Financial Stability Board Presentation October 7th 2010

Risk Disclosures

Disclaimer

The presenters today present in their individual capacity as participants of the Corporate Reporting Users' Forum (www.CRUF.com) and not as representatives of their respective organizations. The views expressed are those of individual CRUF participants and do not necessarily reflect the views of the respective organisations where they are employed.

What is the CRUF?

The Corporate Reporting Users' Forum (CRUF) is an informal network of buy-side and sell-side professionals (both equity and fixed income) who wish to engage in the reporting debate.

The CRUF meets on a regular basis in the US, Canada, UK, France, Germany, Japan and Australia. This presentation is drawn from banking and insurance analysts from across the global CRUF community.

Investment professionals participate in the CRUF as individuals – not as representatives of their employers.

We are all speaking in our personal capacities today.

How does the CRUF communicate its views?

The CRUF communicates its views through:

- Informal discussions with standard setters, corporates, regulators etc.
- Comment letters to the IASB and FASB.
- Presentations at conferences.
- Press coverage.
- The CRUF website (www.cruf.com)

Agenda

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- Risk reporting two years on
  - High level observations
  - What we like
  - Examples of good practice
  - On-going frustrations

- Evolving the risk disclosure framework
  - Observations
  - Lessons from Japan
  - Other options to explore

Risk reporting two years on

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High level observations

- What are investors looking for?
  - Comprehensive and holistic understanding of the risk profile of the company
  - Ability to quantify downside risks and scenarios easily
  - A presentation format that facilitates an effective consumption of the data presented.

- Where is reporting today?
  - Huge increase in volume of disclosure – not necessarily a commensurate increase in quality
  - Wide variation in usefulness of information presented by management
  - Wide variation in consistency of disclosures amongst preparers (eg debt schedules)
  - Geographic variations: US vs. Europe vs. Japan.

What we like

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- Increase in the volume of information on risks
- Improvement in some areas of disclosures (e.g. pensions)
- Comprehensive disclosure by several global majors
  e.g. HSBC, JP Morgan, Mizuho Financial Group
- Some greater standardisation of disclosures
  e.g. Pillar III, the Japanese reporting format (see "Lessons from Japan")
- Banks & insurers providing more data on asset classes, vintages and ratings on structured securities

Examples of good practice

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In the appendix, we provide some examples of good reporting practice from around the world. These include:

Banks

Barclays:	Very good market breakdown in risk weighted assets
BNP Paribas:	Good breakdown in risk weighted assets plus presentation of standardised vs. internal model.
Mizuho Financial Group:	Clearly presents trend data on NPLs. Useful presentation of profitability and transition of the loan assets.

Insurance companies

AXA:	Breaks out shareholders' share of high-risk debt securities.
ING:	Presents gap between cash and IFRS mark to market hits.
Principal Financial Group:	Useful detail on illiquidity impacts.

On-going frustrations

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- **Wood for the trees**: While the volume of disclosures has increased dramatically in many instances, there remain substantial opportunities to help investors to navigate the data more effectively.

- **Frequency of risk disclosures:** Given the pace of change in global conditions, quarterly risk disclosure is seen by many as essential.

- **Trend data**: Good quality trend data is essential. There are companies that will change the basis of calculation of a metric, the definition of a nonperforming asset, the risk metrics reported per segment etc without justifying the changes made, and with no effort to re-state prior numbers.

- **Restatements:** Companies will makes restatements without providing comparables of risk metrics in prior periods.

- **Key Performance Indicator** (KPI) trend presentation: too little use of graphics; too much disingenuous use of tabular presentation alone. See Appendix.

On-going frustrations, continued

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- **Risk-weighted asset disclosures:** Basis of calculation, level of granularity etc. Although more detailed than before, this is a significant area of focus within the investment community.

- **Value at Risk:** Some articulated a desire to see the VaR - or Conditional VaR - and daily loss rate combined with the size of the balance sheet on a daily basis – even if just in chart form (with actual numbers provided for peaks and troughs).

- **Duration:** Need greater breakdown of the duration risk of assets and liabilities. There are disclosures of maturity profiles, but there is inadequate analysis of whether interest is fixed or floating. This is critical as it allows the analyst to determine whether the banking book is making profit from risk spreads (matched duration vs. lending) or duration mismatch (funding short and lending long).

On-going frustrations, continued

Insurers are typically not providing enough data on:

- Structured securities, most notably the level of subordination before holding exposed to real cash loss. (Also applies to some banks: see "gross credit risk")
- Shareholders' vs. policyholders' share of assets and liabilities (e.g. break out of linked assets by type inadequate or absent).
- Amount of actual cash losses vs. expected credit losses from impairments vs. mark-to-market impacts.
- Information on re-insurance arrangements on a prospective basis.
- The contribution of reserve releases to reported profit over a ten year period.

On-going frustrations, continued

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Gross credit risk not visible (and historically under appreciated by management)

- Show underlying **gross** credit risk to which institution is exposed, especially important for structured credit products.
- For an extreme example:

Assets	Carrying Value	Gross Underlying (that someone is "managing")
Loans/Bonds	1000	1000
Structured Credit	10	**5000** because it's the equity tranche of a 5x levered CDO^2 of equity tranches in 10x levered CDOs, valued at 10 cents/$, bought for 100. So, a tiny movement in the underlying could wipe the carrying value out.

On-going frustrations, continued

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Funding

- Sources and
- Maturity schedule on both behavioural and legal bases
  (e.g. bond maturity schedule available from Bloomberg – why not put it in the financials – as a chart).

On-going frustrations, continued

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Inadequate and late Pillar III reporting

We have seen institutions' Pillar III reports without adequate acknowledgement of market risk exposure in material pension obligations, even where this would have been covered as market risk in Pillar II confidential reporting (e.g. under the ICA in the UK).

- The IAS 19 measure is hopeless – which is why it should not be used in ICA. As the market cap dived, AA bond spreads blew out (driven by AA bank sub debt issues) and the IAS 19 measure looked okay vs. market cap.

- Discounting pension liabilities with swaps (as quasi risk free, cf. Solvency II proposals) revealed the problem hidden by wider AA spreads

Evolving the risk disclosure framework

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Observations

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- Management tend not to be forward looking in their risk disclosure.

- Views are mixed as to the usefulness of risk disclosures that make explicit the impact of certain scenarios coming. While many believe that management should make visible principal risks and their likely impact, others question whether this might be data overload, or whether it might act as a trigger for certain events.

- Continue reporting on “yesterday’s risk” until (1) it loses materiality, as this information acts as an indicator of management’s potential appetite for risk; or (2) it is no longer useful in a KPI time series.

- Are there sufficiently experienced regulators in all markets to “police” the quality of risk disclosure?

- Be wary of imposing strict rules as this may hinder innovation and may encourage management to work to “bright lines”

Lessons from Japan

- Since the mid 1990s, the banking industry sub group of the Securities Analysts' Association of Japan has worked with the industry and with regulators to develop the set of disclosures that are now presented by the banks.

- While there is always room for improvement, Japanese CRUF participants believe that the information provided by the major banks is world class, and that the added transparency has encouraged better internal controls within the industry.

- They appreciate the efforts made to establish a common presentation format, as this now allows easy comparison across the industry.

- Timeliness of information has improved – but there is an appetite for more up to date data as circumstances change.

Other options to consider

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- Encourage the ECB, or local central banks to issue a communiqué on required risk disclosures (similar to the US system, where the FFEIC consults with stakeholders to try to stay ahead of the curve).
- Require updated prospectus information (under the EU Prospectus Directive) to be as easily available on IR websites as financial reports (risk disclosures and narrative are often more up to date than the full annual or a Pillar III report as at previous year end, but voluminous news alerts have to be searched to find it).
- Leverage the international CRUF network to capture the investment community's view

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Any Questions?

Appendix

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Good market breakdown in risk weighted assets

Total Assets and Risk Weighted Assets by Business

	Total Assets by Business			Risk Weighted Assets by Business		
	As at 30.06.10 £m	As at 31.12.09 £m	As at 30.06.09 £m	As at 30.06.10 £m	As at 31.12.09 £m	As at 30.06.09 £m
UK Retail Banking	119,251	109,327	106,898	35,586	35,876	35,316
Barclaycard	31,062	30,274	29,589	32,215	30,566	26,860
Western Europe Retail Banking	48,976	51,027	45,224	15,865	16,811	14,591
Barclays Africa	7,882	7,893	7,072	7,777	7,649	6,806
Barclays Capital	1,212,413	1,019,120	1,133,685	194,283	181,117	209,783
Barclays Corporate	86,906	88,798	92,303	72,724	76,928	77,936
Barclays Wealth	16,376	14,889	14,063	11,638	11,353	10,862
Investment Management[1]	3,604	5,406	67,842	74	73	3,659
Absa	46,964	45,765	42,596	23,102	21,410	20,163
Head Office Functions and Other Operations	13,712	6,430	6,066	1,761	870	78
Total	1,587,146	1,378,929	1,545,338	395,025	382,653	406,054

Risk Weighted Assets by Risk

	As at 30.06.10 £m	As at 31.12.09 £m	As at 30.06.09 £m
Credit risk	256,117	252,054	263,179
Counterparty risk			
- Internal model method	28,401	24,453	29,522
- Non-model method	17,001	20,997	29,268
Market risk			
- Modelled – VaR	14,085	10,623	13,139
- Modelled – IDRC[2] and Non-VaR	7,206	5,378	5,268
- Standardised	41,259	38,525	34,530
Operational risk	30,956	30,623	31,148
Total risk weighted assets	395,025	382,653	406,054

Source: Barclays : Interim results 2010

CAPITAL ADEQUACY

➤ PILLAR 1 RISK-WEIGHTED ASSETS AT 31 DECEMBER 2009

At 31 December 2009, the total amount of Pillar 1 risk-weighted assets was EUR 621 billion, versus EUR 528 billion as of 31 December 2008, broken down as follows by type of risk, calculation approach, and asset class:

	Risk-weighted assets	
In millions of euros	31 Dec. 2009	31 Dec. 2008
CREDIT AND COUNTERPARTY RISK	**510,379**	**417,750**
Credit risk	**482,944**	**387,960**
Credit risk - IRBA	**233,300**	**161,962**
Central governments and central banks	3,250	2,274
Corporates	151,589	120,547
Institutions	18,280	11,535
Retail	37,167	19,678
Mortgages	*9,257*	*4,230*
Revolving exposures	*7,451*	*6,111*
Other exposures	*20,459*	*9,337*
Securitisation positions	22,753	7,928
Other non credit-obligation assets	261	0
Credit risk - Standardised approach	**249,644**	**225,999**
Central governments and central banks	6,599	2,751
Corporates	108,247	101,303
Institutions	7,535	12,642
Retail	79,132	68,680
Mortgages	*25,638*	*24,507*
Revolving exposures	*2,803*	*1,730*
Other exposures	*50,691*	*42,443*
Securitisation positions	7,483	3,297
Other non credit-obligation assets	40,648	37,327
Counterparty risk	**27,435**	**29,789**
Counterparty risk - IRBA	**23,377**	**28,089**
Central governments and central banks	253	66
Corporates	16,844	23,975
Institutions	6,280	4,049
Counterparty risk - Standardised approach	**4,058**	**1,700**
Central governments and central banks	0	2
Corporates	3,745	1,465
Institutions	302	232
Retail	11	0
Other exposures	*11*	*0*
EQUITY RISK	**29,447**	**40,584**
Internal model	23,102	40,479
Private equity exposures in diversified portfolios	*6,575*	*4,286*
Listed equities	*11,112*	*19,654*
Other equity exposures	*5,415*	*16,539*
Simple weighting method	3,446	0
Private equity exposures in diversified portfolios	*1,099*	*0*
Listed equities	*807*	*0*
Other equity exposures	*1,540*	*0*
Standardised approach	2,899	105
MARKET RISK	**23,665**	**29,727**
Internal model	13,577	25,028
Standardised approach	10,088	4,699
OPERATIONAL RISK	**57,223**	**39,582**
Advanced Measurement Approach (AMA)	36,563	22,911
Standardised approach	13,015	13,417
Basic indicator approach	7,645	3,254
TOTAL	**620,714**	**527,643**

Useful breakdown of standardised approach vs internal model

Source: BNP Paribas Registration document 2009

○ Results of Removal of NPLs from the Balance Sheet

Outstanding Balances of Claims against Bankrupt and Substantially Bankrupt Obligors and Claims with Collection Risk (under the FRL) (the Three Banks) (Banking Accounts and Trust Accounts)

Billions of yen

	Up to Fiscal 2005	As of September 30, 2006	As of March 31, 2007	As of September 30, 2007	As of March 31, 2008	As of September 30, 2008 (a)	As of March 31, 2009 (b)	Change (b)-(a)
Amount Categorized as below up to Fiscal 2005	**¥ 9,845.8**	**¥ 337.7**	**¥ 227.3**	**¥ 185.0**	**¥ 124.8**	**¥ 107.2**	**¥ 98.3**	**¥ (8.8)**
of which the amount in the process of being removed from the balance sheet	*1,035.2*	*82.6*	*49.5*	*40.4*	*26.8*	*21.7*	*21.0*	*(0.7)*
Claims against Bankrupt and Substantially Bankrupt Obligors	2,366.4	98.1	64.7	56.6	38.2	32.3	31.4	(0.8)
Claims with Collection Risk	7,479.4	239.5	162.6	128.3	86.6	74.9	66.9	(8.0)
Amount Newly Categorized as below during the First Half of Fiscal 2006		**122.8**	**88.0**	**64.9**	**50.2**	**44.8**	**39.8**	**(5.0)**
of which the amount in the process of being removed from the balance sheet		*12.2*	*10.2*	*6.0*	*5.2*	*3.2*	*2.1*	*(1.0)*
Claims against Bankrupt and Substantially Bankrupt Obligors		16.6	38.3	34.0	33.1	31.1	30.9	(0.2)
Claims with Collection Risk		106.1	49.6	30.9	17.0	13.7	8.8	(4.8)
Amount Newly Categorized as below during the Second Half of Fiscal 2006			**405.3**	**77.8**	**48.8**	**36.3**	**27.1**	**(9.2)**
of which the amount in the process of being removed from the balance sheet			*17.9*	*12.4*	*8.8*	*7.2*	*5.6*	*(1.6)*
Claims against Bankrupt and Substantially Bankrupt Obligors			19.1	12.4	8.8	7.3	6.5	(0.8)
Claims with Collection Risk			386.1	65.3	39.9	29.0	20.6	(8.4)
Amount Newly Categorized as below during the First Half of Fiscal 2007				**432.2**	**91.9**	**62.9**	**47.5**	**(15.3)**
of which the amount in the process of being removed from the balance sheet				*26.4*	*17.7*	*15.2*	*9.9*	*(5.3)*
Claims against Bankrupt and Substantially Bankrupt Obligors				57.9	22.2	17.7	11.1	(6.6)
Claims with Collection Risk				374.3	69.6	45.1	36.4	(8.7)
Amount Newly Categorized as below during the Second Half of Fiscal 2007					**196.9**	**118.3**	**77.1**	**(41.1)**
of which the amount in the process of being removed from the balance sheet					*31.2*	*31.1*	*31.5*	*0.4*
Claims against Bankrupt and Substantially Bankrupt Obligors					34.7	36.2	34.3	(1.8)
Claims with Collection Risk					162.1	82.1	42.8	(39.3)
Amount Newly Categorized as below during the First Half of Fiscal 2008						**270.1**	**152.9**	**(117.2)**
of which the amount in the process of being removed from the balance sheet						*75.7*	*61.3*	*(14.3)*
Claims against Bankrupt and Substantially Bankrupt Obligors						80.4	67.5	(12.9)
Claims with Collection Risk						189.7	85.3	(104.3)
Amount Newly Categorized as below during the Second Half of Fiscal 2008							**463.8**	**463.8**
of which the amount in the process of being removed from the balance sheet							*96.5*	*96.5*
Claims against Bankrupt and Substantially Bankrupt Obligors							126.8	126.8
Claims with Collection Risk							336.9	336.9
Total	/	¥ 460.5	¥ 720.7	¥ 760.0	¥ 512.8	¥ 640.0	¥ 906.8	¥ 266.8
of which the amount in the process of being removed from the balance sheet	/	*94.9*	*77.7*	*85.4*	*89.9*	*154.3*	*228.3*	*74.0*
Claims against Bankrupt and Substantially Bankrupt Obligors	/	114.8	122.2	161.0	137.3	205.3	308.7	103.4
Claims with Collection Risk	/	345.7	598.4	598.9	375.5	434.7	598.0	163.3

Note: Figures from fiscal 2003 to the first half of fiscal 2005 include those of financial subsidiaries for corporate revitalization.

Clearly presents the trend data on NPLs

Source: Mizuho Financial Group Selected Financial Information FY09

(l) Equity Exposure under Simple Risk Weight Method by Risk Weight Category

Billions of yen

As of March 31,		2010	2009
Risk Weight	300%	¥ 224.8	¥ 273.3
	400%	68.1	58.7
Total		**¥ 292.9**	**¥ 332.0**

Note: Of the equity exposure under the simple risk weight method, 300% risk weight is applied for listed equities and 400% for unlisted equities.

(m) Portfolio by Asset Class and Ratings Segment (Corporate)

Billions of yen

As of March 31, 2010	PD (EAD Weighted Average) (%)	LGD (EAD Weighted Average) (%)	EL Default (EAD Weighted Average) (%)	Risk Weight (EAD Weighted Average) (%)	EAD	On-balance Sheet	Off-balance Sheet	Amount of Undrawn Commitments	Weighted Average of Credit Conversion Factor(%)
Corporate	5.06%	35.70%	/%	51.20%	¥ 52,412.4	¥ 38,803.8	¥ 13,608.6	¥ 9,912.0	75.19%
Investment Grade Zone	0.12	36.84	/	25.08	28,687.3	18,963.8	9,723.5	7,780.0	75.18
Non-investment Grade Zone	4.00	32.51	/	86.15	21,988.4	18,196.7	3,791.7	2,090.6	75.19
Default	100.00	57.35	54.32	40.20	1,736.6	1,643.2	93.3	41.3	75.81
Sovereign	0.01	38.78	/	1.31	61,598.8	47,419.8	14,179.0	101.7	75.00
Investment Grade Zone	0.00	38.78	/	1.16	61,496.7	47,324.1	14,172.6	95.3	75.00
Non-investment Grade Zone	1.59	38.77	/	91.71	102.0	95.6	6.4	6.3	75.00
Default	100.00	69.07	64.41	61.76	0.0	0.0	—	—	—
Bank	1.02	37.70	/	28.84	4,967.6	2,121.1	2,846.5	298.2	77.54
Investment Grade Zone	0.12	37.07	/	23.85	4,518.7	1,933.4	2,585.2	229.9	78.87
Non-investment Grade Zone	2.35	39.67	/	83.10	413.4	154.3	259.1	68.3	73.09
Default	100.00	95.65	93.27	31.59	35.4	33.2	2.1	—	—
Equity exposure under PD/LGD approach	1.65	90.00	/	169.82	1,022.2	1,022.2	—	—	—
Investment Grade Zone	0.08	90.00	/	113.81	788.1	788.1	—	—	—
Non-investment Grade Zone	5.17	90.00	/	365.13	229.7	229.7	—	—	—
Default	100.00	90.00	90.00	—	4.3	4.3	—	—	—
Total	2.27%	37.83%	/%	25.68%	¥ 120,001.3	¥ 89,367.0	¥ 30,634.3	¥ 10,312.0	75.25%
Investment Grade Zone	0.05	38.54	/	10.35	95,491.0	69,009.6	26,481.4	8,105.3	75.28
Non-investment Grade Zone	3.97	33.25	/	88.94	22,733.8	18,676.5	4,057.3	2,165.3	75.12
Default	100.00	58.19	55.18	39.93	1,776.4	1,680.9	95.5	41.3	75.81

Notes: 1. Investment grade zone includes obligor ratings A1 to B2, non-investment grade zone includes C1 to E2 (excluding E2R), and default includes E2R to H1 (see page 65 for details of obligor ratings).
2. "Corporate" does not include specialized lending exposure under supervisory slotting criteria.
3. Each asset class includes purchased receivables.
4. The commitments that can be terminated at any time without condition or terminated automatically are not included in the amount of undrawn commitments and weighted average of credit conversion factor.

Billions of yen

As of March 31, 2009	PD (EAD Weighted Average) (%)	LGD (EAD Weighted Average) (%)	EL Default (EAD Weighted Average) (%)	Risk Weight (EAD Weighted Average) (%)	EAD	On-balance Sheet	Off-balance Sheet	Amount of Undrawn Commitments	Weighted Average of Credit Conversion Factor(%)
Corporate	4.78%	36.19%	/%	50.20%	¥ 57,948.7	¥ 43,672.7	¥ 14,276.0	¥ 10,118.6	75.37%
Investment Grade Zone	0.14	37.30	/	26.40	31,784.8	21,538.5	10,246.2	8,123.3	75.39
Non-investment Grade Zone	3.64	33.26	/	81.96	24,325.2	20,388.1	3,937.1	1,967.5	75.27
Default	100.00	55.69	52.55	41.58	1,838.6	1,745.9	92.6	27.7	76.76
Sovereign	0.01	39.15	/	1.45	54,390.8	38,534.3	15,856.5	81.0	75.00
Investment Grade Zone	0.00	39.15	/	1.22	54,251.4	38,398.7	15,852.6	80.6	75.00
Non-investment Grade Zone	1.59	39.13	/	93.74	139.1	135.3	3.8	0.3	75.00
Default	100.00	45.32	41.17	54.90	0.2	0.2	0.0	—	—
Bank	0.71	38.16	/	29.14	6,709.6	2,508.7	4,200.8	481.6	77.10
Investment Grade Zone	0.11	37.71	/	23.91	6,180.4	2,254.0	3,926.3	419.1	77.41
Non-investment Grade Zone	2.21	40.12	/	93.94	499.3	226.0	273.2	62.4	75.00
Default	100.00	98.61	96.46	28.50	29.8	28.6	1.2	—	—
Equity exposure under PD/LGD approach	3.20	90.00	/	168.11	817.4	817.4	—	—	—
Investment Grade Zone	0.07	90.00	/	119.15	570.2	570.2	—	—	—
Non-investment Grade Zone	2.38	90.00	/	306.34	226.7	226.7	—	—	—
Default	100.00	90.00	90.00	—	20.3	20.3	—	—	—
Total	2.38%	38.01%	/%	27.71%	¥ 119,866.5	¥ 85,533.2	¥ 34,333.3	¥ 10,681.2	75.45%
Investment Grade Zone	0.06	38.73	/	12.08	92,786.8	62,761.6	30,025.2	8,623.1	75.48
Non-investment Grade Zone	3.59	33.94	/	84.28	25,190.5	20,976.3	4,214.2	2,030.3	75.27
Default	100.00	56.73	53.64	40.93	1,889.1	1,795.2	93.9	27.7	76.76

Notes: 1. Investment grade zone includes obligor ratings A1 to B2, non-investment grade zone includes C1 to E2 (excluding E2R), and default includes E2R to H1 (see page 65 for details of obligor ratings).
2. "Corporate" does not include specialized lending exposure under supervisory slotting criteria.
3. Each asset class includes purchased receivables.
4. The commitments that can be terminated at any time without condition or terminated automatically are not included in the amount of undrawn commitments and weighted average of credit conversion factor.

Useful for understanding profitability and transition of the loan assets.

Source: Mizuho Financial Group: Disclosure magazine

3 Focus on Mortgage-Backed Securities

Euro million As of June 30, 2009 (unless indicated)	Prime Residential MBS	Commercial MBS	UK RMBS	US Subprime RMBS	US Alt-A RMBS
% of par @ 31/12/07	98%	92%	96%	72%	59%
% of par @ 30/06/08	96%	83%	82%	53%	28%
% of par @ 31/12/08	91%	77%	59%	45%	14%
% of par @ 30/06/09	87%	78%	47%	39%	14%
AAA	1,649	1,103	163	70	4
AA	252	318	59	182	4
A	110	456	9	87	16
BBB	36	516	1	111	9
Below invst. Grade	11	100	3	172	16
Equity / Non rated	3	40	1	2	0
Value	2,062	2,532	236	624	49
Shareholder Exposure	76%	89%	72%	37%	89%
OCI[1]	49%	92%	41%	93%	48%
P&L	51%	8%	59%	7%	52%

(1) Fair value changes of assets classified as available for sale are recognized in the OCI component in shareholders' equity.

Helpful presentation of shareholders' exposure

Source: AXA Earnings presentation: 1H09

ING Group's Alt-A RMBS

Total portfolio	3Q09	2Q09
On balance sheet	3.0 billion	3.1 billion
Market value	58.9%	57.4%
Re-payments	1.6 billion*	1.4 billion*
Delinquencies**	24.1%	20.9%
After-tax revaluation reserve	-0.4 billion	-0.9 billion
Pre-tax IFRS impairment	580 million	323 million

IFRS impairments exceed estimated loss (in EUR million)

	3Q09	2Q09
Cash loss	8	1
Estimated credit loss	239	108
IFRS pre-tax impairment	580	323

Repayments to Dutch State ahead of IABF schedule

- Re-payments to Dutch State EUR 3.5 billion year-to-date, higher than scheduled
- Cash loss on Alt-A RMBS increased in 3Q09 but is still limited to EUR 8 million

ING takes additional impairments

- EUR 535 million pre-tax impairments on newly impaired bonds triggered by higher delinquencies and LGD
- EUR 45 million re-impairments as several previously impaired bonds declined in market value in 3Q09
- Remaining negative revaluation reserve on ING's Alt-A RMBS is EUR 394 million after-tax

* Based on 100% of the Alt-A RMBS portfolio
** Sum of 60+ day delinquencies, bankruptcies, foreclosures, real estate owned in underlying mortgages

ING

Clearly presents gap between cash vs IFRS MTM hits

Source: ING Earnings presentation 3Q09

Principal Financial Group
U.S. Invested Assets
Cash Versus Synthetic Markets for Select Available for Sale Corporate Bonds
as of September 30, 2009
($ in millions)

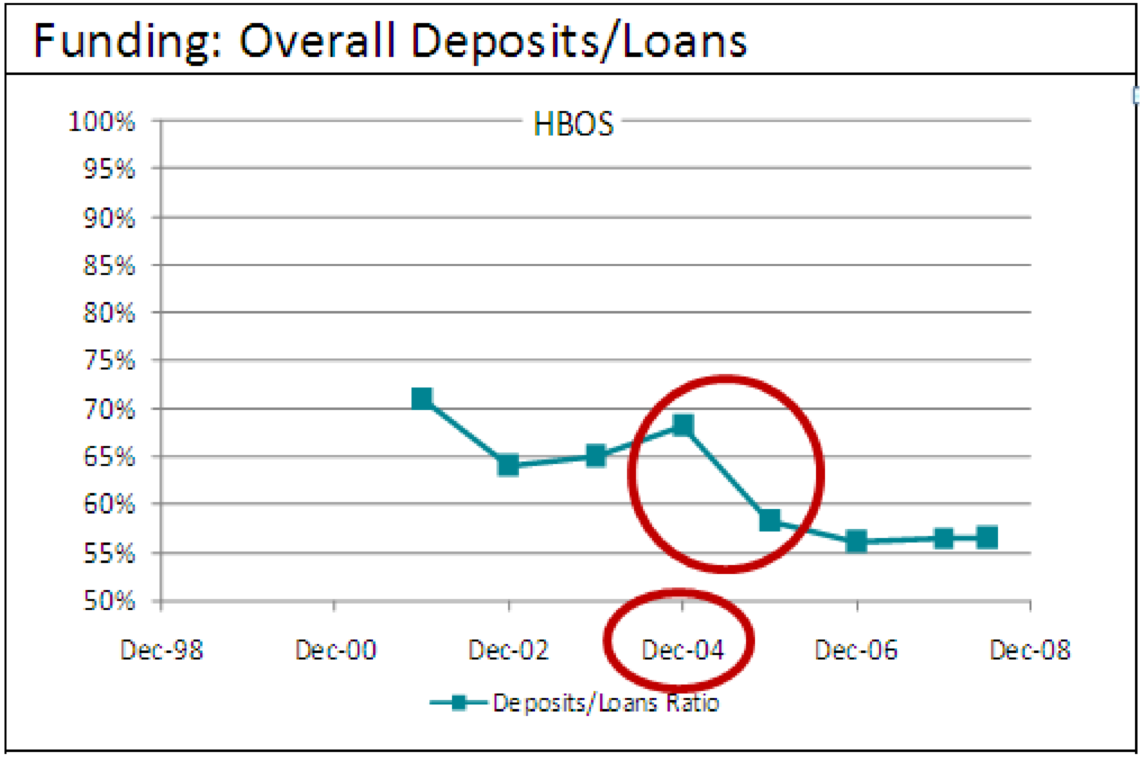
Barclays Industry	Amortized Cost	Carrying Amount	Net Unrealized Gain (Loss)	Adjusted Carrying Amount	Net Adjusted Unrealized Gain (Loss)	CDS Pricing Adjustment	Basis Adjustment
FINANCE - BANKING	$ 4,337.2	$ 3,811.1	$ (526.1)	$ 4,418.0	$ 80.8	$ (606.9)	325
FINANCE - BROKERAGE	399.8	404.0	4.2	417.8	18.0	(13.8)	104
FINANCE - FINANCE COMPANIES	231.0	229.9	(1.1)	240.5	9.5	(10.6)	123
FINANCE - FINANCIAL OTHER	344.1	336.3	(7.8)	353.1	9.0	(16.8)	165
FINANCE - INSURANCE	2,290.9	2,103.0	(187.9)	2,311.3	20.4	(208.3)	177
FINANCE - REITS	1,369.0	1,269.1	(99.9)	1,367.0	(2.0)	(97.9)	185
INDUSTRIAL - BASIC INDUSTRY	1,912.0	1,955.9	43.9	2,074.5	162.5	(118.6)	133
INDUSTRIAL - CAPITAL GOODS	2,202.0	2,247.3	45.3	2,377.0	175.0	(129.7)	133
INDUSTRIAL - COMMUNICATIONS	2,751.7	2,916.5	164.8	3,119.3	367.6	(202.8)	135
INDUSTRIAL - CONSUMER CYCLICAL	1,576.3	1,587.8	11.5	1,694.3	118.0	(106.5)	150
INDUSTRIAL - CONSUMER NON CYCLICAI	3,125.5	3,285.8	160.3	3,456.4	330.9	(170.6)	99
INDUSTRIAL - ENERGY	1,932.5	2,024.1	91.6	2,213.5	281.0	(189.4)	143
INDUSTRIAL - OTHER	675.2	678.9	3.7	726.0	50.8	(47.1)	141
INDUSTRIAL - TECHNOLOGY	832.8	850.0	17.2	892.8	60.0	(42.8)	109
INDUSTRIAL - TRANSPORTATION	926.7	943.7	17.0	997.1	70.4	(53.4)	122
UTILITY - ELECTRIC	2,546.1	2,665.9	119.8	2,733.8	187.7	(67.9)	48
UTILITY - NATURAL GAS	991.6	1,049.5	57.9	1,097.7	106.1	(48.2)	82
UTILITY - OTHER	138.1	147.8	9.7	155.0	16.9	(7.2)	84
	$ 28,582.5	**$ 28,506.6**	**$ (75.9)**	**$ 30,645.1**	**$ 2,062.6**	**$ (2,138.5)**	**150**

(1) - The table above represents differences in market values for select available for sale corporate bonds between the cash and synthetic markets. Name-specific CDS levels were used for 76% of the market values with sector-specific CDS spreads applied to the rest. The analysis was done on only straight Corporate debentures for companies part of the financial, industrial, or utility sectors.

Useful detail on illiquidity impact on bonds

Source: Principal Financial Group: 3Q09 presentation

The Value of Key Performance Indicator Time Series
HBOS: Trouble Brewing as early as 2005



Source: HBOS Financial reports