,550	283,688
Public authorities	**12,952**	14,943
	325,502	298,631
Provision for loan losses	**-4,244**	-4,644
	321,258	293,987

LEASE CONTRACTS INCLUDED IN LOANS AND ADVANCES				
		Consolidated		Company
	2004	2003	**2004**	2003
Assets held under finance lease contracts	**11,506**	8,303	**166**	164
Assets held under operating lease contracts	**2,150**	3,215	**1**	1
	13,656	11,518	**167**	165

As at 31 December 2004, the balance sheet value of receivables included in *Loans and advances*, of which interest income is not recognised in the profit and loss account because realisation of the interest income is almost certainly not to be expected, amounted to EUR 3,427 million (2003: EUR 3,564 million).

As at 31 December 2004, the receivables included in *Loans and advances* that are part of the trading portfolio amounted to EUR 56 million consolidated (2003: EUR 184 million) and EUR 26 million (2003: nil) for the company.

Loans and advances includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 44,279 million (2003: EUR 35,703 million) consolidated and EUR 12,046 million (2003: EUR 12,200 million) for the company.

Provision for loan losses The provision for loan losses is allocated to *Loans and advances*, *Banks* and *Accrued assets*.

ALLOCATION OF THE CONSOLIDATED PROVISION FOR LOAN LOSSES TO THE VARIOUS CATEGORIES						
			Consolidated			Consolidated
	Netherlands	**Inter-national**	**Total 2004**	Netherlands	Inter-national	Total 2003
Loans to and guaranteed by public authorities		**36**	**36**		30	30
Loans secured by mortgages	**199**	**213**	**412**	164	238	402
Loans guaranteed by credit institutions		**5**	**5**		1	1
Other private lending	**181**	**344**	**525**	258	385	643
Other corporate loans and guarantees	**692**	**2,574**	**3,266**	728	2,840	3,568
Allocated to Loans and advances	**1,072**	**3,172**	**4,244**	1,150	3,494	4,644
Allocated to Banks		**18**	**18**		27	27
Allocated to Accrued assets	**14**	**180**	**194**	16	148	164
	1,086	**3,370**	**4,456**	1,166	3,669	4,835

MOVEMENTS IN THE PROVISION FOR LOAN LOSSES INCLUDED IN LOANS AND ADVANCES, BANKS AND ACCRUED ASSETS		
		Consolidated
	2004	2003
Opening balance	**4,835**	5,136
Changes in the composition of the group	**-38**	87
Write-offs	**-956**	-1,338
Recoveries	**85**	48
Additions from:		
– provisions for loan losses	**465**	1,125
– interest income	**84**	123
Other movements	**-19**	-346
Closing balance	**4,456**	4,835

5 INTEREST-BEARING SECURITIES

PORTFOLIO ANALYSIS OF INTEREST-BEARING SECURITIES				
		Consolidated		Company
	2004	2003	**2004**	2003
Investment portfolio	**159,397**	112,871	**15,517**	14,953
Trading portfolio	**26,222**	27,161	**16,788**	13,109
	185,619	140,032	**32,305**	28,062

INTEREST-BEARING SECURITIES ANALYSED BY ISSUER

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Public sector	**75,993**	65,177	**20,767**	18,870
Other	**109,626**	74,855	**11,538**	9,192
	185,619	140,032	**32,305**	28,062

INTEREST-BEARING SECURITIES ANALYSED BY LISTING

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Listed	**146,774**	123,276	**26,628**	22,963
Unlisted	**38,845**	16,756	**5,677**	5,099
	185,619	140,032	**32,305**	28,062

INTEREST-BEARING SECURITIES ANALYSED BY NON-SUBORDINATED AND SUBORDINATED

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Non-subordinated interest-bearing securities issued by:				
Participating interests		86	**707**	980
Group companies	**1,248**	229	**997**	229
Third parties	**183,676**	138,990	**30,441**	26,547
	184,924	139,305	**32,145**	27,756
Subordinated interest-bearing securities issued by:				
Participating interests		166		165
Group companies	**5**			
Third parties	**690**	561	**160**	141
	185,619	140,032	**32,305**	28,062

INVESTMENT PORTFOLIO OF INTEREST-BEARING SECURITIES

	Consolidated Balance sheet value 2004	Consolidated Balance sheet value 2003	Consolidated Estimated fair value 2004	Consolidated Estimated fair value 2003
Debentures	**156,798**	112,059	**162,425**	116,115
Other interest-bearing securities	**2,599**	812	**2,599**	812
	159,397	112,871	**165,024**	116,927

MOVEMENTS IN THE INVESTMENT PORTFOLIO OF INTEREST-BEARING SECURITIES

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Opening balance	**112,871**	77,200	**14,953**	23,869
Additions	**98,084**	90,811	**8,897**	16,231
Changes in the composition of the group	**-1,421**	1,276		-10,879
Disposals and redemptions	**-47,135**	-52,799	**-8,320**	-13,882
Exchange differences	**-2,489**	-3,425	**-28**	-532
Other movements	**-513**	-192	**15**	146
Closing balance	**159,397**	112,871	**15,517**	14,953

The movement in *Changes in the composition of the group* in the company balance sheet for 2003 mainly relates to the transfer of the activities of ING Direct Spain to the subsidiary ING Direct.

As at 31 December 2004, the cost of the investment portfolio of *Interest-bearing securities* amounted to EUR 160,565 million (2003: EUR 114,434 million) consolidated and EUR 15,664 million (2003: EUR 15,150 million) for the company.

As at 31 December 2004, the cost of the *Interest-bearing securities* in the trading portfolio was EUR 179 million higher (2003: EUR 91 million higher) consolidated than their fair value and EUR 113 million higher (2003: EUR 22 million higher) for the company.

As at 31 December 2004, of the total portfolio interest bearing securities an amount of EUR 165,847 million (2003: EUR 108,789 million) consolidated and EUR 23,214 million (2003: EUR 18,074 million) for the company was expected to be recovered or settled after more than one year from the balance sheet date.

INTEREST-BEARING SECURITIES LENT AND TEMPORARILY SOLD

	Consolidated 2004	2003	Company 2004	2003
Lent		2,307		36
Sold in repurchase transactions	**25,656**	17,812	**3,402**	812

Borrowed interest-bearing securities are not recognised in the balance sheet and amount to EUR 2,868 million (2003: EUR 4,139 million) consolidated and EUR 41 million (2003: EUR 104 million) for the company as at 31 December 2004.

The difference between redemption value and purchase price as at balance sheet date of the interest-bearing securities in the investment portfolio still to be amortised is EUR 962 million premium (2003: EUR 1,015 million premium) consolidated and EUR 241 million premium (2003: EUR 322 million premium) for the company.

6 SHARES

The portfolio comprises shares and equity participations.

ANALYSIS OF THE SHARES PORTFOLIO

	Consolidated 2004	2003	Company 2004	2003
Investment portfolio	**546**	766	**16**	17
Trading portfolio	**9,668**	7,135	**5,477**	3,827
Equity participations	**393**	981	**14**	28
	10,607	8,882	**5,507**	3,872

The balance sheet value of the trading portfolio as at 31 December 2004 includes depository receipts of ordinary shares of ING Groep N.V. amounting to EUR 541 million (2003: EUR 449 million). As at 31 December 2004, the market risk of these shares is hedged by means of an asset swap concluded with ING Group. The shares are part of the hedge for the ING Group stock option plan.

SHARES ANALYSED BY LISTING

	Consolidated 2004	2003	Company 2004	2003
Listed	**9,782**	7,644	**5,438**	3,803
Unlisted	**825**	1,238	**69**	69
	10,607	8,882	**5,507**	3,872

MOVEMENTS IN THE INVESTMENT PORTFOLIO OF SHARES

	Consolidated 2004	2003	Company 2004	2003
Opening balance	**766**	1,244	**17**	331
Additions	**421**	519		
Changes in the composition of the group	**-172**			-232
Revaluations	**47**			
Value adjustments to financial fixed assets	**47**	37	**10**	4
Disposals	**-510**	-851	**-6**	-7
Exchange differences	**-13**	-39		-1
Other movements	**-40**	-144	**-5**	-78
Closing balance	**546**	766	**16**	17

INVESTMENT PORTFOLIO OF SHARES		Consolidated
	2004	2003
Purchase price	**499**	813
Revaluations:		
– gross unrealised gains	**75**	43
– gross unrealised losses	**-28**	-90
	546	766

As at 31 December 2004, the cost or purchase price of the shares in the trading portfolio was EUR 83 million lower (2003: EUR 317 million higher) consolidated than their fair value and EUR 22 million lower (2003: EUR 127 million higher) for the company. As at 31 December 2004, the cost or purchase price of shares in the investment portfolio was EUR 47 million lower (2003: EUR 47 million higher) consolidated than the carrying amount.

SHARES LENT AND TEMPORARILY SOLD		Consolidated		Company
	2004	2003	**2004**	2003
Lent	**5**	5		
Sold in repurchase transactions	**9**			

Borrowed shares are not recognised in the balance sheet and amount to EUR 12 million (2003: EUR 25 million) consolidated.

7 PARTICIPATING INTERESTS IN GROUP COMPANIES

BREAKDOWN OF PARTICIPATING INTERESTS IN GROUP COMPANIES		**Company**		Company
	Ownership (%)	**Balance sheet value 2004**	Ownership (%)	Balance sheet value 2003
Name of investee:				
ING België N.V.	**100.0**	**5,076**	99.6	4,543
Storeria B.V. (holding company of ING BHF-Bank)	**100.0**	**1,378**	100.0	1,588
Postbank N.V.	**100.0**	**2,318**	100.0	1,655
Bank Slaski S.A.	**87.8**	**609**	87.8	466
ING Lease Top Holding B.V.	**100.0**	**380**	100.0	331
ING Vastgoed B B.V. (1)			100.0	1,454
ING Real Estate Management Holding B.V. (1)	**100.0**	**1,680**		
CenE Bankiers			100.0	245
ING Financial Holdings Corporation (Holding U.S. entities)	**100.0**	**3,389**	100.0	1,488
ING Direct N.V.	**100.0**	**2,904**	100.0	2,661
Other (including financing companies)		**3,406**		2,485
		21,140		16,916

(1) Due to a reorganisation in 2004, the activities of ING Vastgoed B B.V. were transferred to ING Real Estate Management Holding B.V.

As at 31 December 2004, *Participating interests in group companies* included credit institutions of EUR 12,389 million (2003: EUR 10,976 million) for the company. As at 31 December 2004, listed participating interests in group companies amounted to EUR 616 million (2003: EUR 466 million) for the company.

MOVEMENTS IN PARTICIPATING INTERESTS IN GROUP COMPANIES

		Company
	2004	2003
Opening balance	**16,916**	14,963
Investments in group companies	**20**	
Paid in share premium	**2,157**	1,513
Revaluations	**154**	42
Results from group companies	**2,224**	1,351
Dividends received	**-402**	-253
Disposals	**-165**	-24
Exchange differences	**-395**	-533
Other movements	**631**	-143
Closing balance	**21,140**	16,916

8 OTHER PARTICIPATING INTERESTS

BREAKDOWN OF OTHER PARTICIPATING INTERESTS

			Consolidated			Consolidated
	Ownership (%)	**Balance sheet value**	**Estimated fair value 2004**	Ownership (%)	Balance sheet value	Estimated fair value 2003
Investments in associates:						
– Postkantoren B.V.	**50.0**	**49**	**49**	50.0	47	47
– Lion Property Fund	**11.8**	**116**	**116**	26.7	134	134
– Lion Industrial Trust	**16.1**	**102**	**102**			
– ING Retail Property Fund Australia	**30.0**	**56**	**56**			
– Other investments in associates		**560**	**560**		371	371
		883	**883**		552	552
Investments in non-associates:						
– Kookmin Bank		**391**	**391**		377	377
– Other investments in non-associates		**228**	**228**		528	528
		619	**619**		905	905
Total investments in other participating interests		**1,502**	**1,502**		1,457	1,457
Receivables from other participating interests		**91**	**91**		156	156
		1,593	**1,593**		1,613	1,613

As at 31 December 2004, the cost of these *Other participating interests* amounted to EUR 1,674 million (2003: EUR 1,590 million).

As at 31 December 2004, *Other participating interests* included credit institutions of EUR 638 million (2003: EUR 705 million). As at 31 December 2004, listed other participating interests amounted to EUR 679 million (2003: EUR 430 million).

MOVEMENTS IN OTHER PARTICIPATING INTERESTS

						Consolidated
		Associates		Non-associates		Receivables from other participating interests
	2004	2003	**2004**	2003	**2004**	2003
Opening balance	**552**	960	**905**	704	**156**	181
Additions and advances	**83**	69	**199**	364	**-2**	
Changes in the composition of the group	**-74**		**-134**		**-61**	
Revaluations				1		
Value adjustments to financial fixed assets			**-41**	11		
Results from other participating interests	**6**	-14		-2		
Dividends received	**-18**	-109		-2		
Disposals and redemptions	**-65**	-93	**-88**	-264	**-13**	-14
Exchange differences	**-21**	-21	**22**	-96		
Other movements	**420**	-240	**-244**	189	**11**	-11
Closing balance	**883**	552	**619**	905	**91**	156

9 PROPERTY AND EQUIPMENT

PROPERTY AND EQUIPMENT BY TYPE

	Consolidated 2004	2003	Company 2004	2003
Property:				
– in use by the Bank	**1,349**	1,606		
– not in use by the Bank	**3,906**	3,119		3
Equipment and other operating assets	**959**	995	**262**	280
	6,214	5,720	**262**	283

Property not in use by the Bank includes real estate projects, infrastructure projects and residential, commercial and retail properties. As at 31 December 2004, the item also included operating lease contracts totalling EUR 18 million (2003: EUR 13 million) consolidated.

PROPERTY IN USE BY THE BANK, PROPERTY NOT IN USE BY THE BANK AND OTHER OPERATING ASSETS

Consolidated

	Property in use by the Bank 2004	2003	Property not in use by the Bank 2004	2003	Equipment and other operating assets 2004	2003
Opening balance	**1,606**	1,595	**3,119**	3,557	**995**	1,032
Capitalised interest during construction			**16**	236		
Additions	**62**	34	**967**	1,262	**326**	395
Changes in the composition of the group	**-133**	1	**834**	-992	**-28**	-13
Revaluations	**-12**	46	**58**	110		
Disposals	**-143**	-20	**-978**	-725	**-38**	-52
Depreciation	**-45**	-55	**-53**	-34	**-307**	-339
Exchange differences	**10**	-22	**-36**	-151		-36
Other movements	**4**	27	**-21**	-144	**11**	8
Closing balance	**1,349**	1,606	**3,906**	3,119	**959**	995

The balance sheet value as at 31 December 2004 included revaluations of EUR 414 million (2003: EUR 360 million) consolidated and depreciation and other diminution in value of EUR -2,529 million (2003: EUR -2,802 million) consolidated. The cost or purchase price of *Property and equipment* amounted to EUR 8,267 million (2003: EUR 7,978 million) consolidated.

APPRAISAL OF PROPERTY IN USE BY ING BANK DURING THE LAST FIVE YEARS

in percentages

Years of appraisal	
2004	**29**
2003	**36**
2002	**22**
2001	**4**
2000	**9**
	100

10 OTHER ASSETS

BREAKDOWN OF OTHER ASSETS

	Consolidated 2004	2003	Company 2004	2003
Receivables not connected with lending	**1,891**	2,121	**313**	447
Recoverable taxation	**325**	750	**410**	32
Deferred tax assets	**856**	821	**65**	166
Other receivables	**1,081**	889	**396**	363
	4,153	4,581	**1,184**	1,008

As at 31 December 2004, an amount of EUR 1,103 million (2003: EUR 1,381 million) consolidated was expected to be recovered or settled after more than one year from the balance sheet date.

DEFERRED TAX ASSETS AS AT 31 DECEMBER BY ORIGIN		Consolidated
	2004	2003
Deferred tax assets relating to:		
– general provisions	**146**	354
– unused tax losses carried forward	**420**	406
– other	**364**	271
	930	1,031
Deferred tax liabilities (offset by deferred tax assets)	**74**	210
	856	821

DEFERRED TAX ASSETS IN CONNECTION WITH UNUSED TAX LOSSES CARRIED FORWARD		Consolidated
	2004	2003
Total unused tax losses carried forward	**3,283**	3,409
Unused tax losses carried forward not recognised as a deferred tax asset	**1,760**	1,868
Unused tax losses carried forward recognised as a deferred tax asset	**1,523**	1,541
Average tax rate	**27.6%**	26.3%
Deferred tax asset	**420**	406

TOTAL UNUSED TAX LOSSES CARRIED FORWARD AS AT 31 DECEMBER ANALYSED BY EXPIRATION TERMS		Consolidated
	2004	2003
– up to five years	**573**	733
– five to ten years	**266**	329
– ten to twenty years	**908**	868
– unlimited	**1,536**	1,479
	3,283	3,409

11 ACCRUED ASSETS

BREAKDOWN OF ACCRUED ASSETS		Consolidated		Company
	2004	2003	**2004**	2003
Accrued interests and rents	**6,797**	6,072	**2,463**	2,634
Other accrued assets	**3,014**	2,991	**1,848**	1,465
	9,811	9,063	**4,311**	4,099

As at 31 December 2004, an amount of EUR 1,552 million (2003: EUR 1,487 million) consolidated was expected to be recovered or settled after more than one year from the balance sheet date.

As at 31 December 2004 Accrued assets included options held by the bank for the account and risk of customers amounting to EUR 52 million (2003: EUR 64 million). These are customer's options, which are not segregated from the assets and liabilities of the group and, therefore, included in the balance sheet. The associated liability is included in *Other liabilities*.

LIABILITIES AND EQUITY

12 BANKS

Banks includes non-subordinated debts to banks, other than in the form of debt securities. As at 31 December 2004, liabilities with regard to securities sold in repurchase transactions amounted to EUR 41,206 million (2003: EUR 20,979 million) consolidated and EUR 20,475 million (2003: EUR 7,696 million) for the company.

BANKS ANALYSED BY INTEREST TYPE

			Consolidated			Consolidated
	Netherlands	**Inter-national**	**Total 2004**	Netherlands	Inter-national	Total 2003
Non-interest bearing	**280**	**1,964**	**2,244**	115	2,282	2,397
Interest-bearing	**44,996**	**65,557**	**110,553**	29,369	70,349	99,718
	45,276	**67,521**	**112,797**	29,484	72,631	102,115

BANKS ANALYSED BY GROUP COMPANIES AND THIRD PARTIES

		Consolidated		Company
	2004	2003	**2004**	2003
Group companies			**34,353**	33,826
Third parties	**112,797**	102,115	**59,339**	44,172
	112,797	102,115	**93,692**	77,998

13 FUNDS ENTRUSTED

Funds entrusted relates to non-subordinated debts to non-banks, other than in form of debt securities.

FUNDS ENTRUSTED

		Consolidated		Company
	2004	2003	**2004**	2003
Savings accounts	**221,121**	168,168	**13,331**	12,048
Other funds entrusted	**146,894**	139,625	**77,729**	65,291
	368,015	307,793	**91,060**	77,339

FUNDS ENTRUSTED ANALYSED BY INTEREST TYPE

			Consolidated			Consolidated
	Netherlands	**Inter-national**	**Total 2004**	Netherlands	Inter-national	Total 2003
Non-interest bearing	**13,223**	**1,807**	**15,030**	13,763	2,707	16,470
Interest-bearing	**108,284**	**244,701**	**352,985**	98,335	192,988	291,323
	121,507	**246,508**	**368,015**	112,098	195,695	307,793

No funds have been entrusted to ING Bank by customers on terms other than those prevailing in the normal course of business.

As at 31 December 2004, *Funds entrusted* included liabilities with regard to securities sold in repurchase transactions amounting to EUR 20,892 million (2003: EUR 13,723 million) consolidated and EUR 12,996 million (2003: EUR 9,375 million) for the company.

As at 31 December 2004, the liabilities included under *Funds entrusted* that are part of the trading portfolio amounted to EUR 152 million consolidated (2003: EUR 32 million) and EUR 451 million for the company (2003: EUR 268 million).

FUNDS ENTRUSTED ANALYSED BY GROUP COMPANIES AND THIRD PARTIES

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Group companies	**3,310**	2,781	**9,875**	8,518
Third parties	**364,705**	305,012	**81,185**	68,821
	368,015	307,793	**91,060**	77,339

Savings accounts

Savings accounts relates to balances on savings accounts, savings books, saving deposits and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

Other funds entrusted

BREAKDOWN OF OTHER FUNDS ENTRUSTED

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Private loans	**1,539**	1,729	**767**	1,217
Mortgage loans	**68**	50		
Corporate time deposits	**43,020**	42,832	**34,085**	28,174
Credit balances on customer accounts	**102,267**	95,014	**42,877**	35,900
	146,894	139,625	**77,729**	65,291

14 DEBT SECURITIES

Debt securities includes debentures and other issued debt securities with either fixed-interest rates or interest rates dependent on prevailing interest-rate levels, such as certificates of deposit and accepted bills issued by the group, where not subordinated.

15 OTHER LIABILITIES

The amounts are due within one year.

OTHER LIABILITIES ANALYSED BY TYPE

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Sundry creditors	**5,011**	5,005	**1,013**	3,886
Income tax	**565**	845	**25**	
Other taxation and social security contributions	**441**	555	**62**	22
Trading portfolio	**14,823**	10,995	**11,562**	8,932
	20,840	17,400	**12,662**	12,840

16 ACCRUED LIABILITIES

BREAKDOWN OF ACCRUED LIABILITIES

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Accrued interest	**4,123**	5,054	**10,433**	9,906
Costs payable	**2,857**	2,870	**1,744**	2,214
Yield differences on interest-bearing securities	**738**	891	**227**	399
	7,718	8,815	**12,404**	12,519

As at 31 December 2004, an amount of EUR 1,650 million (2003: EUR 1,084 million) consolidated was expected to be settled after more than one year from the balance sheet date.

17 GENERAL PROVISIONS

BREAKDOWN OF GENERAL PROVISIONS

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Deferred tax liabilities	**754**	594	**108**	16
Pension liabilities and other staff-related liabilities	**196**	336	**-67**	-3
Reorganisations and relocations	**206**	194	**156**	146
Other	**314**	288	**607**	586
	1,470	1,412	**804**	745

As at 31 December 2004, an amount of EUR 952 million (2003: EUR 1,012 million) consolidated was expected to be settled after more than one year from the balance sheet date.

MOVEMENTS IN GENERAL PROVISIONS, OTHER THAN PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES

Consolidated

	Deferred tax liabilities 2004	Deferred tax liabilities 2003	Reorganisations and relocations 2004	Reorganisations and relocations 2003	Other 2004	Other 2003
Opening balance	**594**	791	**194**	170	**288**	310
Changes in the composition of the group	**-31**	9	**-41**	-2	**-59**	14
Additions / releases	**115**	9	**101**	56	**164**	121
Transfer to deferred tax assets	**4**	-242				
Charges			**-96**	-64	**-45**	-103
Exchange differences		-21	**-2**	-4	**-1**	-6
Other movements	**72**	48	**50**	38	**-33**	-48
Closing balance	**754**	594	**206**	194	**314**	288

PROVISION FOR DEFERRED TAX LIABILITIES BY ORIGIN

	Consolidated 2004	Consolidated 2003
Deferred tax assets (offset by deferred tax liabilities) relating to:		
– unused tax losses carried forward		8
– other	**214**	30
	214	38
Deferred tax liabilities relating to:		
– investments	**251**	52
– depreciation	**76**	3
– general provisions	**143**	34
– receivables	**75**	55
– loans	**56**	93
– shares	**1**	10
– property and equipment	**152**	241
– other	**214**	144
	968	632
	754	594

DEFERRED TAX ASSETS (OFFSET BY DEFERRED TAX LIABILITIES) IN CONNECTION WITH UNUSED TAX LOSSES CARRIED FORWARD

	Consolidated 2004	Consolidated 2003
Total unused tax losses carried forward		22
Unused tax losses carried forward not recognised as a deferred tax asset		
Unused tax losses carried forward recognised as a deferred tax asset	**0**	22
Average tax rate		34.0%
Deferred tax asset		8

TOTAL UNUSED TAX LOSSES CARRIED FORWARD AS AT 31 DECEMBER BY EXPIRATION TERMS

	Consolidated 2004	2003
– up to five years		22
– five to ten years		
– ten to twenty years		
– unlimited		
	0	22

Pension liabilities and other staff-related liabilities

ING Bank maintains defined benefit retirement plans in the major countries in which it operates. These plans generally cover all employees and provide benefits that are related to the remuneration and service of employees upon retirement. On condition the plan assets are sufficient, the benefits from many of these plans are subject to some form of indexation. Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in other countries comply with applicable local regulations concerning investments and funding levels. ING Bank provides other post-employment and post-retirement employee benefits to certain employees. These are primarily post-retirement healthcare benefits and post-employment defined benefit early-retirement plans provided to employees and former employees. Certain group companies sponsor defined contribution pension plans. These do not give rise to balance sheet provisions, other than relating to short-term timing differences included in current liabilities.

SUMMARY OF PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES

Consolidated

	Pension liabilities 2004	2003	Healthcare 2004	2003	Other 2004	2003	Total 2004	2003
Defined benefit obligation	**8,396**	7,289	**377**	308	**250**	301	**9,023**	7,898
Fair value of plan assets	**6,481**	5,803			**171**	217	**6,652**	6,020
	1,915	1,486	**377**	308	**79**	84	**2,371**	1,878
Unrecognised past service costs	**-61**		**3**	4	**59**		**1**	4
Unrecognised gains/losses	**-2,074**	-1,530	**-91**	-52	**-11**	36	**-2,176**	-1,546
	-220	-44	**289**	260	**127**	120	**196**	336

MOVEMENTS IN PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES

Consolidated

	Pension liabilities 2004	2003	Healthcare 2004	2003	Other 2004	2003	Total 2004	2003
Opening balance	**-44**	-98	**260**	234	**120**	190	**336**	326
Plan adjustments	**13**						**13**	
Benefit costs	**338**	351	**38**	30	**7**	9	**383**	390
Employers' contribution	**-415**	-304	**-8**			-79	**-423**	-383
Changes in the composition of the group	**-114**						**-114**	
Effect of curtailment or settlement		-2		-1				-3
Exchange differences	**2**	9	**-1**	-3			**1**	6
Closing balance	**-220**	-44	**289**	260	**127**	120	**196**	336

As at 31 December 2004, the defined benefit obligation consisted of wholly or partly funded plans amounting to EUR 8,096 million (2003: EUR 7,103 million) and unfunded plans amounting to EUR 927 million (2003: EUR 794 million).

The assets of funded plans primarily consist of debt securities, equity and real estate funds, of which as at 31 December 2004 EUR 10 million (2003: EUR 37 million) was invested in securities issued by the employer and related parties, including shares of ING Groep N.V.

18 FUND FOR GENERAL BANKING RISKS

MOVEMENTS IN FUND FOR GENERAL BANKING RISKS

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Opening balance	**1,281**	1,233	**1,281**	1,233
Additions and advances	**140**	140	**140**	140
Exchange differences	**-2**	-25	**-2**	-25
Corporation tax	**26**	-56	**26**	-56
Other movements	**1**	-11	**1**	-11
Closing balance	**1,446**	1,281	**1,446**	1,281

19 SUBORDINATED LIABILITIES

SUBORDINATED LIABILITIES BY TYPE

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Capital debentures	**12,620**	11,104	**10,507**	8,820
Private loans	**5,830**	3,412	**5,469**	2,960
	18,450	14,516	**15,976**	11,780

Subordinated liabilities relates to subordinated capital debentures and private loans which may be included in the calculation of the capital ratio. The capital debentures and private loans relate to debentures subordinated to all current and future liabilities of ING Bank and also debentures taken up by group companies.

The average interest rate on the subordinated liabilities is 5.7% (2003: 6.0%) consolidated and 5.6% (2003: 5.9%) for the company. The interest expense during the year 2004 was EUR 892 million (2003: EUR 825 million) consolidated and EUR 737 million (2003: EUR 646 million) for the company.

SUBORDINATED LIABILITIES TO GROUP COMPANIES AND TO THIRD PARTIES

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Group companies	**5,044**	2,447	**5,226**	2,629
Third parties	**13,406**	12,069	**10,750**	9,151
	18,450	14,516	**15,976**	11,780

Subordinated liabilities includes EUR 5,025 million (2003: EUR 2,256 million) of loans that qualify as Tier-1 capital. These loans have been placed with ING Bank N.V. by ING Group. If the solvency ratio decreases below 8%, EUR 3,249 million of these subordinated loans will be converted into *Shareholders' equity*.

In December 2004, ING Groep N.V. granted subordinated loans to ING Bank N.V. amounting to EUR 1,883 million as a result of the repayment of the premium on some of the preference shares held by ING Groep N.V. The newly issued subordinated loans qualify as Tier-1 capital.

20 SHAREHOLDERS' EQUITY

BREAKDOWN OF SHAREHOLDERS' EQUITY

	Company 2004	Company 2003
Share capital	**525**	525
Reserves	**11,251**	12,945
Profit available for distribution	**2,201**	1,398
	13,977	14,868

SHARE CAPITAL

	Ordinary shares (par value EUR 1.13)		Preference shares (par value EUR 1.13)
	Number x 1,000	Amount	Number x 1
2004			
Authorised share capital	**1,600,000**	**1,808**	**50**
Unissued share capital	**1,134,965**	**1,283**	**43**
Issued share capital	**465,035**	**525**	**7**
2003			
Authorised share capital	1,600,000	1,808	50
Unissued share capital	1,134,965	1,283	43
Issued share capital	465,035	525	7

MOVEMENTS IN ISSUED SHARE CAPITAL

	Ordinary shares		Preference shares
	Number x 1,000	Amount	Number x 1
Issued share capital as at 31 December 2002	465,035	525	7
Issued to ING Group			
Conversion of share capital into euros			
Issued share capital as at 31 December 2003	**465,035**	**525**	**7**
Issued to ING Group			
Issued share capital as at 31 December 2004	**465,035**	**525**	**7**

The par value of the shares is currently EUR 1.13.

RESERVES

	Total	Preference share premium reserve	Share premium reserve	Revaluation reserve	Reserve for partici-pating interests	Exchange differences reserve	Other reserves
Balance as at 31 December 2002	13,544	3,002	6,790	189	72	-602	4,093
Unrealised revaluations after taxation	53			48	5		
Exchange differences	-494					-494	
Net profit not recognised in the profit and loss account	-441			48	5	-494	
Realised revaluations released to the profit and loss account	-2			-2			
Write-off of goodwill	-119						-119
Profit appropriation previous year	595						595
Paid-in share premium	49		49				
Dividend	-636						-636
Other movements	-45				37		-82
Balance as at 31 December 2003	**12,945**	**3,002**	**6,839**	**235**	**114**	**-1,096**	**3,851**
Unrealised revaluations after taxation	**79**			**89**	**-10**		
Exchange differences	**-224**					**-224**	
Net profit not recognised in the profit and loss account	**-145**			**89**	**-10**	**-224**	
Write-off of goodwill	**-16**						**-16**
Profit appropriation previous year	**1,398**						**1,398**
Paid-in share premium	**153**		**153**				
Repayment preference share premium reserve	**-2,294**	**-3,002**					**708**
Dividend	**-818**						**-818**
Other movements	**28**				**-1**		**29**
Balance as at 31 December 2004	**11,251**		**6,992**	**324**	**103**	**-1,320**	**5,152**

The revaluation reserve and the reserve for participating interests include the statutory reserves. Share premium includes a non-distributable amount of EUR 3 million from the conversion of share capital into euros.

The repayment of the premium on the preference shares resulted in a foreign exchange difference which was added to the other reserves.

Tax benefit and net profit not recognised in the profit and loss account amounts to EUR -62 million (2003: EUR -152 million). The aggregate current tax relating to items that are charged or credited to *Shareholders' equity* amounted to EUR -695 million (2003: EUR -378 million). The aggregate deferred tax relating to items that are charged or credited to *Shareholders' equity* amounted to EUR 139 million (2003: EUR 81 million).

21 CAPITAL AND RESERVES OF STICHTING REGIO BANK
Capital and reserves of Stichting Regio Bank is shown separately by virtue of Stichting Regio Bank's legal status. The increase reflects the profit for 2004.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED AND COMPANY BALANCE SHEET OF ING BANK

amounts in millions of euros, unless stated otherwise

ANALYSIS OF CERTAIN ASSETS AND LIABILITIES BY MATURITY

Consolidated

2004	On demand	Up to three months	Three months to one year	One year to five years	Over five years	Total
ASSETS						
Banks	**5,300**	**39,067**	**6,002**	**4,389**	**2,542**	**57,300**
Loans and advances	**22,243**	**73,252**	**24,761**	**56,480**	**144,522**	**321,258**
LIABILITIES						
Banks	**15,198**	**79,379**	**14,343**	**2,945**	**932**	**112,797**
Funds entrusted:						
– savings accounts	**191,789**	**22,002**	**2,660**	**3,846**	**824**	**221,121**
– other funds entrusted	**73,865**	**50,907**	**10,609**	**5,333**	**6,180**	**146,894**
Debt securities	**3**	**27,322**	**9,377**	**22,701**	**11,343**	**70,746**
Subordinated liabilities		**222**	**620**	**4,295**	**13,313**	**18,450**
2003						
ASSETS						
Banks	7,854	38,089	7,864	4,428	2,825	61,060
Loans and advances	23,474	74,067	20,539	51,111	124,796	293,987
LIABILITIES						
Banks	18,775	65,312	14,320	1,243	2,465	102,115
Funds entrusted:						
– savings accounts	149,910	11,226	2,846	3,274	912	168,168
– other funds entrusted	71,029	44,804	12,437	4,812	6,543	139,625
Debt securities	343	26,482	16,770	19,933	8,844	72,372
Subordinated liabilities		190	483	4,217	9,626	14,516

ANALYSIS OF CERTAIN ASSETS AND LIABILITIES BY MATURITY

Compnay

2004	On demand	Up to three months	Three months to one year	One year to five years	Over five years	Total
ASSETS						
Banks	**3,396**	**17,602**	**2,884**	**1,360**	**3,598**	**28,840**
Loans and advances	**9,969**	**64,122**	**14,599**	**17,822**	**57,272**	**163,784**
LIABILITIES						
Banks	**16,145**	**58,354**	**11,406**	**5,348**	**2,439**	**93,692**
Funds entrusted:						
– savings accounts	**12,355**	**461**	**178**	**211**	**126**	**13,331**
– other funds entrusted	**30,960**	**33,904**	**4,904**	**3,882**	**4,079**	**77,729**
Debt securities		**15,465**	**2,011**	**6,519**	**5,151**	**29,146**
Subordinated liabilities		**243**	**329**	**2,777**	**12,627**	**15,976**
2003						
ASSETS						
Banks	9,640	16,145	4,458	724	2,881	33,848
Loans and advances	10,050	51,689	13,678	17,933	52,786	146,136
LIABILITIES						
Banks	21,085	42,773	11,437	987	1,716	77,998
Funds entrusted:						
– savings accounts	10,887	302	345	388	126	12,048
– other funds entrusted	23,154	27,546	6,570	3,763	4,258	65,291
Debt securities	5	21,799	5,707	4,188	4,723	36,422
Subordinated liabilities		123	145	2,582	8,930	11,780

Assets not freely disposable

The assets not freely disposable primarily consist of interest-bearing securities pledged to secure deposits from the Dutch Central Bank and other banks, serve to secure margin accounts and are used for other purposes required by law. Of these assets EUR 8,632 million (2003: EUR 5,658 million) relates to guarantees provided for certain liabilities included in the balance sheet as well as off-balance-sheet contingent liabilities.

ASSETS NOT FREELY DISPOSABLE

	Funds entrusted and Debt securities		Banks		Contingent liabilities		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
Cash			**1,414**	216			**1,414**	216
Short-dated government paper	**21**	26				40	**21**	66
Banks	**42**	303	**589**	288			**631**	591
Loans and advances	**2,863**	895	**403**	423	**9**	2	**3,275**	1,320
Interest-bearing securities	**2,825**	664	**50**	2,479			**2,875**	3,143
Shares	**1**	61			**1**	2	**2**	63
Other assets	**339**	170	**34**	78	**41**	11	**414**	259
	6,091	2,119	**2,490**	3,484	**51**	55	**8,632**	5,658

22 CONTINGENT LIABILITIES

BREAKDOWN OF CONTINGENT LIABILITIES

	Consolidated		Company	
	2004	2003	**2004**	2003
Discounted bills	**4**	3	**4**	3
Guarantees	**17,060**	17,096	**18,951**	15,665
Irrevocable letters of credit	**6,233**	5,356	**4,232**	3,344
Other	**378**	355	**78**	104
Contingent debts	**23,675**	22,810	**23,265**	19,116
Irrevocable facilities	**69,011**	66,640	**28,726**	25,546
	92,686	89,450	**51,991**	44,662

CONTINGENT DEBTS

	Consolidated		Company	
	2004	2003	**2004**	2003
Group companies			**8,932**	6,848
Third parties	**23,675**	22,810	**14,333**	12,268
	23,675	22,810	**23,265**	19,116

IRREVOCABLE FACILITIES

	Consolidated		Company	
	2004	2003	**2004**	2003
Group companies			**1,862**	1,018
Third parties	**69,011**	66,640	**26,864**	24,528
	69,011	66,640	**28,726**	25,546

Contingent liabilities

In response to the needs of its customers, ING Bank offers financial products related to loans (discounted bills). The underlying values of these products are not recorded as assets or liabilities in the balance sheet. For these products, the underlying values represent the maximum potential credit risk to which ING Bank is exposed, i.e. assuming that all counterparties failed completely to perform in accordance with the terms of the contracts and that any existing collateral or security proves to be of no value.

Guarantees relate both to credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Bank in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and do not necessarily represent future cash outflows.

The guarantees are generally of a short-term nature. The guarantees include credit default swaps in which ING Bank sold credit protection amounting to EUR 1,981 million as at 31 December 2004 (2003: EUR 1,968 million).

In addition to the items included in contingent liabilities, ING Bank has issued guarantees as a participant in collective arrangements of national industry bodies and as participant in collective arrangement of national industry bodies and as participant in government required collective guarantee schemes which apply in different countries.

Besides, general guarantees within the meaning of Section 403, Book 2, of the Dutch Civil Code have been given on behalf of a number of group companies. Further guarantees have been given on behalf of several group companies in the Netherlands. It is not expected that these guarantees will be called upon in the future. ING Bank is also jointly and severally liable for liabilities of the ING Personeel VOF in the Netherlands.

Irrevocable letters of credit mainly secure payments to a third party for a customer's foreign and domestic transactions in order to finance a shipment of goods. ING Bank's credit risk in these transactions is limited since these transactions are collateralised by the commodity shipped and are of a short duration.

Other contingent liabilities mainly relate to acceptances of bills and are of a short-term nature.

Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. Most of the unused portion of irrevocable credit facilities is secured by customers' assets or counter-guarantees by the central government and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

Special Purpose Entities (SPE)

ING Bank has established a number of SPEs and engages in activities with SPEs, for example as investor, administrator or provider of other financial services. A number of SPEs which are controlled by ING Bank are included in the consolidated financial statements.

The non-consolidated SPEs include asset-backed commercial paper programmes. In the normal course of business, ING Bank structures financing transactions for its clients assisting them in obtaining sources of liquidity by selling the clients' receivables or other financial assets to an SPE. The SPE issues asset-backed commercial paper to the market to fund the purchases. ING Bank, in its role as administrative agent, facilitates these transactions by providing structuring, accounting, funding and operations services. As ING Bank has no ownership and controlling interest in the SPE nor does it service the transferred assets, the SPE is not included in the consolidated financial statements.

ING Bank supports the commercial paper programs by providing the SPE with short term stand by liquidity facilities. Primarily these liquidity facilities are meant to cover temporarily disruptions in the commercial paper market. Once drawn these facilities bear normal credit risk. A number of programs are supported by granting structured liquidity facilities to the SPE, in which ING Bank in addition to normal liquidity facilities to a certain extent covers the credit risk incorporated in these programs itself, and as a consequence might suffer credit losses from it. Furthermore, under a Program Wide Credit Enhancement ING Bank guarantees to a limited amount all remaining losses incorporated in the SPE to the commercial paper investors. All facilities, which vary in risk profile, are granted to the SPE subject to normal ING Bank analysis procedures regarding credit risk and liquidity risk. The fees received for services provided and for facilities are charged on market conditions.

The normal non-structured stand by liquidity facilities and the structured facilities are reported under irrevocable facilities.

Future rental commitments

FUTURE RENTAL COMMITMENTS FOR LEASE CONTRACTS AS AT 31 DECEMBER 2004

2005	**50**
2006	**44**
2007	**37**
2008	**33**
2009	**29**
Years after 2009	**88**

Legal proceedings

ING Bank companies are involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, including the United States, involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as lenders, employers, investors and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, management does not believe that their outcome will have a material adverse effect on the Bank's financial position or results of operations.

In the Netherlands, ING Bank N.V., together with other major Dutch banks and the payment processor Interpay (in which ING Bank N.V. has a minority shareholding), were subject of an examination by the Dutch competition authority 'Nederlandse Mededingings-autoriteit' or NMa. The NMa has adopted a decision in April 2004 in which it takes the view that ING Bank N.V. and other Dutch banks should have sold payment processing services on an individual basis and imposed a fine of EUR 3.9 million on ING Bank N.V. At the time of the decision, the banks had already decided that they would henceforth sell payment processing services individually. The NMa furthermore held that Interpay committed a separate infringement by charging prices for its services that were in the opinion of the NMa anti-competitive. Both Interpay and the Dutch banks (including ING Bank N.V.) have appealed the NMa decision, which is as a result currently under reconsideration by the NMa. If the NMa upon reconsideration decides to maintain its original decision, that decision will be open to judicial review in two instances. It is therefore uncertain whether or not (and to what extent) the NMa decision will become definitive.

Derivatives

Use of derivatives ING Bank uses derivative financial instruments in the normal course of business for non-trading and trading purposes. Derivatives are financial instruments, which include forwards, futures, options and swaps, whose value is based on an underlying asset, index or reference rate.

Non-trading activities ING Bank's principal objective in holding or issuing derivatives for non-trading purposes is risk management. To achieve its risk management objective, ING Bank uses a combination of interest-rate instruments, primarily interest-rate swaps. Net positions in foreign currencies are subject to changes in value as exchange rates change. These fluctuations are managed by entering into currency swaps, forwards and options.

NOTIONAL AMOUNTS AND THE POSITIVE AND NEGATIVE FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS USED FOR NON-TRADING PURPOSES

		Notional amount		Positive year-end fair value		Negative year-end fair value
	2004	2003	**2004**	2003	**2004**	2003
Interest-rate contracts	**382,667**	297,537	**6,602**	3,988	**5,748**	4,420
Currency contracts	**41,765**	11,839	**316**	315	**454**	389
Equity contracts	**551**	376	**65**	1	**75**	19
	424,983	309,752	**6,983**	4,304	**6,277**	4,828

ING Bank's use of these instruments is changed from time to time in response to changing market conditions as well as changes in the mix of the related assets and liabilities.

Trading activities ING Bank trades derivative financial instruments on behalf of clients and for its own account. Derivative financial instruments used for risk management purposes to control risks of trading portfolios, are reported as being held for trading purposes.

NOTIONAL AMOUNTS, THE AVERAGE FAIR VALUES AND YEAR-END FAIR VALUES OF TRADING DERIVATIVE FINANCIAL INSTRUMENTS

		Notional amount		Average positive fair value		Average negative fair value		Positive year-end fair value		Negative year-end fair value
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
Interest-rate contracts	**970,087**	865,465	**12,971**	14,542	**12,948**	14,437	**10,225**	11,987	**11,000**	11,780
Currency contracts	**261,236**	271,893	**5,123**	5,300	**5,497**	6,155	**7,091**	5,746	**7,587**	6,989
Equity contracts	**39,039**	46,662	**1,686**	2,391	**1,186**	1,525	**1,576**	1,464	**1,112**	1,132
	1,270,362	1,184,020	**19,780**	22,233	**19,631**	22,117	**18,892**	19,197	**19,699**	19,901

Credit derivatives As part of its trading activities, ING Bank is also active in the field of credit derivatives. Credit derivatives are contracts in which the credit risk regarding a specified party with respect to certain types of financial instruments is transferred. As at 31 December 2004, ING Bank has sold protection via total return swaps and credit default swaps for a total of EUR 10,060 million (2003: EUR 6,307 million). ING Bank also has bought protection via total return swaps and credit default swaps for a total of EUR 10,903 million (2003: EUR 8,173 million). The fair value of the total return swaps and credit default swaps used to sell protection amounts to EUR 136 million at 31 December 2004 (2003: EUR 123 million). For the total return swaps and credit default swaps used to buy protection the fair value amounts to EUR -145 million at 31 December 2004 (2003: EUR -88 million.

Numerical information about derivatives activities The tables on the following pages give numerical information about the derivatives activities, detailing types of derivatives, credit risks, counterparties and use of the derivatives transactions.

The first table illustrates the relative importance of the various types of derivative products, showing the notional amounts at year-end 2004 and year-end 2003. Notional amounts represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets (bonds, for example, in the case of interest-rate futures). What they do not reflect, however, is the credit risk assumed by entering into derivative transactions.

Listed derivatives are standardised and include futures and certain option contracts. Over-the-counter derivatives contracts are individually negotiated between contracting parties and include forward contracts, options and swaps.

Forward contracts are commitments to exchange currencies or to buy or sell other financial instruments at specified future dates. Futures contracts are similar to forwards. However, major exchanges act as intermediaries and require daily cash settlement and collateral deposits.

Option contracts give the purchaser, for a premium, the right, but not the obligation, to buy or sell within a limited period of time a financial instrument or currency at a contracted price that may also be settled in cash. Written options give the issuer the obligation to buy or sell within a limited period of time a financial instrument or currency at a contracted price that may also be settled in cash. This subjects ING Bank to market risk, but not to credit risk, since the counterparties have already performed in accordance with the terms of the contract by paying a cash premium up front.

Swap contracts are commitments to settle in cash at a specified future date, based on differentials between specified financial indices as applied to a notional amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party.

The positive year-end fair value represents the maximum loss that ING Bank would incur on its derivatives transactions if all its counterparties at year-end defaulted. This fair value can and will fluctuate from day to day due to changes in the value of the underlying assets. In order to arrive at an estimate of credit risk at any given time, a margin is added to the fair value figures to arrive, in accordance with internationally accepted criteria, at what is called the unweighted credit equivalents.

The weighted credit equivalents are the unweighted credit equivalents multiplied by the weighting factors determined in accordance with standards of the international supervisory authorities. Under certain conditions, the credit risk can be reduced by entering into bilateral netting agreements. In the case of non-observance of the obligation by the counterparty, this kind of agreement gives the right to net off receivables and payables in respect of open derivatives contracts. The effect of reducing the risk by means of bilateral netting agreements is shown at the bottom of the table.

OPEN CONTRACTS AS AT YEAR-END	Notional amount	Positive fair value	Unweighted credit equivalent	Weighted credit equivalent 2004	Notional amount	Positive fair value	Unweighted credit equivalent	Weighted credit equivalent 2003
INTEREST-RATE-CONTRACTS								
Over-the-counter:								
– swaps	**1,154,142**	**15,924**	**20,698**	**4,813**	933,637	15,278	19,725	4,850
– forwards	**50,559**	**21**	**24**	**6**	74,142	53	81	21
– options purchased	**67,129**	**879**	**1,264**	**268**	63,363	639	936	261
– options written	**37,778**	**3**			41,645	5		
Listed:								
– options purchased	**2,275**				4,366			
– options written	**2,990**				2,278			
– futures	**37,881**				43,571			
CURRENCY CONTRACTS								
Over-the-counter:								
– swaps	**62,667**	**2,463**	**5,751**	**1,444**	35,969	1,290	2,908	851
– forwards	**207,934**	**4,560**	**7,046**	**1,738**	204,866	4,128	6,659	1,702
– options purchased	**14,519**	**384**	**551**	**132**	26,445	643	983	231
– options written	**17,085**				15,219			
Listed:								
– options purchased	**123**				375			
– options written	**136**				317			
– futures	**537**				541			
EQUITY CONTRACTS								
Over-the-counter:								
– swaps	**14,179**	**298**	**1,156**	**309**	7,785	266	739	226
– forwards	**1**				10		1	
– options purchased	**4,053**	**617**	**946**	**212**	4,598	556	887	239
– options written	**3,581**				7,906			
Listed:								
– options purchased	**9,477**	**726**			13,822	643		
– options written	**8,222**				12,303			
– futures	**77**				614			
	1,695,345	**25,875**	**37,436**	**8,922**	1,493,772	23,501	32,919	8,381
Effect of contractual netting		**-13,413**	**-16,810**	**-3,677**		-12,441	-15,277	-3,706
		12,462	**20,626**	**5,245**		11,060	17,642	4,675

Collateral held, which do not meet the criteria for contractual netting, would additionally reduce the total weighted credit equivalent with an amount of EUR 573 million (2003: EUR 362 million).

OPEN CONTRACTS BY REMAINING TERM, BASED ON THE NOTIONAL AMOUNTS, AS AT 31 DECEMBER

2004	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
INTEREST-RATE-CONTRACTS							
Over-the-counter:							
– swaps	602,592	126,974	80,603	63,075	65,280	215,618	1,154,142
– forwards	49,957	360	10	32	128	72	50,559
– options purchased	19,316	13,467	6,928	3,895	8,921	14,602	67,129
– options written	6,881	5,925	4,083	2,262	8,008	10,619	37,778
Listed:							
– options purchased	2,275						2,275
– options written	2,990						2,990
– futures	25,419	10,068	2,308	79	7		37,881
CURRENCY CONTRACTS							
Over-the-counter:							
– swaps	11,524	8,479	6,847	6,364	4,471	24,982	62,667
– forwards	192,883	8,909	3,543	1,388	1,086	125	207,934
– options purchased	13,781	534	77	19	1	107	14,519
– options written	16,291	621	41	34	1	97	17,085
Listed:							
– options purchased	123						123
– options written	136						136
– futures	398	80	2	57			537
EQUITY CONTRACTS							
Over-the-counter:							
– swaps	13,899	28	58	97	23	74	14,179
– forwards	1						1
– options purchased	876	348	723	802	224	1,080	4,053
– options written	1,557	411	547	462	268	336	3,581
Listed:							
– options purchased	4,178	2,263	1,933	921	34	148	9,477
– options written	3,651	1,892	1,413	1,258	8		8,222
– futures	14	63					77
	968,742	180,422	109,116	80,745	88,460	267,860	1,695,345

OPEN CONTRACTS BY REMAINING TERM, BASED ON THE NOTIONAL AMOUNTS, AS AT 31 DECEMBER

2003	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
INTEREST-RATE-CONTRACTS							
Over-the-counter:							
– swaps	416,712	125,144	76,928	69,667	51,317	193,869	933,637
– forwards	68,768	5,025	157		32	160	74,142
– options purchased	28,994	6,770	5,831	5,317	3,896	12,555	63,363
– options written	16,402	5,064	5,020	4,387	2,654	8,118	41,645
Listed:							
– options purchased	4,330	6				30	4,366
– options written	2,152	6				120	2,278
– futures	37,213	3,864	1,347	24	321	802	43,571
CURRENCY CONTRACTS							
Over-the-counter:							
– swaps	8,954	5,501	5,696	4,405	3,787	7,626	35,969
– forwards	190,353	8,685	3,170	1,675	775	208	204,866
– options purchased	24,259	1,751	420	2	1	12	26,445
– options written	14,254	909	41	2	1	12	15,219
Listed:							
– options purchased	375						375
– options written	317						317
– futures	365	98	17		61		541
EQUITY CONTRACTS							
Over-the-counter:							
– swaps	7,524	7	27	50	152	25	7,785
– forwards	10						10
– options purchased	2,011	1,163	369	241	603	211	4,598
– options written	5,433	1,188	617	170	338	160	7,906
Listed:							
– options purchased	10,144	1,317	1,029	752	580		13,822
– options written	8,831	1,011	1,342	687	432		12,303
– futures	614						614
	848,015	167,509	102,011	87,379	64,950	223,908	1,493,772

OPEN CONTRACTS BY COUNTERPARTY

	Notional amount	**Unweighted credit equivalent**	**Weighted credit equivalent 2004**	Notional amount	Unweighted credit equivalent	Weighted credit equivalent 2003
Public sector	**73,866**	**359**		89,498	283	
Banks	**1,478,029**	**32,053**	**6,410**	1,179,981	26,457	5,291
Other	**143,450**	**5,024**	**2,512**	224,293	6,179	3,090
	1,695,345	**37,436**	**8,922**	1,493,772	32,919	8,381

Fair value of financial assets and liabilities

The following table presents the estimated fair values of ING Bank's financial assets and liabilities. Certain balance sheet items are not included in the table as they do not comply with the definition of a financial asset or liability. The aggregation of the fair values presented hereunder do not represent, and should not be construed as representing, the underlying value of ING Bank.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	Estimated fair value	Balance sheet value 2004	Estimated fair value	Balance sheet value 2003
FINANCIAL ASSETS				
Cash	**7,537**	**7,537**	10,135	10,135
Short-dated government paper	**12,370**	**12,382**	6,521	6,521
Banks [(1)]	**58,918**	**57,082**	60,916	60,768
Loans and advances [(2)]	**312,689**	**307,602**	284,795	282,470
Interest-bearing securities				
– investment portfolio	**165,024**	**159,397**	116,927	112,871
– trading portfolio	**26,222**	**26,222**	27,161	27,161
Shares				
– investment portfolio	**546**	**546**	766	766
– trading portfolio	**9,668**	**9,668**	7,135	7,135
– equity participations	**473**	**393**	1,009	981
Other participating interests	**1,593**	**1,593**	1,613	1,613
Other assets	**4,153**	**4,153**	4,581	4,581
Accrued assets	**9,829**	**9,811**	9,063	9,063
Derivatives held for non-trading purposes	**6,983**	**2,683**	4,304	1,711
	616,005	**599,069**	534,926	525,776
FINANCIAL LIABILITIES				
Banks	**113,735**	**112,797**	102,330	102,115
Funds entrusted	**368,885**	**368,015**	308,084	307,793
Debt securities	**71,378**	**70,746**	73,015	72,372
Other liabilities	**20,840**	**20,840**	17,400	17,400
Accrued liabilities	**7,718**	**7,718**	8,815	8,815
Subordinated liabilities	**20,186**	**18,450**	15,566	14,516
Derivatives held for non-trading purposes	**6,277**	**2,246**	4,828	1,695
	609,019	**600,812**	530,038	524,706

(1) Banks does not include receivables from leases.
(2) Loans and advances does not include receivables from leases.

The estimated fair values correspond with the amounts at which the financial instruments could have been traded on a fair basis at the balance sheet date between knowledgeable, willing parties in arm's length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. Because substantial trading markets do not exist for most of these financial instruments various techniques have been developed to estimate their approximate fair values. These techniques are subjective in nature and involve various assumptions about the discount rate and the estimates of the amount and timing of the anticipated future cash flows. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

The following methods and assumptions were used by ING Bank to estimate the fair value of the financial instruments.

Financial assets

Cash The carrying amount of cash approximates its fair value.

Short-dated government paper The fair values of short-dated government paper are based on quoted market prices, where available.

Banks The fair values of receivables from banks are estimated based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

Loans and advances For loans that are repriced frequently and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings. The fair values of non performing loans are estimated by discounting the expected cash flows of recoveries. The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings.

Interest-bearing securities Fair values for interest-bearing securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment.

Shares The fair values of shares are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. The fair values of equity participations are based on quoted market prices, where available.

Other participating interests The fair values of the shares of other participating interests are based on quoted market prices or, if unquoted, on estimated market values based on quoted prices for similar securities. Fair values of the receivables from other participating interests are determined using the same methods as described for interest-bearing securities.

Other assets The carrying amount of other assets approximates its fair value.

Accrued assets The carrying amount of accrued asset*s* approximates its fair value.

Financial liabilities

Banks The fair values of payables to banks are estimated based on discounting future cash flows using available market interest rates for payables to banks with similar characteristics.

Funds entrusted and Debt securities The carrying values of demand deposits and other deposits with no stated maturity approximate their fair values. The fair values of other deposits with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities.

Other liabilities For publicly traded debt, the fair values are based on quoted market prices. For non-traded, variable-rate debt, the carrying amounts approximate their fair values. For non-traded, fixed-rate debt, the fair values have been estimated using discounted cash flow calculations based on interest rates charged on similar instruments currently being issued.

Accrued liabilities The carrying amount of accrued liabilities approximates its fair value.

Subordinated liabilities The fair value of subordinated liabilities are estimated using discounted cash flows based on interest rates that apply to similar instruments.

Derivatives The fair values of derivatives held for non-trading purposes are based on broker/dealer valuations or on internal discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings. The fair values of derivatives held for non-trading purposes generally reflect the estimated amounts that ING Bank would receive or pay to terminate the contracts at the balance sheet date.

SUMMARY OF THE RISK-WEIGTHED VALUE AND CONTRACT AMOUNT OF OTHER OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

	Risk weighted value	**Contract amount 2004**	Risk weighted value	Contract amount 2003
Guarantees	**9,680**	**17,060**	8,695	17,096
Irrevocable letters of credit	**1,499**	**6,233**	1,017	5,356
Other	**337**	**382**	306	358
Irrevocable facilities	**13,567**	**69,011**	12,412	66,640

Risk-weighted amounts have been calculated in accordance with the Dutch Central Bank guidelines which are based on the regulatory requirements of the European Commission. In view of the lack of an established market and difficulties involved in segregating the value of these instruments from their underlying degree of uncertainty, it is not considered to be meaningful to provide an estimate of the fair value for these instruments.

Regulatory requirements

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 European Community 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, including off-balance sheet items and market risk associated with trading portfolios.

CAPITAL POSITION

	2004	2003
Shareholders' equity [1]	**13,977**	14,868
Third-party interests	**508**	553
Capital and reserves of Stichting Regio Bank	**507**	469
Subordinated loans qualifying as Tier-1 capital [2]	**5,025**	2,256
Fund for general banking risks	**1,446**	1,281
Dividend preference shares [3]		-118
Revaluation reserve [4]	**-324**	-235
Core capital - Tier 1	**21,139**	19,074
Supplementary capital - Tier 2	**10,471**	9,743
Available Tier-3 funds	**357**	138
Deductions	**-534**	-473
Qualifying capital	**31,433**	28,482
Risk Weighted Assets	**274,138**	251,266
Tier-1 ratio	**7.71%**	7.59%
BIS ratio	**11.47%**	11.34%

(1) As at 31 December 2003, shareholders' equity included an amount of EUR 3,002 million that qualifies as innovative Tier-1 capital (dated and undated). EUR 2,402 million was raised via Trust Preferred Securities issued by ING Groep N.V. and EUR 600 million was raised by ING Groep N.V. as perpetual subordinated bonds.These amounts have been repaid in 2004.
(2) Subordinated loans qualifying as Tier-1 capital have been placed by ING Groep N.V. with ING Bank N.V. In 2004, new subordinated loans have been granted by ING Groep N.V. to ING Bank N.V. for an amount of EUR 2,883 million.
(3) Dividend declared but not yet paid is deducted, as it is not part of Tier-1 capital.
(4) Revaluation reserve is deducted, as it is not part of Tier-1 capital (included in Tier 2).

Related parties

In the normal course of business, ING Bank enters into various transactions with related companies. These transactions are not considered material to ING Bank, either individually or in the aggregate. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions have taken place on an at arm's length basis.

RELATED PARTY TRANSACTIONS

	Joint ventures	Associates	Joint ventures	Associates
		2004		2003
Receivables	**142**	**231**	303	81
Liabilities	**31**	**27**	1	9
Guarantees issued in favour of	**124**	**2**	79	1

In addition to the transactions with joint ventures and associates ING Bank also enters into transactions with ING Group, ING Insurance and its subsidiaries. ING Bank together with ING Insurance forms the ING Group. These transactions vary from financing activities to regular purchase and sale transactions. These transactions also take place on an at arm's length basis.

Income received from and expenses paid to joint ventures were EUR 5 million respectively EUR 150 million (2003: EUR 13 million respectively EUR 150 million).

Income received from and expenses paid to associates were EUR 6 million respectively nil (2003: EUR 2 million respectively nil).

amounts in millions of euros, unless stated otherwise

INCOME

23 INTEREST

Interest income includes an amount of EUR 6,693 million (2003: EUR 5,390 million; 2002: EUR 5,222 million) in respect of interest-bearing securities. Interest expense includes an amount of EUR 3,368 million (2003: EUR 3,187 million; 2002: EUR 3,964 million) in respect of interest-bearing securities.

Despite the existence of a legal claim, interest income of EUR 84 million (2003: EUR 123 million; 2002: EUR 105 million) is not recognised in the profit and loss account because the realisation of the interest income is almost certainly not to be expected.

INTEREST INCOME AND EXPENSES

	2004	2003	2002
Interest income on loans/deposits	**15,956**	15,920	16,097
Interest income suspended	**-84**	-123	-105
Net interest income on loans/deposits	**15,872**	15,797	15,992
Origination fees and loan-servicing fees	**96**	96	102
Interest income on investment securities	**6,175**	4,650	4,141
Interest income on trading portfolio	**883**	741	1,081
Other interest income	**2,363**	2,316	2,567
Total interest income	**25,389**	23,600	23,883
Interest expenses on deposits by banks	**1,351**	1,437	2,071
Interest expenses on funds entrusted	**9,440**	8,223	6,273
Interest expenses on debt securities	**2,689**	2,558	4,073
Interest expenses on subordinated loans	**892**	825	779
Other interest expenses	**2,336**	2,606	3,209
Total interest expenses	**16,708**	15,649	16,405
Net interest result	**8,681**	7,951	7,478

INTEREST MARGIN, ANALYSED ON A PERCENTAGE BASIS OF THE NETHERLANDS AND INTERNATIONAL OPERATIONS

	2004	2003	2002
Netherlands	**1.80%**	1.93%	1.80%
International	**0.98%**	1.00%	1.01%
Overall	**1.46%**	1.55%	1.59%

In 2004 the growth of the average total assets caused an increase of the interest result with EUR 1,183 million (2003: EUR 674 million). The decrease of the interest margin by 9 basis points caused a decrease of the interest result with EUR 453 million (in 2003 the decrease of the interest margin by 4 basis points caused an decrease of the interest result with EUR 201 million).

24 INCOME FROM SECURITIES AND PARTICIPATING INTERESTS

BREAKDOWN OF INCOME FROM SECURITIES AND PARTICIPATING INTERESTS

	2004	2003	2002
Shares	**89**	12	23
Investments in associates	**42**	43	67
Other participating interests	**-71**	14	6
Equity participations	**69**	69	101
	129	138	197

Equity participations include valuation differences on equity participations.

25 COMMISSION

BREAKDOWN OF COMMISSION			
	2004	2003	2002
Funds transfer	**575**	587	592
Securities business	**665**	665	731
Insurance broking	**136**	115	117
Management fees	**766**	594	688
Brokerage and advisory fees	**139**	146	197
Other	**300**	357	290
	2,581	2,464	2,615

In 2004, EUR 3,336 million (2003: EUR 3,085 million; 2002: EUR 3,231 million) was received and EUR 755 million (2003: EUR 621 million; 2002: EUR 616 million) was paid in respect of commission.

26 RESULTS FROM FINANCIAL TRANSACTIONS

Results from financial transactions includes results from securities valuation fluctuations in the securities trading portfolio. Also included in this item are exchange differences in connection with holding assets and liabilities in foreign currencies, the results of the associated forward contracts and the results from financial instruments other than those serving to limit interest-rate risks. Asset trading results are also included in this item.

BREAKDOWN OF RESULTS FROM FINANCIAL TRANSACTIONS			
	2004	2003	2002
Results from securities trading portfolio	**365**	226	201
Results from currency trading portfolio	**566**	46	242
Other	**-335**	290	11
	596	562	454

27 OTHER REVENUE

Other revenue includes income which cannot be classified with any of the above items, including rental income and results on the sale of property EUR 323 million (2003: EUR 192 million; 2002: EUR 153 million) and leasing income which is not classified as interest EUR 116 million (2003: EUR 66 million; 2002: EUR 52 million).

EXPENSES

28 STAFF COSTS

BREAKDOWN OF STAFF COSTS	2004	2003	2002
Salaries	**3,283**	3,132	3,228
Pension, healthcare and early retirement costs	**454**	449	298
Social security costs	**426**	421	453
Other staff costs	**818**	692	808
	4,981	4,694	4,787

Since 1 January 2003, the majority of the employees in the Netherlands is employed by the ING Personeel VOF, a joint venture between ING Bank and ING Insurance. The direct remuneration costs of the employees of ING Personeel VOF working for ING Bank are invoiced at cost price by ING Personeel VOF to ING Bank. In substance these costs are staff costs and therefore are reported as such.

PENSION, HEALTHCARE AND EARLY RETIREMENT COSTS			Pension			Healthcare			Other			Total
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Current service cost	**271**	261	334	**18**	14	13	**4**	6	9	**293**	281	356
Past service cost		-7	15								-7	15
Interest expenses	**388**	390	363	**18**	16	14	**14**	16	31	**420**	422	408
Expected return on assets	**-405**	-371	- 361				**-11**	-13	-14	**-416**	-384	-375
Amortisation of unrecognised net (gains)/losses	**84**	78	7	**2**						**86**	78	7
Effect of curtail-ment or settlement		-2	15		-1	-2			-128		-3	-115
Defined benefit post-employment plans	**338**	349	373	**38**	29	25	**7**	9	-102	**383**	387	296
Defined contribu-tion plans										**71**	62	2
										454	449	298

Contributions to defined contribution plans are generally determined as a percentage of pay.

The actual return on the plan assets amounted to EUR 540 million (2003: EUR 548 million; 2002: EUR -402 million).

Remuneration of the members and former members of the Executive Board and of the Supervisory Board

In previous years, the members of the Executive Board and the Supervisory Board of ING Bank were also members of the Executive Board and the Supervisory Board of ING Group. Since the composition of both the Executive Board and the Supervisory Board of ING Bank changed in 2004, the members of the Executive and the Supervisory Board of ING Bank are no longer also members of the Executive Board and the Supervisory Board of ING Group.

The remuneration costs of ING Group Board Members were charged in full by ING Group to its subsidiaries on the basis of a general allocation formula. Over 2003 the remuneration costs of ING Group amounted to EUR 7.5 million (2002: EUR 5.7 million) for members and former members of the Executive Board and EUR 1.0 million (2002: EUR 1.0 million) for members and former members of the Supervisory Board. Over 2003 the remuneration costs allocated to ING Bank for those years amounted to EUR 3.8 million (2002: EUR 2.9 million) for members and former members of the Executive Board and EUR 0.5 million (2002: EUR 0.5 million) for members and former members of the Supervisory Board.

For 2004 the remuneration costs of ING Bank amounted to EUR 4.9 million for members and former members of the Executive Board and EUR 0.1 million for members and former members of the Supervisory Board.

At 31 December 2004 loans and advances granted to the members of the Executive Board and the Supervisory Board amounted to EUR 4.6 million and nil respectively.

Stock option and share plans

ING Group has granted option rights on ING Group shares and conditional rights on depository receipts for ING shares to a number of senior executives (members of the Executive Board, general managers and other officers nominated by the Executive Board), to all ING Bank staff in the Netherlands and to a considerable number of employees outside the Netherlands. The purpose of the option and share schemes, apart from promoting a lasting growth of ING Bank, is to attract, retain and motivate senior executives and staff.

ING Group holds direct or indirect its own shares in order to fulfil the obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned (so-called delta hedge). As at 31 December 2004 29,427,538 (2003: 28,068,191; 2002: 28,437,105) own shares were held in connection to the option plan compared to 81,010,410 options outstanding. As a result the granted option rights were (delta-) hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour. The hedge is rebalanced regularly at predetermined points in time.

Exposure arising out of the share plan is not hedged. The obligations with regard to these plans will be funded by issuing own shares.

The option rights are valid for a period of five or ten years. Option rights, that are not exercised within this period, lapse. Each year, the ING Group Executive Board will take a decision as to whether the option scheme is to be continued and, if so, to what extent. Option rights granted will remain valid until expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a certain continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Group shares at the date on which the options are granted.

The entitlement to the depositary receipts for ING shares is granted conditionally. If the participant remains in the employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional.

Each year, the ING Group Executive Board will take a decision as to whether the option and share schemes are to be continued and, if so, to what extent.

29 OTHER ADMINISTRATIVE EXPENSES

BREAKDOWN OF OTHER ADMINISTRATIVE EXPENSES

	2004	2003	2002
Computer costs	**663**	699	584
Office equipment and accommodation	**647**	675	727
Travel expenses	**116**	110	130
Advertising and public relations	**557**	418	324
External advisory fees	**273**	233	289
Restructuring costs	**101**	82	128
Other	**1,012**	933	996
	3,369	3,150	3,178

As of 2003 all office related expenses (including accommodation costs) are reported on one line. The comparative figures have been adjusted accordingly.

30 DEPRECIATION

DEPRECIATION BY CATEGORY

	2004	2003	2002
Property	**98**	89	76
Equipment and other operating assets	**307**	339	335
	405	428	411

31 TAXATION

TAXATION BY TYPE

	Netherlands	International	Total 2004	Netherlands	International	Total 2003	Netherlands	International	Total 2002
Current taxation	**358**	**571**	**929**	183	288	471	135	104	239
Deferred taxation	**39**	**-71**	**-32**	-1	50	49	1	32	33
	397	**500**	**897**	182	338	520	136	136	272

RECONCILIATION OF THE STATUTORY INCOME TAX RATE TO ING BANK'S EFFECTIVE INCOME TAX RATE

	2004	2003	2002
Profit before tax	**3,158**	2,019	949
Statutory tax rate	**34.5%**	34.5%	34.5%
Statutory tax amount	**1,090**	697	327
Participating interests exemption	**-175**	-65	-47
Other tax exempt income	**20**	-231	-168
Differences caused by different foreign tax rates	**-71**	-16	-126
Non-recognised taxes on losses incurred	**50**	54	154
Other	**-17**	81	132
Effective tax amount	**897**	520	272
Effective tax rate	**28.4%**	25.8%	28.7%

amounts in millions of euros, unless stated otherwise

Segment reporting

ING Bank evaluates the results of its segments using financial performance measures called operating profit before taxes and operating (net) profit. Operating (net) profit is defined as (net) profit excluding:

- capital gains and losses on equity securities;
- the impact of the negative revaluation reserve on equity securities;
- realised gains on divestments that are made with the purpose of using the proceeds to finance acquisitions.

Since none of these items apply to ING Bank for the years reported, operating (net) profit equals (net) profit. Therefore, the segment reporting of ING Bank will be based on (net) profit.

Analysis by business lines ING Bank's operating segments relate to the internal business segmentation by business lines. The business line structure was introduced in 2004 and includes three business lines for banking: Wholesale Banking, Retail Banking and ING Direct. Items not directly attributable to the business lines are included in Other.

Operating segments are defined as components of an enterprise about which discrete financial information is available that is evaluated regularly by the chief operating decision maker or decision making group in deciding how to allocate resources and in assessing performance.

The accounting policies of the operating segments are the same as those described under Accounting principles for the consolidated balance sheet and profit and loss account (see page 22). Transfer prices for inter-segment transactions are set at arm's length. Geographical distribution of income is based on the origin of sales. The corporate expenses are allocated to the operating segments and geographical areas based on time spent by head office personnel, the relative number of staff or on the basis of income and/or assets of the operating segment. Operating segments have not been aggregated. The comparative figures have been adjusted in accordance with the new structure.

OPERATING SEGMENTS OF ING BANK

2004	Wholesale banking	Retail banking	ING Direct	Other	Total segments	Reconciliation	Total
Total operating income:							
Income – external	7,020	4,430	1,174	-112	12,512		12,512
Income – inter-segment	-1,259	605	531	123			
	5,761	5,035	1,705	11	12,512		12,512
Segment operating profit before tax	1,932	1,170	432	-376	3,158		3,158
Segment assets	344,549	136,985	170,001	13,037	664,572	-48,098	616,474
Segment liabilities	329,417	133,354	167,117	477	630,365	-30,329	600,036
Average number of employees [1]	23,965	34,326	5,278		63,569		63,569

[1] The average numbers of employees of joint ventures are included proportionally.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING BANK

OPERATING SEGMENTS OF ING BANK

2003	Wholesale banking	Retail banking	ING Direct	Other	Total segments	Recon-ciliation	Total
Total operating income:							
Income – external	7,098	4,059	645	-294	11,508		11,508
Income – inter-segment	-1,273	714	400	159			
	5,825	4,773	1,045	-135	11,508		11,508
Segment operating profit before tax	1,272	1,058	151	-462	2,019		2,019
Segment assets	324,371	126,356	114,119	17,896	582,742	-41,148	541,594
Segment liabilities	313,799	122,743	111,459	2,602	550,603	-26,180	524,423
Average number of employees [1]	25,010	35,201	3,971		64,182		64,182

[1] The average numbers of employees of joint ventures are included proportionally.

OPERATING SEGMENTS OF ING BANK

2002	Wholesale banking	Retail banking	ING Direct	Other	Total segments	Recon-ciliation	Total
Total operating income:							
Income – external	5,545	4,754	485	252	11,036		11,036
Income – inter-segment	220	60	133	-413			
	5,765	4,814	618	-161	11,036		11,036
Segment operating profit before tax	596	1,023	-48	-622	949		949
Segment assets	310,331	123,575	63,099	13,271	510,276	-33,165	477,111
Segment liabilities	300,632	119,827	61,799	-2,560	479,698	-19,656	460,042
Average number of employees [1]	25,915	32,762	2,512		61,189		61,189

[1] The average numbers of employees of joint ventures are included proportionally.

Geographical analysis

INCOME BY GEOGRAPHICAL AREA

	2004	2003	2002
Netherlands	**5,279**	5,111	4,832
Belgium	**2,254**	2,012	2,044
Rest of Europe	**3,265**	2,997	2,772
North America	**1,109**	718	538
Latin America	**115**	162	315
Asia	**310**	376	421
Australia	**180**	132	107
Other			7
	12,512	11,508	11,036

PROFIT BEFORE TAX BY GEOGRAPHICAL AREA

	2004	2003	2002
Netherlands	**1,583**	1,391	1,317
Belgium	**692**	458	593
Rest of Europe	**330**	-37	-328
North America	**547**	90	-508
Latin America	**42**	118	74
Asia	**-1**	37	24
Australia	**99**	60	55
Other		-6	-2
	3,292	2,111	1,225
Additions to the Fund for general banking risks	**140**	140	140
Value adjustments to financial fixed assets	**-6**	-48	136
	3,158	2,019	949

32 NET CASH FLOW FROM OPERATING ACTIVITIES
The net cash flow shown in respect of *Loans and advances* only relates to transactions involving actual payments or receipts. The *Additions to the provision for loan losses* which is deducted from the item *Loans and advances* in the balance sheet has been adjusted for the profit before tax and is shown separately in the cash flow statement.

The *Value adjustments to financial fixed assets* which is deducted from the items *Shares* and *Other participating interests* is also shown separately in the net cash flow statement.

Amsterdam, 7 March 2005

THE SUPERVISORY BOARD

Alexander Rinnooy Kan, *Chairman*
Anneke van Doorne-Huiskes
Kees Izeboud
Eli Leenaars
Hanja Maij-Weggen
Rudy van der Meer

THE EXECUTIVE BOARD

Jan Zegering Hadders, *Chairman*
Dick Boot, *Chief Financial Officer*
Wilbert Buiter
Henk Kruidenier
Hans van der Noordaa
Ludo Wijngaarden

AUDITORS' REPORT

Introduction

We have audited the annual accounts 2004 of ING Bank N.V. registered in Amsterdam, the Netherlands. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of the company as at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code.

Amsterdam, 7 March 2005

KPMG ACCOUNTANTS N.V.

PROFIT APPROPRIATION

The profit is appropriated pursuant to Article 36 of the Articles of Association of ING Bank N.V., the relevant stipulations of which state that the part of the profit remaining after the dividend to the preference shareholders is made payable, shall be at the disposal of the General Meeting of Shareholders.

PROPOSED PROFIT APPROPRIATION
amounts in millions of euros

Net profit	**2,239**
Due to holders of preference shares pursuant to Article 36 (3) of the Articles of Association	**101**
Non-distributable profit of Stichting Regio Bank, added to the reserves	**38**
At the disposal of the General Meeting of Shareholders	**2,100**
Add to Other reserves	**1,510**
Add to Reserve for participating interests	**-10**
Dividend to holders of ordinary shares	**600**

DISCLAIMER

Certain of the statements contained in this Annual Report are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING Bank’s core markets, (ii) performance of financial markets, including emerging markets, (iii) interest rate levels, (iv) currency exchange rates, (v) general competitive factors, (vi) changes in laws and regulations, and (vii) changes in the policies of governments and/or regulatory authorities. ING Bank assumes no obligation to update any forward-looking information contained in this document.

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