

payment processing and other transactions to support compliance with regulations governing money-laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or perceived failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING's licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING's reputation and financial condition. ING's primary focus is to support these objectives as good business practice through Business Principles and group policies.

ING Bank N.V. has been in discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the United States and other authorities. These discussions prompted ING Bank to engage in a review regarding transactions involving sanctioned parties. In connection with this review and related discussions ING Bank has undertaken to complete the global implementation of enhanced compliance and risk management procedures, and to monitor the implementation of such procedures on an ongoing basis, as instructed by DNB. ING Bank also remains in discussions with authorities in the US and in other jurisdictions concerning these matters, and it is not possible to predict at this time the outcome thereof.

One of the key priorities in 2007 was to work closely with business management to further embed the company-wide Financial Economic Crime Policy. An enhanced Financial Economic Crime policy has been rolled out globally, requiring the implementation of strict Know Your Customer and Customer Due Diligence programs as well as the use of technology for the screening of customers and transactions.

As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives, ING Bank N.V. has closed its representative office in Cuba and the Netherlands Caribbean Bank, which is now a 100% subsidiary, is being liquidated. In addition, ING has concluded that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING will not enter into new relationships with clients from these countries while a process has started to discontinue existing relationships involving these countries. At present these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba.

In addition a dedicated Sanctions Desk was established within Corporate Compliance in 2007 to help the businesses cope with the increasing amount of regulation and sanctions, such as the EU, UN and US Regulations on money laundering and terrorist financing and sanctions.

Also in 2007 ING continued to increase knowledge and understanding of compliance among its employees. The Executive Board stressed that ING's strategy of sustainable, profitable growth can only be achieved along with effective compliance management. Compliance support teams have been established to help business lines embed compliance within their activities and extensive programs have been initiated to increase compliance knowledge and understanding. These teams serve as a channel for education, coaching, communication and sharing good compliance practices.

The capability and capacity of the Corporate Compliance function have been increased, including a staff increase of 55% and the creation of a central team focusing on Financial Economic Crime and anti-money laundering policies and procedures.

A Compliance Programme Office was set up to support ING's continuing focus on building a culture where compliance is an integral part of 'how business is done'. To increase compliance awareness, a global communication programme was set up commencing with strong messages from the Executive Board.

A PARTNER TO THE BUSINESS

The turbulence in the financial markets in 2007 underscored the need for sound risk management during times of difficulty. Risk management has evolved significantly since ING started in 2006 to strengthen the risk function. The change emphasises the role of Risk Management not only as a watchdog, but as an enabler and partner in generating value for shareholders. Risk Management works with the business to identify and execute business opportunities, lower the cost of funding and support strategic decisions.