ING GROEP NV
Form 20-F
March 19, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F

(Mark One)

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-14642
ING GROEP N.V.
(Exact name of registrant as specified in its charter)
The Netherlands
(Jurisdiction of incorporation or organization)
ING Groep N.V.
Amstelveenseweg 500
1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
(Address of principal executive offices)
Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
American Depositary Shares, each representing one Ordinary share	New York Stock Exchange
Ordinary shares, nominal value EUR 0.24 per Ordinary share and Bearer Depositary receipts in respect of Ordinary shares*	New York Stock Exchange
7.05% ING Perpetual Debt Securities	New York Stock Exchange
7.20% ING Perpetual Debt Securities	New York Stock Exchange
6.20% ING Perpetual Debt Securities	New York Stock Exchange
6.125% ING Perpetual Debt Securities	New York Stock Exchange
5.775% ING Perpetual Debt Securities	New York Stock Exchange
6.375% ING Perpetual Debt Securities	New York Stock Exchange
7.375% ING Perpetual Debt Securities	New York Stock Exchange

* Listed, not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares, nominal value EUR 0.24 per Ordinary share	2,226,445,299
Bearer Depositary receipts in respect of Ordinary shares	2,225,764,238

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes þ o No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Yes o þ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark which financial statement item the registrant has elected to follow:

o Item 17 Item 18 þ

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yeso þ No

TABLE OF CONTENTS

Item		PAGE
	PART I	
1.	IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS	7
2.	OFFER STATISTICS AND EXPECTED TIMETABLE	7
3.	KEY INFORMATION	7
4.	INFORMATION ON THE COMPANY	16
5.	OPERATING AND FINANCIAL REVIEW AND PROSPECTS	39
6.	DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	83
7.	MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	103
8.	FINANCIAL INFORMATION	107
9.	THE OFFER AND LISTING	110
10.	ADDITIONAL INFORMATION	111
11.	QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK	118
12.	DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	118
	PART II	
13.	DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	119
14.	MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	119
15.	CONTROL AND PROCEDURES	119
16.	AUDIT COMMITTEE FINANCIAL EXPERT DISCLOSURE	121
	CODE OF ETHICS DISCLOSURE	121
	PRINCIPAL ACCOUNTANT FEES AND SERVICES	121
	PURCHASES OF REGISTERED EQUITY SERVICES OF THE ISSUER BY THE ISSUER AND AFFILIATED PURCHASERS	123
	PART III	
18.	FINANCIAL STATEMENTS	124
19.	EXHIBITS	124
	ADDITIONAL INFORMATION	
	SELECTED STATISTICAL INFORMATION ON BANKING OPERATIONS	127

EXHIBIT 1.1
EXHIBIT 1.2
EXHIBIT 7
EXHIBIT 8
EXHIBIT 10.1
EXHIBIT 10.2
EXHIBIT 10.3
EXHIBIT 12.1
EXHIBIT 12.2
EXHIBIT 13.1
EXHIBIT 13.2

Table of Contents

PRESENTATION OF INFORMATION

In this Annual report, and unless otherwise stated or the context otherwise dictates, references to ING Groep N.V. , ING Groep and ING Group refer to ING Groep N.V. and references to ING , the Company , the Group , we and to ING Groep N.V. and its consolidated subsidiaries. ING Groep N.V. s primary insurance and banking subsidiaries are ING Verzekeringen N.V. (together with its consolidated subsidiaries, ING Insurance) and ING Bank N.V. (together with its consolidated subsidiaries, ING Bank), respectively. References to Executive Board or Supervisory Board refer to the Executive Board or Supervisory Board of ING Groep N.V.

ING presents its consolidated financial statements in euros, the currency of the European Economic and Monetary Union. Unless otherwise specified or the context otherwise requires, references to US$ and Dollars are to the United States dollars and references to EUR are to euros.

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of euro 1.00 = $ 1.5369, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 10, 2008.

Except as otherwise noted, financial statement amounts set forth in this Annual Report are presented in accordance with International Financial Reporting Standards as adopted by the European Union (EU). In this document the term IFRS-EU is used to refer to International Financial Reporting Standards as adopted by the EU including the decisions ING Group made with regard to the options available under International Financial Reporting Standards as adopted by the EU. See Note 2.1 to the consolidated financial statements for further discussion of the basis of presentation.

IFRS-EU differs from International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement .

ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU carve out version of IAS 39. Under the EU IAS 39 carve-out , hedge accounting may be applied, in respect of fair value macro hedges, to core deposits and hedge ineffectiveness is only recognised when the revised estimate of the amount of cash flows in scheduled time buckets is more than the original designated amount of that bucket and is not recognized when the revised amount of cash flows in scheduled time buckets is less than the original designated amount. Under IFRS-IASB, hedge accounting for fair value macro hedges can not be applied to core deposits and ineffectiveness arises whenever the revised estimate of the amount of cash flows in scheduled time buckets is either more or less than the original designated amount of that bucket.

Effective March 4, 2008, amendments to Form 20-F permit Foreign Private Issuers to include financial statements prepared in accordance with IFRS-IASB without reconciliation to US GAAP. The amendments also include a two-year transition provision to accommodate Issuers, such as ING Group that apply the EU IAS 39 hedge accounting carve-out and provide a reconciliation of profit and equity under IFRS-EU to IFRS-IASB. This reconciliation is included in Note 2.4 to the consolidated financial statements. A reconciliation of profit under IFRS-EU to US GAAP for the comparative years ending December 31, 2006 and December 31, 2005 and of equity under IFRS-EU to US GAAP for the year ending December 31, 2006, is provided in Note 2.5 to the consolidated financial statements.

Unless otherwise indicated, gross premiums, gross premiums written and gross written premiums as referred to in this Annual Report include premiums (whether or not earned) for insurance policies written during a specified period, without deduction for premiums ceded, and net premiums, net premiums written and net written premiums include premiums (whether or not earned) for insurance policies written during a specified period, after deduction for premiums ceded. Certain amounts set forth herein may not sum due to rounding.

Table of Contents

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Annual Report that are not historical facts, including, without limitation, certain statements made in the sections hereof entitled Information on the Company, Dividends, Operating and Financial Review and Prospects, Selected Statistical Information on Banking Operations and Quantitative and Qualitative Disclosure of Market Risk are statements of future expectations and other forward-looking statements that are based on management s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation,

changes in general economic conditions, in particular economic conditions in ING s core markets,

changes in performance of financial markets, including developing markets,

changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness,

the frequency and severity of insured loss events,

changes affecting mortality and morbidity levels and trends,

changes affecting persistency levels,

changes affecting interest rate levels,

changes affecting currency exchange rates,

changes in general competitive factors,

changes in laws and regulations,

changes in the policies of governments and/or regulatory authorities,

ING is under no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. See Item 3. Key Information-Risk Factors and Item 5. Operating and Financial Review and Prospects Factors Affecting Results of Operations.

Table of Contents

PART I

Item 1. Identity Of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics And Expected Timetable

Not Applicable.

Item 3. Key Information

The selected consolidated financial information data set forth below is derived from the consolidated financial statements of ING Group. ING Group adopted IFRS as adopted by the EU as of 2005. The 2004 figures have been restated to comply with IFRS-EU. However, as permitted under IFRS 1, First-time adoption of International Financial Reporting Standards (IFRS 1), the 2004 comparatives exclude the impact of IAS 32, Financial Instruments; Disclosure and Presentation (IAS 32), IAS 39, Financial Instruments: Recognition and Measurement (IAS 39) and IFRS 4, Insurance Contracts (IFRS 4), which were implemented starting from January 1, 2005.

IFRS-EU differs in certain respects from IFRS-IASB and U.S. GAAP. See Note 2.4. to the consolidated financial statements for a description of the differences between IFRS-EU and IFRS-IASB and a reconciliation of certain income statement and balance sheet items to IFRS-IASB. See Note 2.5. to the consolidated financial statements for a description of the differences between IFRS-EU and U.S. GAAP and a reconciliation of certain income statement and balance sheet items to U.S. GAAP.

The following information should be read in conjunction with, and is qualified by reference to the Group s consolidated financial statements and other financial information included elsewhere herein.

Table of Contents

	Year ended December 31,				
	2007 USD[2]	2007 EUR	2006[3] EUR	2005[3] EUR	2004[3] EUR
	(in millions, except amounts per share and ratios)				
IFRS-EU Consolidated Income Statement Data [1]					
Income from insurance operations:					
Gross premiums written:					
Life	62,601	40,732	40,501	39,144	36,975
Non-life	9,354	6,086	6,333	6,614	6,642
Total	71,955	46,818	46,834	45,758	43,617
Commission income	2,922	1,901	1,636	1,346	1,198
Investment and Other income	20,730	13,488	11,172	10,299	10,787
Total income from insurance operations	95,606	62,208	59,642	57,403	55,602
Income from banking operations:					
Interest income	118,125	76,859	59,262	48,342	25,471
Interest expense	104,237	67,823	49,927	39,180	16,772
Net interest result	13,888	9,036	9,335	9,162	8,699
Investment income	1,455	947	483	937	363
Commission income	4,497	2,926	2,681	2,401	2,581
Other income	2,602	1,693	1,696	1,348	1,035
Total income from banking operations	22,442	14,602	14,195	13,848	12,678
Total income [4]	**117,707**	**76,586**	**73,621**	**71,120**	**68,159**
Expenditure from insurance operations:					
Life	76,117	49,526	49,106	47,156	44,988
Non-life	9,450	6,149	5,601	6,269	6,292
Total expenditure from insurance operations	88,567	55,675	54,707	53,425	51,280
Total expenditure from banking operations	15,510	10,092	9,190	8,932	9,260
Total expenditure [4,5]	**100,735**	**65,543**	**63,681**	**62,226**	**60,419**
Profit before tax from insurance operations:					
Life	8,168	5,314	3,436	2,666	2,647
Non-life	1,873	1,219	1,499	1,312	1,675
Total	10,041	6,533	4,935	3,978	4,322
Profit before tax from banking operations	6,931	4,510	5,005	4,916	3,418
Profit before tax	**16,972**	**11,043**	**9,940**	**8,894**	**7,440**
Taxation	2,358	1,535	1,907	1,379	1,709

Minority interests	410	267	341	305	276
Net profit	**14,202**	**9,241**	**7,692**	**7,210**	**5,755**
Dividend on Ordinary shares	4,887	3,180	2,865	2,588	2,359
Addition to shareholders equity	9,315	6,061	4,827	4,622	3,396
Net profit attributable to equity holders of the Company	14,202	9,241	7,692	7,210	5,755
Ordinary share attributable to equity holders of the Company[6]	6.64	4.32	3.57	3.32	2.71
Distributable net profit per Ordinary share [6]	6.64	4.32	3.57	3.32	2.71
Net profit per Ordinary share and Ordinary share equivalent (fully diluted) [6]	6.58	4.28	3.54	3.32	2.71
Dividend per Ordinary share [6]	2.27	1.48	1.32	1.18	1.07
Interim Dividend	1.01	0.66	0.59	0.54	0.49
Final Dividend	1.26	0.82	0.73	0.64	0.58
Number of Ordinary shares outstanding (in millions)	2,226.4	2,226.4	2,205.1	2,204.9	2,204.7
Dividend pay-out ratio [7]	34.3%	34.3%	37.0%	35.5%	39.5%

Table of Contents

	2006	2005	2004	2003
		(EUR millions)		
U.S. GAAP Consolidated Income Statement Data				
Total income	47,588	47,960	49,733	48,025
Net profit U.S. GAAP, excluding cumulative effects	6,827	6,976	6,688	4,512
Cumulative effects of changes in accounting principles			(91)	
Net profit U.S. GAAP, including cumulative effects [8]	6,827	6,976	6,597	4,512
Net profit per Ordinary share and Ordinary share equivalent[6]	3.17	3.21	3.10	2.23

		Year ended December 31,			
	2007 USD[2]	2007 EUR	2006[3] EUR	2005[3] EUR	2004[3] EUR
		(in billions, except amounts per share and ratios)			
IFRS-EU Consolidated Balance Sheet Data					
Total assets	2,017.2	1,312.5	1,226.3	1,158.6	876.4
Investments:					
Insurance	203.3	132.3	140.5	144.5	112.1
Banking	246.5	160.4	171.1	180.1	164.2
Total	449.9	292.6	311.6	324.6	276.3
Loans and advances to customers	849.9	553.0	474.4	439.2	330.5
Insurance and investment contracts:					
Life	357.2	232.4	237.9	232.1	205.5
Non-life	14.8	9.6	10.1	12.8	11.4
Investment contracts	36.4	23.7	20.7	18.6	
Total	408.4	265.7	268.7	263.5	216.9
Customer deposits and other funds on deposit:					
Savings accounts of the banking operations	422.8	275.1	283.1	269.4	219.4
Other deposits and bank funds	384.4	250.1	213.6	196.3	129.8
Total	807.2	525.2	496.7	465.7	349.2
Amounts due to banks	256.7	167.0	120.8	122.2	95.9
Share capital (in millions)	2,242.4	2,242.4	2,268.1	2,292.0	2,291.8
Shareholders equity	57.2	37.2	38.3	36.7	24.1
Shareholders equity per Ordinary share [6]	27.25	17.73	17.78	16.96	12.95

	2006	2005	2004	2003
	(EUR billions, except amounts per share)			
U.S. GAAP Consolidated Balance Sheet Data				
Total assets	1,228.4	1,159.3	920.4	818.8
Shareholders equity	40.6	41.6	35.1	28.0
Shareholders equity per Ordinary share and Ordinary share equivalent[6]	18.88	19.21	16.00	13.27

(1) Selected historical financial data is based on financial statements prepared in accordance with IFRS-EU and accordingly is shown for the four years subsequent to the date of transition to IFRS

(2) Euro amounts have been translated into U.S. dollars at the exchange rate of $1,5369 to EUR 1.00, the noon buying rate in New York City on March 10, 2008 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

(3) For the impact of divestments see Item 5. Operating and Financial

Review and Prospects .

(4) After elimination of certain intercompany transactions between the insurance operations and the banking operations. See Note 2.1. to the consolidated financial statements.

Table of Contents

(5) Includes all non-interest expenses, including additions to the provision for loan losses. See Item 5, Operating and Financial Review and Prospects Liquidity and Capital Resources .

(6) Net profit per share amounts have been calculated based on the weighted average number of Ordinary shares outstanding and equity per share amounts have been calculated based on the number of Ordinary shares outstanding at the end of the respective periods. For purposes of this calculation ING Groep N.V. shares held by Group companies are deducted from the total number of Ordinary shares in issue. Shareholders equity per share is based on Ordinary shares

outstanding at end of period.

(7) The dividend pay-out ratio is based on net profit attributed to equity holders of the Company.

(8) Upon adoption of SOP 03-1, Accounting and Reporting by Insurance Enterprises for certain Nontraditional long-duration contracts and for separate Accounts , and the related Technical Practice Aid (TPA) effective January 1, 2004, ING Group recognized a cumulative effect of change in accounting principle of EUR 91 million.

EXCHANGE RATES

Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar amounts received by owners of shares or ADSs on conversion of dividends, if any, paid in euros on the shares and will affect the U.S. dollar price of the ADSs on the New York Stock Exchange.

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for U.S. dollars into euros based on the Noon Buying Rate.

	U.S. dollars per euro			
Calendar Period	**Period End[1]**	**Average Rate[2]**	**High**	**Low**
2003	1.2597	1.2074	1.2597	1.0361
2004	1.3538	1.2478	1.3625	1.1801
2005	1.1842	1.2397	1.3476	1.1670
2006	1.3197	1.2661	1.3327	1.1860
2007	1.4603	1.3794	1.4862	1.2904
2008 (through March 10, 2008) [2]	1.5369	1.5132	1.5369	1.4495

(1) The Noon Buying Rate at such dates differ from the rates used in the preparation of ING s consolidated financial statements as of such date. See Note 2.1 to the consolidated financial statements.

(2) The average of the Noon Buying Rates on the last business day of each full calendar month during the period.

The table below shows the high and low exchange rate of U.S. dollars per euro for the last six months

	High	**Low**
September 2007	1.4219	1.3606
October 2007	1.4468	1.4092
November 2007	1.4435	1.4862
December 2007	1.4718	1.4344
January 2008	1.4877	1.4574
February 2008	1.5187	1.4495
March 2008 (through March 10, 2008)	1.5369	1.5195

The Noon Buying Rate for euros on December 31, 2007 was EUR 1.00 = $ 1.4603 and the Noon Buying Rate for euros on March 10, 2008 was EUR 1.00 = $ 1.5369.

Table of Contents

RISK FACTORS

Risks Related to the Financial Services Industry

Because we are an integrated financial services company conducting business on a global basis, our revenues and earnings are affected by the volatility and strength of the economic, business and capital markets environments specific to the geographic regions in which we conduct business and changes in such factors may adversely affect the profitability of our insurance, banking and asset management business.

Factors such as interest rates, exchange rates, consumer spending, business investment, real estate market, government spending, the volatility and strength of the capital markets, and terrorism all impact the business and economic environment and, ultimately, the amount and profitability of business we conduct in a specific geographic region. For example, in an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investment and consumer spending, the demand for banking and insurance products would be adversely affected and our reserves and provisions would likely increase, resulting in lower earnings. Similarly, a downturn in the equity markets could cause a reduction in commission income we earn from managing portfolios for third parties, as well as income generated and capital base from our own proprietary portfolios, each of which is generally tied to the performance and value of such portfolios. We also offer a number of insurance and financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. In addition, a mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or result from operations of our banking and insurance businesses.

Because our life and non-life insurance and reinsurance businesses are subject to losses from unforeseeable and/or catastrophic events, which are inherently unpredictable, our actual claims amount may exceed our established reserves or we may experience an abrupt interruption of activities, each of which could result in lower net profits and have an adverse effect on our results of operations.

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods and earthquakes, epidemics, as well as terrorist attacks. The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and can not always be adequately reserved. In accordance with industry practices, modeling of natural catastrophes are performed and risk mitigation measures are made. In case claims occur, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established and includes updates when more information becomes available. Although we continually review the adequacy of the established claim reserves, and based on current information, we believe our claim reserves are sufficient in total, there can be no assurances that our actual claims experience will not exceed our estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, our earnings may be reduced and our net profits may be adversely affected. In addition, because unforeseeable and/or catastrophic events can lead to abrupt interruption of activities, our banking and insurance operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions, insurance and pension benefits to employees and also to key personnel. If our business continuity plans are not able to be put into action or do not take such events into account, losses may further increase.

Because we operate in highly regulated industries, laws, regulations and regulatory policies or the enforcement thereof that govern activities in our various business lines could have an effect on our reputation, operations and net profits.

We are subject to detailed banking, insurance, asset management and other financial services laws and government regulation in each of the jurisdictions in which we conduct business. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices. Banking, insurance and other financial services laws, regulations and policies currently governing us and our subsidiaries may also change at any time in ways which have an adverse effect on our business, and it is difficult to

predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, bank regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-

Table of Contents

corruption measures. Regulation is becoming increasingly more extensive and complex and regulators are focusing increased scrutiny on the industries in which we operate, often requiring additional Company resources. These regulations can serve to limit our activities, including through our net capital, customer protection and market conduct requirements, and restrictions on businesses in which we can operate or invest. If we fail to address, or appear to fail to address, appropriately any of these matters, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties. Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretation or conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, or we fail to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, amongst other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition.

RISKS RELATED TO THE COMPANY

Ongoing volatility in the financial markets has impacted and may continue to impact us.

As a result of ongoing and unprecedented volatility in the global financial markets in recent quarters, we have incurred negative revaluations on our investment portfolio, which have impacted our shareholders equity. Furthermore, we have incurred certain impairments and other losses, which have impacted our profit and loss accounts. Such impacts have arisen primarily as a result of valuation issues arising in connection with our exposures to US mortgage-related structured investment products, including sub-prime and Alt-AResidential Mortgage-Backed Securities (RMBS), Collateralized Loan Obligations (CDOs) and Collateralized Loan Obligations (CLOs), monoline insurer guarantees, Structured Investment Vehicles (SIVs) and other investments. In many cases, the markets for such instruments have become highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such instruments is a complex process involving the consideration of market transactions, pricing models, management judgment and other factors, and is also impacted by external factors such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. While we continue to monitor our exposures in this area, in light of the ongoing market environment and the resulting uncertainties concerning valuations, there can be no assurances that we will not experience further negative impacts to our shareholders equity or profit and loss accounts from such assets in future periods. For additional information, see Item 5 Operating and financial review and prospects Factors affecting results of operations Market Developments in 2007 .

Because we operate in highly competitive markets, including in our home market, we may not be able to further increase, or even maintain, our market share, which may have an adverse effect on our results of operations.

There is substantial competition in the Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking, asset management and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If we are not able to match or compete with the products and services offered by our competitors, it could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the Rest of Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors. We derived approximately 41% of our profit before tax in 2007 from the Netherlands. Based on geographic division of our operating profit, the Netherlands is our largest market for both our banking and insurance operations. Our main competitors in the banking sector in the Netherlands are ABN Amro Bank, Fortis and Rabobank. Our main competitors in the insurance sector in the Netherlands are Achmea, Fortis and Aegon. We derived approximately 12% of our profit before tax in 2007 from the United States. Our main competitors

in the United States are insurance companies such as Lincoln National, Hartford, Aegon Americas, AXA, Met Life, Prudential, Nationwide and Principal Financial. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors.

Table of Contents

Because we have many counterparties that we do business with, the inability of these counterparties to meet their financial obligations could have an adverse effect on our results of operations.

General

Third-parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers whose securities we hold, borrowers under loans originated, customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing house and other financial intermediaries. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

Reinsurers

Our insurance operations have bought protection for risks that exceed certain risk tolerance levels set for both our life and non-life businesses. This protection is bought through reinsurance arrangements in order to reduce possible losses. Because in most cases we must pay the policyholders first, and then collect from the reinsurer, we are subject to credit risk with respect to each reinsurer for all such amounts. As a percentage of our (potential) reinsurance receivables as of December 31, 2007, the greatest exposure after collateral to an individual reinsurer was approximately 10%, approximately 29% related to four other reinsurers and the remainder of the reinsurance receivables balance related to various other reinsurers. The inability of any one of these reinsurers to meet its financial obligations to us could have a material adverse effect on our net profits and our financial results.

Because we use assumptions about factors to determine the insurance provisions, deferred acquisition costs (DAC) and value of business added (VOBA), the use of different assumptions about these factors may have an adverse impact on our results of operations.

The establishment of insurance provisions, including the impact of minimum guarantees which are contained within certain variable annuity products, the adequacy test performed on the provisions for life policies and the establishment of DAC and VOBA are inherently uncertain processes involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour (e.g. lapses, persistency, etc.) and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends.

The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expense. Changes in assumptions may lead to changes in the insurance provisions over time. Furthermore, some of these assumptions can be volatile.

Because we use assumptions to model client behavior for the purpose of our market risk calculations, the difference between the realization and the assumptions may have an adverse impact on the risk figures.

We use assumptions in order to model client behavior for the risk calculations in our banking and insurance books. Assumptions are used to determine insurance liabilities, the price sensitivity of savings and current accounts and to estimate the embedded optional risk in the mortgage and investment portfolios. The realization or use of different assumptions to determine the client behavior could have material adverse effect on the calculated risk figures and ultimately future results.

Because we also operate in markets with less developed judiciary and dispute resolution systems, in the event of disputes in these markets, the quality and the effectiveness of such systems could have an adverse effect on our operations and net results.

In the less developed markets in which we operate, judiciary and dispute resolution systems may be less developed. As a result in case of a breach of contract we may have difficulties in making and enforcing claims against contractual counterparties and, if claims are made against us, we might encounter difficulties in mounting a defense against such allegations. If we become party to legal proceedings in a market with an insufficiently developed judiciary system, it could have an adverse effect on our operations and net result.

Because we are a financial services company and we are continually developing new financial products, we might be faced with claims that could have an adverse effect on our operations and net result if clients expectations are not met.

When new financial products are brought to the market, communication and marketing aims to present a balance view of the product (however there is a focus on potential advantages for the customers). Whilst we engage in a due

diligence process when we develop products, if the products do not generate the expected profit, or result in

Table of Contents

a loss, or otherwise do not meet expectations, customers may file claims against us. Such claims could have an adverse effect on our operations and net result.

Our business may be negatively affected by adverse publicity, regulatory actions or litigation with respect to the Company, other well-known companies and the financial services industry generally.

Adverse publicity and damage to ING s reputation arising from its failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well known companies, increasing regulatory and law enforcement scrutiny of know your customer anti-money laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the mutual fund, banking and insurance industries, and litigation that arises from the failure or perceived failure by ING to comply with legal, regulatory and compliance requirements, could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect our ability to attract and retain customers, maintain access to the capital markets, result in cease and desist orders, suits, enforcement actions, fines and civil and criminal penalties, other disciplinary action or have other material adverse effects on us in ways that are not predictable.

Because we are a Dutch company and because the Stichting ING Aandelen holds more than 99% of our Ordinary shares, the rights of our shareholders may differ from the rights of shareholders in other jurisdictions, which could affect your rights as a shareholder.

While holders of our bearer receipts are entitled to attend and speak at the General Meetings of Shareholders, voting rights are not attached to the bearer depositary receipts. Stichting ING Aandelen (the Trust) holds more than 99% of our Ordinary shares, and exercises the voting rights attached to the Ordinary shares (for which bearer receipts have been issued). Holders of bearer receipts who attend in person or by proxy the General Meeting of Shareholders must obtain voting rights by proxy from the Trust. Holders of bearer receipts and holders of the ADSs (American Depositary Shares) representing the bearer receipts, who do not attend the General Meeting of Shareholders, may give binding voting instructions to the Trust. See Item 7. Major Shareholders and Related Party Transactions Voting Instructions of holders of bearer receipts of Ordinary shares to the Trust. The Trust is entitled to vote any Ordinary shares underlying the bearer depositary receipts for which the Trust has not granted voting proxies, or voting instructions have not been given to the Trust. In exercising its voting discretion, the Trust is required to make use of the voting rights attached to the Ordinary shares in the interest of the holders of bearer receipts, while taking into account

- § our interests;
- § the interests of our affiliates; and
- § the interests of our other stakeholders.

in such a way that all interests are balanced and safeguarded as effectively as possible. The Trust may, but has no obligation to, consult with the holders of bearer receipts or ADSs in exercising its voting rights in respect of any Ordinary shares for which it is entitled to vote. These arrangements differ from practices in other jurisdictions, and accordingly may affect the rights of the holders of bearer receipts or ADSs and their power to affect the Company s business and operations.

The share price of our bearer receipts and ADSs has been, and may continue to be, volatile which may impact the value of our bearer receipts or ADSs you hold.

The share price of our bearer receipts and our ADSs has been volatile in the past due, in part, to the high volatility in the securities markets generally and more particular in shares of financial institutions. Other factors, besides our financial results, that may impact our share price include, but are not limited to:

- § market expectations of the performance and capital adequacy of financial institutions in general;
- § investor perception of the success and impact of our strategies;
- § a downgrade or review of our credit ratings;

§ potential litigation or regulatory action involving ING Group or sectors we have exposure to through our insurance and banking activities;

Table of Contents

- § announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and general market circumstances.

Because we are incorporated under the laws of the Netherlands and most of the members of our Supervisory and Executive Board and many of our officers reside outside of the United States, it may be difficult for you to enforce judgments against us or the members of our Supervisory and Executive Boards or our officers.

Most of our Supervisory and Executive Board members, and some of the experts named in this Annual Report, as well as many of our officers are persons who are not residents of the United States, and most of our and their assets, are located outside the United States. As a result, you may not be able to serve process on those persons within the United States or to enforce in the United States judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws.

You also may not be able to enforce judgments of U.S. courts under the U.S. federal securities laws in courts outside the United States, including the Netherlands. The United States and the Netherlands do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, you will not be able to enforce in the Netherlands a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, even if the judgment is not based only on the U.S. federal securities laws, unless a competent court in the Netherlands gives binding effect to the judgment.

Table of Contents

Item 4. Information on the Company

GENERAL

ING was established as a Naamloze Vennootschap (public limited liability company) on March 4, 1991, through the merger of Nationale-Nederlanden, which was the largest insurer in the Netherlands, and NMB Postbank Group, which was one of the largest banks in the Netherlands. ING Groep N.V. is incorporated under the laws of the Netherlands.

The official address of ING Group is:	The name and address of ING Groep N.V. s agent in the United States is:
ING Groep N.V. Amstelveenseweg 500 1081 KL Amsterdam P.O. Box 810, 1000 AV Amsterdam The Netherlands Telephone +31 20 541 5411	ING Financial Holdings Corporation 1325 Avenue of the Americas New York, NY 10019 United States of America Telephone +1 646 424 6000

Our mission

We want to deliver our financial products and services in the way our customers want them delivered: with exemplary service, maximum convenience and at competitive prices. This is reflected in our mission statement: to set the standard in helping our customers manage their financial future.

Our profile

ING is a global financial services company providing banking, investments, life insurance and retirement services. We serve more than 75 million customers in Europe, the United States, Canada, Latin America, Asia and Australia. We draw on our experience and expertise, our commitment to excellent service and our global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments. Based on market capitalization (December 31, 2007), ING is one of the 20 largest financial institutions worldwide.

Our strategy

Capitalizing on changing customer preferences and building on our solid business capabilities, ING s strategic focus is on banking, investments, life insurance and retirement services. We want to provide retail customers with the products they need during their lives to grow savings, manage investments and prepare for retirement with confidence. We will build and invest more in bank distribution platforms. We will increasingly invest in high-growth markets. The successful execution of the strategy is underpinned by continued efficient reallocation of capital through redeploying the capital we generate in mature markets to high-growth businesses, or returning it to our shareholders. With this strategy, ING remains focused on creating value for its shareholders and rewarding them with a better total return on investment than the average of our peers in the financial sector over the longer term.

Our stakeholders

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

Our corporate responsibility

ING wants to pursue profit on the basis of sound business ethics and respect for its stakeholders. Corporate responsibility is therefore a fundamental part of ING s strategy: ethical, social and environmental factors play an integral role in our business decisions.

CHANGES IN PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

Reference is made to Note 2.1. to the consolidated financial statements.

Table of Contents

CHANGES IN THE COMPOSITION OF THE GROUP

Acquisitions effective in 2007

In September 2007 ING paid EUR 20 million to increase its shareholding in ING Piraeus Life (the joint venture between ING and Piraeus Bank) from 50 to 100%.

In April 2007 ING acquired 100% of AZL, an independent Dutch provider of pension fund management services, for EUR 65 million.

In July 2007 ING announced that it had reached agreement to acquire full ownership of Landmark Investment Co Ltd, the twelfth largest asset manager in Korea. The purchase price paid for Landmark was EUR 255 million.

In November 2007, ING acquired 100% of Sharebuilder Corporation, a Seattle-based brokerage company for EUR 152 million, to extend its retail investment products range and geographical spread in the United States.

In November and December 2007, ING acquired the Latin American pension businesses of Banco Santander in Mexico for EUR 349 million, Columbia for EUR 88 million, Uruguay for EUR 20 million and Argentina for EUR 235 million. The pension business in Chile was acquired in January 2008 for EUR 450 million. The total cost of the entire deal was approximately EUR 1,100 million.

In December 2007 ING announced the completion of the acquisition of 100% of the shares in Oyak Bank for an amount of EUR 1,903 million. Oyak Bank is a leading bank in the Turkish market, offering a full range of banking services with a focus on retail banking. Goodwill of EUR 1,015 million was recognized on acquisition. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. The profit for the year (before amortization of the intangibles recognized on purchase accounting) was approximately EUR 80 million, but no profit or loss was included in the ING Group net profit in 2007.

Disposals effective in 2007

In June 2007 ING sold its investment in Nationale Borg, a specialist provider of guarantee insurance to HAL Investments BV and Egeria.

In July 2007 ING sold ING Trust to management of ING Trust and Foreman Capital, an independent investment company based in the Netherlands. The sale is part of ING s strategy to focus on its core banking, insurance and asset management businesses.

In July 2007 ING sold its entire shareholding in ING Regio BV, a subsidiary of Regio Bank NV to SNS REAAL for EUR 50.5 million, resulting in a gain of EUR 26 million. This entity conducts most of the business of Regio Bank. The legal entity Regio Bank NV itself was not part of the transaction.

In September 2007 ING sold its Belgian Broker and Employee Benefits insurance business to P&V Verzekeringen for EUR 777 million, resulting in a gain of EUR 418 million.

Disposals announced and expected to occur in 2008

In December 2007 ING announced that agreement had been reached to sell NRG, a reinsurance unit, to Berkshire Hathaway. The sale for approximately EUR 300 million will result in a loss of approximately EUR 129 million. A provision has been recognised for this loss in Other liabilities. The net assets of NRG at 31 December 2007 amounted to EUR 397 million. Individually significant assets and liabilities consisted of Investments of EUR 578 million and Technical provisions of EUR 194 million, respectively.

In February 2008, ING Group announced that it has reached an agreement with AXA to sell part of its Mexican business, Seguros ING SA de CV and subsidiaries, for a price of approximately EUR 1.0 billion. Under the terms of the agreement, ING will divest companies that comprise its non-life businesses of Property and Casualty and Auto, in addition to its Health and Life insurance lines, its Health Maintenance Organization (ISES) and its Bonding Business. This sale, which is subject to regulatory approval and is expected during the course of 2008, will allow ING to focus on growing its existing Mexican pension (Afore) and Annuities businesses. Seguros ING SA de CV and subsidiaries are presented within the Insurance Americas segment in Note 49 of Note 2.1 to the consolidated financial statements. For the years 2006 and 2005 as well as a description of on-going capital expenditures, see Note 29 of Note 2.1 to the consolidated financial statements.

Table of Contents

RECENT DEVELOPMENTS

For recent changes in the Executive Board and Supervisory Board reference is made to Item 6. Directors, Senior Management and Employees .

On March 5, 2008, ING announced a tender offer (the Tender Offer) to acquire the remaining issued and outstanding depositary receipts of the preference A shares. The Tender Offer period commenced on March 5, 2008 and ends on June 26, 2008, unless extended or earlier terminated in accordance with the terms of the Tender Offer. The Tender Offer is not made, directly or indirectly, in or into any jurisdiction where it would be unlawful, including the United States. At the 2008 annual General Meeting of Shareholders, ING will propose to cancel all of the preference A shares.

GROUP STRATEGY

Focusing the strategy to accelerate growth

Key points

- § Focus on banking, investments, life insurance and retirement services
- § Provide retail customers with the products they need to grow savings, manage investments, and prepare for retirement
- § Invest in bank distribution and high-growth markets
- § Continue to improve business fundamentals and maintain strength in capital and risk management

In a very challenging environment in 2007, ING performed strongly, both on the commercial front and in the areas of risk management and capital allocation. We believe this illustrates the strength of our strategy which is to capitalize on changing customer preferences that are transforming the financial industry. We are accelerating the allocation of capital to high-growth areas by focusing on banking, investments, life insurance and retirement services. In 2007, we also returned capital to our shareholders through an attractive dividend and a significant share buy-back program.

Strong performance confirms sound business fundamentals

In 2007, ING performed strongly in what has been a very difficult year for the financial sector. The environment was characterised by a weak U.S. dollar, a flat yield curve and notably the problems in the US sub-prime mortgage market which spread to the larger financial markets in the second half of the year. In this challenging environment, ING enjoyed good commercial performance. We achieved solid volume growth in banking, illustrated by an increase in client balances at ING Direct and Retail Banking. In our life insurance business, we witnessed strong growth in sales and value of new business across the board.

The turbulence in the financial markets has put a spotlight on risk management across the financial sector. ING has weathered the turmoil in credit markets with limited direct impact. All in all, we believe that our performance in 2007 demonstrates that the fundamentals underpinning our business are sound.

Focused strategy going forward

We believe customer preferences are changing and these changes are reshaping the financial industry. We have chosen to focus on where we believe our greatest opportunities lie as a financial services provider, given our strengths. Therefore, we narrow our strategic focus to banking, investments, life insurance and retirement services, thus providing retail customers with the products they need to grow savings, manage investments and prepare for retirement with confidence.

Capitalizing on changing customer preferences

Customer preferences are changing and reshaping the industry. As more customers live longer they know they need to increasingly save enough to enjoy retirement comfortably. And across the globe, especially in emerging markets, people are becoming wealthier. As customers accumulate more wealth, this drives strong growth in total client balances. In particular there is a growing demand for savings and investment products, irrespective of whether these products are provided by a bank or insurer. And with many products and services to choose from, customers expect strong investment performance from their financial services providers.

Against this backdrop, the life insurance sector is going through a paradigm shift from traditional to investment-linked products. And because of this shift, distribution is moving increasingly into the domain of banking. With the

Table of Contents

surge in technological developments, customers can access financial services faster and in many different ways. Customers increasingly obtain easy, direct access to financial products, and advice only when they want it. This has led to growth of direct distribution channels, as reflected in the success of Postbank and ING Direct.

Building on our solid business capabilities

ING has three important strengths driving our business. These are (1) high performance product capabilities; (2) a strong distribution reach; (3) a leading retail financial brand.

Our high performance product capabilities include vast experience in building savings products, mortgages, variable annuities, pensions and other investment products. With our full suite of products, we can accompany customers throughout their lifecycle. We also have scale in each product category, and are one of the largest savings banks in the world when the balances from different business units including those in Retail Banking and ING Direct are aggregated. Our product manufacturing is supported by vast expertise and investment skills in our Investment Management businesses, and asset generation and transformation in our Wholesale Banking businesses.

We have a strong retail customer franchise and an extensive distribution reach, including a broad presence in developing markets. We are able to serve our 75 million customers through different distribution channels our own online and banking channels, through tied agents, and via distribution agreements with other parties. We adapt our distribution model to the market and have a track record for building innovative bank distribution models in mature and developing markets. In certain markets, we have built a strong agent and broker distribution network.

ING has created one of the world s leading retail financial services brands. Increasing awareness for the ING brand, across the globe has again been a key priority over the last years. In 2007, the global sponsorship of the ING Renault Formula One team along with its first-ever global branding campaign was very successful. As a result of the F1 sponsorship, ING s brand awareness has increased significantly across the globe. And the activation of the sponsorship has generated business leads and new business.

New strategic focus

Capitalising on changing customer preferences and building on our solid business capabilities, we have chosen to sharpen our strategic focus to banking, investments, life insurance and retirement services:

We want to provide retail customers with the products they need during their lives to grow savings, manage investments and prepare for retirement with confidence.

We will build and invest more in bank distribution platforms.

We will increasingly invest in high-growth markets.

As a result, ING will focus its product offerings on certain key products and business areas, including current accounts, savings, mortgages, mutual funds, pensions, life insurance, investment-linked insurance and variable annuities. We want to further strengthen our product manufacturing capabilities, including in the field of asset management. Excellent asset management skills are crucial to the success of our strategy. We will further invest in strengthening our global capabilities and investment expertise to deliver first-class investment performance for our clients and to increasingly develop products which blend asset management, insurance and capital markets features.

Our Wholesale Banking expertise is also fundamentally important. The essence of our business is to collect consumer deposits and redeploy them as investments in the economy. Wholesale Banking generates high-quality assets where we can invest retail deposits. Also, it provides us with many relevant skills in risk management as well as access to financial markets around the world. Furthermore, developments in recent months have again strengthened our belief that it is essential to be able to generate a good portion of our own assets to maintain a healthy profile of the company.

Another priority is to build and invest in bank distribution platforms. Banks fulfil many customer needs, covering the full range of products from liquidity to lending and investing. Banking is structurally well-positioned as it offers opportunities for early customer acquisition and maintaining customer relationships. Moreover, it is a rapidly growing industry in developing markets, with Turkey as an important example. There is also a steady and fundamental shift taking place towards online banking already one of our key differentiators which we will continue to build on.

We will put more emphasis on developing markets in order to capture their fundamental long-term growth, supported by a strong home market to fuel that expansion. Starting from strong footprints in Asia, Central Europe and Latin

America, we will accelerate our investments in these growth markets.

Table of Contents

In the context of our strategic focus we will significantly invest in organic growth and add-on acquisitions. We will also accelerate our portfolio management, assessing our current business in line with the sharpened strategic focus.

Business initiatives in 2007

We have already stepped up the pace of our investment efforts in 2007 and started a major acquisition program that gives us strategic positions in important growth markets, such as Turkey, South Korea, Thailand and Latin America. We acquired Oyak Bank in Turkey, for example, adding 1.2 million customers to our client base. We also acquired a significant stake in TMB, a retail bank in Thailand. In addition, we continued to invest in strengthening product manufacturing capabilities. We bought Santander s Latin American pension business, which gives us access to over 5 million customers in 5 attractive high-growth markets in that region. In South Korea, we built scale by acquiring full ownership of Landmark Investment Management, the 12th largest asset manager in that country. We also introduced new variable annuity products in Japan, the United States and Europe. And in the US, ING Direct s acquisition of NetBank added USD 1.4 billion in customer deposits. We also sold several non-core businesses in 2007 including Regio Bank in the Netherlands. In Belgium, we divested our Broker and Employee Benefits insurance business as these businesses did not have critical mass, and we expect the bank distribution channel to become more dominant in the future with above industry average growth rates. ING will continue to sell its insurance products in Belgium through its own bank channels. Early 2008, we sold our non-core insurance business in Mexico in line with our strategy to focus our activities on banking, investments, life insurance and retirement services.

In mature markets, we increased efficiency and optimized our competitive position. In the Netherlands, we are bringing together ING Bank and Postbank under a single brand to better and more effectively meet the needs of our retail customers there. This is a major investment and demonstrates a strong commitment to the Dutch banking market. To respond to changing customer preferences in Belgium, we are also optimizing the service and retail distribution model in that market. ING Belgium has developed a program that will allow the bank to accelerate its growth by leveraging its direct channels with its branch network. And at Wholesale Banking, after having successfully sharpened the strategic focus and improved capital efficiency and returns, new initiatives for growth are geared towards the Benelux and Central Europe, and global franchises in Structured Finance, Financial Markets and Real Estate.

Continued effect allocation of capital

Successful execution of the strategy is underpinned by continued efficient reallocation of capital through redeploying the capital we generate in mature markets to high-growth business, or returning it to our shareholders. This process is supported by actively managing our portfolio of businesses.

In 2007, as a result of disciplined capital management and solid profitability of our businesses, we have been able to maintain a strong capital position. On balance, ING was able to widen its spare leverage by a third, further securing the capital base and providing maximum financial flexibility to pursue our renewed strategic objectives. A position that is even stronger under the new Basel II regime. ING employed its excess capital to fund acquisitions, pay dividends to shareholders and buy back shares. A EUR 5 billion buy-back program was started in June 2007 and is expected to be completed by June 2008. By the end of 2007, 56% of the program had been completed.

Risk Management fully integrated

In recent years, ING has systematically invested to improve its risk management capabilities. We have built a risk management function and fully integrated risk management into the daily management of all business units and strategic planning, embedding a philosophy of sound risk management at ING. The turmoil in financial markets over recent months illustrated the importance of having sound risk management in times of stress. ING has weathered this market turmoil with limited direct impact. Moreover, risk management also functions as an enabler, working with the businesses to identify and execute business opportunities, lower the cost of funding and support strategic decisions.

Conclusions and ambitions

In 2007, ING performed strongly in a challenging environment reflected in an excellent commercial development. Moreover, with risk management fully integrated at all levels, ING is well-insulated from the worst effects of the market turmoil.

Capitalizing on changing customer preferences and building on our solid business capabilities, we have chosen to sharpen our strategic focus to banking, investments, life insurance and retirement services. We want to provide retail

customers with the products they need during their lives to grow savings, manage investments and prepare for retirement with confidence. We will build and invest more in bank distribution platforms. We will increasingly invest in high-growth markets. In 2007, we already stepped up the number of initiatives that support this strategy.

Table of Contents

With this sharpened strategy, ING remains focused on creating value for its shareholders and rewarding them with a better total return on investment than the average of our peers in the financial sector over the longer term.

CORPORATE GOVERNANCE

New legislation

The Netherlands implemented the EU Takeover Directive in 2007. Under the implementation act, Dutch listed companies may opt to be unprotected against takeovers. If companies want the unprotected regime , they must state in their Articles of Association that either (1) the implementation of anti-takeover measures should be subject to approval of the General Meeting of Shareholders or (2) that a shareholder with an interest of 75% or more as a result of a public bid may change the supervisory board and the executive board shortly after completion of the bid.

ING Group already has an anti-takeover device: the right of the ING Continuity Foundation to acquire cumulative preference shares. This has been in place since 1991 and there is currently no reason to consider changing this device.

Shareholder participation

The 2007 annual General Meeting of Shareholders produced a turnout of 36.7% of the (depositary receipts of) ordinary shares, which was the first time the 35% threshold for reconsidering the position of the Stichting ING Aandelen (the Trust Office) was passed. A major reason for this high turnout was a change in the law which permitted the record date for a General Meeting of Shareholders to be set at 30 days (rather than seven days as used to be the case) before the meeting. The record date is the date on which a shareholder must own shares or depositary receipts in order to vote at the General Meeting of Shareholders. For the 2008 annual General Meeting of Shareholders, ING Group will again set the record date at 30 days (the maximum allowed) before the meeting.

Electronic voting

Following a resolution adopted at the 2007 annual General Meeting of Shareholders, the Articles of Association were amended to allow shareholders and depositary receipt holders who do not attend a General Meeting of Shareholders in person to participate nevertheless in the decision making by means of real-time electronic voting by internet (E-voting). An investigation was made into whether an internet application to enable E-voting would be available. Such an application would require multi-layer security measures for access control, identification and validation, as well as a solid technology against hostile activities. Regrettably, it turned out that there is no such internet application available. Furthermore, it was discovered that an internet application meeting these technical requirements would still not enable an efficient cross-border E-voting process considering the lack of cross-border legislation on E-voting and the fact that shares or depositary receipts are currently held through securities custodians in various jurisdictions.

Dialogue with shareholders

In 2007, investors were allowed to ask questions about items on the agenda for the annual General Meeting of Shareholders, and they will be allowed to do so in 2008. Shareholders and holders of depositary receipts can visit the website of ING Group (www.ing.com) to submit their questions and they will be answered on the same website.

Elimination of preference A shares and preference B shares

Following the repurchase of the depositary receipts of the preference A shares held by Aegon in 2006, the depositary receipts of the preference A shares held by Fortis and ABN AMRO were also repurchased in 2007. The preference A shares underlying the repurchased depository receipts were all cancelled by February 2008.

ING Group intends to eliminate the remaining six million preference A shares by either repurchasing or redeeming such shares or the depositary receipts thereof, and as described in Recent Developments, ING recently announced a tender offer to acquire the remaining depositary receipts of the preference A shares. At the 2008 annual General Meeting of Shareholders, ING will propose to cancel all of the
preference A shares. All ING Group shares then outstanding will have voting rights proportional to their economic value as recommended under section IV.1.2 of the Dutch Corporate Governance Code.

As ING Group sees no need to issue preference A shares or preference B shares in the near future, such shares will be eliminated from the Articles of Association and the conditions of administration. A proposal to amend the Articles of Association accordingly will be submitted at the 2008 annual General Meeting of Shareholders.

Table of Contents

CORPORATE GOVERNANCE CODES

In compliance with the Dutch Corporate Governance Code

In its corporate governance structure and practices, ING Group uses the Dutch Corporate Governance Code (Tabaksblat Code or the Code) as reference. The ING Group corporate governance structure described in the document The Dutch Corporate Governance Code ING s implementation of the Tabaksblat Code for good corporate governance was approved by the General Meeting of Shareholders on April 26, 2005. As a result, ING Group is considered to be in full compliance with the Tabaksblat Code, although it does not apply all best-practice provisions of the Code in full. The document is available on the website of ING Group (www.ing.com) and has been expanded with an update of ING s implementation of the Tabaksblat Code since 2005. The following deviations from the Tabaksblat Code are reported for 2007:

Michel Tilmant, being appointed as an Executive Board member before January 1, 2004, remains appointed for an indefinite period of time and retains his agreed exit arrangement, which exceeds one year s salary (best-practice provisions II.1.1. and II.2.7), as existing contractual arrangements cannot be changed unilaterally;

existing rights for severance payments with respect to Executive Board members who were already employed by ING prior to their appointment to the Executive Board, are taken into account. As a result thereof, their exit arrangement as Executive Board members may exceed the maximum mentioned in the Code (best-practice provision II.2.7);

Executive Board members may sell shares awarded to them without financial consideration within the five-year retention period in order to cover the wage tax which is to be withheld over the vested award (best-practice provision II.2.3), so as to avoid the total wage tax being withheld in the month of vesting exceeding the gross salary payment of that month;

performance criteria for variable remuneration are disclosed only to the extent that this information is not share price sensitive or competition-sensitive (best-practice provisions II.2.3, II.2.10 and II.2.11);

Executive Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that apply to all employees. These may include services in which the granting of credit is of a subordinate nature, e.g. credit cards and overdrafts in current accounts (best-practice provisions II.2.8, II.3.2. and II.3.3). These exceptions are based on a lack of materiality;

if a Supervisory Board member does not meet the independence criteria of the Code, the Supervisory Board may decide to still consider such member to be independent in order to take into account specific circumstances, such as family and employment relations (best-practice provision III.2.2), so as to allow for situations of non-independence that are not material;

the legally required second candidate on a binding nomination for appointment to the Supervisory Board does not need to meet the independence criteria of the Tabaksblat Code nor the requirements of the Supervisory Board profile (best-practice provisions III.2.2. and II.3.1), in view of the contemplated abolition of this legal requirement;

Jan Hommen, who was appointed in the 2005 annual General Meeting of Shareholders as a Supervisory Board member, had more than five positions as a supervisory board member with other Dutch-listed companies until May 2007 (best-practice provision III.3.4). He was appointed chairman of the Supervisory Board, effective January 1, 2008. As of this date, the number of his board memberships exceeds the number of five. This was approved by the Supervisory Board in view of the fact that Jan Hommen is planning to give up his chairmanship of the Supervisory Board of TNT N.V. as soon as a suitable replacement in a position to take over has been found. In any case, Jan Hommen plans to resign from the supervisory board of TNT N.V. at its 2009 General Meeting of Shareholders.

under special circumstances the Supervisory Board may deviate from the general rule that a member of the Supervisory Board may not be re-appointed for more than two subsequent four-year terms (best-practice provision III.3.5);

ING Group established a combined Remuneration and Nomination Committee instead of a separate remuneration committee and a nomination committee (best-practice provision III.5.1);

the Remuneration and Nomination Committee is being chaired by the chairman of the Supervisory Board (best-practice provision III.5.11) so that he can be involved in this important subject directly and at an early stage;

in the case of a transaction with a family member that entails a conflict of interests according to the Code, the Supervisory Board may decide that no conflict of interests exists if the relationship is based on a marriage that is now

over, (best-practice provision III.6.1) to allow for situations where the family relationship no longer exists;

transactions with Supervisory Board members or persons holding at least 10% of the shares of ING Group in which there are significant conflicting interests will be published in the annual report, unless (i) this conflicts with the law, (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents this and/or (iii) the information is so competition-sensitive that the publication could damage the competitive position of ING Group (best-practice provision III.6.3 and III.6.4);

Supervisory Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that are customary in the sector. These may include services in which the granting of credit is of a subordinate nature, e.g. credit cards and overdrafts in current accounts (best-practice provisions III.7.4). These exceptions are based on a lack of materiality;

Table of Contents

the voting rights of the Preference A shares are based on their nominal value (best-practice provision IV.1.2) as these voting rights cannot be changed unilaterally;

if a notarial report is drawn up of the General Meeting of Shareholders, shareholders will not have the opportunity to react to the minutes of the meeting (best-practice provision IV.3.8), as this would be in conflict with the laws applicable to such notarial report.

NYSE Requirements

Under the New York Stock Exchange s (NYSE) listing standards, ING Group as a foreign private issuer must disclose any significant ways in which its corporate governance practices differ from those followed by US domestic companies under the NYSE listing standards. An overview of what we believe to be the significant differences between our corporate governance practices and NYSE corporate governance rules applicable to US companies is available on the website of ING Group (www.ing.com).

Table of Contents

CORPORATE ORGANIZATION

ING Groep N.V. has a Supervisory Board and an Executive Board. The Executive Board is responsible for the day-to-day management of the Group and its business lines (Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct). For more information about the Supervisory and Executive Boards, see Item 6. Directors, Senior Management and Employees .

Business Lines

Each business line formulates the strategic, commercial and financial policies in conformity with the group strategy and performance targets set by the Executive Board. Each business line is also responsible for the preparation of its annual budget, which is then approved and monitored by the Executive Board. In addition, each business line approves the strategy, commercial policy and the annual budgets of the business units in its business line and monitors the realization of the policies and budgets of that business line and its business units.

The following chart shows the breakdown by business line of ING s total income and total profit before tax for the year 2007. Please see Item 5. Operating and Financial Review and Prospects , Segment Reporting for the total income and profit before tax by business line for the years ended 2007, 2006 and 2005.

Total income EUR 74,806 million
(excluding corporate line)

Total profit before tax EUR 9,600 million
(excluding corporate line)

Table of Contents

INSURANCE EUROPE

ING Insurance Europe operates in the Netherlands, Belgium, Luxembourg, Italy, Spain, Greece, Poland, Hungary, the Czech Republic, Slovakia, Romania, Bulgaria and Russia. The operating companies in these countries have tailored their insurance products, investment and asset management services and pension fund services for certain target markets and distribution channels. ING Insurance Europe has three key priorities. First, in the mature markets of the Benelux with moderate growth, ING focuses on improving efficiency and optimizing distribution. Second, in the fast growing markets of Central Europe, the focus is on accelerating growth. Third, across all regions, ING leverages on the opportunities created by the ageing of the European population by reinforcing as a specialist provider of banking, life insurance, investments and retirement services for retail customers.

In the Netherlands, ING offers basic retail insurance products via direct marketing (Postbank), while independent intermediaries (Nationale-Nederlanden), tied agents (RVS) and bank branches (ING Bank) are more suitable for selling complex products requiring personal service and specialized advice. In the countries in Central Europe, tied agents are the main distribution channel. In this region too, ING continues to strive towards a multi-distribution approach with banks, brokers and direct marketing as additional channels. ING considers the client s need/demand for personal service and specialized advice as an important factor in determining how to distribute its products and services within Europe.

ING Investment Management Europe (ING IM Europe) is the principal proprietary asset manager for ING Insurance Europe. ING IM Europe also manages equity, fixed income and structured investments for institutional investors and the private label investment funds sold by various ING companies, including ING Bank, ING Belgium, Postbank, Nationale-Nederlanden and third party distributors. In addition, ING IM Europe is responsible for managing the treasury activities of ING Insurance.

ING s life insurance products in Europe consist of a broad range of participating (with profit) and non-participating (without profit) policies written for both individual and group customers. Individual life products include a variety of endowment, term, whole life and unit linked insurance policies. In some countries, Group policies are designed to fund private pension benefits offered by a wide range of businesses and institutions as a supplement to government provided benefits. ING is also a prominent provider of mandatory and voluntary pension funds in several countries in Central Europe.

ING s non-life products, mainly in the Netherlands, include coverage for both individual and commercial/group clients for fire, automobile, disability, transport and aviation insurance, third party liability insurance and indirect premiums (incoming reinsurance premiums). In the Netherlands, the government is limiting its role in the field of disability insurance and sick pay, potentially creating new opportunities for insurance companies to provide private-sector coverage for benefits previously provided by the Dutch government. ING offers a broad range of disability insurance products and complementary services for employers and self-employed professionals (such as dentists, general practitioners and lawyers).

INSURANCE AMERICAS

ING Insurance Americas (ING Americas) operates in three main geographic areas: Canada, the United States, and Latin America. ING Americas offers life and non-life insurance, retirement services, (primarily defined contribution plans) annuities, mutual funds, broker-dealer services and institutional products, including group reinsurance and institutional asset management products and services.

In 2007, ING Americas in the United States operated through three divisions: Wealth Management (retirement services, annuities and broker-dealer services), Insurance (individual life, group life and reinsurance) and Asset Management. Through these divisions, ING provides a wide variety of financial products and services to individual and institutional customers. Distribution channels for Wealth Management and Insurance include career agents, independent producers, brokers-dealers and financial institutions as well as financial planners and affiliated distribution channels. Career agents, affiliated and independent broker-dealers and an institutional sales force support the Asset Management division s product distribution. The U.S. life insurance market remains segmented and subject to intense competition as the overall market is growing at mid to high single digit rates.

The U.S. Wealth Management business includes Retirement Services (which includes Defined Contribution pension plans and Rollover/Payout products and services) and Annuities, which collectively represent the majority of earnings

and value creation for the U.S., as well as the ING Advisors Network, a distribution channel

Table of Contents

of wholly owned broker-dealers with independent registered representatives. In the institutional market, Retirement Services sells 401(k), 403(b) and 457 and related defined contribution plans, plan services and investment options, targeting the higher growth segments of small (under 500 employees) corporations and teachers and educational institution staff in the K-12 segment (kindergarten through 12th grade). ING s Annuity business primary targets the mass affluent segment. Besides providing access to financial products, ING Advisors Network offers services such as financial planning, investment advisory services, pension plan administrative services and trust services through its approximately 8,700 affiliated and licensed financial professionals.

The Asset Management organization includes ING Investment Management Americas (ING IM Americas), Mutual Funds and Institutional Markets. ING IM Americas manages proprietary assets for ING Americas insurance entities, investing such assets in a diverse mix of public fixed income, private placements, commercial mortgages and alternative assets. ING IM Americas third party business units (mainly in the U.S.) include mutual fund sub-advisory, institutional assets, alternative assets and managed accounts, and their products are distributed through internal, affiliated and outside distribution channels. Third party assets are managed in a wide range of investment styles and portfolios including: domestic and international equity portfolios of various value, blend and growth styles and of small, mid- and large capitalization, domestic and international fixed income portfolios across the major bond and loan market sectors, balanced portfolios, hedge funds, funds of funds and private equity. The Institutional Markets unit of Asset Management provides principal protection products such as guaranteed investment contracts and funding agreements to institutional customers.

The U.S. Insurance businesses focus on both individual and institutional clients and provide a wide range of insurance products, including variable universal life, universal life, and term insurance. Individual retail markets include the high net worth and mass affluent markets. Institutional customers are served by the Retail Life unit, which sells bank-owned and corporate-owned life insurance, the Employee Benefits unit, which provides both group and voluntary insurance products and by ING Reinsurance, with group reinsurance coverage.

ING Canada is the leading provider of property and casualty insurance in Canada. ING Canada s principal insurance products are automobile and property and liability insurance, which are marketed to individuals and to small and mid-size businesses. Following an initial public offering in 2004, ING Group s ownership share in ING Canada was reduced to 70%. ING Canada uses independent brokers as its primary distribution channel, accounting for approximately 80% of direct premiums written. ING Canada also sells products directly to customers through the internet and by telephone call centers in Quebec and Ontario.

ING Americas sells life insurance, health insurance, auto, property and casualty insurance, and pension and financial services and asset management products through subsidiaries and joint venture affiliates in selected Latin American markets. Until recently, activities have been conducted primarily in the Mexican and Chilean markets and through joint ventures in Peru and Brazil. In July of 2007, ING reached agreement with Santander to acquire its pension businesses in, Mexico, Chile, Colombia and Uruguay. In November of 2007 ING reached agreement with Santander and Grupo Bapro to acquire their pension and annuity businesses in Argentina. These acquisitions will make ING the second largest pension fund manager in Latin America. Distribution channels in Latin America include independent brokers and affiliated agents. ING s joint venture in Brazil, SulAmerica, completed an initial public offering in October 2007 through which ING s stake in the company was reduced from 49% to 36%.

INSURANCE ASIA/PACIFIC

ING Insurance Asia/Pacific (IAP) is a leading provider of life insurance and wealth management products and services. It is the number two, based on new sales, international life insurer in Asia/Pacific with twelve life operations in ten markets. It is also the region s fourth largest investment manager, based on assets under management, particularly in Japan and Australia) with asset management operations in thirteen markets. ING has flagship operations in the mature and larger markets of Australia and New Zealand, Japan, South Korea and Taiwan, and is well positioned to secure an increasing share of future growth in the large and emerging markets of Malaysia, China, India and Thailand, which are also among the fastest growing in Asia.

An IAP regional office in Hong Kong leads, controls and supports all IAP business units in the region, ensures implementation of strategy and standards and encourages regional and global synergies.

The business units in Asia/Pacific offer select types of life insurance, wealth management, retail and institutional asset management products (including annuities, endowment, disability / morbidity insurance, unit linked / universal life, whole life, participating life, group life, accident and health, term life and employee benefits) and services. In Hong Kong non-life insurance products (including medical, motor, fire, marine, personal accident

Table of Contents

and general liability) are also offered. Each business unit is subject to regulation by its respective insurance or investment regulatory commission, which generally requires a separate operating license and product approvals.
The core Asia/Pacific traditional distribution network of tied or career agents and financial advisors is increasingly complemented by alternative distribution channels including bancassurance, brokers, worksite and direct marketing as well as online sales capabilities.
IAP s market ranking is based on an analysis of public disclosures by regulators and competitors as well as data provided by independent publications. IAP estimates that its combined insurance operations rank second among regional foreign life insurers by annualized premium equivalent (annualized premium equivalent represents the aggregate of new regular premium sales and 10% of new single premium sales of life insurance products) and its combined investment management operations in Asia excluding Australia and Japan rank second in terms of total assets under management.

WHOLESALE BANKING

ING offers Wholesale Banking services to mid-corporates, corporates and financial institutions in more than 40 countries. In all areas, we are striving to boost growth by offering a range of leading banking services and products.
Wholesale Banking has six product units: General Lending Products and Payments and Cash Management; Structured Finance; Leasing and Factoring; Financial Markets; Other Wholesale Products and ING Real Estate.
In the Netherlands and Belgium, we are a full-service bank with a wide range of products, from cash management to corporate finance. We offer an extensive range of services in Poland and Romania and other Central and Eastern European markets. In other countries, Wholesale Banking has a more selective product and client range.
Wholesale Banking achieved resilient results in 2007 despite highly challenging business conditions and significant turbulence in financial markets. We achieved profitable growth by concentrating on client needs and high value-added products, especially in our home markets. We deepened our client relationships, closed a number of landmark deals, reduced costs and improved returns though more efficient use of capital.
Wholesale Banking continued to invest in existing and new products to improve returns and deliver profitable growth. Significant investment was channeled into Payments and Cash Management, where preparations were made for the Single Euro Payments Area (SEPA) introduced in January 2008. Payments and Cash Management signed agreements with several clients to provide SEPA services for sizeable volumes.
Structured Finance boosted staff numbers to support a number of growth initiatives and generally had a good year due to robust demand and solid revenue growth in most product areas. The one exception was Leveraged Finance where the markets came to a halt in the second half due to concerns about credit quality in the global credit markets. Further expansion of the Structured Finance business is planned in 2008 to strengthen our market position.
Financial Markets clients and products division held up well but overall income from the trading division was down due to difficult market conditions. In Q4 2007, Financial Markets announced an ambitious three-year strategy to build on its success in the clients and products function, especially in the emerging markets.
ING Real Estate had another year of solid growth in 2007 thanks to its diversified business model and the further broadening of its product offering in Investment Management and continued geographic growth in Development.
Our businesses also benefited from buoyant Central and Eastern European demand. ING Lease achieved double-digit volume growth in that region, launching operations in Ukraine and agreeing to buy Citileasing in Hungary. Financial Markets emerging markets operations performed well, especially in money markets and foreign exchange, and it played key roles in a Greek benchmark bond and in Mongolia s first foreign currency issue, a dollar-denominated bond.
Wholesale Banking initiated a new corporate client coverage model to improve the quality of account management and to prioritize high value-adding products. Capitalizing on cross-selling opportunities boosted

Table of Contents

revenues in areas such as General Lending Products, Leasing and Factoring and Financial Markets. Significant transaction fees were also contributed from Structured Finance products including asset-based finance, natural resources finance and telecommunications finance.

Wholesale Banking completed a number of important deals in 2007 that illustrate its array of services and capabilities. ING acted as advisor to Akzo Nobel on a EUR 1.6 billion share buyback, to KPN on its acquisition of Getronics, and to Vedior on an intended public offer by Randstad. Wholesale Banking was a joint book runner on General Electric Capital Corp s, largest to date, euro-denominated deal, and financed an Indonesian integrated energy provider.

We sought to contain expenses without impairing growth opportunities, implementing cost containment initiatives to reduce operating expenses and to stimulate growth. We worked on re-engineering the lending process, reducing the number of full-time equivalents and cutting support services. We initiated GLOBE (Global Lending Operating and Business Environment), a strategic program aimed at improving business lending and streamlining product numbers, reducing production and administration costs, enhancing control and compliance and improving the overall client experience.

ING took the decision to transfer mid-corporate clients in its home markets from Wholesale Banking to Retail Banking with effect from January 1, 2008. The transfer allowed ING s domestic banking operations in the Netherlands, Belgium, Poland and Romania to operate under a single management and a single brand. At the same time it enables Wholesale Banking to focus its resources on the larger, listed, companies and financial institutions that traditionally demand the higher added-value products.

The takeover of ABN Amro by a consortium of Royal Bank of Scotland, Fortis and Banco Santander has also created new opportunities for Wholesale Banking especially in the Netherlands. Our creation of a full-service bank in the Netherlands, operating under one brand, puts ING in a strong position to gain market share in that country and Wholesale Banking has set itself the ambitious goal of becoming the number one bank for Dutch corporates within the coming years.

We continued to invest in compliance to ensure that we remain competitive and demonstrate to our clients that we have the highest possible compliance standards. We focused on preparation for Basel II (the Revised International Capital Framework) and MiFID, the Markets in Financial Instruments Directive. We continue to ensure we apply the highest standards across all our businesses.

Looking ahead, we will focus on growing further and gaining competitive advantage in a tough business environment. Wholesale Banking will seek to increase efficiencies and further improve its cost/income ratio. Capital will be allocated to support growth in key product areas and markets to ensure returns remain at attractive levels.

RETAIL BANKING

The retail banking business focuses on retail banking services to individuals, and to small- and medium-sized businesses and on private banking. These businesses are supported by a multi-product, multi-channel distribution approach. We serve two types of retail markets, each reflecting our different market positions and therefore each requiring a slightly different approach with regard to the retail strategy. In the mature markets of the Netherlands and Belgium, our strategy is to assist our clients in areas such as wealth accumulation, savings and mortgages. We seek to distribute these different products through an efficient mix of channels appropriate to the client segments and products. In a number of selected developing markets (India, Poland, Romania, Turkey) with the right demographics, economic growth potential and stable institutional environment, our strategy is to become a prominent player in the local retail banking markets, providing our clients with simple but quality products. In the mature markets, achieving operational excellence and cost leadership, combined with the right level of customer satisfaction, will be important for continuing profit growth. ING considers developing economies as opportunities for structural growth due to their strong demographics, rapid income growth, emerging middle classes and relatively low penetration of the financial services sector.

The Netherlands

Postbank is ING s direct bank in the Netherlands. Postbank reaches its individual customers through home banking, telephone, call centers, internet banking, mailings and post offices. Using direct marketing methods, Postbank leverages its position as a leading provider of current account services and payments systems to provide other financial services such as savings accounts, mortgage loans, consumer loans, credit card services, investment and

insurance products. Mortgages are offered through a tied agents sale force and direct and intermediary channels.

Table of Contents

ING Bank Netherlands operates through a branch network of 250 branches. It offers a full range of commercial banking activities and also life and non-life insurance products. It also sells mortgages through the intermediary channel.

In May 2007, ING announced it will be combining the forces of ING Bank and Postbank. The new bank will operate under the ING brand as of January 1, 2009. It will have over 8 million retail clients with a market share of 40% in terms of salary accounts and 600,000 SME (Small Medium Enterprises) clients. The new bank will improve customer service by combining the direct banking model of Postbank with the professional advice capabilities of ING Bank.

Belgium

ING Belgium provides banking, insurance (life, non-life,) and asset management products and services to meet the needs of individuals, families, companies and institutions through a network of local head offices, 800 branches and direct banking channels (fully automated branches, home banking services and call centers). ING Belgium also operates a second network, Record Bank, which provides a full range of banking products through independent banking agents and credit products through a multitude of channels (agents, brokers, vendors).

Central Europe

In Poland, ING Bank Slaski provides a full range of banking services to business and individual customers through a network of 400 branches, supported by ATMs and telephone, internet and electronic banking. Since 2004 we have opened 150 fully automated outlets in Romania that provide selected banking products to individual clients. On December 24, 2007 the acquisition of Oyak Bank was completed. Oyak Bank is a leading bank in the Turkish market with 5,900 employees, offering a full range of banking services with a focus on retail banking.

Asia

In India, ING Vysya Bank has a network of 370 branches supported by a sales force of tied agents, who provide a full range of banking services to business and individual clients. In China, ING acquired a 19.9% participation in Bank of Beijing in 2005, reduced by the IPO to 16.1%. In Thailand ING finalized the acquisition of a 30% stake (on a fully diluted basis) in TMB Bank.

Private Banking

Private Banking provides wealth management services to high net worth individuals throughout the world. We have continued to raise the visibility of the Private Banking activities in the Benelux to penetrate ING s existing client base in these markets. In new international markets (Asia, Central Europe, Latin America), we continue to seek to attract new assets to the group, serving them in part out of our branch in Switzerland.

ING DIRECT

ING Direct is a direct banking business, which is an important part of ING Group s international retail strategy. The strategy of ING Direct is to be a low-cost provider of financial services in large, mature markets by offering clients simple and transparent products and excellent service via call-centers, direct mail and the internet. The main products offered by ING Direct are savings accounts and mortgages. ING Direct also sells a focused range of financial products such as mutual funds, e-brokerage, payment accounts and pensions.

ING Direct s direct banking business is active in nine countries, which are Canada, Spain, Australia, France, the United States, Italy, Germany, Austria and United Kingdom and as of the end of 2007, provides services to 20.3 million customers. Each country forms a separate business unit.

In 2007, ING Direct continued to invest in growth by expanding into new geographies, increasing the residential mortgage portfolio, and further expanding the product range through the launch of investment products and payment accounts.

In 2007 ING Direct showed resilient commercial growth bringing the total client retail balance (includes funds entrusted, off balance sheet funds and retail lending) to EUR 310 billion at the end of December. ING Direct is focusing on maintaining an attractive customer offering in savings and term deposits while continuing to grow the mortgage portfolio. At year-end 2007 total funds entrusted to ING Direct worldwide amounted to EUR 192 billion and total residential mortgages were EUR 97 billion. Residential mortgages are firmly embedded as a second core product. Growth in mortgages was primarily attributable to Germany, the United States, Australia and Canada.

Table of Contents

PRINCIPAL GROUP COMPANIES

Reference is made to Exhibit 8 List of subsidiaries of ING Groep N.V.

REGULATION AND SUPERVISION

The insurance, banking, asset management and broker dealer business of ING are subject to detailed comprehensive supervision in all the jurisdictions in which ING conducts business. This supervision is based in a large part on European Union (EU) directives, discussed more fully below.

The Dutch regulatory system for financial supervision consists of prudential supervision - monitoring the soundness of financial institutions and the financial sector, and conduct-of-business supervision regulating institutions conduct in the markets. Prudential supervision is exercised by *De Nederlandsche Bank* (DNB), while conduct-of-business supervision is performed by the Netherlands Authority for the Financial Markets, *Autoriteit Financiële Markten* (AFM). On January 1, 2007, the new Dutch Financial Supervision Act came into force. This law replaced numerous existing laws and regulations in the area of supervision, and represents a significant adjustment in the legislation in the Netherlands to reflect market conditions.

The Markets in Financial Instruments Directive (MiFID) aims to establish a comprehensive regulatory regime for the organised execution of investor transactions by stock markets, other trading systems and investment firms. In so doing, it will create a European passport for investment firms which will enable them to do business anywhere in the EU on the basis of home-country authorization. The MiFID also enables investment firms to process client orders outside regulated markets. The MiFID has been transposed into the Financial Supervision Act and entered into force on November 1, 2007.

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.

Financial institutions continue to experience close scrutiny by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws, regulations, standards and expectations. Bank and insurance regulators and other supervisory authorities in Europe, the US and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and conduct business in an efficient, orderly and transparent manner. ING seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinising account holder information, payment processing and other transactions to support compliance with regulations governing money-laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or perceived failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING s licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING s reputation and financial condition, and accordingly ING s primary focus is to support good business practice through its Business Principles and group policies.

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 US 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.

As discussed under Item 3 Key Information Risk Factors , as a large multinational financial institution we are subject to reputational and other risks in connection with regulatory and compliance matters involving such countries.

Table of Contents

INSURANCE

Europe

Insurance companies in the EU are subject to supervision by insurance supervisory authorities in their home country. This principle of home country control was established in a series of directives adopted by the EU, which we refer to as the 1992 Insurance Directives . In the Netherlands, DNB monitors compliance with applicable regulations, the capital base of the insurer and its actuarial reserves, as well as the assets of the insurer, which support such reserves. Pursuant to the 1992 EU Directives, ING may also conduct business directly, or through foreign branches, in all the other jurisdictions of the EU, without being subject to licensing requirements under the laws of the other EU member-states, though it has to deal with local legislation and regulation in all the European countries where it is active.

In Belgium, ING s insurance operations are supervised by the Banking, Finance and Insurance Commission (CBFA), created as a result of the integration of the Insurance Supervisory Authority (ISA) and the Banking and Finance Commission. Since January 1, 2004, it has been the single supervisory authority for the Belgian financial sector. In other European Union countries ING s insurance operations are subject to supervision by similar supervisory authorities.

ING Insurance s life and non-life subsidiaries in the EU are required to file detailed audited annual reports with their home country insurance supervisory authority. These reports are audited by ING Insurance s independent auditors and include balance sheets, profit and loss statements, actuarial statements and other financial information. The authorizations granted by the insurance supervisory authorities stipulate the classes of business that an insurer may write an insurance policy for, and is required for every proposed new class of business. In addition, the home country insurance supervisory authority may require an insurer to submit any other information it requests and may conduct an audit at any time.

On the basis of the EU directives, European life insurance companies are required to maintain at least a shareholders equity level of generally 4% of insurance reserves (1% of separate account reserves), plus 0.3% of the amount at risk under insurance policies. The required shareholders equity level for Dutch non-life insurers is the greater of two calculations: one based on premiums and the other on claims. The former is based on 16% of gross premiums written for the year, the latter is based on 23% of a three-year average of gross claims.

The European Commission, jointly with Member States, is carrying out a fundamental review of the regulatory capital regime of the insurance industry (the Solvency 2 project). Its objective is to establish a solvency system that is better matched to the true risks of insurers enabling supervisors to protect policyholders interests as effectively as possible and in accordance with common principles across the EU. The Commission has produced a Framework for Consultation setting out the policy principles and guidelines that will act as a framework for the development of the Solvency 2 regime. Work on the Solvency 2 Framework Directive is still in progress, and adoption is expected not before 2008.

Americas

United States

ING Group s United States insurance subsidiaries are subject to comprehensive and detailed regulation of their activities under U.S. state and federal laws. Supervisory agencies in various states have broad powers to grant or revoke licenses to conduct business, regulate trade practices, license agents, approve policy forms and certain premium rates, set standards for capital and reserve requirements, determine the form and content of required financial reports, examine insurance companies, require investment portfolio diversification and prescribe the type and amount of permitted investments. Insurance companies are subject to a mandatory annual audit of their statutory basis financial statements by an independent certified public accountant, and in addition, are subject to an insurance department financial condition examination by their state of domicile approximately every three to five years.

ING Insurance s U.S. operations are subject to Risk Based Capital (RBC) guidelines which provide a method to measure the adjusted capital (statutory capital and surplus plus other adjustments) that insurance companies should maintain, taking into account the risk characteristics of the company s investments and products. The RBC guidelines are used by state insurance regulators as an early warning regulatory tool to identify possibly inadequately capitalized insurers which may need additional regulatory oversight. Each of the companies comprising ING Insurance s U.S.

operations was above its target and statutory minimum RBC ratios at year-end 2007.

Table of Contents

Insurance holding company statutes and regulations of each insurer s state of domicile require periodic disclosure concerning the ultimate controlling person (i.e., the corporation or individual that controls the insurer). Such statutes also impose various limitations on investments in, or transactions with, affiliates and may require prior approval of the payment of certain dividends by the domestic insurer to its immediate parent company. ING is subject, by virtue of its ownership of U.S. insurance companies, to certain of these statutes and regulations.

Although the U.S. federal government generally does not directly regulate the insurance business, many federal laws affect the insurance business in a variety of ways, including federal privacy legislation which requires safeguarding and confidentiality of customer information, federal tax laws relating to insurance and annuity product taxation, and the USA PATRIOT Act of 2001 requiring, among other things, the establishment of anti-money laundering programs. In addition, a number of the products issued by ING Group s U.S. insurance companies are regulated as securities under state and federal law. Finally, a variety of U.S. retirement savings products and services may be subject to Department of Labor regulation under the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Canada

Our insurance businesses in Canada are subject to various provincial and territorial laws and regulations. Regulators ensure that insurance companies have adequate capital, regulate related party transactions, approve acquisitions and changes of control, verify the risk management programs of companies under their jurisdiction and enact rules to ensure sound market conduct and suitability and professionalism of management. Automobile insurance is highly regulated and insurers must file their rates with applicable supervisory authorities and are subject to rate constraints in certain provinces. Certain provinces, like Ontario and Quebec also provide for accountability on the part of the insurers for the acts of the distributors in certain circumstances.

Mexico

The insurance and pension businesses in Mexico are subject to general rules and detailed regulation of their operations under federal law. ING s insurance and pension subsidiaries in Mexico are supervised by the Ministry of Finance, in the case of insurance through the Ministry s National Insurance and Bonding Commission (CNSF), and in the case of pensions through the Ministry s National Retirement Savings System Commission (CONSAR). The main legal framework applicable to insurance companies in Mexico includes the Insurance Companies Law, the Insurance Contract Law, and regulations issued by the CNSF. In the case of pension companies, the main legal framework includes the Retirement Savings Systems Law and regulations issued by the CONSAR. The Commerce Code, the Mercantile Companies Law, the Foreign Investment Law, Income Tax Laws, and regulations issued by the Ministry of Finance are also applicable to both insurance and pension companies.

The Ministry of Finance has authority to grant or revoke licenses to conduct insurance and pension businesses in Mexico, and to prescribe rules on anti-money laundering. The CNSF and the CONSAR, respectively regulate insurance and pension companies activities through inspection and ongoing supervision, and have issued regulations that provide specific rules regarding the conduct of operations by businesses, including capital requirements and reserves, financial information standards and reporting, corporate governance guidelines, investment rules, risk management, and related party transactions. In addition, the CNSF has issued rules concerning issuance of new insurance products and reinsurance. Insurance and pension companies are also subject to a mandatory annual audit of their financial statements and tax reports by independent auditors.

Argentina

ING s insurance companies in Argentina are subject to supervision at the federal level by the Superintendent of Retirement, the rules and directives of the Superintendent, and the Insurance Law (No. 17.418). The Superintendent has issued directives regarding the conduct of insurance operations, approval of policy forms, premium rates, insurance claims, risk management, and investment rules. The Superintendent also has the power to examine insurance companies and require financial and operational information. In 2007, the Superintendent issued a new directive (No. 32.275) regarding annuities that establishes surplus requirements and fixed expense rates for annuities in order to provide annuity policyholders with greater transparency with respect to product pricing.

ING Group ´s pension business is subject to supervision at the federal level by the Superintendent of Pension Fund Managers, regulations issued by the Superintendent, and the Pension Law (No. 24.241). Pension Law (No. 24.241) established Argentina s integrated retirement system and also imposes requirements on pension fund managers

regarding transactions with affiliates, marketing policies, investment trading, permitted investments for pension funds and other pension fund manager rights and obligations.

Table of Contents

Peru

ING s pension business in Peru is subject to supervision at the federal level by the Superintendent of Banking, Insurance and Private Pension Fund Administrators and various laws and regulations including those related to capital maintenance, disclosure to clients with respect to client funds under administration, minimum investment yield, marketing activities and investment trading, safeguarding of confidential information, proper complaint handling, risk management, supervision of sales force activities, and anti-money laundering standards and procedures.

Chile

ING s insurance business in Chile is subject to supervision by the Chilean Securities and Insurance Commission (SVS), the rules and directives issued by the SVS, and the Insurance Law (Decree Law No. 251). The SVS is the authority that licenses and regulates insurers in Chile. Only Chilean corporations may operate an insurance business in Chile. The Insurance Law establishes requirements and regulations regarding the conduct of operations by insurance businesses, including rules regarding technical reserves, permitted investments and legal solvency requirements such as minimum solvency margins and limits on indebtedness.

ING s pension business in Chile is subject to supervision by the Chilean Superintendent of Pension Fund Administrators (SAFP), regulations issued by the SAFP, Decree Law No. 3.500 of 1980 (DL 3.500) and by its regulation (Supreme Decree No. 57). The SAFP is the authority that licenses and regulates pension funds in Chile. According to DL 3.500, pension funds must be managed by corporations that are pension funds administrators (AFPs). The DL 3.500 regulates the structure of funds, investment limits, transactions with related parties, the transfer of pension members participations between AFPs, and other pension fund administrator rights and obligations. AFPs are incorporated as stock corporations and are also subject to supervision by the SVS.

Colombia

ING s pension business in Colombia is subject to Law 100 of 1993 and Decree 656 of 1994, which regulate the general regime of social security, including corporate requirements for incorporating a Pension and Severance Funds Administrator (PFA); Financial System Statute- Decree 663 of 1993, which regulates the authorized activities, liabilities, obligations and minimum profitability of funds administered by PFAs; and External Circular No. 007 of 1996 of the Finance Superintendency. The Finance Superintendency is the authority that licenses and regulates PFAs. The Superintendency has the power to examine PFAs and request financial and operational information and to apply sanctions for failure to comply with applicable regulations.

PFAs are required to have specialized personnel and technical capacity to properly manage pension funds. The requirements vary based on the nature and size of the pension funds managed. PFAs are also required to invest pension funds in accordance with rules established by the Finance Superintendency. PFAs must guarantee pension fund minimum returns, based on a methodology adopted by the Finance Superintendency. All institutions under Finance Superintendency supervision must also adopt anti-money laundering mechanisms.

Asia/Pacific

Japan

ING Group s life insurance subsidiary in Japan is subject to the supervision of the Financial Services Agency (FSA), the chief regulator in Japan, the rules and regulations as stipulated by the Commercial Code, Insurance Business Law and ordinances of the Cabinet Office. The affairs handled by the FSA include, among others, planning and policymaking concerning financial systems and the inspection and supervision of private sector financial institutions including banks, securities companies, insurance companies and market participants including securities exchanges. New products, revision of existing products etc. require approval by the FSA. The Cabinet Office ordinances stipulate the types and proportions of assets in which an insurance company can invest The Insurance Business Law further requires that an insurance company set aside a liability reserve to provide for the fulfillment of the level of expected mortality and other assumptions that are applied in calculating liability reserves for long-term

Table of Contents

contracts. In addition to the required audit by external auditors, insurance companies are required to appoint a corporate actuary and have such corporate actuary be involved in the method of calculating premiums and other actuarial, accounting and compliance matters.

South Korea

ING Group s South Korean insurance subsidiaries are subject to supervision by the Financial Supervisory Commission (FSC) and its executive arm, the Financial Supervisory Service (FSS). A second body, the Korean Insurance Development Institute (KIDI) advises the FSC, FSS and the Ministry of Finance and Economy on policies and systems related to life insurance and may calculate net insurance premium rates that insurance companies can apply and report such premium rates to the FSC. The KIDI must approve all new products and revisions of existing. Since 2006 the FSS has sharpened its supervisory policies based on the Risk Assessment and Application System (RAAS) from 2006 onwards.

Australia

The financial services activities of life insurance, investments, superannuation, general insurance and banking are currently governed by separate legislation under Australian law. The two main financial services regulators are the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). APRA is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. APRA s responsibilities include regulating capital and liquidity requirements and monitoring the management functions of product providers. APRA also requires superannuation trustees to be licensed under the Registrable Superannuation Entity Licensing regime. All relevant entities obtained their licenses in January 2006. ASIC is responsible for consumer protection and market integrity across the financial systems, including the areas of insurance, banking and superannuation.

Taiwan

The Financial Supervisory Commission (FSC) was established on July 1, 2004 and supervises insurance companies, banks and securities houses in Taiwan. New solvency requirements were issued, stipulating that the paid-in capital held by Taiwanese life insurance companies must be at least 200% of their risk based capital (RBC). This applies to both local and foreign insurance companies in Taiwan; should the paid-in capital to risk capital ratio fall below 200%, the life insurance company is required to raise new funds to achieve the target. ING Group s operations in Taiwan are regulated by the FSC. In accordance with the *Regulations Governing Pre-sale Procedures for Insurance Products*, last amended on August 30, 2006 of the FSC, all insurance products must be filed with the Insurance Bureau of the FSC before they are marketed.

BANKING

Wholesale Banking, Retail Banking and ING Direct

Basel II and European Union Standards as currently applied by ING Bank

In June 2004, the Basel Committee issued the Revised Framework (Basel II) to replace the 1988 capital accord (Basel I) with a new capital accord. The purpose of Basel II is to lay down capital requirements that are more risk-sensitive. There is greater emphasis on internal methods of risk measurement by banks. For example, the accord further refines the system of risk weightings and permits capital requirements to be calculated based upon internal ratings or the ratings issued by recognized rating agencies. It also includes capital requirements for operational risk in addition to those laid down for credit risk and market risk. Finally, it contains guidelines on banks own capital adequacy assessment processes (economic capital) and the disclosure of capital and risk information to the outside world.

The European Union has drawn up a directive, the Capital Requirement Directive (CRD), which applies to all European banks and investment firms. Through this European directive, Basel II has been incorporated into EU legislation. In 2006 and 2007, all EU Member States have incorporated the Directive into national law and regulations. In the Netherlands, the Directive has been incorporated into the Dutch Financial Supervision Act.

Basel II and the CRD set forth the required ratio of qualifying capital (own funds) to risk-adjusted assets and off-balance sheet items. They require a bank to have a ratio of own funds to risk-adjusted assets and certain off-balance sheet items of at least 8%. At least one-half of the own funds in the numerator of the ratio must be original own funds , or Tier 1 capital. The rest may be additional own funds , or Tier 2 capital. As of January 1, 1997, Tier 1

capital consists solely of paid-up share capital plus Tier 1 capital instruments, share premium

Table of Contents

accounts and certain other reserves, less a deduction for goodwill. Tier 2 capital includes revaluation reserves, value adjustments of certain assets and certain categories of long-term subordinated debt and cumulative preferred shares. The aggregate of a bank s Tier 2 capital may not exceed 50% of the bank s Tier 1 capital.

DNB, the Dutch Central Bank and bank regulator, has given ING permission to use the most sophisticated approaches for solvency reporting under the Financial Supervision Act, the Advanced IRB Approach for credit risk and the Advanced Measurement Approach for operational risk, as from January 1, 2008 (first reporting date: March 31, 2008). During 2008 and 2009 a Basel I regulatory floor of 90% and 80%, respectively, will still apply.

ING Bank files consolidated quarterly and annual reports of its financial position and results with DNB in the Netherlands. ING Bank s independent auditors audit these reports on an annual basis.

Our banking operations in Belgium are supervised by the CBFA Commission. Banking supervision in Germany is carried out by the German Federal Financial Supervisory Agency (BAFIN), working in co-operation with the German Central Bank (Deutsche Bundesbank). Similar authorities supervise ING s banking operations in other European Union countries, such as, the Financial Services Authority in the United Kingdom.

An EU member state credit institution is not permitted to start operations through a branch in another EU member state until it has received confirmation from its home country banking supervisory authority that the information required by the Second Directive on the Coordination of Legislation to the Taking Up and Pursuit of the Business of Credit Institutions (the Second Banking Coordination EC Directive) has been submitted to that supervisor and until, following this confirmation, a period of two months has elapsed or until, before the expiry of this period, it has received confirming information by that home country banking supervisory authority.

Americas

United States

ING Bank has a limited direct presence in the United States through the facility of the ING Bank Representative Office in New York. Although the office s activities are strictly limited to essentially that of a marketing agent of bank products and services and a facilitator (i.e., the office may not take deposits or execute any transactions), the office is subject to the regulation of the State of New York Banking Department and the Federal Reserve.

A major part of our banking activities in the United States, ING Direct USA, is regulated by the Office of Thrift Supervision, a division of the United States Department of the Treasury and, to a lesser extent, by the Federal Deposit Insurance Corporation, an independent agency of the Federal government that operates under the auspices of the Federal Deposit Insurance Act, a US federal law.

Anti-Money Laundering Initiatives and countries subject to sanctions

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the USA PATRIOT Act) substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued a number of implementing regulations which apply various requirements of the USA PATRIOT Act to financial institutions such as our bank, insurance, broker-dealer and investment adviser subsidiaries and mutual funds advised or sponsored by our subsidiaries. Those regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. In addition, the bank regulatory agencies are imposing heightened standards, and law enforcement authorities have been taking a more active role. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution.

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 US 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.

35

Table of Contents

Financial institutions continue to experience close scrutiny by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws, regulations, standards and expectations. Bank and insurance regulators and other supervisory authorities in Europe, the US and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and conduct business in an efficient, orderly and transparent manner. ING seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinizing account holder information, payment processing and other transactions to support compliance with regulations governing money-laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or perceived failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING s licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING s reputation and financial condition, and accordingly ING s primary focus is to support good business practice through its Business Principles and group policies.

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.

Canada

ING Bank of Canada (ING BOC) is a federally regulated financial institution that is subject to the supervision of the Office of the Superintendent of Financial Institutions (OSFI), which is the primary supervisor of federally chartered financial institutions (including banks and insurance companies) and federally administered pension plans.

ING BOC operates a wholly-owned mutual fund dealer subsidiary, ING Direct Mutual Funds Limited that is subject to provincial regulation in the provinces in which it operates. ING Direct Mutual Funds Limited s home province supervisor is the Ontario Securities Commission, which regulates the sale of mutual funds and equities in Ontario. ING Direct Mutual Funds Limited is also a member of the Mutual Funds Dealer s Association, a mandatory self-regulatory body, which governs and oversees the conduct of mutual fund dealers in Canada.

Asia/Pacific

Australia

The Australian Prudential Regulation Authority is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers.

Table of Contents

BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES

Americas

United States

ING s broker-dealer entities in the United States are regulated by the Securities and Exchange Commission, the states in which they operate, and the Financial Industry Regulatory Authority (FINRA), the self-regulatory organization which succeeded to the regulatory functions of the National Association of Securities Dealers and the New York Stock Exchange. The primary governing statutes for such entities are the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and state statutes and regulations, as applicable. These and other laws, and the regulations promulgated there under, impose requirements (among others) regarding minimum net capital requirements, safeguarding of customer assets, protection and use of material, non-public (inside) information, record-keeping requirements, supervision of employee activities, credit to customers, suitability determinations in the context of recommending transactions to customers, clearance and settlement procedures and anti-money laundering standards and procedures. The rules of FINRA, the self-regulatory organization, in some respects duplicate the above-mentioned legal requirements, but also impose requirements specific to the marketplaces that FINRA oversees. For example, FINRA imposes requirements relating to activities by market-makers in the over-the-counter market in equity securities and requirements regarding transactions effected in its listed securities market.

Certain ING entities in the United States (including certain of its broker-dealers) also act in the capacity of a federally registered investment advisor (i.e., providing transactional advice to customers for a fee), and are governed in such activities by the Investment Advisers Act of 1940, as amended. Moreover, certain ING entities manage registered investment funds (such as mutual funds); the Investment Company Act of 1940, as amended, regulates the governance and activities of those funds. These laws impose record-keeping and disclosure requirements on ING in the context of such activities. Moreover, the laws impose restrictions on transactions or require disclosure of transactions involving advisory clients and the advisor or the advisors affiliates, as well as transactions between advisory clients. In addition, ERISA imposes certain obligations on investment advisors managing employee plan assets as defined in this act.

The failure of ING to comply with these various requirements could result in civil and criminal sanctions and administrative penalties imposed by the Securities and Exchange Commission, the states, or FINRA on those entities of ING which have committed the violations. Moreover, employees who are found to have participated in the violations, and the managers of these employees, also may be subject to penalties by governmental and self-regulatory agencies.

Canada

ING Investment Management, Inc. (ING IM), a federally incorporated, wholly-owned subsidiary of ING Canada Inc., is registered in the provinces of Ontario and Quebec as an adviser with specific investment authorities. While substantially all of ING IM s current business consists of providing investment management services to ING Canada Inc. and its insurance subsidiaries, ING IM is seeking to expand its business by providing asset management services to third party institutional investors across Canada.

ING IM is subject to regulation by securities regulatory authorities of the provinces in which it is registered and conducts business. Regulation issued by provincial securities regulatory authorities imposes requirements (among others) regarding registration of investment management entities and their employees, governance, ongoing disclosure to clients and regulatory authorities, marketing activities, transactions with affiliates and derivatives transactions. Additionally, ING IM is subject to applicable federal laws, including those related to privacy and anti-money laundering.

Table of Contents

COMPETITION

There is substantial competition in the Netherlands and in the other countries in which ING undertakes business in insurance, retail and wholesale banking, and other products and services provided. Competition is more pronounced in the mature markets of the Netherlands, the Rest of Europe, the United States, Canada and Australia than in the developing markets. In recent years, however, competition in developing markets has increased as financial institutions from mature markets have sought to establish themselves in markets perceived to offer higher growth potential. ING and all its competitors have sought to form alliances, mergers or strategic relationships with local institutions, which have become more sophisticated and competitive.

Competition with respect to the products and services provided by the Group in both mature and developing markets is based on many factors, including brand recognition, scope of distribution systems, customer service, products offered, financial strength, price and, in the case of investment-linked insurance products and asset management services, investment performance. Management believes its major competitors are the leading global European, United States and Asian commercial banks, insurance companies, asset management and other financial-services companies.

RATINGS

ING Groep N.V. s long-term senior debt is rated AA- (with a stable outlook) by Standard & Poor s Ratings Service (Standard & Poor s), a division of the McGraw-Hill Companies, Inc. ING Groep N.V. s long-term senior debt is rated Aa2 (with a stable outlook) by Moody s Investors Service (Moody s) at December 2007 .

ING Verzekeringen, N.V. s long-term senior debt is rated AA- (with a stable outlook) by Standard & Poor s and Aa3 (with a stable outlook) by Moody s.

ING Bank N.V. s long-term senior debt held a AA (with a stable outlook) rating by Standard & Poor s as of December 31, 2007. At the same date, Moody s rated ING Bank N.V. s long-term senior debt at Aa1 (with a stable outlook). Finally, ING Bank N.V. s long-term senior debt was rated AA by Fitch Ratings, Ltd. as of December 31, 2007.

ING Verzekeringen N.V. s short-term senior debt is rated A-1+ by Standard & Poor s and Prime-1(P-1) by Moody s as of December 31, 2007

ING Bank N.V. s short-term senior debt held a rating of A-1+ by Standard & Poor s and Prime-1 (P-1) by Moody s as of December 31, 2007.

DESCRIPTION OF PROPERTY

In the Netherlands, ING owns a significant part of the land and buildings used in the normal course of its business. Outside the Netherlands, ING predominantly leases all of the land and buildings used in the normal course of its business. As of December 31, 2007, ING had more than 1,500 branch, representative and similar offices worldwide of which approximately 500 offices, principally branch offices, were located in the Netherlands. In addition, ING has part of its investment portfolio invested in land and buildings. Management believes that ING s facilities are adequate for its present needs in all material respects.

Table of Contents

Item 5. Operating and financial review and prospects

The following review and prospects should be read in conjunction with the consolidated financial statements and the related Notes thereto included elsewhere herein. The consolidated financial statements have been prepared in accordance with IFRS-EU. IFRS-EU differs in certain respects from IFRS-IASB and U.S. GAAP. See Note 2.4. to the consolidated financial statements for a description of the differences between IFRS-EU and IFRS-IASB and to Note 2.5. of the consolidated financial statements for a description of the differences between IFRS-EU and U.S.GAAP. Unless otherwise indicated, financial information for ING Group included herein is presented on a consolidated basis under IFRS-EU.

FACTORS AFFECTING RESULTS OF OPERATIONS

ING Group s results of operations are affected by demographics (particularly with respect to life insurance) and by a variety of market conditions, including economic cycles, insurance industry cycles (particularly with respect to non-life insurance), banking industry cycles and fluctuations in stock markets, interest and foreign exchange rates.

Market developments in 2007

2007 was characterised by a great deal of turbulence in the financial markets, beginning with concerns over US sub-prime mortgages in early 2007 and then widening into a general banking liquidity crisis. The turmoil put a spotlight on risk management across the financial sector.

Pre-tax P&L impact directly related to credit and liquidity crisis

	(EUR millions)		
	3Q	**4Q**	**3Q + 4Q**
Sub-prime RMBS	17	47	64
Alt-A RMBS	0	0	0
CDOs/CLOs	15	36	51
Monolines	0	66	66
Investments in SIVs, ABCP	0	45	45
Leveraged Finance	29	0	29
Total	**61**	**194**	**255**

US Sub-prime RMBS, Alt-A RMBS and CDO/CLO exposures and revaluations at year-end 2007

	Amortised cost[(1)] in EUR billion	Market value in EUR billion	Fair value in %	Pre-tax revaluation via equity in EUR million
US Sub-prime RMBS	3.1	2.8	90.1%	(307)
Alt-A RMBS	28.4	27.5	96.7%	(936)
CDO/CLO	2.0	1.9	93.4%	(134)
Total				**(1,377)**

(1) purchase price +/- amortization cumulative impairments

It has been ING s policy to maintain a high quality and well diversified portfolio. To that effect ING has limits and investment policies in place which are defined in mandates for every portfolio. Investment and trading decisions are based on internal research, and not only on published ratings. Some limits were at more stringent levels since early 2007, anticipating a potential downturn of the market.

ING applies conservative standards in mortgage underwriting and has not originated US sub-prime mortgages. Moreover, ING is not in the business of manufacturing sub-prime RMBS or CDOs nor has it purchased a material amount of US sub-prime backed CLOs. ING s exposure to the US housing market is predominantly via highly rated RMBS investments. As a result the total direct pre-tax negative impact on ING s 2007 profit and loss account was EUR 255 million (EUR 61 million in the third quarter and EUR 194 million in the fourth quarter) from

Table of Contents

exposures to sub-prime and Alt-A RMBS, and CDO and CLO asset classes and leveraged finance in the third quarter, as well as monoline insurers, SIVs and Asset-Backed Commercial Paper (ABCP) in the fourth quarter.

ABS portfolio

The US sub-prime RMBS, US Alt-A RMBS, CDO and CLO portfolios are part of ING s Asset Backed Security (ABS) portfolio. The investments ABS portfolio, almost entirely available for sale, was EUR 84 billion at year end. The ABS portfolio comprises mainly AAA rated securities (89%) and AA rated securities (10%). Unrealized gains/(losses) relating to available for sale (fixed income) securities, including Mortgage Backed Securities (MBS), are taken to the revaluation reserve in shareholders equity, unless there is evidence of impairment, in which case the negative revaluation reserve is recognized in profit or loss account. In addition, Loans and advances to customers, valued at amortized costs, contained EUR 13 billion European asset-backed products with market value around 100% and an average credit rating of AAA.

US sub-prime mortgages

ING has a very limited exposure to US sub-prime RMBS and does not originate sub-prime mortgages. Investment decisions have been based on internal research. Exposure to US sub-prime RMBS amounted to EUR 2.8 billion at December 31, 2007, representing 0.2% of total assets and was fair valued at 90.1% of its cost. The negative pre-tax revaluation on US sub-prime RMBS at December 31, 2007 was EUR 307 million. Net impairments and trading losses combined amounted to EUR 64 million (EUR 17 million in the third quarter and EUR 47 million in the fourth quarter). At year end, 96.0% of the portfolio was rated AA or higher, and in the fourth quarter only EUR 31 million was downgraded by ratings agencies.

Alt-A portfolio

Alt-A mortgage loans are regular residential mortgage loans in the US market which are frequently packaged into RMBS. Notwithstanding the widespread existence of Alt-A RMBS a single standardized definition does not exist. At times, ING has generally applied a broad definition to Alt-A RMBS. Under the broad definition of Alt-A RMBS, the applicable RMBS contains at least one of the following three characteristics: on average a Loan-to-Value ratio between 70%-100%, a FICO credit score between 640-730, and low documentation (referring to reduced requirements regarding personal income and / or asset verification) of 50% of the debt holders in the portfolio or more. ING s exposure under the broad definition amounted to EUR 27.5 billion at December 31, 2007, representing 2.1% of total assets. ING Direct s share of this exposure was EUR 23.6 billion. At times ING Direct reports Alt-A RMBS under a so called narrow definition . In this instance a security qualifies as Alt-A RMBS if it meets all three criteria simultaneously. Hence, average FICO scores higher than 730, LTVs of less than 70% and low documentation less than 50% are excluded from Alt-A. In accordance with the narrow definition ING s Direct exposure amounted to EUR 9.7 billion at December 31, 2007. On average, the ING Direct Alt-A RMBS portfolio is near prime and of high-quality with a loan-to-value ratio of 71%, an average FICO score of 723 and more than 99% of the portfolio is rated AAA. S&P s estimates average AAA Alt-A RMBS credit enhancement at approximately 7.5%, whereas ING Direct s Alt-A RMBS portfolio has a 12% average credit enhancement. ING Direct s average credit enhancement can absorb 8 times the current pipeline losses in the underlying Alt-A mortgages. The portfolio had a negative pre-tax revaluation of EUR 936 million at December 31, 2007. The rating agencies downgraded EUR 10 million of ING s Alt-A RMBS portfolio in the fourth quarter of 2007. There were no impairments or trading losses taken in respect of the Alt-A RMBS portfolio. ING continues to review its RMBS portfolio very closely, and performs structural monitoring activities at the level of the individual security.

CDOs and CLOs

At the year end, the Group s net exposure to CDOs and CLOs was EUR 1.9 billion, or 0 .1% of assets. Net impairments and trading losses combined taken on CDOs/CLOs totalled EUR 51 million (EUR 15 million in the third quarter and EUR 36 million in the fourth quarter.) At the end of the year, the portfolio was valued at 93.4% of cost, with a negative pre-tax revaluation of EUR 134 million. The revaluation reflects limited investments in CDOs backed by US sub-prime mortgages (EUR 15 million at year end).

Leveraged Finance

ING s leveraged finance pipeline is limited and transactions are in various stages of syndication and negotiation. At the end of the year ING had a leveraged finance pipeline of EUR 2.3 billion or 0.2% of total assets, over 13 deals.

Existing underwriting standards, which were tightened from the first quarter 2007 onwards, and leverage limits have resulted in negligible mezzanine and covenant-lite lending. A small markdown of EUR 29 million was taken at the Wholesale Bank in the third quarter to reflect the decrease in fair value during the underwriting period.

Monoline insurers

ING Group has a limited exposure to monoline insurers. ING s direct exposure to monoline insurers is negligible. However, ING has some indirect exposure to monoline insurers as it has insured EUR 3.5 billion, or 0.3%, of assets with several monoline insurers, either through embedded guarantees (wrapped bonds) or through credit

Table of Contents

derivatives. Changes in the monoline insurer s rating (and as a result the asset s fair value) impact the equity (unrealised losses) for wrapped bonds. Underlying wrapped bonds in the available for sale securities portfolio are monitored through the regular credit review process and were not impaired as of December 31, 2007. The rating of the monoline insurers impacted ING s profit and loss account in the fourth quarter by EUR 66 million, due to the downgrading of a monoline insurer, which resulted in EUR 630 million of underlying assets on the trading book of Wholesale Banking no longer being protected.

Liquidity impact

Since the start of the market turmoil in August 2007, ING s Liquidity Crisis Committee has met on a regular basis in line with ING s liquidity policy. The Committee discusses ING s liquidity and funding profile and is chaired by the Chief Risk Officer. Other members include the Chief Financial Officer, all the main treasurers of ING Group, the head of Market Risk Management and the head of Corporate Communications and Affairs. The Liquidity strategy and market conditions are monitored on a daily basis. Large buffers of liquidity were retained throughout 2007, and as a result, contingency funding plans, in place at all levels, were not required to be executed as ING s liquidity position remained sound during the year.

General market conditions

Demographic studies suggest that over the next decade there will be growth in the number of individuals who enter the age group that management believes is most likely to purchase retirement-oriented life insurance products in ING s principal life insurance markets in the Netherlands, the Rest of Europe, the United States, Asia and Australia. In addition, in a number of its European markets, including the Netherlands, retirement, medical and other social benefits previously provided by the government have been, or in the coming years are expected to be, curtailed. Management believes this will increase opportunities for private sector providers of life insurance, health, pension and other social benefits-related insurance products. Management believes that ING Insurance s distribution networks, the quality and diversity of its products and its investment management expertise in each of these markets, positions ING Insurance to benefit from these developments. In addition, the emerging markets in Central and Eastern Europe, Asia and Latin America, in which ING Insurance has insurance operations, generally have lower gross domestic products per capita and gross insurance premiums per capita than the countries in Western Europe and North America in which ING Insurance has insurance operations. Management believes that insurance operations in these emerging markets provide ING Insurance with the market presence which will allow it to take advantage of anticipated growth in these regions. In addition, conditions in the non-life insurance markets in which ING Insurance operates are cyclical, and characterized by periods of price competition, fluctuations in underwriting results, and the occurrence of unpredictable weather-related and other losses.

Fluctuations in equity markets

Our insurance and asset management operations are exposed to fluctuations in equity markets. Our overall investment return and fee income from equity-linked products are influenced by equity markets. The fees we charge for managing portfolios are often based on performance and value of the portfolio. In addition, fluctuations in equity markets may affect sales of life and pension products, unit-linked products, including variable business and may increase the amount of withdrawals which will reduce related management fees. In addition, our direct shareholdings that are classified as investments are exposed to fluctuations in equity markets. The securities we hold may become impaired in the case of a significant or prolonged decline in the fair value of the security below its cost. Our banking operations are also exposed to fluctuations in equity markets. ING Bank maintains an internationally diversified and mainly client-related trading portfolio. Accordingly market downturns are likely to lead to declines in securities trading and brokerage activities which we execute for customers and therefore to a decline in related commissions. In addition to this ING Bank also maintains equity investments in its own non-trading books. Fluctuations in equity markets may affect the value of these investments.

Fluctuations in interest rates

Our insurance operations are exposed to fluctuations in interest rates through impacts on sales and surrenders of life insurance and annuity products. Declining interest rates may increase sales, but may impact profitability as a result of a reduced spread between the guaranteed interest rates to policyholders and the investment returns on fixed interest investments. Declining interest rates may also affect the results of our reserve adequacy testing which may in turn

result in reserve strengthening. Rising interest rates may increase the surrender of policies which may require liquidation of fixed interest investments at unfavorable market prices. This could result in realized investment losses. Our banking operations are exposed to fluctuations in interest rates. Our management of interest rate sensitivity affects the results of our banking operations. Interest rate sensitivity refers to the relationship between changes in market interest rates on the one hand and on the other changes in both net interest income and the results of our trading activities for our own account. Both the composition of our banking assets and liabilities and the fact that interest rate changes may affect client behavior in a different way than assumed in our internal models result in a mismatch which causes the banking operations net interest income and trading results to be affected by changes in interest rates

Table of Contents

Fluctuations in exchange rates

ING Group is exposed to fluctuations in exchange rates. Our management of exchange rate sensitivity affects the results of our operations both through the trading activities for our own account and because of the fact that we publish our consolidated financial statements in euros. Because a substantial portion of our income and expenses are denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. dollar, the Australian dollar, the Canadian dollar, the Japanese yen, the Korean won, the Pound sterling and the Polish zloty into euros will impact our reported results of operations and cash flows from year to year. This exposure is mitigated by the fact that realized results in non-Euro currencies are translated into euro by monthly hedging. See Note 23 to the consolidated financial statements for a description of our hedging activities with respect to foreign currencies. Fluctuations in exchange rates will also impact the value (denominated in euro) of our investments in our non-Euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of our non-euro reporting subsidiaries are generally denominated in the same currencies. For the main foreign currencies, in which ING s income and expenses are denominated namely the U.S. dollar, Pound sterling, Canadian dollar, Australian dollar, Turkish lira and Polish zloty, the translation risk is managed taking into account the effect of translation results on the Tier-1 ratio. For all other currencies the translation risk is managed within a Value-at-Risk limit.

The weakening of most currencies against the euro during 2007 had a negative impact of EUR 159 million on net profit. In 2006 and 2005 exchange rates positively influenced net profit by EUR 20 million and EUR 81 million, respectively.

For the years 2007, 2006 and 2005, the year-end exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for balance sheet items not denominated in euros) and the average annual exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for income statement items and cash flows not denominated in euros) were as follows for the currencies specified below:

	Average		
	2007	**2006**	**2005**
U.S. dollar	1.3746	1.2568	1.2481
Australian dollar	1.6386	1.6639	1.6363
Canadian dollar	1.4703	1.4220	1.5104
Pound sterling	0.6862	0.6823	0.6849
Japanese yen	161.6854	146.1882	137.1460
South Korean won	1,275.5530	1,199.3280	1,276.3890
Polish zloty	3.7806	3.8974	4.0288

	Year-end		
	2007	**2006**	**2005**
U.S. dollar	1.4723	1.3183	1.1822
Australian dollar	1.6759	1.6688	1.6130
Canadian dollar	1.4437	1.5281	1.3750
Pound sterling	0.7344	0.6715	0.6868
Japanese yen	164.8184	156.7861	138.9972
South Korean won	1,378.1000	1,225.9710	1,186.9300
Polish zloty	3.5858	3.8322	3.8612

Critical Accounting Policies

See Note 2.1. to the consolidated financial statements.

Table of Contents

CONSOLIDATED RESULTS OF OPERATIONS

The following information should be read in conjunction with, and is qualified by reference to the Group s consolidated financial statements and other financial information included elsewhere herein. ING Group evaluates the results of its insurance operations and banking operations, including Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct, using the financial performance measure of underlying profit before tax. Underlying profit before tax is defined as profit before tax and, excluding, as applicable for each respective segment, either all or some of the following items: profit/losses from divested units, realized gains/losses on divestitures and special items such as certain restructuring charges and other non-operating income/(expense).

While these excluded items are significant components in understanding and assessing the Group s consolidated financial performance, ING Group believes that the presentation of underlying profit before tax enhances the understanding and comparability of its segment performance by highlighting profit before tax attributable to ongoing operations and the underlying profitability of the segment businesses. For example, we believe that trends in the underlying profitability of our segments can be more clearly identified without the effects of the realized gains/losses on divestitures as the timing is largely subject to the Company s discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Underlying profit before tax is not a substitute for profit before tax as determined in accordance with IFRS-EU. ING Group s definition of underlying profit before tax may differ from those used by other companies and may change over time. For further information on underlying profit before tax as well as the reconciliation of our segment underlying profit before tax to our profit before taxation see Item 5. Operating and Financial Review and Prospects Segment Reporting and Note 49 of Note 2.1 to the consolidated financial statements.

The following table sets forth the consolidated results of the operations of ING Group and its insurance and banking operations for the years ended December 31, 2007 and 2006:

	Insurance		Banking		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	(EUR millions)							
Premium income	46,818	46,834					46,818	46,834
Interest result banking operations			9,036	9,335	60	143	8,976	9,192
Commission income	1,901	1,636	2,926	2,681			4,827	4,317
Investment and Other income	13,488	11,172	2,640	2,179	163	73	15,965	13,278
Total income	**62,208**	**59,642**	**14,602**	**14,195**	**223**	**216**	**76,586**	**73,621**
Underwriting expenditure	48,833	48,188					48,833	48,188
Other interest expenses	1,326	1,233			223	216	1,103	1,017
Operating expenses	5,515	5,275	9,967	9,087			15,481	14,362
Impairments/additions to the provision for loan losses	1	11	125	103			126	114
Total expenditure	**55,675**	**54,707**	**10,092**	**9,190**	**223**	**216**	**65,544**	**63,681**
Profit before tax	**6,533**	**4,935**	**4,510**	**5,005**			**11,043**	**9,940**
Taxation	775	702	759	1,205			1,534	1,907

Profit before minority interests	**5,758**	**4,233**	**3,751**	**3,800**	**9,509**	**8,033**
Minority interests	155	281	112	60	267	341
Net profit (attributable to shareholders)	**5,603**	**3,952**	**3,638**	**3,740**	**9,241**	**7,692**
Profit before tax	**6,533**	**4,935**	**4,510**	**5,005**	**11,043**	**9,940**
Gains/losses on divestments[1]	(382)	(49)	(32)	112	(414)	63
Profit/loss divested units	(42)	(79)		(65)	(42)	(144)
Special items [2]			489		489	
Underlying profit before tax	**6,110**	**4,807**	**4,967**	**5,052**	**11,077**	**9,859**

(1) Divestments Insurance: sale of Belgian broker business (EUR 418 million, 2007), sale of NRG (EUR (129) million, 2007), IPO SulAmerica in Brazil (EUR 93 million, 2007), unwinding Piraeus (EUR 34 million, 2006), sale of Australia non-life (EUR 15 million, 2006); Divestments Banking :sale of RegioBank (EUR 32 million, 2007), sale of Willams de Broë (EUR (9) million, 2006), sale of Deutsche Hypothekenbank (EUR (80) million, 2006), sale of

Degussa Bank (EUR (23) million, 2006);

(2) Special items Banking: provision for combining ING Bank and Postbank EUR 299 million and restructuring provisions and hedge on purchase price Oyak Bank acquisition EUR 190 million.

Table of Contents

The following table sets forth the consolidated results of the operations of ING Group and its insurance and banking operations for the years ended December 31, 2006 and 2005:

	Insurance		Banking		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
				(EUR millions)				
Premium income	46,834	45,758					46,834	45,758
Interest result banking operations			9,335	9,162	143	95	9,192	9,067
Commission income	1,636	1,346	2,681	2,401			4,317	3,747
Investment and Other income	11,172	10,299	2,179	2,285	73	36	13,278	12,548
Total income	**59,642**	**57,403**	**14,195**	**13,848**	**216**	**131**	**73,621**	**71,120**
Underwriting expenditure	48,188	47,120					48,188	47,120
Other interest expenses	1,233	1,100			216	131	1,017	969
Operating expenses	5,275	5,194	9,087	8,844			14,362	14,038
Impairments/additions to the provision for loan losses	11	11	103	88			114	99
Total expenditure	**54,707**	**53,425**	**9,190**	**8,932**	**216**	**131**	**63,681**	**62,226**
Profit before tax	**4,935**	**3,978**	**5,005**	**4,916**			**9,940**	**8,894**
Taxation	702	455	1,205	924			1,907	1,379
Profit before minority interests	**4,233**	**3,523**	**3,800**	**3,992**			**8,033**	**7,515**
Minority interests	281	255	60	50			341	305
Net profit (attributable to shareholders)	**3,952**	**3,268**	**3,740**	**3,942**			**7,692**	**7,210**
Profit before tax	**4,935**	**3,978**	**5,005**	**4,916**			**9,940**	**8,894**
Gains/losses on divestments[1]	(49)	13	112	(379)			63	(366)
Profit divested units	(79)	(93)	(65)	4			(144)	(89)
Special items								
Underlying profit before tax	**4,807**	**3,898**	**5,052**	**4,541**			**9,859**	**8,440**

(1) Divestments Insurance: unwinding

Piraeus (EUR 34 million, 2006), sale of Australia non-life (EUR 15 million, 2006); sale of Freeler (EUR 10 million, 2005), gain from IPO Canada (EUR 19 million,2005), sale of Life of Georgia (EUR (89) million, 2005), sale of ING Re (EUR 20 million, 2005), sale of Austbrokers (EUR 27 million, 2005).

Divestments Banking: sale of Willams de Broë (EUR (9) million, 2006), sale of Deutsche Hypothekenbank (EUR (80) million, 2006), sale of Degussa Bank (EUR (23) million, 2006); sale of Baring Asset Management (EUR 240 million, 2005), sale of 12.8% in ING Bank Slaski shares (EUR 92 million, 2005), restructuring of NMB-Heller (EUR 47 million, 2005).

Table of Contents

GROUP OVERVIEW

Year ended December 31, 2007 compared to year ended December 31, 2006

Total profit before tax increased by EUR 1,103 million, or 11.1% from EUR 9,940 million in 2006 to EUR 11,043 million in 2007 and total underlying profit before tax increased by EUR 1,218 million or 12.4% from EUR 9,859 million in 2006 to EUR 11,077 million in 2007. The increase in profit before tax was supported by EUR 2,087 million in gains on the sale of stakes in ABN Amro and Numico. However, the profit before tax of ING Direct decreased by 23.3% due to losses related to repositioning the UK business as well as an impairment on asset-backed commercial paper in Canada in the fourth quarter 2007. The increase in total profit before tax is also impacted by divestments which resulted in a gain of EUR 414 million and a loss of EUR 63 million for 2007 and 2006, respectively, special items in 2007 influenced profit before tax negatively by EUR 489 million.

Net profit rose by EUR 1,549 million, or 20.1% from EUR 7,692 million in 2006 to EUR 9,241 million in 2007. This higher growth compared with the increase in profit before tax was due to a lower effective tax rate in 2007. The effective tax rate decreased to 13.9% in 2007 from 19.2% in 2006 mainly due to high tax-exempt gains on equity investments (ABN Amro and Numico) in 2007 compared to 2006. Underlying net profit increased from EUR 7,681 million in 2006 to EUR 9,172 million in 2007.

Earnings per share attributable to equity holders of the Company increased to EUR 4.32 in 2006 from EUR 3.57 in 2006.

Currency impact

Currency rate differences had a negative impact of EUR 159 million on net profit and EUR 211 million on profit before tax, mainly due to the weakening of the US dollar, the Canadian dollar and the South Korea won. In 2006 currency rate differences had a positive impact of EUR 20 million on net profit and EUR 48 million on profit before tax.

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital (see the discussion under Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources-ING Group Consolidated Cash Flows), which differs from total equity attributable to equity holders of the Company in that it excludes unrealized gains and losses on debt securities and the cash flow hedge reserve and includes hybrid capital. On this basis, the debt/equity ratio of ING Group increased to 9.5% in 2007 compared with 9.0% in 2006, partly due to the buyback of own shares. The capital coverage ratio of ING Verzekeringen N.V. decreased to 244% of E.U. regulatory requirements at the end of December 2007, compared with 274% at the end of December 2006, due to the decrease in regulatory capital. The Tier-1 ratio of ING Bank N.V. stood at 7.39% at the end of 2007, down from 7.63% at the end of 2006, but still remains above the 7.20% target. This decrease was caused by strong growth in risk-weighted assets and the deduction of EUR 1.2 billion in goodwill and other intangibles related to the purchase of Oyak Bank, partly compensated by a capital injection of EUR 2.2 billion from ING Group to ING Bank in the fourth quarter. Total risk-weighted assets of the banking operations increased by EUR 64.8 billion, or 19.2%, to EUR 402.7 billion as of December 31, 2007 from EUR 337.9 billion as of December 31, 2006, driven by growth in Wholesale Banking and Retail Banking.

INSURANCE OPERATIONS

Income

Total premium income decreased EUR 16 million from EUR 46,834 million in 2006 to EUR 46,818 million in 2007. Life premiums increased 0.6%, or EUR 231 million to EUR 40,732 million in 2007 from EUR 40,501 million in 2006, primarily due to growth in the United States, Asia, all countries with the exception of Japan, and Central Europe and the Rest of Europe partly offset by a decline in premium income in the Netherlands. Non-life premiums decreased 3.9%, or EUR 247 million, from EUR 6,333 million in 2006 to EUR 6,086 million in 2007, as lower premiums in Europe and Latin America were only partly offset by higher premiums in Canada.

Investment and Other income increased 20.7%, or EUR 2,316 million to EUR 13,488 million in 2007 from EUR 11,172 million in 2006, reflecting higher dividend income and capital gains on equities (ABN Amro and Numico).

Commission income increased 16.2%, or EUR 265 million to EUR 1,901 million in 2007 from EUR 1,636 million in 2006 supported by robust net inflows and growth in assets under management across all lines of business.

Underwriting Expenditure

Underwriting expenditure increased by EUR 645 million, or 1.3% from EUR 48,188 million in 2006 to EUR 48,833 million in 2007. The underwriting expenditure of the life insurance operations increased by EUR 440

Table of Contents

million, or 1.0%.. The underwriting expenditure of the non-life insurance operations increased by EUR 205 million, or 4.5%, resulting in an overall higher non-life claims ratio of 65.2% in 2007 compared with 58.7% in 2006, primarily attributable to a higher claims ratio in the Netherlands and Canada.

Expenses

Operating expenses from the insurance operations increased 4.5%, or EUR 240 million to EUR 5,515 million in 2007, from EUR 5,275 million in 2006, mainly due to ongoing cost reduction initiatives offset by higher start-up costs in 2007 to support our growth in Central Europe and the Rest of Europe and Asia. The efficiency ratios for the life insurance operations deteriorated mainly reflecting the investments in growth areas. Expenses as a percentage of assets under management for investment products deteriorated slightly to 0.76% in 2007 compared with 0.75% in 2006. Expenses as a percentage of premiums for life products decreased to 14.3% in 2007 from 13.3% in 2006. The cost ratio for the non-life operations was flat at 31.8% .

Profit before tax and net profit

Total profit before tax from insurance increased 32.4%, or EUR 1,598 million, to EUR 6,533 million in 2007 from EUR 4,935 million in 2006, mainly due to the gains on equities. This increase was also impacted by divestments which resulted in a profit of EUR 382 million in 2007 and a gain of EUR 49 million in 2006. Divested units contributed EUR 79 million profit before tax in 2006 and EUR 42 million to profit before tax in 2007. Net profit from insurance increased by 41.8%, or EUR 1,651 million to EUR 5,603 million in 2007 from EUR 3,952 million in 2006 due to a decrease in minority interests to EUR 155 million in 2007 from EUR 281 million in 2006, but especially the high tax exempt gains on equity investments caused a reduction of the effective tax rate from 14.2% in 2006 to 11.9% in 2007.

Underlying profit before tax

Underlying profit before tax from the insurance operations increased by 27.1%, or EUR 1,303 million to EUR 6,110 million in 2007 from EUR 4,807 million in 2006, primarily due to the gains on the sale of ING s stakes in ABN Amro and Numico. Underlying profit before tax from life insurance increased 48.3%, or EUR 1,627 million from EUR 3,370 million in 2006 to EUR 4,997 million in 2007. The life insurance activities in the US, Central Europe, the Rest of Europe and Latin America showed strong profit growth, supported by increased sales, growth in assets under management and investment gains. The non-life operations decreased by 22.5%, or EUR 324 million from EUR 1,437 million in 2006 to EUR 1,113 million in 2007. In the Netherlands, the deterioration was mainly caused by rate pressure as well as high one-off claims provisions related to last year. Canada results declined due to lower underwriting results and a decrease in investment gains.

BANKING OPERATIONS

Income

Total income from banking increased 2.9%, or EUR 407 million, to EUR 14,602 million in 2007 from EUR 14,195 million in 2006. This increase was experienced despite a decrease in the interest result, which was primarily attributable to a sharp decline in margins, but which was more than offset by increases in commission income and investment income.

The net interest result decreased by EUR 299 million, or 3.2%, to EUR 9,036 million in 2007 from EUR 9,335 million in 2006, driven by lower interest results in Wholesale Banking and ING Direct, which were only partially offset by higher interest results in Retail Banking. The interest margin in 2007 was 0.94%, a decrease from 1.06% in 2006, due to the flattening or even inverse yield curves, pressure on client margins and intensified competition for savings and deposits.

Commission income increased 9.1%, or EUR 245 million to EUR 2,926 million in 2007 from EUR 2,681 million in 2006. The increase in commission income was primarily due to the strong growth of management fees (mainly from ING Real Estate) by EUR 169 million. Fees from funds transfer and brokerage and advisory fees also increased, but fees from securities business decreased slightly by EUR 38 million.

Investment income increased by EUR 463 million, or 95.9%, to EUR 946 million in 2007 from EUR 483 million in 2006. The increase was partly due to EUR 56 million in gains recognized on divestments in 2007 and losses of EUR 78 million on divestments in 2006. Furthermore, rental income increased EUR 113 million and realized gains on equities grew EUR 181 million compared to 2006, mainly due to the substantial capital gains following the sale of

shares in the stock exchange and the derivatives market in Sao Paulo and a sizeable gain from the sale of an equity stake at Wholesale Banking.

Other income decreased by EUR 3 million, or 0.2%, to EUR 1,693 million in 2007 from EUR 1,696 million in

Table of Contents

2006. Net trading income declined EUR 151 million and valuation results from non-trading derivatives, for which hedge accounting is not applied, were EUR 11 million lower. This was largely offset by an increase of EUR 104 million in other revenues, including higher income from operating lease. The share of profit from associates increased by EUR 55 million from EUR 183 million in 2006 to EUR 238 million in 2007, mainly due to associates at ING Real Estate.

Expenses

Total operating expenses increased by EUR 880 million, or 9.7%, to EUR 9,967 million in 2007 from EUR 9,087 million in 2006. The increase of EUR 445 million is attributable to special items in 2007, comprising EUR 295 million in provisions and costs related to the Retail Netherlands Strategy (combining ING Bank and Postbank), EUR 139 million in restructuring provision for Wholesale Banking and EUR 11 million in restructuring provision for Retail Banking. Divestments in 2006 had a mitigating impact of EUR 111 million on expense growth, but an additional increase of EUR 546 million or 6.1%, was experienced in 2007 due, in part, to investments to support the growth of the business, notably at ING Direct, ING Real Estate and the Retail Banking activities in developing markets.

The addition to the provision for loan losses

The total addition to the provision for loan losses in 2007 was EUR 125 million compared to EUR 103 million in 2006, an increase of 21.4% or EUR 22 million. Retail Banking showed an increase by EUR 11 million, from EUR 161 million in 2006 to EUR 172 million in 2007 and ING Direct showed an increase by EUR 8 million, from EUR 60 million in 2006 to EUR 68 million in 2007. The net release in Wholesale Banking decreased by EUR 3 million to EUR 115 million. As a percentage of average credit-risk weighted assets, the addition to the provision for loan losses in 2007 was 4 basis points, up slightly from 3 basis points in 2006.

Profit before tax and net profit

Total profit before tax decreased 9.9%, or EUR 495 million, to EUR 4,510 million in 2007 from EUR 5,005 million in 2006. Divestments and special items had a negative impact of EUR 458 million on profit before tax in 2007, including EUR 489 million in special items, partly offset by EUR 32 million realized gains on divestments. In 2006, divestments resulted in a realized loss of EUR 112 million. The divested units contributed EUR 65 million to profit before tax in 2006.

Net profit from banking declined 2.7%, or EUR 102 million from EUR 3,740 million in 2006 to EUR 3,638 million in 2007. This decrease is moderated due to the effective tax rate for ING s banking operations which decreased from 24.1% (EUR 1,205 million) for 2006 to 16.8% (EUR 759 million) for 2007, caused by high tax-exempted gains, the release of some tax liabilities, a lower corporate tax rate in the Netherlands and the impact of a tax asset in Germany.

Underlying profit before tax

Excluding the effects of divestments and excluding special items, ING s banking operations showed a decrease in underlying profit before tax of EUR 85 million, or 1.7%, from EUR 5,052 million in 2006 to EUR 4,967 million in 2007. Underlying net profit increased by EUR 166 million, or 4.4%, from EUR 3,816 million in 2006 to EUR 3,982 million in 2007, due to the low effective tax rate.

GROUP OVERVIEW

Year ended December 31, 2006 compared to year ended December 31, 2005

Total profit before tax increased by EUR 1,046 million, or 11.8% from EUR 8,894 million in 2005 to EUR 9,940 million in 2006 and total underlying profit before tax increased by EUR 1,419 million or 16.8% from EUR 8,440 million in 2005 to EUR 9,859 million in 2006. The increase in profit before tax was driven by strong growth at ING Direct as well as good results from the insurance business lines due to strong equity markets, which helped to drive growth in sales and assets at ING s life insurance business, while the non-life business continued to benefit from favorable underwriting experience in most markets. The increase in total profit before tax is also impacted by divestments, which resulted in a loss of EUR 63 million and a gain of EUR 366 million for 2006 and 2005, respectively.

Net profit rose by EUR 482 million, or 6.7% from EUR 7,210 million in 2005 to EUR 7,692 million in 2006. This lower growth compared with the increase in profit before tax was due to a higher effective tax rate in 2006. The effective tax rate increased to 19.2% in 2006 from 15.5% in 2005 due to lower releases from tax provisions in 2006

compared to 2005.

Table of Contents

Earnings per share attributable to equity holders of the Company increased to EUR 3.57 in 2006 from EUR 3.32 in 2005.

Currency impact

Currency rate differences had a positive impact of EUR 20 million on net profit and EUR 48 million on profit before tax, mainly due to strengthening of the Canadian dollar, Polish zloty and South Korea won, which was partially offset by a weakening of the U.S. dollar. In 2005 currency rate differences had a positive impact of EUR 81 million on net profit and EUR 116 million on profit before tax.

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital (see the discussion under Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources ING Group Consolidated Cash Flows), which differs from total equity attributable to equity holders of the Company in that it excludes unrealized gains and losses on debt securities and the cash flow hedge reserve and includes hybrid capital. On this basis, the debt/equity ratio of ING Group improved to 9.0% in 2006 compared with 9.4% in 2005 supported by growth in equity. The capital coverage ratio of ING Verzekeringen N.V. increased to 274% of E.U. regulatory requirements at the end of December 2006, compared with 255% at the end of December 2005. The Tier-1 ratio of ING Bank N.V. stood at 7.63% at the end of 2006, up from 7.32% at the end of 2005, as growth in capital was partially offset by growth in risk-weighted assets. Total risk-weighted assets of the banking operations increased by EUR 18.2 billion, or 5.7%, to EUR 337.9 billion as of December 31, 2006 from EUR 319.7 billion as of December 31, 2005, driven by growth in Retail Banking and ING Direct.

INSURANCE OPERATIONS

Income

Total premium income increased 2.4%, or EUR 1,076 million from EUR 45,758 million in 2005 to EUR 46,834 million in 2006. Life premiums increased 2.1%, or EUR 844 million to EUR 40,501 million in 2006 from EUR 39,657 million in 2005, primarily due to growth in Central and Rest of Europe, the United States, South Korea and Australia, which was partially offset by a decline in premium income in the Netherlands, Belgium and Japan. Non-life premiums increased 3.8%, or EUR 232 million, from EUR 6,101 million in 2005 to EUR 6,333 million in 2006, due to growth in the portfolio in Canada, which was partially offset by a decline of 2.1% in the Netherlands. Investment and Other income increased 8.5%, or EUR 873 million to EUR 11,172 million in 2006 from EUR 10,299 million in 2005, reflecting higher dividend income, capital gains on equities, revaluation of real estate and private equity, higher fixed margins and favorable DAC unlocking offset by investment related losses resulting from the rising interest rate environment in the United States. Commission income increased 21.5%, or EUR 290 million to EUR 1,636 million in 2006 from EUR 1,346 million in 2005, mainly driven by higher assets under management.

Underwriting Expenditure

Underwriting expenditure increased by EUR 1,068 million, or 2.3% from EUR 47,120 million in 2005 to EUR 48,188 million in 2006. The underwriting expenditure of the life insurance operations increased by EUR 1,027 million, or 2.4%, primarily due to an increase in profit sharing and rebates and an increase in technical provisions. The underwriting expenditure of the non-life insurance operations increased by EUR 41 million, or 0.9%, resulting in an overall lower non-life claims ratio of 58.7% in 2006 compared with 62.7% in 2005, primarily attributable to the improvement in the claims ratios from Loss of Income/Accident.

Expenses

Operating expenses from the insurance operations increased 1.6%, or EUR 81 million to EUR 5,275 million in 2006, from EUR 5,194 million in 2005, mainly due to a release of employee benefit provisions in the Netherlands in the fourth quarter of 2005 as well as expenses made in 2006 to support our growth in Central and Rest of Europe and Asia. The efficiency ratios for the life insurance operations improved mainly reflecting the growth of assets under management. Expenses as a percentage of assets under management for investment products improved to 0.75% in 2006 compared with 0.82% in 2005. Expenses as a percentage of premiums for life products improved to 13.26% in 2006 from 13.28% in 2005. The cost ratio for the non-life operations remained stable at 31.8% in 2006 compared to 31.9% in 2005.

Table of Contents

Profit before tax and net profit

Total profit before tax from insurance increased 24.1%, or EUR 957 million, to EUR 4,935 million in 2006 from EUR 3,978 million in 2005. This increase was impacted by divestments which resulted in a profit of EUR 49 million in 2006 and a loss of EUR 13 million in 2005. Divested units contributed EUR 93 million to profit before tax in 2005 and EUR 79 million in 2006. Net profit from insurance increased by 20.9%, or EUR 684 million to EUR 3,952 million in 2006 from EUR 3,268 million in 2005 due to an increase in minority interests to EUR 281 million in 2006 from EUR 255 million in 2005, and an increase of the effective tax rate from 11.4% in 2005 to 14.2% in 2006 due to lower releases from tax provisions.

Underlying profit before tax

Underlying profit before tax from the insurance operations increased by 23.3%, or EUR 909 million to EUR 4,807 million in 2006 from EUR 3,898 million in 2005, mainly due to strong growth in retirement services and life insurance in developing markets, higher investment results and a favorable claims environment for the non-life business. Underlying profit before tax from life insurance increased 21.7%, or EUR 602 million from EUR 2,768 million in 2005 to EUR 3,370 million in 2006, driven by increased sales, growth in assets under management and investment gains. The non-life operations increased by 19.0%, or EUR 230 million from EUR 1,207 million in 2005 to EUR 1,437 million in 2006. Lower results in Canada, due to less favorable developments in prior-year reserves and lower investment-related gains, were offset by higher results in all regions benefiting from a favorable underwriting cycle.

BANKING OPERATIONS

Income

Total income from banking increased 2.5%, or EUR 347 million, to EUR 14,195 million in 2006 from EUR 13,848 million in 2005, as a sharp decline in investment income, primarily attributable to gains/losses on divestments, was more than offset by increases in commission income, net trading income and interest income.

The net interest result increased by EUR 173 million, or 1.9%, to EUR 9,335 million in 2006 from EUR 9,162 million in 2005, driven by higher interest results in Retail Banking and ING Direct, which were partially offset by lower interest results in Wholesale Banking. The total net interest margin in 2006 was 1.1%, a decrease from 1.2% in 2005, due to the flattening of yield curves, pressure on client margins and the ongoing growth of ING Direct with a lower interest margin.

Commission income increased 11.7%, or EUR 280 million to EUR 2,681 million in 2006 from EUR 2,401 million in 2005. The increase in commission income was primarily due to the strong growth of management fees (mainly from ING Real Estate) and higher fees from securities business at ING Direct and the international Wholesale Banking units. The increase in commission income from insurance is largely attributable to ING Belgium, primarily resulting from a changed sales agreement with Insurance Belgium.

Investment income decreased by EUR 454 million, or 48.5%, to EUR 483 million in 2006 from EUR 937 million in 2005. The decrease was primarily due to EUR 379 million in gains recognized on divestments in 2005 and a loss of EUR 112 million on divestments in 2006.

Other income increased by EUR 348 million, or 25.8%, to EUR 1,696 million in 2006 from EUR 1,348 million in 2005. The increase is largely due to a EUR 479 million increase in net trading income, partly offset by EUR 89 million lower valuation results from non-trading derivatives and a decrease of EUR 85 million of other revenue.

The share of profit from associates increased by EUR 43 million from EUR 140 million in 2005 to EUR 183 million in 2006, mainly due to associates at ING Real Estate.

Expenses

Total operating expenses increased by EUR 243 million, or 2.7%, to EUR 9,087 million in 2006 from EUR 8,844 million in 2005. Excluding divestments, operating expenses increased by EUR 416 million or by 4.9%, from EUR 8,560 million in 2005 to EUR 8,976 million in 2006. The increase is in large part attributable to EUR 198 million higher expenses to support the growth of the ING Direct activities, EUR 27 million higher expenses at the fast growing ING Real Estate and EUR 164 million compliance-related costs in 2006. Releases from employee benefit provisions decreased by EUR 53 million from EUR 119 million in 2005 to EUR 66 million in 2006, while the reclassification of payment expenses from operating expenses to funds transfer commission lowered total operating

expenses by EUR 74 million.

Table of Contents

The addition to the provision for loan losses

The total addition to the provision for loan losses in 2006 was EUR 103 million compared to EUR 88 million in 2005, an increase of 17.0% or EUR 15 million. The increase by EUR 50 million in Retail Banking, from EUR 90 million in 2005 to EUR 140 million in 2006, due to lower releases outside the Netherlands which was partly offset by a EUR 10 million increase in net release in Wholesale Banking and a EUR 25 million lower addition at ING Direct, from EUR 106 million in 2005 to EUR 81 million in 2006. As a percentage of average credit-risk weighted assets, the addition to the provision for loan losses in 2006 equaled 3 basis points, similar to 2005.

Profit before tax and net profit

Total profit before tax increased 1.8%, or EUR 89 million to EUR 5,005 million in 2006 from EUR 4,916 million in 2005. Divestments had a negative impact on profit before tax in 2006, including EUR 112 million realized losses on divestments compared with gains of EUR 379 million in 2005. Divested units contributed EUR 65 million to profit before tax in 2006 compared to a loss of EUR 4 million in 2005. Net profit from banking declined 5.1%, or EUR 202 million from EUR 3,942 million in 2005 to EUR 3,740 million in 2006. This decrease is related to the effective tax rate for ING s banking operations which increased from 18.8% (EUR 924 million) for 2005 to 24.1% (EUR 1,205 million) for 2006, mainly due to tax-exempt gains on divestments, a release of EUR 35 million from the tax provisions in 2005, and the establishment of a EUR 148 million deferred tax asset related to net operating losses in the U.S. in 2005.

Underlying profit before tax

ING s banking businesses benefited from a strong increase in profit in 2006 driven by strong income growth in all three business lines and continued low additions to the provision for loan losses, offset by a 4.9% increase in expenses, including EUR 176 million in additional compliance-related costs. Underlying profit before tax rose 11.3%, or EUR 511 million to EUR 5,052 million in 2006 from EUR 4,541 million in 2005. Growth was driven by increased savings and strong demand for mortgages at both Retail Banking and ING Direct.

Table of Contents

CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s consolidated assets and liabilities for the years ended December 31, 2007, 2006 and 2005:

	2007	2006	2005
	(EUR billions, except amounts per share)		
Investments	292.7	311.6	324.6
Financial assets at fair value through the profit and loss account	327.1	317.5	268.1
Loans and advances to customers	553.0	474.4	439.2
Total assets	1,312.5	1,226.3	1,158.6
Insurance and investment contracts:			
Life	232.4	237.9	232.1
Non-life	9.6	10.1	12.8
Investment contracts	23.7	20.7	18.6
Total insurance and investment contracts	265.7	268.7	263.5
Customer deposits and other funds on deposits [1]	525.2	496.7	465.7
Debt securities in issue/other borrowed funds	94.1	107.8	113.5
Total liabilities (including minority interests)	1,275.3	1,188.0	1,121.9
Shareholders equity	37.2	38.3	36.7
Shareholders equity per Ordinary share (in EUR)	17.73	17.78	16.96

(1) Customer deposits and other funds on deposits consists of savings accounts, other deposits, bank funds and debt securities privately issued by the banking operations of ING.

Year ended December 31, 2007 compared to year ended December 31, 2006

Total assets increased by 7.0% in 2007 to EUR 1,312.5 billion, mainly due to increased loans and advances to customers and financial assets at fair value through the profit and loss account. Investments decreased by EUR 18.9 billion, or 6.1%, to EUR 292.7 billion in 2007 from EUR 311.6 billion in 2006, representing a decrease of EUR 8.2 billion in insurance investments and a decrease of EUR 10.7 billion in banking investments.

Loans and advances to customers increased by EUR 78.5 billion, or 16.6%, rising to EUR 553.0 billion at the end of December 2007 from EUR 474.4 billion at the end of December 2006. Loans and advances to customers of the insurance operations decreased EUR 10.0 billion. Loans and advances of the banking operations increased by EUR 88.5 billion. The Netherlands operations increased by EUR 30.7 billion and the international operations by EUR 57.8 billion. The impact of the inclusion of Oyak Bank was EUR 4.8 billion. ING Direct contributed EUR 25.1 billion to the increase, of which EUR 28.0 billion was due to personal lending.

Shareholders equity decreased by 2.8% or EUR 1,058 million to EUR 37,208 million at December 31, 2007 compared to EUR 38,266 million at December 31, 2006. Net profit from the year 2007 added EUR 9,241 million to equity and

unrealized revaluation shares added EUR 2,997 million, partially offset by unrealized revaluations debt securities of EUR 4,725 billion, realized gains equity securities released to profit and loss of EUR 3,044 million, change due to treasury shares of EUR 2,304 million and a cash dividend of EUR 2,999 million.

Year ended December 31, 2006 compared to year ended December 31, 2005

Total assets increased by 5.8% in 2006 to EUR 1,226.3 billion, mainly due to increased fixed income investments, loans and advances to customers and customer deposits and other funds on deposits. Investments decreased by EUR 13.0 billion, or 4.0%, to EUR 311.6 billion in 2006 from EUR 324.6 billion in 2005, representing a decrease of EUR 4.0 billion in insurance investments and a decrease of EUR 9.0 billion in banking investments.

Loans and advances to customers increased by EUR 35.2 billion, or 8.0%, rising to EUR 474.4 billion at the end of December 2006 from EUR 439.2 billion at the end of December 2005. Loans and advances to customers of the insurance operations decreased EUR 0.9 billion. Loans and advances of the banking operations increased by EUR 34.7 billion The Netherlands operations increased by EUR 18.4 billion and the international operations by

Table of Contents

EUR 16.3 billion, for EUR 16.4 billion negatively influenced by the sale of Deutsche Hypothekenbank. ING Direct contributed EUR 20.0 billion to the increase, of which EUR 16.4 billion was due to personal lending.
Shareholders equity increased by 4.2% or EUR 1,530 million to EUR 38,266 million at December 31, 2006 compared to EUR 36,736 million at December 31, 2005. Net profit from the year 2006 added EUR 7,692 million to equity and unrealized revaluation shares added EUR 1,726 million, partially offset by unrealized revaluations debt securities of EUR 2,901 billion, exchange rate differences of EUR 1,335 million and a cash dividend of EUR 2,681 million.

Table of Contents

SEGMENT REPORTING

ING Group s segments are based on the management structure of the Group, which is different from its legal structure. The following table sets forth the contribution of our six business lines to our underlying profit before tax for each of the years 2007, 2006 and 2005:

2007 (EUR millions)	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale Banking	Retail Banking	ING Direct	Other (1)(2)	Total Group
Total income	**16,262**	**29,681**	**14,383**	**5,860**	**6,424**	**2,196**	**1,781**	**76,586**
Total expenditure	**13,962**	**27,529**	**13,807**	**3,600**	**4,641**	**1,667**	**338**	**65,544**
Profit before tax	**2,300**	**2,152**	**576**	**2,260**	**1,783**	**530**	**1,443**	**11,043**
Gains/losses on divestments	(418)	(93)			(32)		129	(414)
Profit/loss before tax from divested units	(42)							(42)
Special items				139	310			489
Underlying profit before tax	**1,840**	**2,059**	**576**	**2,399**	**2,062**	**530**	**1,611**	**11,077**

(2) Includes the gains on the sale of stakes in ABN Amro and Numico

2006 (EUR millions)	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale Banking	Retail Banking	ING Direct	Other[1)]	Total Group
Total income	**16,170**	**29,779**	**13,378**	**5,818**	**6,086**	**2,289**	**101**	**73,621**
Total expenditure	**13,808**	**27,787**	**12,742**	**3,337**	**4,151**	**1,598**	**258**	**63,681**
Profit before tax	**2,362**	**1,992**	**636**	**2,481**	**1,935**	**691**	**(157)**	**9,940**
Gains/losses on divestments	(34)		(15)	89		23		63
Profit/loss before tax from divested units	(79)			(45)		(20)		(144)
Special items								
Underlying profit before tax	**2,249**	**1,992**	**621**	**2,525**	**1,935**	**694**	**(157)**	**9,859**

2005 (EUR millions)	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale Banking	Retail Banking	ING Direct	Other[1)]	Total Group
Total income	**16,033**	**28,034**	**13,191**	**5,957**	**5,881**	**2,034**	**(10)**	**71,120**
Total expenditure	**14,002**	**26,093**	**12,713**	**3,358**	**4,017**	**1,404**	**639**	**62,226**
Profit before tax	**2,031**	**1,941**	**478**	**2,599**	**1,8764**	**630**	**(649)**	**8,894**
Gains/losses on divestments	(10)	50	(27)	(317)	(62)			(366)
Profit/loss before tax from divested units	(77)	(12)	(4)	17		(13)		(89)
Special items								
Underlying profit before tax	**1,945**	**1,979**	**447**	**2,299**	**1,802**	**617**	**(649)**	**8,440**

(1) Other mainly includes items not directly attributable to the business lines and intercompany relations

See Note 49 of Note 2.1 to the consolidated financial statements for further disclosure of our segment reporting.

Table of Contents

The business lines are analyzed on a total basis for Income, Expenses and Profit before tax, the geographical analyses are based on underlying figures.

INSURANCE EUROPE

		Insurance Europe	
	2007	**2006**	**2005**
		(EUR millions)	
Premium income	10,616	10,552	10,702
Commission income	477	348	303
Investment and Other income	5,169	5,270	5,028
Total income	**16,262**	**16,170**	**16,033**
Underwriting expenditure	11,595	11,458	11,644
Other interest expenses	591	544	481
Operating expenses	1,774	1,805	1,869
Other impairments	1	1	7
Total expenditure	**13,962**	**13,808**	**14,001**
Profit before tax	**2,300**	**2,362**	**2,032**
Gains/losses on divestments	(418)	(34)	(10)
Profit before tax from divested units	(42)	(79)	(77)
Underlying profit before tax	**1,840**	**2,249**	**1,945**

Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Total premium income increased by 0.6%, or EUR 64 million to EUR 10,616 million in 2007 from EUR 10,552 million in 2006, as continued strong life premium growth in Central and Rest of Europe was largely offset by lower life premiums in the Netherlands and Belgium, including the impact of the divestment of the Belgian broker and employee benefits business in September 2007. Life production slowed down in the second half of 2007 due to faltering stock markets and less intensive marketing for investment products in Belgium. Unit-linked volumes in the Netherlands were impacted by negative media attention concerning cost loads. Non-life premium income declined by 6.8%, or EUR 135 million to EUR 1,839 million from EUR 1,974 million in 2006, due to lower premiums in all regions after rate reductions in the Benelux as well as the disposition of bond insurer Nationale Borg in the Netherlands and the broker and employee benefits business in Belgium.

Commission income advanced by 37.1%, or EUR 129 million to EUR 477 million in 2007 from EUR 348 million in 2006 fuelled by higher management fees in all regions. Investment and Other income declined by 1.9%, or EUR 101 million from EUR 5,270 million in 2006 to EUR 5,169 million in 2007, driven by lower capital gains and fair value changes on real estate and private equity investments. In the Netherlands direct investment income decreased EUR 136 million, after the deconsolidation of a real estate mutual fund at year-end 2006 and the distribution of EUR 5.0 billion in extraordinary dividends to the Corporate Line Insurance during 2007. Direct investment income in Belgium included the EUR 418 million gain on the divestment of the broker and employee benefits business.

Expenses

Operating expenses declined by 1.7%, or EUR 31 million to EUR 1,774 million in 2007 from EUR 1,805 million in 2006, with the decline concentrated in the Benelux. In the Netherlands, expenses decreased 1.5%, or EUR 21 million to EUR 1,350 million in 2007 from EUR 1,371 million in 2006, as regular cost increases related to inflation and merit

salary increases were offset by staff reductions following the completion and implementation of a new insurance administration platform at Nationale-Nederlanden and EUR 33 million software impairments in 2006. The 2007 release of provisions for employee benefits in the Netherlands almost matched similar releases in 2006. Operating expenses in Belgium declined from EUR 150 million in 2006 to EUR 96 million in 2007, following the disposition of the broker and employee benefits business. Expenses in Central and Rest of Europe were EUR 44 million higher at EUR 324 million, after EUR 30 million higher investments in greenfields (business in new country) in Romania and Russia and organic business growth across the region.

Profit before tax

Profit before tax in 2007 included a gain of EUR 418 million from the sale of Belgian broker and employee benefits business, whereas the 2006 pre-tax profit reflected a EUR 34 million gain on the unwinding of a cross-

Table of Contents

shareholding with Bank Piraeus in Greece. Notwithstanding those gains, total profit before tax of Insurance Europe declined by 2.6%, or EUR 62 million to EUR 2,300 million in 2007 from EUR 2,362 million in 2006.

Underlying profit before tax

Underlying profit before tax from Insurance Europe declined by 18.2%, or EUR 409 million from EUR 2,249 million in 2006 to EUR 1,840 million in 2007, driven by lower insurance results in the Netherlands following lower capital gains and fair value changes on real estate and private equity investments and significant disability provision releases in 2006. Central Europe continued to show strong growth of life underwriting results, partly compensated by EUR 26 million higher greenfield strain in Romania and Russia. Underlying profit from life insurance declined by 15.7%, or EUR 263 million to EUR 1,412 million in 2007 from EUR 1,675 million in 2006, mostly resulting from a EUR 327 million decrease in life results from the Netherlands partly offset by a EUR 51 million increase in Central and Rest Europe, primarily in Hungary and Poland as well as the Czech and Slovakia republics. Underlying profit from non-life insurance declined by 25.4%, or EUR 146 million from EUR 574 million in 2006 to EUR 428 million in 2007, including 2006 releases of actuarial provisions caused by the introduction of a new long-term disability act in the Netherlands.

Insurance Europe - 2007 Underlying Profit before Tax by Geographic Region

(1) Belgium includes underlying profit before tax from Luxembourg.

(2) Central Europe includes Poland, Hungary, Czech Republic, Slovakia, Romania, Bulgaria, Greece and Russia.

(3) Underlying profit before tax by geographic region in 2007 was as follows: Netherlands EUR 1,445 million (life EUR 1,030 million and non-life EUR 415 million), Belgium EUR 62 million (life

EUR 59 million and non-life EUR 3 million), Central and Rest of Europe EUR 333 million (life EUR 323 million and non-life EUR 10 million).

Netherlands

In the Netherlands, underlying profit before tax decreased by 24.4%, or EUR 466 million to EUR 1,445 million in 2007 from EUR 1,911 million in 2006, as lower investment income and actuarial provision releases more than offset the slight decline in operating expenses. Results included EUR 217 million lower gains and revaluations from real estate investment declining from EUR 443 million in 2006 to EUR 226 million in 2007 and EUR 42 million lower gains and revaluations from private equity investments from EUR 166 million in 2006 to EUR 124 million in 2007, as well as a EUR 98 million release of disability provisions triggered by the introduction of a new long-term disability act in 2006. In 2007, the increase in the shortfall in investment guarantees on certain group pension contracts deteriorated EUR 74 million compared to 2006.

Underlying profit before tax from the life insurance businesses declined by 24.1%, or EUR 327 million from EUR 1,357 million in 2006 to EUR 1,030 million in 2007 driven by lower investment income, especially lower gains and revaluations on real estate and private equity investments. Life premium income declined by 4.2%, or EUR 374 million from EUR 5,230 million in 2006 to EUR 5,008 million in 2007, mainly due to lower single-premium sales due to enhanced pricing discipline to improve profitability and negative media attention around unit-linked products.

Underlying profit before tax from the non-life insurance businesses decreased by 25.1%, or EUR 139 million from EUR 554 million in 2006 to EUR 415 million in 2007, driven by EUR 98 million disability provision releases in 2006 as well as lower results from real estate and private equity investments. Non-life premiums declined by 1.2% to EUR 1,587 million, a decrease of EUR 19 million compared to EUR 1,606 million in 2006 largely attributable to the disposition of guarantee insurer Nationale Borg in the second quarter of 2006. Increased distribution through the proprietary bank channel more than compensated for the impact of rate pressure in automobile and group income insurance.

Belgium

In Belgium, underlying profit before tax from insurance rose by 8.8%, or EUR 3 million from EUR 57 million in 2006 to EUR 62 million in 2007, due to higher results from life insurance. Underlying profit from life insurance, including Luxembourg, rose by EUR 12 million, or 25.5% to EUR 59 million in 2007 from EUR 47 million in

Table of Contents

2006, driven by higher sales and investment income. Underlying profit before tax from non-life insurance, declined sharply to EUR 3 million in 2007 from EUR 10 million in 2006, partly caused by a strengthening of the claims provisions for disability based on recent claims experience. Following the divestment of the broker and employee benefits business in 2007, the insurance activities in Belgium are focused exclusively on the sale of insurance products through ING s proprietary bank channels (ING Bank and Record Bank). Life premium income increased by 15.0%, to EUR 1,160 million in 2007 from EUR 1,009 million in 2006, due to strong sales of investment products with a capital guarantee and high profit participation potential. Non-life premiums were up 12.5%, mainly due to the compulsory natural disaster cover introduced in 2007.

Central and Rest of Europe

In Central and Rest of Europe, underlying profit before tax increased by 17.7%, or EUR 50 million to EUR 332 million in 2007 from EUR 282 million in 2006, driven by a 18.8% increase in life results to EUR 323 million. The new life operation in Russia and second-pillar pension fund in Romania caused a EUR 26 million higher greenfield strain on underlying pre-tax profit. The Czech Republic, Hungary, Poland and Slovakia all showed strong growth in life and pensions, driven by higher premiums and pension fund inflows. Life premium income rose by 25.6%, or EUR 488 million from EUR 1,906 million in 2006 to EUR 2,394 million in 2007, propelled by high sales of unit-linked products in Greece and the Czech Republic, group life in Spain as well as the launch of the variable annuities in Hungary and Spain.

Year ended December 31, 2006 compared to year ended December 31, 2005

Income

Total premium income declined by 1.4%, or EUR 150 million to EUR 10,552 million in 2006 from EUR 10,702 million in 2005, through a decrease of 1.4% in Life premium and 1.6 % in Non-life premium. Life premium declined especially in the Netherlands decrease of 4.1%) and was partially offset by Central and Rest of Europe which showed an increase of 18.0%. Non-life premium income declined also in the Netherlands (decrease of 2.1%) but Belgium and Rest of Europe showed premium growth of 0.6% and 2.2% respectively

Commission income increased by 14.9%, or EUR 45 million to EUR 348 million in 2006 from EUR 303 million in 2005, mainly due to increased assets under management in Central and Rest of Europe. Commission income in the Netherlands remained stable at EUR 113 million compared to EUR 105 million in 2005. Investment and Other income increased by 4.8%, or EUR 242 million from EUR 5,028 million in 2005 to EUR 5,270 million in 2006, attributable to the life operations in the Netherlands, which increased by EUR 153 million, due to higher dividend income, increased capital gains on equities, revaluations of real estate and private equity and Belgium which increased by EUR 44 million as well as higher gains on divestments (Piraeus in 2006 against Freeler in 2005).

Expenses

Operating expenses declined by 3.4%, or EUR 64 million to EUR 1,805 million in 2006 from EUR 1,869 million in 2005 primarily due to a decrease of 6.7% or EUR 99 million in the Netherlands mainly due to a decrease in the work force resulting from reorganizations, especially at Nationale-Nederlanden and higher releases from employee benefit provisions. Operating expenses in Belgium increased by 4.2% or EUR 6 million (due to a release of a legal claim provision in 2005) and in Central and Rest of Europe by 11.4% or EUR 29 million due to growth of business and the developing of greenfields (business in new countries). Expenses as a percentage of assets under management improved from 0.93% to 0.76% and expenses as a percentage of life premiums improved from 23.38% to 22.50%.

Profit before tax

Profit before tax included a gain of EUR 34 million from the unwinding of Piraeus (Greece) in 2006, and a gain of EUR 10 million from the sale of the internet provider Freeler in 2005.As a result of those gains and the special item operating result Belgian broker and employee benefits business, total profit before tax rose 16.2%, or EUR 330 million to EUR 2,362 million in 2006 from EUR 2,032 million in 2005.

Underlying profit before tax

Underlying profit before tax from Insurance Europe rose by 15.6%, or EUR 304 million from EUR 1,945 million in 2005 to EUR 2,249 million in 2006, mainly driven by strong underwriting results at the non-life businesses in the Netherlands, which increased by 49.7% or EUR 184 million, primarily due to an increase in underwriting results for especially loss of income / accident and motor risks. In addition life insurance in the Netherlands increased by 11.2%,

or EUR 137 million, due primarily to favorable investment results and lower expenses.

Table of Contents

Insurance Europe - 2006 Underlying Profit before Tax by Geographic Region

(1) Belgium includes underlying profit before tax from Luxembourg.

(2) Central and Rest of Europe includes Poland, Hungary, Czech Republic, Slovakia, Romania, Bulgaria, Greece and Russia.

(3) Underlying profit before tax by segment in 2006 was as follows: Netherlands: life EUR 1,357 million and non-life EUR 554 million, Belgium: life EUR 47 million and non-life EUR 10 million, Central Europe and Spain: life EUR 272 million and non-life EUR 9 million.

(4) Underlying profit before tax by geographic region in 2005 was as follows: Netherlands EUR

1,589 million (life EUR 1,220 million and non-life EUR 370 million), Belgium EUR 98 million), Central and Rest of Europe and Spain EUR 258 million (life EUR 217 million and non-life EUR 41 million).

Netherlands

In the Netherlands, underlying profit before tax increased by 20.2%, or EUR 321 million to EUR 1,911 million in 2006 from EUR 1,590 million in 2005 due to higher investment and other income and lower expenses. Underlying profit before tax from the life insurance businesses rose by 11.2%, or EUR 137 million from EUR 1,220 million in 2005 to EUR 1,357 million in 2006 driven by higher investment income largely due to higher dividends received, gains on equity, gains and revaluations on real estate investments and private equity, and were partly offset by lower reduction in Nationale-Nederlanden s guaranteed separate account contracts (contracts with a guaranteed yield for the customer regardless of the realized yield on the investments). In addition expense and actuarial provision releases were higher in 2006. Life premium income declined by 4.1%, or EUR 221 million from EUR 5,451 million in 2005 to EUR 5,230 million in 2006, mainly due to fewer acquired group life contracts and lower addition (through premium income) to buffer regarding certain group life contracts (positive product experience). Underlying profit before tax from the non-life insurance businesses increased by 49.7%, or EUR 184 million from EUR 370 million in 2005 to EUR 554 million in 2006, driven by better claims ratios following higher one-off claims provision releases on previous underwriting years. Non-life premiums declined by 2.1% to EUR 1,606 million, a decrease of EUR 35 million compared to EUR 1,641 million in 2005 which was attributable to all branches, but primarily to loss of income/accident insurance due to the new long-term disability act and fierce competition in short-term disability insurance.

Belgium

In Belgium, underlying profit before tax from insurance declined by 41.8%, or EUR 41 million from EUR 98 million in 2005 to EUR 57 million in 2006, mainly due to the new commission agreement with ING Bank Belgium. Life premium income decreased by 11.5%, to EUR 1,442 million in 2006 from EUR 1,630 million in 2005, due to lower sales of single premium investments products through the bank channel.

Central and Rest of Europe

In Central and Rest of Europe, underlying profit increased by 8.5%, or EUR 22 million to EUR 280 million in 2006 from EUR 258 million in 2005, driven by a 7.5% or EUR 19 million increase in life results due to higher assets under management and increased sales in Greece, Poland and the Czech Republic, partly offset by start-up costs for greenfields in Russia and Bulgaria and expenses for a project to determine the required economic capital. Life premium income rose by 18.0%, or EUR 289 million from EUR 1,617 million in 2005 to EUR 1,906 million in 2006 within all countries, primarily in Spain and Hungary.

US GAAP

US GAAP profit before tax is EUR 830 million lower than IFRS-EU profit before tax of EUR 2,362 million in 2006. The difference between US GAAP and IFRS-EU profit before tax in 2006 is primarily attributable to EUR (797) million in 2006 compared to EUR 686 million in 2005 for the reversal of IFRS-EU hedge accounting; EUR 91 million in 2006 compared to EUR (112) million in 2005 related to differences in debt securities valuation; EUR 155 million in 2006 compared to EUR 73 million in 2005 related to differences in the deferred acquisition costs and

provision for insurance liabilities and EUR (256) million in 2006 compared to EUR (290) million in 2005 primarily related to the underlying IFRS-EU and US GAAP differences in real estate and the associates accounting for real estate, which became a significant reconciling item in 2005 due to a change in the scope of consolidation of property investment funds; EUR 0 million in 2006 compared to EUR 147 million in 2005 related to the alignment of the US GAAP reporting with the change in loan loss provision estimation process on

Table of Contents

adoption of IFRS-EU in 2005. For an explanation of the differences between IFRS-EU and US GAAP please see Note 2.5. to the consolidated financial statements.

INSURANCE AMERICAS

	Insurance Americas		
	2007	**2006**	**2005**
		(EUR millions)	
Premium income	23,537	24,118	22,744
Commission	1,036	984	785
Investment and Other income	5,108	4,677	4,505
Total income	**29,681**	**29,779**	**28,034**
Underwriting expenditure	24,682	24,981	23,597
Other interest expenses	328	316	98
Operating expenses	2,519	2,490	2,397
Other impairments	0	0	1
Total expenditure	**27,529**	**27,787**	**26,093**
Profit before tax	**2,152**	**1,992**	**1,941**
Gains/losses on divestments	(93)		50
Profit before tax from divested units			(12)
Underlying profit before tax	**2,059**	**1,992**	**1,979**

Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Premium income decreased by 2.4%, or EUR 581 million, from EUR 24,118 million in 2006 to EUR 23,537 million in 2007. Excluding unfavorable currency effects of EUR 1,905 million, premium income rose by 6.0%, due to an increase in Life premium of 6.6%, primarily attributable to the US (increase of 6.7%) driven by variable annuities and retirement services, partly offset by lower fixed annuities; Latin America (increase of 3.8%) driven by annuities in Chile and Argentina and group life premiums in Mexico, and an increase in Non-life premium of 3.0%, attributable to Canada (increase of 2.7%) due to an increase in the number of insured risks and Latin America (increase of 3.4%) through higher premiums from health business.

Commission income increased by 5.3%, or EUR 52 million to EUR 1,036 million in 2007 from EUR 984 million in 2006, primarily as a result of higher assets under management, which were due to sales, persistency and positive fund performance. Investment and Other income increased 9.2% or EUR 431 million from EUR 4,677 million in 2006 to EUR 5,108 million in 2007, mainly due to net investment gains, including the gain on the initial public offering of shares by the Brazilian composite insurer SulAmérica, in which ING is a major shareholder as well as the disposition of a minority equity investment in the US, and higher private equity gains, partly offset by credit related losses and impairments.

Expenses

Operating expenses increased by 1.2%, or EUR 29 million from EUR 2,490 million in 2006 to EUR 2,519 million in 2007. Excluding unfavorable currency impact of EUR 183 million,, operating expenses increased 9.2%, due to the acquisitions of the annuity and pension business from Santander in Latin America, marketing and organic business growth, mainly in the US. Expenses as a percentage of assets under management for investment products deteriorated from 0.72% to 0.74%, while expenses as a percentage of premiums for life products deteriorated from 14.3% in 2006 to 14.7% in 2007.

Profit before tax

Profit before tax in 2007 included a gain of EUR 93 million, which resulted from the dilution of ING s share in Brazil s SulAmérica, following an initial public offering.

Underlying profit before tax

Underlying profit before tax from Insurance Americas increased by 3.4%, or EUR 67 million from EUR 1,992 million in 2006 to EUR 2,059 million in 2007. Underlying profit before tax in the US grew by 12.7%, or EUR 153 million from EUR 1,203 million in 2006 to EUR 1,356 million in 2007, due to net investment gains and commission income, partially offset by increased operating expenses . The Canadian business had a 22.3%, or EUR 135 million decrease in underlying profit before tax from EUR 605 million in 2006 to EUR 470 million in 2007, due to less favorable developments in current and prior-year reserves and impairments and investment losses. In Latin America underlying profit before tax increased 27.3%, or EUR 50 million to EUR 233 million in

Table of Contents

2007 from EUR 183 million in 2006, due to life operations increase, partly offset by non-life operations. Life operations rose 84.6% or EUR 99 with higher results across the region, including investment gains in Mexico. Non-life operations decreased 74.2% or EUR 49 million, due to higher fire and weather-related claims and provision strengthening in automobile insurance in Mexico, partly offset by the results from the health business in Brazil.

Insurance Americas - 2007 Underlying Profit before Tax by Geographic Region

(1) Latin America includes Argentina, Chile, Peru, Brazil and Colombia

(2) United States is only life insurance; Canada and Latin America are mainly non-life insurance.

United States

Underlying premium income decreased 2.4%, or EUR 453 million to EUR 18,677 million in 2007 from EUR 19,130 million in 2006. The decrease is attributable to the depreciation of the US dollar against the EUR. Excluding this impact, premium income increased 6.7%, mainly due to higher sales of variable annuity and retirement services, but was partially offset by lower premiums from fixed annuities. Operating expenses were almost flat as they increased only by 0.9%, or EUR 14 million. Excluding unfavorable currency impact of EUR 127 million, operating expenses increased 10.4%, due to marketing, continued business growth and personnel-related expenses. Underlying profit before tax rose by 12%.7%, or EUR 153 million from EUR 1,203 million in 2006 to EUR 1,356 million in 2007. Net investment gains, including the EUR 21 million gain on the disposition of a minority equity investment, contributed EUR 83 million to the underlying profit growth in the US. Excluding investment gains, underlying profit before tax increased 5.5% to EUR 1,316, due to higher fee income from higher assets under management, higher result from private equity investments and positive impact from equity related deferred acquisition costs and reserves unlocking.

Canada

Underlying premium income of EUR 2,788 million EUR in 2007 was almost flat compared with 2006. Excluding the impact of the depreciation of Canadian dollar against the EUR, premium income increased 2.7% primarily attributable to the increase in the number of insured risks. Operating expenses of EUR 553 million in 2007 was almost flat compared with 2006. Excluding unfavorable currency impact of EUR 18 million, operating expenses rose by 4.3%. Underlying profit before tax decreased 22.3%, or EUR 135 million from EUR 605 million in 2006 to EUR 470 million in 2007, due to lower underwriting results and investment losses. Underwriting results decreased in 2007 after a deterioration of the automobile insurance results and higher property insurance losses. The claims ratio deteriorated to 65.7% in 2007 from 59.2% in 2006, but the expense ratio improved to 28.5% from 29.9%. The combined ratio deteriorated to 94.2% in 2007 from 89.1% in 2006.

Year ended December 31, 2006 compared to year ended December 31, 2005

Income

Premium income rose by 6.0%, or EUR 1,374 million, from EUR 22,744 million in 2005 to EUR 24,118 million in 2006. Excluding currency effects premium income rose by 5.8%, due to an increase in Life premium of 6.9%

primarily attributable to the US (increase of 6.5%) driven by fixed and variable annuities and retirement services; Latin America (increase of 17.7% following strong production in group life contracts in Mexico and Chile) and in Non-life premium of 2.3%, primarily attributable to Canada (increase of 2.2%) due to an increase in the number of insured risks and Latin America (increase of 2.5%) through higher motor and health sales in Mexico and higher health premium in Chile.

Commission income increased by 25.4%, or EUR 199 million to EUR 984 million in 2006 from EUR 785 million in 2005, primarily as a result of higher assets under management, which were due to sales, persistency and higher fund performance. Investment and Other income increased 3.8% or EUR 172 million from EUR 4,505

Table of Contents

million in 2005 to EUR 4,677 million in 2006, mainly due to higher fixed margins and favorable DAC unlocking partly offset by investment related losses resulting from the rising interest rate environment and lower private equity gains.

Expenses

Operating expenses increased by 3.9%, or EUR 93 million from EUR 2,397 million in 2005 to EUR 2,490 million in 2006, due to normal business growth and increased sales agents in the competitive pension market in Mexico. Expenses as a percentage of assets under management for investment products improved from 0.75% to 0.72%, while expenses as a percentage of premiums for life products deteriorated from 13.76% in 2005 to 14.33% in 2006.

Profit before tax

Divestments resulted in a loss of EUR 50 million in 2005 (mainly due to the disposal of Life of Georgia) and divested units generated a profit before tax of EUR 12 million in 2005. Including these items, total profit before tax increased 2.6%, or EUR 51 million from EUR 1,941 million in 2005 to EUR 1,992 million in 2006.

Underlying profit before tax

Underlying profit before tax from Insurance Americas increased by 0.7%, or EUR 13 million from EUR 1,979 million in 2005 to EUR 1,992 million in 2006. Underlying profit before tax in the U.S. grew by 5.0%, or EUR 57 million from EUR 1,147 million in 2005 to EUR 1,204 million in 2006, despite investment related losses resulting from the rising interest rate environment. The Canadian business had a 10.0%, or EUR 67 million decrease in underlying profit before tax from EUR 671 million in 2005 to EUR 604 million in 2006, due to less favorable developments in prior-year reserves and lower investment-related gains. In Latin America underlying profit before tax increased 14.3%, or EUR 23 million to EUR 184 million in 2006 from EUR 161 million in 2005, mainly due to life operations which rose 16.8% or EUR 17 million as higher results in Chile were partly offset by lower results in Mexico as the pension market continued to be highly challenged by competitive market conditions.

Insurance Americas - 2006 Underlying Profit before Tax by Geographic Region

(1) Latin America includes Argentina, Chile and Peru.

(2) United States is only life insurance; Canada and Latin America are mainly non-life insurance.

United States

Premium income increased 5.8%, or EUR 1,043 million to EUR 19,130 million in 2006 from EUR 18,087 million in 2005 mainly due to higher fixed and variable annuity sales and higher sales in retirement services but was partially offset by lower premium income from individual life products. Operating expenses were almost flat as they increased only by 1.1%, or EUR 16 million, despite the sales and the portfolio growth. Underlying profit before tax rose by 5.0%, or EUR 57 million from EUR 1,147 million in 2005 to EUR 1,204 million in 2006, despite investment-related losses. Excluding these losses, underlying profit before tax increased 12.6% to EUR 1,252 million due to higher fee income from growth in assets under management, higher interest margins and favorable equity-related deferred acquisition cost unlocking in 2006.

Canada

Premium income rose by 8.5%, or EUR 221 million, from EUR 2,585 million in 2005 to EUR 2,806 million in 2006, primarily attributable to currency impacts as well as to an increase in the number of insured. Operating expenses rose by 14.2% or EUR 68 million, mainly due to currency impact, expenses of brokerage acquired, higher pension costs, higher premium taxes and increased salary and benefits expenses. Underlying profit before tax decreased 10.0%, or EUR 67 million from EUR 671 million in 2005 to EUR 604 million in 2006; excluding currency impact the decrease is 15.5%, due to less favorable developments in prior-year reserves and lower investment-related gains. The claims ratio deteriorated to 59.2% in 2006 from 56.3% in 2005, but the

Table of Contents

expense ratio improved to 29.9% from 30.5%. The combined ratio deteriorated to 89.1% in 2006 from 86.8% in 2005.

US GAAP

US GAAP profit before tax is EUR 34 million higher than IFRS-EU profit before tax of EUR 1,992 million in 2006. The difference between US GAAP and IFRS-EU profit before tax in 2006 is primarily attributable to EUR (19) million in 2006 for the depreciation of goodwill related to management rights compared to EUR (326) million in 2005 for the write-off of goodwill related to Sul America, the reversal of goodwill on disposals and the depreciation of goodwill related to management rights; EUR (28) million in 2006 compared to EUR (17) million in 2005 related to differences in debt securities valuation; EUR (3) million in 2006 compared to EUR 203 million in 2005 for the reversal of IFRS-EU hedge accounting; EUR 150 million in 2006 related to deferred acquisition costs and provision for life policy liabilities, compared to EUR (82) million in 2005; and, EUR (30) million in 2006 compared to EUR (89) million in 2005 primarily related to the underlying IFRS-EU and US GAAP differences within the associates accounting. For an explanation of the differences between IFRS-EU and US GAAP please see Note 2.5. to the consolidated financial statements.

INSURANCE ASIA/PACIFIC

	Insurance Asia/Pacific		
	2007	**2006**	**2005**
		(EUR millions)	
Premium income	12,632	12,136	12,286
Commission	382	298	254
Investment and Other income	1,369	944	651
Total income	**14,383**	**13,378**	**13,191**
Underwriting expenditure	12,517	11,745	11,838
Other interest expenses	175	22	8
Operating expenses	1,115	965	867
Other impairments	0	10	0
Total expenditure	**13,807**	**12,742**	**12,713**
Profit before tax	**576**	**636**	**478**
Gains/losses on divestments		(15)	(27)
Profit before tax from divested units			(4)
Underlying profit before tax	**576**	**621**	**447**

Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Premium income increased by 4.1%, or EUR 496 million to EUR 12,632 million in 2007 from EUR 12,136 million in 2006, due primarily to sales of unit-linked products and high persistency in South Korea, new sales in life risk and personal investment products, along with favorable in-force business in Australia and sales of investment-linked products in Taiwan, in part offset by lower premiums in Japan caused by regulatory changes and economic volatility. Double-digit growth rates in premium income were recorded in local currency terms in most of Asia/Pacific s other markets.

Commission income increased by 28.2%, or EUR 84 million to EUR 382 million in 2007 from EUR 298 million in 2006, due to higher funds under management arising from strong investment markets and higher net inflows in Australia and New Zealand as well as the full year consolidation of asset management business in Taiwan, which was acquired in the fourth quarter of 2006.

Expenses

Operating expenses increased by 15.5%, or EUR 150 million to EUR 1,115 million in 2007 from EUR 965 million in 2006, reflecting the increase of business volumes and the focus in building organizational capabilities and investing in greenfield operations. Expenses as a percentage of assets under management for investment products improved from 0.83% in 2006 to 0.81% in 2007, but expenses as a percentage of premiums for life products deteriorated from 8.2% in 2006 to 9.4% in 2007.

Table of Contents

Profit before tax

Following the sale of Australia s non-life business in 2004, provisions were made for claims experience of several lines of business. As claims experience was favorable, the hold-back provision was released in 2006 resulting in a profit before tax of EUR 15 million. Including the profit from the divested unit, profit before tax decreased by 9.4%, or 60 million to EUR 576 million in 2007 from EUR 636 million in 2006.

Underlying profit before tax

Underlying profit before tax decreased by 7.2%, or EUR 45 million to EUR 576 million in 2007 from EUR 621 million in 2006. This decrease was primarily due to Japan, which recorded a profit before tax of EUR 24 million in 2007 from EUR 156 million in 2006 largely due to the impact of market volatility on its Single Premium Variable Annuity or SPVA business, and a EUR 24 million Collateralized Debt Obligation or CDO markdown in the Corporate-Owned Life Insurance or COLI business. Excluding Japan, the underlying profit was up 19%, driven by business in South Korea experiencing growth in investment-linked product sales and in-force premium as well as a one-off recognition of EUR 10 million from the consolidation of Best Equity Fund and business in Australia/New Zealand experiencing funds under management growth, investment earnings and release of provisions.

Insurance Asia/Pacific - 2007 Underlying Profit before Tax by Geographic Region

(1) Rest of Asia includes China, India, Thailand, Indonesia, Hong Kong and Malaysia.

Australia and New Zealand

Underlying profit before tax increased 33.5%, or EUR 54 million to EUR 215 million in 2007 from EUR 161 million in 2006 driven by funds under management growth, investment earnings and release of provisions. Life premium income rose by 19.6%, or EUR 45 million to EUR 275 million in 2007 from EUR 230 million in 2006, driven by new sales in life risk and personal investment products, along with favorable in-force business. Operating expenses increased 14.4% due to higher volume-driven expenses such as investment management, direct campaign and stamp duty costs.

South Korea

In South Korea, underlying profit before tax rose by 14.1%, or EUR 37 million to EUR 300 million in 2007 from EUR 263 million 2007, driven primarily by growth of investment-linked product sales and in-force premium as well as a one-off recognition of EUR 10 million from the consolidation of Best Equity Fund. Premium income rose by 11.9%, or EUR 383 million to EUR 3,607 million in 2007 from EUR 3,224 in 2006, driven primarily by sales of unit-linked products as well as continued high persistency on existing contracts. Operating expenses rose by 29.1%, or EUR 57 million, from EUR 196 million in 2006 to EUR 253 million in 2007 due to the support provided for the growing and future business.

Taiwan

As in 2006, ING recorded zero profit for Taiwan in 2007 due to measures taken to strengthen reserves . A total charge of EUR 110 million was taken in 2007 to strengthen reserves, compared with EUR 182 million in 2006. For the reserve adequacy position please see the discussion under Risk Management ING Insurance ING Insurance Liquidity Risk Reserve Adequacy of Note 2.1 to the consolidated financial statements.

Japan

In Japan, underlying profit before tax decreased by 84.6%, or EUR 132 million to EUR 24 million in 2007 from EUR 156 million in 2006 largely due to the impact of market volatility on its SPVA business, and a EUR 24 million CDO markdown in the COLI business. Sales momentum slowed down triggered by regulatory changes and economic volatility. Consequently, premium income declined by 5.0%. Operating expenses increased by 6.6%, mainly due to higher promotional and branding activities.

62

Table of Contents

Year ended December 31, 2006 compared to year ended December 31, 2005

Income

Premium income decreased by 1.2%, or EUR 150 million to EUR 12,136 million in 2006 from EUR 12,286 million in 2005. Higher sales in South Korea, due to high persistency, in Taiwan, particularly due to higher unit-linked premiums and Australia, were more than offset by lower single-premium variable annuity (SPVA) sales in Japan following tougher competition and new product launches by key competitors. Double-digit growth rates in premium income were recorded in local currency terms in most of Asia/Pacific s other markets.

Commission income increased by 17.3%, or EUR 44 million to EUR 298 million in 2006 from EUR 254 million in 2005. This was due to a joint venture in Australia resulting from the increasing value of assets under management attributable to the strength of investment markets and improved net flows and retention, Japan through the sale of mutual funds and SPVA products and investment management fees of ING Funds. Investment and Other income increased by 45.0% or EUR 293 million to EUR 944 million in 2006 from EUR 651 million in 2005, mainly due to Japan, especially from the SPVA business. South Korea, supported by growth in assets under management and Taiwan where higher direct investment income on bonds was only partly offset by lower fair value changes in bonds.

Expenses

Operating expenses increased by 11.3%, or EUR 98 million to EUR 965 million in 2006 from EUR 867 million in 2005, reflecting the increase of business volumes and the focus in building organizational capabilities and investing in greenfield operations. Expenses as a percentage of assets under management for investment products improved from 0.94% in 2005 to 0.83% in 2006 and expenses as a percentage of premiums for life products improved from 8.33% in 2005 to 8.24% in 2006.

Profit before tax

A divestment gain of EUR 27 million from the IPO of 90% of the shares in Austbrokers Holdings in Australia impacted profit before tax in 2005 due to a gain of EUR 27 million from the IPO of 90% of the shares in Austbrokers Holdings in Australia. Following the sale of Australia s non-life business in 2004, provisions were made for claims experience of several lines of business. As claims experience was favorable, the hold-back provision was released in 2006 resulting in a profit before tax of EUR 15 million. Including those gains and profit from the divested unit, profit before tax increased by 33.1%, or 158 million to EUR 636 million in 2006 from EUR 478 million in 2005.

Underlying profit before tax

Underlying profit before tax increased by 38.9%, or EUR 174 million to EUR 621 million in 2006 from EUR 447 million in 2005, driven by a 44.5% increase in South Korea due primarily to strong sales, 110.8% increase in Japan due primarily to hedging gains and 105.0% increase in Rest of Asia driven by strong sales in Malaysia and Hong Kong. Underlying profit before tax in Australia showed a decrease of 5.8% because of lower investment earnings and one-off software write-off in 2006 of EUR 7 million. As in 2005 Taiwan recorded zero profit in 2006 due to further measures taken to strengthen reserves in what continues to be a low interest rate environment.

Insurance Asia/Pacific - 2006 Underlying Profit before Tax by Geographic Region

(1) Rest of Asia includes China, India, Thailand, Indonesia, Hong Kong and Malaysia.

(2) Underlying profit before tax by geographic region in 2005 is as follows:

Australia and New Zealand EUR 169 million, South Korea EUR 181 million, Taiwan EUR 0 million, Japan EUR 74 million and rest of Asia EUR 23 million

(3) Asia/Pacific is mainly life insurance.

Table of Contents

Australia and New Zealand

Underlying profit before tax decreased 5.8%, or EUR 10 million to EUR 161 million in 2006 from EUR 171 million in 2005. Life premium income rose by 27.1%, or EUR 49 million to EUR 230 million in 2006 from EUR 181 million in 2005, driven by the success of the OneCare product launched in the fourth quarter of 2005. Operating expenses were 4.0% lower, but excluding currency impact only 1.8% lower as in 2005 a provision of EUR 7 million was booked regarding doubtful debts.

South Korea

In South Korea, underlying profit before tax rose by 44.5%, or EUR 81 million to EUR 263 million in 2006 from EUR 182 million 2005, driven by higher margins due to increased volume as well as strong sales. Premium income rose by 41.5%, or EUR 945 million to EUR 3,224 million in 2006 from EUR 2,279 in 2005, driven by sales of variable and universal life products as well as continued high persistency on existing contracts. Operating expenses rose by 44.1%, or EUR 60 million, from EUR 136 million in 2005 to EUR 196 million in 2006 due to the support provided for the growing and future business.

Taiwan

As in 2005, ING recorded zero profit for Taiwan in 2006 due to measures taken to strengthen reserves. A total charge of EUR 182 million was taken in 2006 to strengthen reserves, compared with EUR 220 million in 2005. For the reserve adequacy position see the discussion under Risk Management ING Insurance ING Insurance Liquidity Risk Reserve Adequacy of Note 2.1 to the consolidated financial statements.

Japan

In Japan, underlying profit before tax increased by 110.8%, or EUR 82 million to EUR 156 million in 2006 from EUR 74 million in 2005 largely due to hedging gains. Sales momentum slowed down after an exceptional 2005 year as domestic competition increased. Meanwhile assets under management continued strong growth with 36% in 2006. Growth in the COLI market slowed down. However sales were up in the more protection driven COLI products. Premium income declined by 22.1% due to lower sales of SPVA (Single Premium Variable Annuity). Operating expenses increased by 7.8%, mainly due to higher staff expenses and higher IT expenses.

US GAAP

US GAAP profit before tax is EUR 166 million lower than IFRS-EU profit before tax of EUR 636 million in 2006. The difference between US GAAP and IFRS-EU profit before tax in 2006 is primarily attributable to the premium deficiency loss recognized in relation to the Taiwan reserves under US GAAP of EUR (315) million in 2006 compared to EUR (386) million in 2005, offset by the reversal of certain reserve strengthening in the business line under IFRS-EU of EUR 238 million in 2006 compared to EUR 179 million in 2005 which is not allowed under US GAAP; EUR (76) million in 2006 for differences in debt securities valuation compared to EUR (106) million in 2005. For an explanation of the differences between IFRS-EU and US GAAP please see Note 2.5. to the consolidated financial statements.

Table of Contents

WHOLESALE BANKING

	Wholesale Banking		
	2007	**2006**	**2005**
		(EUR millions)	
Interest result	2,492	2,742	2,928
Commission income	1,437	1,349	1,199
Investment income	779	343	819
Other income	1,152	1,384	1,011
Total income	**5,860**	**5,818**	**5,957**
Operating expenses	3,715	3,455	3,466
Additions to the provision for loan losses	(115)	(118)	(108)
Total expenditure	**3,600**	**3,337**	**3,358**
Profit before tax	**2,261**	**2,481**	**2,599**
Gains/losses on divestments		89	(317)
Profit before tax from divested units		(45)	17
Special items	139		
Underlying profit before tax	**2,399**	**2,525**	**2,299**

Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Total income increased 0.7%, or EUR 42 million, to EUR 5,860 million in 2007 from EUR 5,818 million in 2006. Excluding the impact of the divestment of Williams de Broë and Deutsche Hypothekenbank in 2006, income rose 1.0% or EUR 56 million. The total interest result declined 9.1%, or EUR 250 million, to EUR 2,492 million in 2007 from EUR 2,742 million in 2006, due to divestments and pressure on margins. Commission, investment and other income rose by 9.5%, or EUR 292 million, to EUR 3,368 million in 2007 from EUR 3,076 million in 2006. Excluding divestments the increase was 8.5% or EUR 263 million, of which ING Real Estate contributed EUR 169 million, driven by growth in the investment management activities and by higher realized gains and fair value changes in the investment portfolio. The remaining increase of EUR 94 million mainly includes higher capital gains on equities partly offset by the direct impact of the market and credit turmoil in the second half of 2007.

Expenses

Operating expenses increased by EUR 260 million, or 7.5%, to EUR 3,715 million in 2007 from EUR 3,455 million in 2006. Excluding the impact of divestments in 2006, and excluding EUR 139 million in special items in 2007, operating expenses rose by EUR 176 million or 5.2% to EUR 3,576 million. Of this increase 2.8%-point can be attributed to fast growing ING Real Estate. The EUR 139 million in special items related to provisions for initiatives started in 2007 to stimulate growth and reduce operating expenses, including EUR 45 million for the reduction of 300 full-time functions across Wholesale Banking, EUR 49 million to reinforce its Financial Markets business in selected developing markets and EUR 45 million to streamline the lending process in General Lending. The cost/income ratio deteriorated to 63.4% in 2007 compared with 59.4% in 2006. Excluding the impact of divestments and special items of EUR 139 million, the underling cost/income ratio deteriorated to 61.0% from 58.6% in 2006.

The addition to the provision for loan losses was a net release of EUR 115 million in 2007 compared with a net release of EUR 118 million in 2006. Gross additions remained low, reflecting the strong quality of the credit portfolio. The net release equalled 7 basis points of average credit-risk-weighted assets in 2007, similar to 2006.

Profit before tax

Profit before tax decreased EUR 220 million, or 8.9%, to EUR 2,261 million in 2007 from EUR 2,481 million in 2006. Special items in 2007 (provisions for initiatives to stimulate growth and reduce operating expenses) had a negative impact of EUR 139 million. The divestment in 2006 of Williams de Broë and Deutsche Hypothekenbank resulted in a loss of EUR 89 million, while these divested units contributed EUR 45 million to profit before tax in 2006.

Table of Contents

Underlying profit before tax

Underlying profit before tax from Wholesale Banking declined 5.0%, or EUR 126 million, to EUR 2,399 million in 2007 from EUR 2,525 million in 2006. Higher underlying profits before tax were recorded in General Lending & Payments and Cash Management, Leasing & Factoring, ING Real Estate and the Other Wholesale Products. Underlying profit from Structured Finance decreased 20.6% to EUR 409 million, including a markdown of EUR 29 million on the Leveraged Finance book in the third quarter of 2007. Financial Market profit declined 30.5% to EUR 354 million. The sub-prime crisis and related issues had a negative pre-tax impact on Financial Market profit of EUR 106 million in the fourth quarter of 2007.

Wholesale Banking - 2007 Underlying Profit before Tax by product

General Lending & PCM

In General Lending & Payments and Cash Management (PCM), underlying profit before tax rose 3.9%, or EUR 26 million, to EUR 696 million in 2007 from EUR 670 million in 2006, supported by a higher release from the provision for loan losses. Total income decreased by 5.0%, or EUR 85 million, to EUR 1,613 million in 2007 from EUR 1,698 million in 2006 and operating expenses decreased by 5.2%, or EUR 59 million, to EUR 1,076 million in 2007 from EUR 1,135 million in 2006. The decrease of both income and expenses is mainly due to the transfer of the SME business in Poland from Wholesale to Retail Banking and the reclassification of Trade Finance Services from General Lending to Structured Finance. The net release from the loan losses provisions increased to EUR 159 million in 2007 from a net release of EUR 107 million in 2006, supported by the recovery of a single provision of EUR 115 million in the fourth quarter of 2007.

Structured Finance

In Structured Finance, underlying profit before tax declined 20.6%, or EUR 106 million, to EUR 409 million in 2007 from EUR 515 million in 2006. Income decreased 1.1%, or EUR 9 million, to EUR 775 million in 2007 from EUR 784 million in 2006, mainly caused by the disruption in the Leveraged Finance market, including a EUR 29 million markdown on Leveraged Finance deals in the third quarter of 2007. Operating expenses increased by 19.8%, or EUR 60 million, to EUR 363 million in 2007 from EUR 303 million in 2006. Half of the expense increase was caused by the reclassification of Trade Finance Services from General Lending to Structured Finance, while the other half relate to higher personnel and deal-related costs to support growth initiatives. The addition to the loan loss provisions changed from a net release of EUR 34 million in 2006 to a net addition of EUR 2 million in 2007.

Leasing & Factoring

In Leasing & Factoring, underlying profit before tax slightly increased to EUR 220 million from EUR 214 million in 2006. Total income rose by 5.0%, or EUR 26 million, to EUR 542 million in 2007 from EUR 516 million in 2006, driven by volume growth in general leasing, car leasing and factoring, partly offset by lower margins. Operating expenses increased by 7.7%, or EUR 21 million, to EUR 295 million from EUR 274 million in 2006, mainly due to investments to grow the business. The addition to the loan loss provisions was 15 basis points of average credit-risk weighted assets in 2007, down from 18 basis points in 2006.

Financial Markets

Underlying profit before tax from Financial Markets decreased 30.5%, or EUR 155 million, to EUR 354 million from EUR 509 million in 2006, mainly due to the EUR 106 million in losses related to subprime (residential mortgage-backed securities) and monoline insurers in the proprietary trading and credit markets business in the fourth quarter of 2007. Total income decreased 11.2%, or EUR 136 million, to EUR 1,073 million in 2007 from EUR 1,209 million in 2006, mainly in the proprietary trading and credit markets business, partly offset by higher income from the client-related business within Financial Markets. Operating expenses increased 2.1%, or EUR 15 million, to EUR 715 million in 2007 from EUR 700 million in 2006. The addition to the loan loss

Table of Contents

provisions in 2007 was only EUR 4 million or 2 basis points of average credit-risk weighted assets compared with nil in 2006.

Other Wholesale products

Underlying profit before tax from the Other Wholesale products turned to a profit of EUR 57 million in 2007 from a loss of EUR 14 million in 2006, supported by higher results from Corporate Finance & Equity Markets as well as higher capital gains not allocated to the product groups, including the gain on the sale of stakes in the stock and derivatives exchanges in Sao Paulo.

ING Real Estate

Underlying profit before tax of ING Real Estate increased 5.2%, or EUR 33 million, to EUR 664 million in 2007 from EUR 631 million in 2006. Total income rose 11.7%, or EUR 129 million, to EUR 1,235 million in 2007 from EUR 1,106 in 2006, while operating expenses increased by 19.7%, or EUR 94 million, to EUR 570 million from EUR 476 million in 2006. Profit before tax of the Investment Management activities increased 13.9% to EUR 156 million supported by continued growth of the assets under management. The profit of the Investment Portfolio rose 31.2% to EUR 261 million reflecting higher realized gains and fair value changes on investments. Profit at the Finance activities increased 16.9% to EUR 214 million, driven by strong growth in the lending portfolio. Profit from Development declined to EUR 33 million from EUR 112 million in 2006 when profits included exceptionally high gains on the sale of completed projects.

Year ended December 31, 2006 compared to year ended December 31, 2005

Income

Total income decreased 2.3%, or EUR 139 million, to EUR 5,818 million in 2006 from EUR 5,957 million in 2005. The decrease was mainly attributable to EUR 89 million realized losses on divestments in 2006, Williams de Broë and Deutsche Hypothekenbank, compared with EUR 317 million in gains recognized on divestments in 2005, NMB Heller and Baring Asset Management. Excluding the impact of divestments income rose 7.4% or EUR 398 million. Interest income declined 6.4%, or EUR 186 million, to EUR 2,742 million in 2006 from EUR 2,928 million in 2005, due to divestments and pressure on margins. Commissions and other income rose by 1.6%, or EUR 47 million, to EUR 3,076 million in 2006 from EUR 3,029 million in 2005. Excluding divestments the increase was 20.3% or EUR 524 million, of which ING Real Estate contributed EUR 325 million or 47.9%, driven by growth in the investment management activities following the strong demand for property funds among institutional investors and a sharp improvement in results from the development activities.

Expenses

Operating expenses decreased slightly by EUR 11 million, to EUR 3,455 million in 2006 from EUR 3,466 million in 2005. Excluding the impact of divestments, in 2006 of Williams de Broë and Deutsche Hypothekenbank, operating expenses rose by EUR 166 million or 5.1%, next to EUR 15 million lower releases from employee benefit provisions (EUR 21 million in 2006 compared with EUR 36 million in 2005) due to EUR 79 million in compliance-related costs and the growth of ING Real Estate. The cost/income ratio almost remained steady 64.0% at the end of 2006 compared with 63.9% in 2005. Excluding the impact of divestments, the cost/income ratio improved to 58.6% from 59.8% in 2005.

The addition to the provision for loan losses was a net release of EUR 118 million in 2006 compared with a net release of EUR 108 million in 2005, due to the continued benign credit environment and the limited inflow of large new problem loans. Belgium was the only region which recorded an addition to loan loss provisions in 2006 of EUR 16 million, which was more than offset by releases in other regions. The net release equaled 7 basis points of average credit-risk-weighted assets in 2006, similar to 2005.

Profit before tax

Divestments in 2006 (Williams de Broë and Deutsche Hypothekenbank) resulted in losses of EUR 89 million, while gains on divestments in 2005 contributed EUR 317 million to profit before tax due to the sale of Baring Asset Management, as well as the gain on the NMB Heller transaction and Wholesale Banking s part on the sale of ING Bank Slaski shares. Divested units contributed EUR 45 million to profit before tax in 2006, compared with a loss of EUR 17 million in 2005. Profit before tax decreased by 4.5%, or EUR 118 million, to EUR 2,481 million in 2006 from EUR 2,599 million in 2005.

Underlying profit before tax

Underlying profit before tax from Wholesale Banking rose by 9.8%, or EUR 226 million, to EUR 2,525 million in 2006 from EUR 2,299 million in 2005, driven by higher profits from General Lending & Payments and Cash Management, Leasing & Factoring and at ING Real Estate. Structured Finance continued to perform strong. Underlying profit before tax from Financial Markets declined to EUR 509 million from a very strong EUR 665

Table of Contents

million in 2005. Despite the decline in profit, Financial Markets remains a big generator of profit within the Wholesale Banking line of business.

Wholesale Banking - 2006 Underlying Profit before Tax by product

Note: Other Wholesale products EUR (14) million is excluded from the above table

General Lending & PCM

In General Lending & Payments and Cash Management (PCM), underlying profit before tax rose by 21.8%, or EUR 120 million, to EUR 670 million in 2006 from EUR 550 million in 2005, due to higher income and a decline in operating expenses. Total income increased by 2.2%, or EUR 37 million, to EUR 1,698 million in 2006 from EUR 1,661 million in 2005. Operating expenses decreased by 7.6%, or EUR 94 million, to EUR 1,135 million in 2006 from EUR 1,229 million in 2005. The decrease in expenses is partly caused by significant non-recurring costs in Germany in the first half of 2005. The net release from the loan losses provisions in 2006 was EUR 107 million, a decline of EUR 11 million compared with a net release of EUR 118 million in 2005.

Structured Finance

In Structured Finance, underlying profit before tax declined 3.4%, or EUR 18 million, to EUR 515 million in 2006 from EUR 533 million in 2005. Income increased 5.4%, or EUR 40 million, to EUR 784 million in 2006 from EUR 744 million in 2005. Operating expenses increased by 20.7%, or EUR 52 million, to EUR 303 million in 2006 from EUR 251 million in 2005, due to higher bonuses, investments for further growth and an increase in the number of employees. The net release from the provision for loan losses declined to EUR 34 million in 2006 from a net release of EUR 40 million in 2005.

Leasing & Factoring

Underlying profit before tax from Leasing & Factoring rose by 25.9%, or EUR 44 million, to EUR 214 million from EUR 170 million in 2005, driven by higher income and lower risk costs. Total income rose by 6.6%, or EUR 32 million, to EUR 516 million in 2006 from EUR 484 million in 2005, supported by the acquisition in 2006 of Autoplan in France and Appleyard in the UK. Operating expenses increased by 0.4% to EUR 274 million from EUR 273 million in 2005, as the impact of the acquisitions was largely offset by one-off items in 2005. The addition to the provision for loan losses was 18 basis points of average credit-risk weighted assets in 2006, down from 28 basis points in 2005.

Financial Markets

Underlying profit before tax from Financial Markets declined 23.5%, or EUR 156 million, to EUR 509 million from EUR 665 million in 2005. Total income decreased 6.4%, or EUR 82 million, to EUR 1,209 million in 2006 from EUR 1,291 million in 2005, as higher income from the client-related business was more than offset by a sharp drop in ALCO and Strategic Trading income. Operating expenses increased 11.8%, or EUR 74 million, to EUR 700 million from EUR 626 million in 2005, due to higher IT and project costs, an increase in staff numbers and higher bonuses due to the strong performance of the client-related business and market pressure. The addition to the loan loss provisions in both years was nil.

Other Wholesale products

Underlying profit before tax from the Other Wholesale products declined from a profit of EUR 32 million in 2005 to a loss of EUR 14 million in 2006, driven by EUR 79 million in compliance-related costs in 2006.

ING Real Estate

Underlying profit before tax of ING Real Estate increased by 80.8%, or EUR 282 million to EUR 631 million in 2006 from EUR 349 million in 2005, due to a very strong rise in income. Total income rose by 40.2%, or EUR 317 million, to EUR 1,106 million in 2006 from EUR 789 million in 2005, while operating expenses increased by 6.0%, or EUR 27 million, to EUR 476 million from EUR 449 million in 2005. Underlying profit before tax of the development activities improved from a loss of EUR 124 million in 2005, primarily related to impairments on

68

Table of Contents

development projects in Poland and the Czech Republic of EUR 78 million, to a profit of EUR 112 million in 2006, supported by high results on the sale of finished projects. Underlying profit before tax of the investment management activities increased by 57.5%, or EUR 50 million, due to strong growth of assets under management following the strong demand for property funds and the purchase of portfolios in 2005, including the Gables Residential Trust in the U.S. and the Abbey National portfolio in the U.K.

US GAAP

US GAAP profit before tax is EUR 291 million lower than IFRS-EU profit before tax of EUR 2,481 million in 2006. The difference between US GAAP and IFRS-EU profit before tax in 2006 is primarily attributable to EUR (125) million in 2006 compared to EUR (15) million in 2005 for differences in investment property valuation; EUR 11 million in 2006 compared to EUR (115) million in 2005 for differences in debt securities valuation; EUR (73) million in 2006 compared to EUR (3) million in 2005 for the reversal of IFRS-EU hedge accounting; EUR (30) million in 2006 compared to EUR 57 million in 2005 for the reversal of IFRS-EU fair value option; EUR (24) million in 2006 compared to EUR (6) million in 2005 for differences in expenses on employee benefits; and, EUR (30) million in 2006 compared to EUR (45) million in 2005 primarily related to the underlying IFRS-EU and US GAAP differences within the associates accounting for real estate. For an explanation of the differences between IFRS-EU and US GAAP please see Note 2.5. to the consolidated financial statements.

RETAIL BANKING

	Retail Banking		
	2007	**2006**	**2005**
		(EUR millions)	
Interest result	4,610	4,531	4,439
Commission income	1,389	1,250	1,141
Investment income	123	128	93
Other income	302	177	208
Total income	**6,424**	**6,086**	**5,881**
Operating expenses	4,469	3,990	3,906
Additions to the provision for loan losses	172	161	111
Total expenditure	**4,641**	**4,151**	**4,017**
Profit before tax	**1,783**	**1,935**	**1,864**
Gains/losses on divestments	(32)		(62)
Profit before tax from divested units			
Special items	310		
Underlying profit before tax	**2,062**	**1,935**	**1,802**

Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Total income increased by 5.6%, or EUR 338 million, to EUR 6,424 million in 2007 from EUR 6,086 million in 2006 as strong growth in most products helped offset the impact of challenging market conditions as inverse yield curves persisted and competition intensified for retail savings. Excluding the EUR 32 million gain on the divestment of RegioBank in 2007 and the EUR (4) million in special items related to the Retail Netherlands Strategy, underlying income rose 5.1%. The impact of composition changes in Retail Banking, like the transfer of mortgage portfolios from ING Insurance, the sale of RegioBank as well as the transfer from a SME portfolio in Poland from Wholesale to Retail Banking resulted in EUR 117 million additional income, against EUR 45 million in 2006. Excluding these

composition changes and the EUR 44 million gain on the sale of Banksys shares in Belgium in 2006, income increased 4.7%.

Expenses

Operating expenses increased by 12.0%, or EUR 479 million, to EUR 4,469 million in 2007 from EUR 3,990 million in 2006. The increase is for EUR 307 million attributable to special items in 2007, of which EUR 295 million results from a provision and costs related to the Retail Netherlands Strategy (combining ING Bank and Postbank). Excluding these special items, operating expenses rose EUR 172 million or 4.3%, driven by investments to grow the business in Poland, India, Romania and the Private Banking activities in Asia. The

Table of Contents

cost/income ratio increased to 69.6% in 2007 from 65.6% in 2006. Excluding divestments and special items, the underlying cost/income ratio improved to 65.1% from 65.6%.

The addition to the provision for loan losses increased by 6.8%, or EUR 11 million, to EUR 172 million in 2007 from EUR 161 million in 2006. In the Netherlands the addition rose EUR 34 million to EUR 152 million, mainly due to provisions for an isolated SME lending portfolio. This was partly offset by decreases in Poland, ING Card and Belgium. The total addition equaled 16 basis points of average credit-risk-weighted assets in 2007 compared with 17 basis points in 2006.

Profit before tax and underlying profit before tax

Profit before tax decreased by 7.9%, or EUR 152 million, to EUR 1,783 million in 2007 from EUR 1,935 million in 2006. Divestments in 2007 contributed EUR 32 million to profit before tax, representing the capital gain from the sale of RegioBank. Special items, mainly the aforementioned provision and costs related to the Retail Netherlands Strategy, had a negative effect of EUR 310 million on profit before tax. Excluding divestments and special items, underlying profit before tax increased by EUR 127 million or 6.6%.

Retail Banking - 2007 Underlying Profit before Tax
by Geographic Region

(1) Mainly ING Vysya Bank, Private Banking Asia, Romania, Ukraine and the stakes in Kookmin Bank and the Bank of Beijing

Netherlands

In the Netherlands, underlying profit before tax rose by 9.8%, or EUR 138 million, to EUR 1,548 million in 2007 from EUR 1,410 million in 2006, as volume growth in almost all products offset the impact of a flattening and in the second half of 2007 even inverse yield curve combined with the increasing competition for retail savings. The residential mortgage portfolio in the Netherlands grew by 16.8% to EUR 116.1 billion, supported by the EUR 11.5 billion transfer of portfolios from ING Insurance, partly offset by the sale of RegioBank. Also excluding the impact of these portfolio changes, underlying profit before tax rose by 8.1%, with income up 3.8%, while operating expenses were flat due to efficiency improvements and lower compliance costs. Risk costs increased to 20 basis points of average credit-risk-weighted assets from 17 basis points in 2006, due to a catch-up in provisions in an isolated SME lending portfolio.

Belgium

In Belgium, underlying profit before tax declined 28.7%, or EUR 137 million, to EUR 341 million in 2007 from EUR 478 million in 2006, due to 6.6% lower income and 3.4% higher expenses. The decline in income was next to a EUR 44 million gain of the sale of Banksys shares in 2006, mainly caused by margin pressure. Margins came under pressure as competition intensified, while customers shifted from variable savings to lower margin term deposits. Average retail balances grew by 10%. Operating expenses increased 3.4% partly caused by the impact of allocation refinements. Risk costs decreased from a net addition of 8 basis points of average credit-risk-weighted assets in 2006 to a net addition of 6 basis points in 2007.

Poland

In Poland, underlying profit before tax from the retail banking activities of ING Bank Slaski increased 124.5% to EUR 110 million in 2007 from EUR 49 million in 2006, driven by strong volume growth and partly due to the shift of SME companies from Wholesale Banking to Retail Banking. Excluding this shift profit before tax rose 94.7%, while income was up 31.0%, partly offset by 18.1% higher expenses due to strong business growth and investments in the franchise distribution network. Net releases from the loan loss provisions increased to EUR 12 million compared with

a net release of EUR 5 million in 2006, reflecting the significant strengthening of credit risk management in Poland.

Table of Contents

Other Retail Banking

The other retail banking activities posted an underlying profit before tax of EUR 63 million compared with a loss of EUR 2 million in 2006, mainly due to higher results in India and from the Private Banking activities in Asia as well as the high dividend received from Kookmin Bank. This was partly offset by higher investments in the greenfield franchises in Romania and Ukraine.

Year ended December 31, 2006 compared to year ended December 31, 2005

Income

Total income increased by 3.5%, or EUR 205 million, to EUR 6,086 million in 2006 from EUR 5,881 million in 2005, due to strong growth in almost all products, higher asset management fees and a capital gain on the sale of the stake in Banksys in Belgium. This was partially offset by the effect of the capital gain of EUR 62 million in 2005 on the sale of part of our stake in ING Bank Slaski, the impact of flattening yield curves, the continued low interest environment putting pressure on investment returns and a reclassification of payment expenses from operating expenses to funds transfer commission which had an effect of EUR 59 million.

Expenses

Operating expenses increased by 2.2%, or EUR 84 million, to EUR 3,990 million in 2006 from EUR 3,906 million in 2005, primarily due to EUR 85 million in compliance-related costs, EUR 38 million lower releases from employee benefit provisions and continued investments in Poland, India and Romania. The cost/income ratio improved to 65.6% in 2006 from 66.4% in 2005.

The addition to the provision for loan losses increased by 45.0%, or EUR 50 million, to EUR 161 million in 2006 from EUR 111 million in 2005, mainly due to Belgium, where in 2005 a net release of EUR 11 million was performed while in 2006 an addition of EUR 15 million was made, and Poland where in 2005 a net release of EUR 16 million was performed while in 2006 a net release of EUR 5 million was made. The addition equalled 17 basis points of average credit-risk-weighted assets in 2006 compared with 13 basis points in 2005.

Profit before tax

Divestments in 2005 contributed EUR 62 million to profit before tax, representing Retail Banking s portion of the gain on the sale of a 12.8% stake in ING Bank Slaski in Poland, reducing ING s stake to 75%. Including that item total profit before tax rose by 3.8%, or EUR 71 million, to EUR 1,935 million in 2006 from EUR 1,864 million in 2005.

Underlying profit before tax

Underlying profit before tax from Retail Banking increased by 7.4%, or EUR 133 million to EUR 1,935 million in 2006 from EUR 1,802 million in 2005, despite EUR 85 million compliance-related costs in 2006 and EUR 38 million lower releases from employee benefit provisions, driven by strong growth in most products, though partly offset by the impact of flattening yield curves.

Retail Banking - 2006 Underlying Profit before Tax
by Geographic Region

(1) Other Retail banking EUR (2) million is excluded from the above table

Netherlands

In the Netherlands, underlying profit before tax rose by 1.7%, or EUR 23 million, to EUR 1,410 million in 2006 from EUR 1,387 million in 2005, as volume growth in almost all products was largely offset by the impact of a flattening of the yield curve and high compliance related costs in 2006. The residential mortgage portfolio in the Netherlands grew by 8.5% to EUR 99.3 billion. Operating expenses increased by 1.3% from EUR 2,360 million in 2005 to EUR 2,390 million in 2006, as EUR 85 million in compliance-related costs and the effect of EUR 38 million lower releases from employee benefit provisions were largely offset by lower pension costs and the

Table of Contents

reclassification of payment expenses to commission income. The addition to the loan loss provisions was 17 basis points of average credit-risk-weighted assets in 2006 compared with 18 basis points in 2005.

Belgium

In Belgium, underlying profit before tax increased by 41.8%, or EUR 141 million, from EUR 337 million in 2005 to EUR 478 million in 2006, driven by 9.7% higher income and 2.6% lower operating expenses, partly offset by EUR 26 million higher additions to the provisions for loan losses due to lower releases. The increase in income was related to a EUR 44 million capital gain on Banksys, as well as driven by higher volumes and increased fees from securities brokerage, insurance brokerage and asset management, mitigated by the flattening of the yield curve and higher client rates on savings. Operating expenses declined by 2.6%, or EUR 29 million, to EUR 1,071 million in 2006 from EUR 1,100 million in 2005, due to the reclassification of payment expenses and some small divestments in 2005. The addition to the loan loss provisions increased from a net release of 8 basis points of average credit-risk-weighted assets in 2005 to a net addition of 8 basis points in 2006.

Poland

In Poland, underlying profit before tax from the retail banking activities of ING Bank Slaski increased by 19.5%, or EUR 8 million, to EUR 49 million in 2006 from EUR 41 million in 2005, despite substantial lower releases from debtor provisions. In 2006, ING Bank Slaski achieved, in local-currency, growth in mortgages, savings and current accounts. There was also growth in mutual funds sales. Total income rose by 20.4%, partly offset by 12.7% higher operating expenses, including investments in the branch network, and lower releases from the loan loss provisions.

US GAAP

US GAAP profit before tax is EUR 80 million lower than IFRS-EU profit before tax of EUR 1,932 million in 2006. The difference between US GAAP and IFRS-EU profit before tax in 2006 is primarily attributable to EUR 3 million in 2006 compared to EUR (76) million in 2005 for differences in debt securities valuation; EUR (28) million in 2006 compared to EUR 6 million in 2005 for the reversal of IFRS-EU hedge accounting; EUR (21) million in 2006 compared to EUR (21) million in 2005 for the reversal of IFRS-EU fair value option; and, EUR (40) million in 2006 compared to EUR (25) million in 2005 for differences in expenses on employee benefits. For an explanation of the differences between IFRS-EU and US GAAP please see Note 2.5. to the consolidated financial statements.

ING DIRECT

		ING Direct	
	2007	**2006**	**2005**
		(EUR millions)	
Interest result	1,932	2,148	1,905
Commission income	98	86	61
Investment income	53	20	36
Other income	113	35	32
Total income	**2,196**	**2,289**	**2,034**
Operating expenses	1,598	1,538	1,319
Additions to the provision for loan losses	68	60	85
Total expenditure	**1,667**	**1,598**	**1,404**
Profit before tax	**530**	**691**	**630**
Gains/losses on divestments		23	
Profit from divested units		(20)	(13)
Underlying profit before tax	**530**	**694**	**617**

Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Total income decreased by 4.0%, or EUR 93 million, to EUR 2,196 million in 2007 from EUR 2,289 million in 2006, as the increases in commission income, investment income (including realized gains on bonds) and other income (including realized gains on loans) could only partly offset the EUR 216 million lower interest result. The decrease in the interest result is mainly driven by the narrowing of the interest margin to 0.75% from 0.89% in 2006 as a result of higher central bank rates in the Euro, British pound and Australian currency zones and the intensified competition for retail funds. The total client retail balance in 2007 grew EUR 27.7 billion or 9.8%, to EUR 310.1 billion at year-end, including EUR 5.3 billion from add-on acquisitions in the fourth quarter.

Table of Contents

The EUR 5.3 billion consists of a EUR 3.9 billion mortgage portfolio acquired by ING-DiBa in Germany and EUR 1.4 billion in off-balance sheet funds following the acquisition of Sharebuilder Corporation in the United States. Commission income increased due to further growth in off-balance sheet funds. Investment and other income was up EUR 111 million, supported by higher gains on the sale of bonds and loans and increased net trading income. This was in part offset by an EUR 29 million impairment on asset-backed commercial paper in Canada in the fourth quarter of 2007. The divestment of Degussa Bank at the end of 2006 had a negative effect on income of EUR 56 million, including the loss of EUR 23 million on the sale. Excluding the divestment, underlying income decreased EUR 37 million, or 1.7%.

Expenses

Operating expenses rose by 3.9%, or EUR 60 million, to EUR 1,598 million in 2007 from EUR 1,538 million in 2006. Excluding the EUR 56 million expenses of the divested Degussa Bank in 2006, underlying operating expenses increased by 7.8%, or EUR 116 million, to EUR 1,598 million, reflecting higher staff numbers to drive the growth in mortgages and payments accounts, preparations for the launch of ING Direct in Japan, the consolidation of Sharebuilder in the US, as well as costs for repositioning the UK business. The underlying cost/income ratio increased to 72.8% in 2007 from 66.4% in 2006. The operational cost to client retail balance ratio, which excludes marketing expenses, rose to 0.37% compared with 0.36% in 2006. The number of full-time staff increased to 8,883 at the end of 2007 from 7,565 a year earlier.

The addition to the provision for loan losses increased by 13.3%, or EUR 8 million, to EUR 68 million in 2007 from EUR 60 million in 2006. The addition equalled 9 basis points of average credit-risk-weighted assets, up from 7 basis points in 2006.

Profit before tax

Profit before tax from ING Direct declined by 23.4%, or EUR 161 million, to EUR 530 million in 2007 from EUR 691 million in 2006, primarily driven by a narrowing of the interest margin, the outflow of funds entrusted in the UK and an impairment in Canada.

Underlying profit before tax

Profit before tax from ING Direct in 2006 included a loss of EUR 23 million on the sale of Degussa Bank, while the operating profit from Degussa Bank was EUR 20 million. Excluding both the loss and the profit, ING Direct s underlying profit before tax declined by 23.6%, or EUR 164 million, to EUR 530 million from EUR 694 million in 2006.

Country developments

ING Direct s overall profit was driven by the business units in Germany, Australia, US, Spain, Italy and France. In the UK, ING Direct posted a pre-tax loss of EUR 120 million compared with a profit of EUR 19 million in 2006. The decrease is mainly caused by a 39% net outflow of funds entrusted from rate-sensitive customers as it lagged rate increases by the Bank of England. Measures have been taken to reposition the business. Savings rates were increased and marketing has been stepped up to attract less rate-sensitive customers. Profit before tax in ING Direct Canada declined to breakeven from EUR 60 million in 2006. This was next to lower interest results caused by an impairment of EUR 29 million on asset-backed commercial paper investments in the fourth quarter of 2007. In Austria, results are still negative as the market is highly competitive. The loss decreased to EUR 9 million from EUR 22 million.

ING Direct - 2007 Underlying Profit before Tax by Geographic Region

UK EUR (120) million, Austria EUR (9) million and Japan EUR (22) million are excluded from the above table!

Table of Contents

Year ended December 31, 2006 compared to year ended December 31, 2005

Income

Total income rose by 12.5%, or EUR 255 million, to EUR 2,289 million in 2006 from EUR 2,034 million in 2005, mainly driven by a 12.8% increase in the interest result due to the continued strong growth in funds entrusted and residential mortgages. The total interest margin in 2006 narrowed to 0.89% from 0.93% in 2005, mainly due to the flattening of the yield curves and the strategic decision to maintain competitive rates offered to clients across all markets.

Expenses

Operating expenses rose by 16.6%, or EUR 219 million, to EUR 1,538 million in 2006 from EUR 1,319 million in 2005, reflecting investments to support long-term value creation of the business. The cost/income ratio increased from 64.8% in 2005 to 67.2% in 2006, mainly as a result of a lower income margin and additional staff being hired to keep pace with commercial growth, particularly in mortgages. The operational cost base (excluding marketing expenses) in 2006 was 0.41% of total assets compared with 0.40% in 2005, due to investments in mortgages. Marketing expenses increased 15.6% to support the strong growth in both savings and mortgages. The number of full-time employees at the end of the year 2006 rose to 7,638 from 6,964 at the end of the year 2005, to keep pace with strong commercial growth, especially in Italy, the U.S. and Spain.

The addition to the provision for loan losses decreased by 29.4%, or EUR 25 million, to EUR 60 million in 2006 from EUR 85 million in 2005. The addition equalled 7 basis points of average credit-risk-weighted assets, down from 14 basis points in 2005 due to an improvement in loss given defaults.

Profit before tax

Profit before tax from ING Direct rose by 9.7%, or EUR 61 million, to EUR 691 million in 2006 from EUR 630 million in 2005, primarily driven by the continued strong growth in the euro zone (Germany, France, Spain and Italy) and in the United Kingdom. This increase was partially offset by declines in the US and Canadian operations profit before tax mainly due to the flattening of the yield curves and the strategic decision to maintain competitive rates offered to clients.

Underlying profit before tax

Profit before tax from ING Direct in 2006 includes a loss of EUR 23 million on the sale of Degussa Bank. Excluding this loss and the operating profit of EUR 20 million from Degussa Bank in 2006 and the operating profit of EUR 13 million from Degussa Bank in 2005, ING Direct s underlying profit before tax increased by 12.5%, or EUR 77 million, to EUR 694 million from EUR 617 million in 2005.

Country developments

ING Direct s overall profit growth was driven mainly by the business-units in Germany, UK which posted profits for the first time in the first quarter of 2006, France, Italy and Spain. This reflects the impact of client rate adjustments in most of these countries and continued strong commercial growth. In the UK, ING Direct saw a slow down of growth in savings after its rates dropped below the official interest rate of the Bank of England. ING Direct s German business-unit ING-DiBa sold Degussa Bank at the end of 2006, in line with its strategy to focus on its core direct banking activities. Excluding the impact of the divestment of Degussa Bank, ING DiBa s underlying profit before tax increased to EUR 332 million from EUR 257 million in 2005. In the U.S., profit before tax declined to EUR 85 million from EUR 156 million in 2005, and in Canada profit before tax declined to EUR 62 million from EUR 73 million last year, in both cases due to an environment of higher interest rates for clients, inverse yield curve developments and increased competition.

ING Direct - 2006 Underlying Profit before Tax by Geographic Region

Austria EUR (22) million is excluded from the above table

Table of Contents

US GAAP

US GAAP profit before tax is EUR 40 million higher than IFRS-EU profit before tax of EUR 694 million in 2006. The difference between US GAAP and IFRS-EU profit before tax in 2006 is primarily attributable to EUR 206 million in 2006 compared to EUR 20 million in 2005 for differences in debt securities valuation; and, EUR (181) million in 2006 compared to EUR (98) million in 2005 for the reversal of IFRS-EU hedge accounting. For an explanation of the differences between IFRS-EU and US GAAP please see Note 2.5. to the consolidated financial statements.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

ING Groep N.V. is a holding company whose principal assets are its investments in the capital stock of its primary insurance and banking subsidiaries. The liquidity and capital resource considerations for ING Groep N.V., ING Insurance and ING Bank vary in light of the business conducted by each, as well as the insurance and bank regulatory requirements applicable to the Group in the Netherlands and the other countries in which it does business. ING Groep N.V. has no employees and substantially all of ING Groep N.V. s operating expenses are allocated to and paid by its operating companies.

As a holding company, ING Groep N.V. s principal sources of funds are funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends received from its subsidiaries. ING Groep N.V. s total debt and capital securities outstanding to third parties at December 31, 2007 was EUR 14,709 million, December 31, 2006 EUR 12,376 million and at December 31, 2005 EUR 11,095, respectively. The EUR 14,709 million of debt outstanding at December 31, 2007 consisted of EUR 988 million principal amount of 7.375% perpetual debt securities issued in October, 2007, EUR 690 million principal amount of 6.375% perpetual debt securities issued in June, 2007, EUR 1,014 million principal amount of 8.439% perpetual debt securities issued in December 2000, EUR 529 million principal amount of 7.05% perpetual debt securities issued in July 2002, EUR 726 million principal amount of 7.20% perpetual debt securities issued in December 2002, EUR 682 million principal amount perpetual debt securities with a variable interest rate issued in June 2003, EUR 330 million principal amount of 6.20% perpetual debt securities issued in October 2003, EUR 937 million principal amount perpetual debt securities with a variable interest rate issued in 2004, EUR 497 million principal amount of 4.176% perpetual debt securities issued in 2005, EUR 462 million principal amount of 6.125% perpetual debt securities issued in 2005, EUR 674 million principal amount of 5.775% perpetual debt securities issued in 2005, EUR 810 million principal amount of 5.14% perpetual debt securities issued in 2006 and EUR 6,370 million debentures. The details with respect to the debentures are as follows:

Interest rate (%)	Year of issue	Due date	Balance sheet value
		(EUR millions)	
4.699	2007	June 1, 2035	117
4.75	2007	May 31, 2017	1,761
variable	2006	June 28, 2011	744
variable	2006	April 11, 2016	1,009
4.125	2006	April 11, 2016	744
6.125	2000	January 4, 2011	998
5.5	1999	September 14, 2009	997
			6,370

At December 31, 2007, 2006 and 2005, ING Groep N.V. also owed EUR 55 million, EUR 35 million and EUR 991 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. Of the EUR 55 million owed by ING Groep N.V. to ING Group companies at December 31, 2007, EUR 55 million was owed to ING Insurance companies, EUR 0 million was owed to ING Bank companies and EUR 0 million was owed to direct subsidiaries of ING Group companies, as a result of normal intercompany transactions.

At December 31, 2007, 2006 and 2005, ING Groep N.V. had EUR 162 million, EUR 103 million and EUR 5 million of cash, respectively. Dividends paid to the Company by its subsidiaries amounted to EUR 5,900 million, EUR 3,450 million and EUR 2,296 million in 2007, 2006 and 2005, respectively, in each case representing dividends declared and paid with respect to the reporting calendar year and the prior calendar year. Of the amounts paid to the Company, EUR 4,600 million, EUR 1,650 million and EUR 1,595 million were received from ING Insurance in 2007, 2006 and 2005, respectively; EUR 1,300 million, EUR 1,800 million and EUR 700 million were received from ING Bank in 2007, 2006 and 2005 respectively, and for 2007 EUR 0 million was received from other ING Group companies. Repayments to ING by its subsidiaries amounted to EUR 0 million, EUR 563 million and EUR 0 million

in 2007, 2006 and 2005, respectively, of the amounts paid to the Company, EUR 563 million and EUR 0 million were received from ING Bank in 2006 and 2005, respectively and EUR 0 million in 2007 from other ING Group companies. ING and its Dutch subsidiaries are subject to legal restrictions on the amount of dividends they can pay to their shareholders. The Dutch Civil Code provides that dividends can only be paid by Dutch companies up to an amount equal to the excess of a company s shareholders equity over the sum of (1) paid-up capital and (2) shareholders reserves required by law. Further, certain of the Group

Table of Contents

companies are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to ING Groep N.V.

In addition to the restrictions in respect of minimum capital and capital base requirements that are imposed by insurance, banking and other regulators in the countries in which the Group s subsidiaries operate, other limitations exist in certain countries. For example, the operations of the Group s insurance company subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws. Dividends paid in excess of these limitations generally require prior approval of the Insurance Commissioner of the state of domicile.

ING Group Consolidated Cash Flows

ING s Risk Management, including liquidity, is discussed in Risk Management of Note 2.1 to the consolidated financial statements.

Year ended December 31, 2007 compared to year ended December 31, 2006

Net cash provided by operating activities amounted to EUR 11,708 million for the year ended December 31, 2007, an increase of 22.3% compared to EUR 9,570 million for the year ended December 31, 2006. This increase was mainly due to trading assets/trading liabilities, a lower cash flow from customer deposits and other funds on deposit due to less funds by large customers as well as, on balance, from amounts due to/from banks not available on demand. The cash flow generated through the provisions for insurance and investment contracts of EUR 26,494 million and through the customer deposits and other funds on deposit of the banking operations of EUR 28,640 million. The cash outflow employed in lending increased from a cash flow of EUR 59,800 million in 2006 to a cash outflow of EUR 75,501 million in 2007.

Net cash used in investment activities in 2007 was EUR 13,933 million, compared to EUR 31,320 million in 2006. The increase was mainly caused by higher disposals and redemptions of available-for-sale investments.

Net cash flow from financing activities was EUR (12,831) million in 2007, compared to EUR 17,005 million in 2006. The decrease of EUR 29,836 million in net cash flow from financing activities is mainly due to a higher repayments of borrowed funds and debt securities.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2007 of EUR (16,811) million, compared to EUR (1,795) million at year-end 2006, a decrease of EUR 15,016 million from 2006 levels, mainly reflected in a decrease in amounts due from/to banks, as well as higher balances of borrowed funds and debt securities.

	2007	**2006**	**2005**
		(EUR millions)	
Treasury bills and other eligible bills	4,130	4,333	11,572
Amounts due from/to banks	(33,347)	(20,454)	(21,321)
Cash and balances with central banks	12,406	14,326	13,084
Cash and cash equivalents at end of year	**(16,811)**	**(1,795)**	**3,335**

Year ended December 31, 2006 compared to year ended December 31, 2005

Net cash provided by operating activities amounted to EUR 9,570 million for the year ended December 31, 2006, a decrease of 71.8% compared to EUR 34,089 million for the year ended December 31, 2005. This decrease was mainly due to a lower cash flow from customer deposits and other funds on deposit as well as on balance from amounts due to/from banks not available on demand. The cash flow generated through the provisions for insurance and investment contracts of EUR 17,689 million and through the customer deposits and other funds on deposit of the banking operations of EUR 47,521 million was to a large extent used for the lending and investment portfolios. The cash flow employed in lending decreased from a cash flow of EUR 62,709 million in 2005 to a cash outflow of EUR 59,800 million in 2006, reflecting the growth of the mortgage portfolio and corporate lending both inside and outside the Netherlands, partly offset by a decline of loans to public authorities.

Net cash used in investment activities in 2006 was EUR 31,320 million, compared to EUR 50,305 million in 2005. The decrease was mainly caused by higher disposals and redemptions of available-for-sale investments.

Table of Contents

Net cash flow from financing activities was EUR 17,005 million in 2006, compared to EUR 6,971 million in 2005. The increase of EUR 10,034 million in net cash flow from financing activities is mainly due to a higher balance of proceeds from repayments of borrowed funds and debt securities.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2006 of EUR (1,795) million, compared to EUR 3,335 million at year-end 2005, a decrease of EUR 5,130 million from 2005 levels, mainly reflected in a decrease in amounts due from/to banks, as well as higher balances of borrowed funds and debt securities.

ING Insurance Cash Flows

The principal sources of funds for ING Insurance are premiums, net investment income and proceeds from sales or maturity of investments, while the major uses of these funds are to provide life policy benefits, pay surrenders and profit sharing for life policyholders, pay non-life claims and related claims expenses, and pay other operating costs. ING Insurance generates a substantial cash flow from operations as a result of most premiums being received in advance of the time when claim payments or policy benefits are required. These positive operating cash flows, along with that portion of the investment portfolio that is held in cash and highly liquid securities, have historically met the liquidity requirements of ING Insurance s operations, as evidenced by the growth in investments. See Risk Management of Note 2.1 to the consolidated financial statements.

Year ended December 31, 2007 compared to year ended December 31, 2006

Premium income and Investment and Other income totaled EUR 46,818 million and EUR 13,488 million in 2007, and EUR 46,834 million and EUR 11,172 million in 2006. Uses of funds by ING Insurance include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims and profit sharing by life policyholders) and employee and other operating expenses, as well as interest expense on outstanding borrowings. Underwriting expenditures, employee and other operating expenses and interest expense for ING Insurance totaled EUR 48,833 million, EUR 5,515 million and EUR 1,326 million in 2007 and EUR 48,188 million, EUR 5,275 million and EUR 1,233 million in 2006.

ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 3,115 million at December 31, 2007 and EUR 3,017 million at December 31, 2006.

	2007	**2006**
	(EUR millions)	
Cash and bank balances	2,648	2,683
Short term deposits	467	334
Total	**3,115**	**3,017**

Net cash provided by operating activities was EUR 23,118 million in 2007 and EUR 13,769 million in 2006.

Net cash used by ING Insurance in investment activities was EUR 15,072 million in 2007 and EUR 12,798 million in 2006.

Cash provided by ING Insurance s financing activities amounted to EUR (7,941) million and EUR (485) million in 2007 and 2006, respectively.

Year ended December 31, 2006 compared to year ended December 31, 2005

Premium income and Investment and Other income totaled EUR 46,834 million and EUR 11,172 million in 2006, EUR 45,758 million and EUR 10,299 million in 2005. Uses of funds by ING Insurance include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims and profit sharing by life policyholders) and employee and other operating expenses, as well as interest expense on outstanding borrowings. Underwriting expenditures, employee and other operating expenses and interest expense for ING Insurance totaled EUR 48,188 million, EUR 5,275 million and EUR 1,233 million in 2006 and EUR 47,120 million, EUR 5,194 million and

EUR 1,100 million in 2005.

Table of Contents

ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 3,017 million at December 31, 2006 and EUR 2,745 million at December 31, 2005.

Net cash provided by operating activities was EUR 13,769 million in 2006 and EUR 18,151 million in 2005.

Net cash used by ING Insurance in investment activities was EUR 12,798 million in 2006 and EUR 20,554 million in 2005.

Cash provided by ING Insurance s financing activities amounted to EUR (485) million and EUR 2,794 million in 2006 and 2005, respectively.

Capital Base Margins and Capital Requirements

In the United States, since 1993, insurers, including the companies comprising ING Insurance U.S. operations, have been subject to risk-based capital (RBC) guidelines. (see Item 4, Information on the Company Regulation and Supervision Insurance Americas.)

ING Bank Cash Flows

The principal sources of funds for ING Bank s operations are growth of the retail funding, which mainly consists of current accounts, savings and retail deposits, repayments of loans, disposals and redemptions of investment securities (mainly bonds), sales of trading portfolio securities, interest income and commission income. The major uses of funds are advances of loans and other credits, investments, purchases of investment securities, funding of trading portfolios, interest expense and administrative expenses (see Item 11, Quantitative and Qualitative Disclosure of Market Risk).

Year ended December 31, 2007 compared to year ended December 31, 2006

At December 31, 2007 and 2006, ING Bank had EUR (19,389) million and EUR (4,352) million, respectively, of cash and cash equivalents. The decrease in Cash and Cash Equivalents is mainly attributable to a large change in overnight funding (contracts with a maturity of one day) from non bank financial institutions to banks.

The EUR 6,753 million decrease in ING Bank s operating activities, consisting of EUR 9,207 million cash outflow for the year ended December 31, 2007, compared with a EUR 2,454 million cash outflow for the year ended December 31, 2006, was largely attributable to the liquidity crisis. Non-bank financial institutions demanded higher rates for the short term funding. Consequently ING decided to switch to the cheaper inter-bancaire market to maintain or improve interest margins. This change has major impact on the Cash position in the Cash Flow Statement because short-term inter-bancaire funding is deducted from the Cash position while short term funding from non-banks is not deducted. The negative impact on the Cash position amounts to EUR 10.6 billion. In addition to the overnight contracts , the repurchase agreements or Repos and Reverse Repos had a negative impact on cash at the end of the period of respectively EUR 5.8 billion

Specification of cash position (EUR millions):

	2007	**2006**	**Change**
	(EUR millions)		
Cash	9,829	11,769	(1,940)
Short dated Government Paper	4,130	4,333	(203)
Banks on demand	19,655	16,164	3,491
Cash Balance and cash equivalents	**33,614**	**32,266**	**1,348**
Overnight deposits	(25,871)	(15,240)	(10,631)
Repos/Reverse repo s	(27,132)	(21,378)	(5,754)
Cash Balance and cash equivalents (including Repro\Reverse Repro)	**(19,389)**	**(4,352)**	**(15,037)**

Net cash generated from investment activities was EUR 1,526 million cash inflow and EUR 19,132 million cash outflow in 2007 and 2006, respectively. Investment in interest-earning securities was EUR 95,546 million and

Table of Contents

EUR 106,902 million in 2007 and 2006, respectively. Dispositions and redemptions of interest-earning securities was EUR 101,119 million and EUR 91,247 million in 2007 and 2006, respectively. In 2007 ING acquired the Oyak Bank which led to a cash outflow of EUR 1,830 million.

Net cash outflow from financing activities in 2007 amounted to EUR 7,403 million compared to a cash inflow of EUR 16,372 million in 2006, as ING ended the securitization programs of SIMBA and Mane.

The operating, investment and financing activities described above resulted in a negative net cash flow of EUR 15,084 million in 2007 and a negative net cash flow of EUR 5,214 million in 2006.

Year ended December 31, 2006 compared to year ended December 31, 2005

At December 31, 2006 and 2005, ING Bank had EUR (4,352) million and EUR 969 million, respectively, of cash and cash equivalents.

The EUR 19,495 million decrease in ING Bank s operating activities, consisting of EUR 2,454 million cash outflow for the year ended December 31, 2006, compared with a EUR 17,041 million cash inflow for the year ended December 31, 2005, was largely attributable to the stronger increase in cash outflow related to the loans and advances compared to a lower increase of the cash inflow from savings and was also attributable to the divestment of the Deutsche Hypotheken Bank and Degussa bank.

Net cash generated from investment activities was EUR 19,132 million cash outflow and EUR 29,754 million cash outflow in 2006 and 2005, respectively, mainly reflecting the investment in interest-earning securities exceeding the dispositions and redemptions of interest-earning securities. Investment in interest-earning securities was EUR 106,902 million and EUR 95,905 million in 2006 and 2005, respectively. Dispositions and redemptions of interest-earning securities was EUR 91,247 million and EUR 65,964 million in 2006 and 2005, respectively.

Net cash inflow from financing activities amounted to EUR 16,372 million and EUR 2,759 million in 2006 and 2005, respectively.

The operating, investment and financing activities described above resulted in a negative net cash flow of EUR 5,214 million in 2006 and a negative net cash flow of EUR 9,954 million in 2005.

Capital Adequacy

Capital adequacy and the use of capital are monitored by ING Bank and its subsidiaries, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision and implemented by the EU and the Dutch Central Bank for supervisory purposes. See Item 4, Information on the Company .

The following table sets forth the risk-weighted capital ratios of ING Bank N.V. as of December 31, 2007, 2006 and 2005.

	Year ended December 31,		
	2007	**2006**	**2005**
	(EUR million, other than percentages)		
Risk-Weighted Assets	402,727	337,926	319,653
Consolidated group equity:			
Tier 1 Capital	29,772	25,784	23,408
Tier 2 Capital	14,199	12,367	11,605
Tier 3 Capital	0	330	363
Supervisory deductions	(2,407)	(1,250)	(650)
Total qualifying capital	**41,564**	**37,230**	**34,726**
Tier 1 Capital Ratio	7,39%	7.63%	7.32%
Total Capital Ratio (Tier 1, 2 and 3)	10,32%	11.02%	10.86%

ING Group s management believes that working capital is sufficient to meet the current and reasonably foreseeable needs of the Company.

Table of Contents

Adjusted Capital

ING calculates certain capital ratios on the basis of adjusted capital . Adjusted capital differs from Shareholders equity in the consolidated balance sheet. The main differences are that adjusted capital excludes unrealized gains and losses on debt securities and the cash flow hedge reserve and includes hybrid capital. Adjusted capital for 2007 and 2006 is reconciled to shareholders equity as follows:

	2007	2006
	(EUR million)	
Shareholders equity	37,208	38,266
Group hybrid capital	8,620	7,606
Revaluation reserves debt securities and other	(963)	(3,352)
Adjusted capital	**44,865**	**42,520**

Group hybrid capital comprises subordinated loans and preference shares issued by ING Group, which qualify as (Tier-1) capital for regulatory purposes, but are classified as liabilities in the consolidated balance sheet.

Revaluation reserves debt securities and other includes unrealized gains and losses on available-for-sale debt securities of EUR 1,895 million in 2007 and EUR (1,709) million in 2006, the cash flow hedge reserve of EUR (438) million in 2007 and EUR (1,357) million in 2006 and capitalized goodwill of EUR (2,420) million in 2007 and EUR (286) million in 2006.

ING uses adjusted capital in calculating its debt/equity ratio, which is a key measure in ING s capital management process. The debt/equity ratio based on adjusted capital is used to measure the leverage of ING Group and ING Insurance. The target and actual debt/equity ratio based on adjusted capital are communicated internally to key management and externally to investors, analysts and rating agencies on a quarterly basis. ING uses adjusted capital for these purposes instead of Shareholders equity presented in the balance sheet principally for the following reasons:

- adjusted capital is calculated based on the criteria in the capital model that is used by Standard and Poor s to measure, compare and analyze capital adequacy and leverage for insurance groups, and the level of our adjusted capital may thus have an impact on the S& P ratings for the Company and its operating insurance subsidiaries;

- ING believes its Standard and Poor s financial strength and other ratings are one of the most significant factors looked at by our clients and brokers, and accordingly are important to the operations and prospects of our insurance operating subsidiaries, and a major distinguishing factor vis-à-vis our competitors and peers; and

- adjusted capital is also a measure used by regulatory authorities to measure and monitor the safety and soundness of our insurance subsidiaries, and in the event that our adjusted capital levels are insufficient we can expect regulatory scrutiny, including requirements for additional capital or restrictions on our business.

To the extent our debt/equity ratio (based on adjusted capital) increases or the components thereof change significantly period over period, we believe that rating agencies and regulators would all view this as material information relevant to our financial health and solvency. On the basis of adjusted capital, the debt/equity ratio of ING increased to 9.5% in 2007, from 9.0% in 2006. The debt/equity ratio of ING Group between December 31, 2002 and December 31, 2006 has been in the range of 19.9% to 9.0% and has declined consistently during this period as a result of capital management action and favorable equity markets. Although rating agencies take many factors into account in the ratings process and any of those factors alone or together with other factors may affect our rating, we believe that an increase of our debt/equity ratio in a significant way, and for an extended period of time, could result in actions from rating agencies including a possible downgrade of the financial strength ratings of our operating subsidiaries. Similarly, although regulatory authorities do not currently set any explicit leverage requirements for ING Group, such an increase of our debt/equity ratio could also likely result in greater scrutiny by regulatory authorities. ING has targeted a 10% debt/equity ratio for ING Group during 2007. This target is reviewed at least once a year and approved by the Executive Board. During the yearly review many factors are taken into account to establish this target, such as

rating agency guidance, regulatory guidance, peer review, risk profile and strategic objectives. During the year, the ratio is managed by regular reporting, forecasting and capital management actions. Management has full discretion to change the target ratio if circumstances change.

Table of Contents

Off-Balance-Sheet-Arrangements
See Note 26 of Note 2.1 to the consolidated financial statements.

	Total 2007	Less than one year	More than one year
		(EUR millions)	
Insurance operations			
Commitments concerning investments in land and buildings	181	171	10
Commitments concerning fixed-interest securities	2,436	2,189	247
Guarantees	173		173
Other	1,860	1,189	671
Banking operations			
Contingent liabilities in respect of:			
- discounted bills	1		1
- guarantees	19,018	10,862	8,156
- irrevocable letters of credit	11,551	10,160	1,391
- other	350	263	87
Irrevocable facilities	100,707	50,337	50,370
Total	**136,277**	**75,172**	**61,105**

Contractual obligations
The table below shows the cash payment requirements from specified contractual obligations outstanding as of December 31, 2007:

		Payment due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
2007		(EUR millions)			
Operating lease obligations	1,269	213	391	326	339
Subordinated loans of Group Companies	13,663	66	1,594	2,061	9,942
Preference shares of group companies	1,014				1,014
Debenture loans	66,995	42,386	7,370	7,418	9,821
Loans contracted	9,454	4,791	2,360	1,019	1,284
Loans from Credit Institutions [(1)]	2,927	1,340	355	447	785
Insurance obligations [(1)]	218,859	10,587	14,367	17,281	176,354
Total	**314,181**	**59,653**	**26,437**	**28,552**	**199,539**

(1) Amounts included in the table reflect best estimates of

cash payments to be made to policyholders. Such best estimate cash outflows reflect mortality, retirement, and other appropriate factors, but are undiscounted with respect to interest. As a result, the sum of the cash outflows shown for all years in the table differs from the corresponding liability included in our consolidated financial statements at December 31, 2007. Furthermore, the table does not include insurance or investment contracts for risk of policyholders, as these are products where the policyholder bears the investment risk.

Table of Contents

Item 6. Directors, Senior Management and Employees

SUPERVISORY BOARD

Appointment and dismissal

Members of the Supervisory Board are appointed by the General Meeting of Shareholders from a binding list to be drawn up by the Supervisory Board. This list shall mention at least two candidates for each vacancy, failing which the list will be non-binding. The list will also be non-binding pursuant to a resolution to that effect of the General Meeting of Shareholders adopted by an absolute majority of the votes cast which together represent more than one-third of the issued capital.

Candidates for appointment to the Supervisory Board must comply with the reliability requirements set out in the Wet financieel toezicht (Dutch Financial Supervision Act).

Members of the Supervisory Board may be suspended or dismissed at any time by the General Meeting of Shareholders. A resolution to suspend or dismiss members of the Supervisory Board which has not been brought forward by the Supervisory Board may only be adopted by the General Meeting of Shareholders by an absolute majority of the votes cast that together represent at least one-third of the issued capital.

Function of the Supervisory Board and its committees

The function of the Supervisory Board is to supervise the policy of the Executive Board and the general course of events in the company and its business, as well as to provide advice to the Executive Board. The Supervisory Board has three standing committees: the Audit Committee, the Remuneration and Nomination Committee and the Corporate Governance Committee. The organization, powers and modus operandi of the Supervisory Board are detailed in the Supervisory Board Charter. Separate charters have been drawn up for the Audit Committee, the Remuneration and Nomination Committee and the Corporate Governance Committee. These charters are available on the ING Group website (www.ing.com). A short description of the duties for the three Committees follows below.

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, ING Verzekeringen N.V. and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements, and in monitoring the independence and performance of ING s internal and external auditors.

The Remuneration and Nomination Committee advises the Supervisory Board amongst others on the composition of the Supervisory Board and Executive Board, on the compensation packages of the members of the Executive Board and on stock-based compensation programs for top senior management, including the Executive Board.

The Corporate Governance Committee assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting of this in the Annual Report and to the General Meeting of Shareholders, and advises the Supervisory Board on improvements.

Profile of members of the Supervisory Board

The Supervisory Board has drawn up a profile to be used as a basis for its composition. The profile was submitted for discussion to the annual General Meeting of Shareholders in 2005. It is available at the ING Group head office and on the ING Group website (www.ing.com).

In view of their experience and the valuable contribution that former members of the Executive Board can make to the Supervisory Board, it has been decided, taking into account the size of the Supervisory Board and ING s wide range of activities, that such individuals may become members of the Supervisory Board of ING Group. There is, however, a restriction in that only one in every five other members of the Supervisory Board may be a former member of the Executive Board. In addition, this member must wait at least one year after resigning from the Executive Board before becoming eligible for appointment to the Supervisory Board. Former members of the Executive Board are not eligible for appointment to the position of chairman of the Supervisory Board. After being appointed to the Supervisory Board, a former member of the Executive Board may also be appointed to one of the Supervisory Board s committees. However, appointment to the position of chairman of a committee is only possible if the individual in question resigned from the Executive Board at least four years prior to such appointment.

Table of Contents

Reappointment of Supervisory Board members
Members of the Supervisory Board will resign from the Supervisory Board at the annual General Meeting of Shareholders held in the calendar year in which they will complete the fourth year after their most recent reappointment. As a general rule, they shall also resign at the annual General Meeting of Shareholders in the year in which they attain the age of 70 and shall not be reappointed. The schedule for resignation by rotation is available on the ING Group website (www.ing.com). Members of the Supervisory Board may as a general rule be reappointed for two four-year terms, based on a proposal from the Supervisory Board to the General Meeting of Shareholders.
Ancillary positions/Conflicting interests
Members of the Supervisory Board are asked to provide details of any other directorships, paid positions and ancillary positions they may hold. Such positions are not permitted to conflict with the interests of ING Group. It is the responsibility of the individual member of the Supervisory Board and the Supervisory Board s Corporate Governance Committee to ensure that the directorship duties are performed properly and not affected by any other positions that the individual may hold outside the group.
Details of transactions involving actual or potential conflicts of interest
Details of any relationships that members of the Supervisory Board may have with ING Group subsidiaries as ordinary, private individuals are not reported, with the exception of any loans that may have been granted to them.
Independence
Annually, the Supervisory Board members are requested to assess whether the criteria of dependence of the Tabaksblat Code do not apply to them and to confirm this in writing. On the basis of these criteria, all members of the Supervisory Board, except Piet Hoogendoorn, are to be regarded as independent as of 31 December 2006. Members of the Supervisory Board to whom the dependence criteria of the Tabaksblat Code do not apply and members of the Supervisory Board to whom the criteria do apply but who can explain why this does not undermine their independence, are deemed to be independent.
Remuneration and share ownership
The remuneration of the members of the Supervisory Board is set by the General Meeting of Shareholders and is not dependent on the results of the company. Members of the Supervisory Board are permitted to hold shares and depositary receipts for shares in the company for long-term investment purposes. Transactions by Supervisory Board members in ING Group shares and depositary receipts for shares are subject to the ING regulations for insiders. These regulations are available on the ING Group website (www. ing.com).

MEMBERS OF THE SUPERVISORY BOARD OF ING GROEP N.V.

Cor A.J. Herkströter, chairman (until January 1, 2008)
(Born 1937, Dutch nationality, male; appointed in 1998, retirement on January 1, 2008)
Chairman of the Remuneration and Nomination Committee and the Corporate Governance Committee (until 1 January 2008). Former president of Royal Dutch Petroleum Company and chairman of the Committee of Managing Directors, Royal Dutch/Shell Group. Other business activities: chairman of the Supervisory Board of Koninklijke DSM N.V. (listed company). Member of the Advisory Committee, Robert Bosch GmbH. Chairman of the Social Advisory Council, Tinbergen Institute. Emeritus Professor of International Management, University of Amsterdam. Chairman of the Advisory Committee Royal NIVRA (Netherlands Institute of Chartered Accountants). Member Committee Capital Market, Authority Financial Markets, Amsterdam.

Jan H.M. Hommen (chairman from January 1, 2008)
(Born 1943, Dutch nationality, male; appointed in 2005, term expires in 2009)
Chairman of the Audit Committee until January 1, 2008; member of the Audit Committee until January 24, 2008. Chairman of the Remuneration and Nomination Committee and the Corporate Governance Committee (from January 1, 2008). Former vice-chairman and CFO of the Board of Management of Royal Philips Electronics. Other business activities: chairman of the Supervisory Board of each of Reed Elsevier and TNT N.V. (listed companies). Chairman of the Supervisory Board of each of Academisch Ziekenhuis Maastricht (hospital) and TiasNimbas Business School. Member of the Supervisory Board of Campina BV.

Eric Bourdais de Charbonnière, vice-chairman
(Born 1939, French nationality, male; appointed in 2004, term expires in 2008)

Member of the Remuneration and Nomination Committee and the Corporate Governance Committee. Former managing director of JP Morgan France and chief financial officer of Michelin. Other business activities: chairman

Table of Contents

of the Supervisory Board of Michelin and member of the Supervisory Board of Thomson (listed companies). Member of the Supervisory Board of each of Oddo et Cie, American Hospital of Paris and Associés en Finance.

Henk W. Breukink

(Born 1950, Dutch nationality, male; appointed in 2007, term expires in 2011)

Member of the Corporate Governance Committee (from January 24, 2008). Former managing director of F&C and country head for F&C Netherlands (asset management firm). Vice-chairman of VastNed Offices/Industrial (real estate fund) and non-executive director of F&C hedge funds, Ireland (listed companies). Other business activities: non-executive director of Heembouw Holding B.V. and B&S Vastgoed Nederland NV.

Peter A.F.W. Elverding

(Born 1948, Dutch nationality, male; appointed in 2007, term expires in 2011)

Member of the Audit Committee (from January 24, 2008). Former chairman of the Managing Board of Directors of Royal DSM N.V. and former vice-chairman of the Supervisory Board of De Nederlandsche Bank N.V. (Dutch Central Bank). Other business activities: chairman of the Supervisory Board of Océ N.V. (listed company). Member of the Supervisory Board of SHV Holdings N.V. Chairman of the Supervisory Board of Maastricht University and member of the Supervisory Board of the cross-border University of Limburg.

Luella Gross Goldberg

(Born 1937, American nationality, female; appointed in 2001, retirement in 2008)

Member of the Remuneration and Nomination Committee and the Corporate Governance Committee (until 24 January 2008). Former member of the Board of Directors of ReliaStar Financial Corp. Other business activities: member of the Supervisory Board of each of TCF Financial Corporation, Hormel Foods Corporation and Communications Systems Inc. (listed companies). Member of the Advisory Board of Carlson School of Management, University of Minnesota. Member of the Supervisory Board of the Minnesota Orchestra. Member (emerita) of the Board of Trustees, Wellesley College. Member of the Board of Trustees, University of Minnesota Foundation.

Claus Dieter Hoffmann

(Born 1942, German nationality, male; appointed in 2003, term expires in 2011)

Member of the Audit Committee (until January 24, 2008). Member of the Corporate Governance Committee (from January 24, 2008). Former chief financial officer of Robert Bosch GmbH. Other business activities: managing partner of H+H Senior Advisors, Stuttgart. Chairman of the Supervisory Board of EnBW AG (listed company). Member of the Supervisory Board of Bauerfeind AG and de Boer Structures Holding B.V. Chairman of the Charlottenklinik Foundation (hospital). Chairman of the Board of Trustees (Vereinigung der Freunde) of Stuttgart University.

Piet Hoogendoorn

(Born 1945, Dutch nationality, male; appointed in 2007, term expires in 2011)

Member of the Audit Committee (from January 24, 2008). Former chairman of the Board of Directors of Deloitte Touche Tohmatsu and CEO of Deloitte in the Netherlands. Former chairman of Royal NIVRA (Netherlands Institute of Chartered Accountants).

Piet C. Klaver

(Born 1945, Dutch nationality, male; appointed in 2006, term expires in 2010)

Member of the Remuneration and Nomination Committee (from January 24, 2008). Former chairman of the Executive Board of SHV Holdings N.V. Other business activities: member of the Supervisory Board of SHV Holdings N.V., Jaarbeurs Holding B.V. and Dura Vermeer Groep N.V. Chairman of the Supervisory Board of Dekker Hout Groep B.V. Chairman of the Board of African Parks Foundation. Chairman of the Supervisory Board of Utrecht School of the Arts.

Wim Kok

(Born 1938, Dutch nationality, male; appointed in 2003, term expires in 2010)

Member of the Audit Committee; chairman of the Audit Committee from 1 January 2008. Former Minister of Finance and Prime Minister of the Netherlands. Other business activities: non-executive member of the Board of Directors of Royal Dutch Shell plc, member of the Supervisory Board of TNT N.V. (listed companies). Member of the Supervisory Board of KLM Royal Dutch Airlines. Chairman of the Supervisory Board of the Anne Frank Foundation, Amsterdam. Chairman of the Supervisory Board of the Nationale Ballet, Amsterdam. Member of the Supervisory

Board of Het Muziektheater, Amsterdam. Member of the Supervisory Board of the Rijksmuseum, Amsterdam. Chairman of the Supervisory Board of the Netherlands Cancer Institute Antoni van Leeuwenhoek Hospital. Member of the Board of Start Foundation.

Table of Contents

Godfried J.A. van der Lugt

(Born 1940, Dutch nationality, male; appointed in 2001, term expires in 2009)

Member of the Audit Committee. Former chairman of the Executive Board of ING Group (retired in May 2000). Other business activities: chairman of the Supervisory Board of each of Siemens Nederland N.V. and Stadsherstel Amsterdam NV. Vice-chairman of the Supervisory Board of Universitair Medisch Centrum Groningen (hospital). Treasurer of Vereniging Natuurmonumenten (Dutch foundation for nature conservation). Member Siemens Group Pension Advisory Board München.

Karel Vuursteen

(Born 1941, Dutch nationality, male; appointed in 2002, term expires in 2010)

Member of the Remuneration and Nomination Committee (from January 24, 2008). Former chairman of the Executive Board of Heineken N.V. Other business activities: member of the Supervisory Board of each of Akzo Nobel N.V., TomTom N.V. and Henkel KGaA (listed companies). Member of the Board of Directors of Heineken Holding N.V. Member of the Advisory Board of CVC Capital Partners. Chairman of World Wild Life Fund Netherlands and The Concertgebouw Fund Foundation. Member of the Supervisory Board of Nyenrode Foundation.

Changes in the composition

Cor Herkströter retired from the Supervisory Board on January 1, 2008. Luella Gross Goldberg will retire after the 2008 annual General Meeting of Shareholders. Wim Kok will reach the age of 70 in 2008 but, having been appointed chairman of the Audit Committee, will remain in office one extra year to ensure a balanced composition of the Supervisory Board. He will retire after the 2009 annual General Meeting of Shareholders.

At the 2008 annual General Meeting of Shareholders four new candidates will be proposed for appointment: Joan Spero, Harish Manwani, Aman Mehta and Jackson Tai.

EXECUTIVE BOARD

Appointment and dismissal

Members of the Executive Board are appointed by the General Meeting of Shareholders from a binding list to be drawn up by the Supervisory Board. This list shall mention at least two candidates for each vacancy, and if not the list will be non-binding. The General Meeting of Shareholders may declare the list non-binding by a majority resolution supported by at least one-third of the issued capital.

Candidates for appointment to the Executive Board must comply with the expertise and reliability requirements set out in the Wet financieel toezicht (Dutch Financial Supervision Act).

Members of the Executive Board may be suspended or dismissed at any time by a majority resolution at the General Meeting of Shareholders. A resolution to suspend or dismiss members of the Executive Board that has not been introduced by the Supervisory Board needs the support of at least one-third of the issued capital.

Function of Executive Board

The Executive Board is responsible for the management of the company, which includes being responsible for achieving the company s aims and for the company s results, as well as for determining the company s strategy and policy. It also includes the day-to-day management of the company and its business lines (Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct). The organization, powers and modus operandi of the Executive Board are detailed in the Executive Board Charter, which was approved by the Supervisory Board. The Executive Board Charter is available on the ING Group website (www.ing.com).

Profile of members of the Executive Board

The Supervisory Board has drawn up a profile to be used as a basis for selecting members of the Executive Board. This Executive Board Profile was submitted for discussion to the annual General Meeting of Shareholders in 2005. It is available at the ING Group head office and on the ING Group website (www.ing.com).

Remuneration and share ownership

Members of the Executive Board are permitted to hold shares and depositary receipts for shares in the company for long-term investment purposes. Transactions in these shares are subject to the ING regulations for insiders. These regulations are available on the ING Group website (www.ing.com).

Table of Contents

Ancillary positions/Conflicting interests

To avoid potential conflicts of interest, ING Group has a policy that members of its Executive Board do not accept corporate directorships with listed companies outside ING. The only exception is currently Jacques de Vaucleroy, who is on the Board of Directors of Delhaize Group in Belgium. He held this position prior to his appointment to the Executive Board of ING Group.

Transactions involving actual or potential conflicts of interest

Details of relationships that members of the Executive Board have with ING Group subsidiaries as ordinary, private individuals are not reported, with the exception of information on any loans that may have been granted to them. In all these cases, the company complies with the best-practice provisions of the Tabaksblat Code.

MEMBERS OF EXECUTIVE BOARD OF ING GROEP N.V.

Michel J. Tilmant, chairman

(Born 1952, Belgian nationality; male; appointed in 1998, contractual retirement date 2012)

Michel Tilmant graduated from Louvain University with a Licence in Business Administration. He is also a graduate of Louvain School for European Affairs. He started his career with Morgan Guaranty Trust Company in New York. In 1992 he joined Bank Brussels Lambert, where he was appointed chairman of the Executive Board in 1997. After the acquisition of BBL by ING in 1998, Michel Tilmant was appointed vice-chairman in May 2000. He was appointed chairman in April 2004. Five Group staff departments report directly to Michel Tilmant: Corporate Legal Department, Corporate Human Resources, Corporate Development, Corporate Communications & Affairs and Corporate Audit Services.

Eric F. Boyer de la Giroday

(Born 1952, Belgian nationality, male; appointed in 2004, term expires in 2008)

After completing his degree in commercial engineering at the Free University of Brussels and a master in Business Administration at the Wharton School, University of Pennsylvania, Eric Boyer started his career with Citibank in 1978. In 1984 he joined Bank Brussels Lambert, which was acquired by ING Group in 1998, where he held various management positions in the fields of capital markets, treasury and corporate and investment banking. He was appointed a member of the Executive Board of ING Group in April 2004. He is responsible for Wholesale Banking and ING Real Estate.

Dick H. Harryvan

(Born 1953, Dutch nationality, male; appointed in 2006, term expires in 2010)

Dick Harryvan graduated from the Erasmus University Rotterdam with a master s degree in Business Economics, majoring in finance. He joined ING as a management trainee at Nationale-Nederlanden in 1979. Before his appointment to the Executive Board in 2006, he held various management positions in the United States, Canada and the Netherlands, where he was lastly chief financial officer/chief risk officer and member of the Global Management Team of ING Direct. Dick Harryvan is responsible for ING Direct.

John C.R. Hele, CFO

(Born 1958, Canadian nationality, male; appointed in 2007, term expires in 2011)

John Hele graduated from the University of Waterloo, Canada, in 1980 with a bachelor s degree in Mathematics. He joined ING in 2003. Before he joined the Executive Board John Hele has been deputy chief financial officer of ING Group since 2006. Prior to assuming this role, he was the general manager and chief insurance risk officer responsible for global insurance risk management and also functioned as the Group actuary. Before joining ING, John Hele held various positions at Crown Life in Canada, Merrill Lynch in the United States and at Worldinsure, Bermuda. He is responsible for Group Capital Management, Group Tax, Group Finance and Control, Group Finance Bank and Group Finance Insurance.

Eli P. Leenaars

(Born 1961, Dutch nationality, male; appointed in 2004, term expires in 2008)

Eli Leenaars studied Civil Law at the Catholic University of Nijmegen and received an LLM from the European University Institute in Florence, Italy and attended the Harvard Graduate School of Business in Boston. After a

traineeship at ABN AMRO, he joined ING in 1991, where he held various management positions, including chairman of ING Poland and of ING Latin America. He was appointed a member of the Executive Board of ING Group in April 2004. He is responsible for Retail Banking and Private Banking. He is also in charge of Operations/IT and Corporate Operations and Information Services.

Table of Contents

Tom J. McInerney

(Born 1956, American nationality, male; appointed in 2006, term expires in 2010)

Tom McInerney has a bachelor s degree from Colgate University (Hamilton, New York) and an MBA from the Tuck School of Business, Dartmouth College (Hanover, New Hampshire). He started his career in 1978 with Aetna Financial Services, which was acquired by ING in 2000. He has been CEO of ING s insurance activities in the United States, which position included the responsibility for ING Mexico. Tom McInerney is now responsible for Insurance Americas, ING Investment Management Americas and the global coordination of ING Investment Management.

Hans van der Noordaa

(Born 1961, Dutch nationality, male; appointed in 2006, term expires in 2010)

Hans van der Noordaa graduated in Public Administration at the University of Twente, the Netherlands. After a career in retail banking at ABN AMRO, he joined ING in 1991, where he held various management positions. He was CEO of the Retail Division of ING Netherlands, responsible for Postbank, ING Bank and RVS, before his appointment to the Executive Board in 2006. Hans van der Noordaa is responsible for Insurance Asia/Pacific and ING Investment Management Asia/Pacific.

Koos (J.V.) Timmermans, CRO

(Born 1960, Dutch nationality, male; appointed in 2007, term expires in 2011)

Koos Timmermans graduated from Erasmus University in Rotterdam in 1986 with a master s degree in Economics. Until 1991 he worked at ABN AMRO in the field of derivatives and before joining ING in 1996 he was stationed in Ireland for IBM s European treasury. He has been deputy chief risk officer of ING Group since March 2006. Prior to this he was head of Corporate Market Risk Management. Koos Timmermans is responsible for ING s risk departments including compliance.

Jacques M. de Vaucleroy

(Born 1961, Belgian nationality, male; appointed in 2006, term expires in 2010)

Jacques de Vaucleroy graduated from Louvain University with a degree in Law. He also has a master s degree in Business Law from the Free University of Brussels, Belgium. In 1986 he joined Bank Brussels Lambert, which was acquired by ING in 1998. Before his appointment to the Executive Board in 2006, he was Group president ING Retail at US Financial Services. Jacques de Vaucleroy is responsible for Insurance Europe and ING Investment Management Europe.

Executive Board composition

The Supervisory Board will propose reappointing Eric Boyer de la Giroday and Eli Leenaars to the Executive Board at the annual General Meeting of Shareholders on April 22, 2008.

REMUNERATION REPORT

The remuneration policy was adopted by the annual General Meeting of Shareholders on April 27, 2004. In 2006, the Executive Board pension scheme was revised in alignment with the approved amendment to the remuneration policy. The revised Executive Board pension scheme is further described in General Policy Senior-Management Remuneration Pensions Executive Board Members . There were no changes to this policy in 2007 and therefore, the approval of the 2006 annual General Meeting of Shareholders still applies for 2007. The chapter starts with the general policy for senior-management remuneration, followed by the Executive Board compensation for 2007 and the compensation structure for 2008. In addition, information is included on loans and advances to the Executive Board and Supervisory Board members as well as ING depositary receipts for shares held by members of both boards.

GENERAL POLICY SENIOR-MANAGEMENT REMUNERATION

Background

The prime objective of the remuneration policy is to enable the company to recruit and retain qualified and expert leaders. The remuneration package supports a performance-driven culture that aligns ING s objectives with those of its stakeholders. ING rewards performance on the basis of previously determined, challenging, measurable and influenceable short-term and long-term targets.

ING s remuneration policy is based on five key principles that apply throughout ING. These principles are:

Total compensation levels are benchmarked against relevant markets in which ING competes for talent. ING aims for total compensation at the median level in the relevant market, allowing only for above-median compensation in the

event of outstanding performance.

The remuneration package includes variable-pay components (short-term and long-term incentives) to ensure that executive remuneration is linked to ING s short-term and long-term business performance.

Table of Contents

To enhance the effectiveness of the short-term incentive plan, clear, measurable and challenging targets are set at the beginning of each year.

Long-term incentives ensure a focus on longer-term strategic targets and create alignment of management with the interests of shareholders. A broad selection of ING s senior leaders participate in the plan to ensure a common focus on ING s overall performance.

Remuneration structure

Total compensation throughout ING consists of three basic components:

Fixed or base salary, which represents the total guaranteed annual income.

Short-term incentive (STI) in cash, which compensates for past performance measured over one year.

Long-term incentive (LTI) in stock options and/or performance shares, which compensates for performance measured over multiple years and is forward-looking.

In addition to the base salary and incentive plan participation, senior management and Executive Board members enjoy benefits similar to most other comparable employees of ING Group. These include benefits such as the use of company cars, contributions to company savings plans and, if applicable, expatriate allowances.

Base salary

The base salaries of the Executive Board should be sufficient to attract and retain high calibre management needed to achieve our business objectives. The Supervisory Board assesses the experience, background, responsibilities, performance and leadership competencies of the CEO and the members of the Executive Board when making decisions on base-salary levels.

To ensure that base-salary levels are in line with the relevant market for talent, the Supervisory Board reviews the base-salary levels of the Executive Board on an annual basis.

Short-term incentive plan

The short-term incentive plan (STIP) is a key component of ING s performance-driven culture. The short-term incentive is paid in cash. The at target bonus opportunity is expressed as a percentage of base salary. The target levels are based on benchmarks reflecting external market competitiveness as well as internal objectives. Three financial parameters were used in the 2007 STIP for the members of the Executive Board and top senior management across the organization (the top-200 executives) to measure performance at Group level. These financial parameters are: underlying net profit, underlying operating expenses and economic profit/embedded value profit (excluding financial variances). The quantitative elements of the targets are considered stock price sensitive and competition sensitive; accordingly these are not disclosed.

We believe that by combining a profit, a cost and a return parameter, the overall performance of ING is properly reflected. Each element is weighted equally to determine the final award. The three performance targets are set by the Supervisory Board at the beginning of the performance period. Under the short-term incentive plan, the actual payout in any year may vary between 0% and 200% of the target level.

In addition to the financial targets, part of the short-term incentive award is based on individual performance, assessed over pre-defined measurable targets set for each senior executive. These targets depend on the specific responsibilities of the individual Executive Board members and are determined and assessed by the Supervisory Board. The Executive Board sets the targets for senior management. For this layer directly reporting to the Executive Board, the emphasis is on individual performance in their primary business-related responsibility.

Short-term incentive: relative weight of Group and individual performance

	Group performance	Individual performance
Executive Board	70% of total bonus	30% of total bonus
Top senior management in business	15% of total bonus	85% of total bonus
Top senior management in Group staff	30% of total bonus	70% of total bonus

Long-term incentive plan

The long-term incentive plan (LTIP) at ING includes both stock options and performance shares. LTIP awards are granted to ensure alignment of senior management with the interests of shareholders, and to retain top management

over a longer period of time. The LTIP awards will be granted with a total fair value split between stock options and performance shares. The LTI plan was tabled and approved during the General Meeting of Shareholders on April 27, 2004.

Table of Contents

The ING stock options have a total term of ten years and a vesting period of three years after which they can be exercised for the remaining seven years. After three years, the options will vest only if the option holder is still employed by ING. The exercise price of the stock options is equal to the Euronext Amsterdam by NYSE Euronext market price of the ING depositary receipts on the grant date. For members of the Executive Board the grant date is a specific date during the first open period after the General Meeting of Shareholders.

Performance shares are conditionally granted. The number of ING depositary receipts that is ultimately granted at the end of a three-year performance period depends on ING s Total Shareholder Return (TSR) performance over three years (return in the form of capital gains and reinvested dividends that shareholders receive in that period) relative to the TSR performance of a pre-defined peer group. The criteria used to determine the performance peer group are: a) considered comparable and relevant by the Supervisory Board, b) representing ING s current portfolio of businesses (e.g. banking, insurance and asset management) and ING s geographical spread, c) global players, d) listed and with a substantial free float.

On the basis of these criteria the performance peer group established in 2004 is composed as follows: Citigroup, Fortis, Lloyds TSB (bank/insurance companies); ABN AMRO, Bank of America, BNP Paribas, Banco Santander, Credit Suisse, Deutsche Bank, HSBC (banks); Aegon, AIG, Allianz, Aviva, AXA, Prudential UK, Hartford Financial Services, Munich Re (insurance companies); Invesco (asset manager).

The Supervisory Board has determined that in light of the disappearance of ABN AMRO from the peer group, it will be replaced by Unicredito Italiano. This replacement is based upon a thorough replacement process using the above objective criteria to determine the performance peer group.

ING s TSR ranking within this group of companies determines the final number of performance shares that vest at the end of the three-year performance period. The initial number of performance shares granted is based on a mid-position ranking of ING. This initial grant will increase or decrease (on a linear basis) on the basis of ING s TSR position after the three-year performance period as specified in the table below.

Number of shares Awarded after each three-year performance period related to peer group

	Number of shares
1 - 3	200%
4 - 8	Between 200% and 100 %
9 - 11	100%
12 - 17	Between 100% and 0%
18 - 20	0%

The Supervisory Board reviews the peer group before each new three-year performance period. The performance test itself will be carried out at the end of every three-year performance period by an independent third party.

The Executive Board members are not allowed to sell depositary receipts obtained either through the stock-option or the performance-shares plan within a period of five years from the grant date. They are only allowed to sell part of their depositary receipts at the date of vesting to pay tax over the vested performance share award. Depositary receipts obtained from exercised stock options may only be sold within a period of five years from the grant date of the options to pay tax over the exercised award.

Remuneration levels

Every year a compensation benchmark analysis is performed based upon a peer group of companies. This peer group, established in 2003, is a mix of European financial services companies and Dutch-based multinationals. The peer group reflects ING s business structure and environment. ING competes with these companies for executive talent. The following companies are part of this compensation peer group: ABN AMRO, Aegon, Ahold, AXA, BNP Paribas, Credit Suisse, Fortis, KPN, Royal Bank of Scotland, Société Générale.

Considering the disappearance of ABN AMRO and the natural evolvement of the companies in the compensation peer group, the Supervisory Board has undertaken a review of this group. The composition of the adjusted peer group is based upon a thorough review process using objective criteria and reflects the evolved environment and ING s business structure. The Supervisory Board has decided to adjust to a European financial industry peer group effective

as of compensation year 2009. This financial industry peer group will comprise of the following companies: Aegon, Allianz, AXA, Banco Santander, Barclays, BNP Paribas, Credit Suisse, Deutsche Bank, Fortis, HSBC, Royal Bank of Scotland, Société Générale, Unicredito Italiano, Zurich Financial Services.

Table of Contents

In line with ING s overall remuneration policy, the Supervisory Board has focused on increasing variable (performance-driven) pay components which has resulted in a gradual convergence of the Executive Board total compensation to the median benchmark over a period of four years. This has been achieved by raising the target levels of both the short-term and long-term incentives. This ensures that future payouts more directly reflect short-term and long-term performance. As a result, the mix of total target compensation (in case of at-target performance) is divided equally between each component (i.e. 1/3rd base salary, 1/3rd short-term incentives, and 1/3rd long-term incentives). This balance of variable remuneration provides the right amount of focus on both the short and long term.

Pensions Executive Board members

At the General Meeting of Shareholders on April 25, 2006, it was agreed to amend the Executive Board remuneration policy with respect to pensions. This revised pension plan applies to all members of the Executive Board regardless of the time of appointment to the Executive Board except for John Hele, Tom McInerney and Cees Maas (retired June 1, 2007). The revised pension plan does not apply to a) Cees Maas, who was born before January 1, 1950 and who therefore continued to participate in the previous Executive Board defined-benefit pension scheme, and b) John Hele and Tom McInerney as they participate in the US pension plans. The pensions of the Executive Board are now based on a defined-contribution plan, which are insured through a contract with Nationale-Nederlanden Levensverzekering Maatschappij N.V. Starting in 2006, members of the Executive Board have been required to pay a portion of their pension premium. The Employment Contract will terminate by operation of law in case of retirement (Standard Retirement), which will take place on the first day of the month that the individual reaches the age of 65.The retirement age has been changed from previous years (age 60) as a result of the Dutch tax reform.

Employment contract for newly appointed Board members

The contract of employment for Executive Board members appointed after January 1, 2004 provides for an appointment for a period of four years (the appointment period) and allows for reappointment by the General Meeting of Shareholders.

In the case of an involuntary exit, Executive Board members will be entitled to an amount which has been set at a multiple of their Executive Board member base salary, preserving their existing rights. These rights slightly exceed the exit-arrangement provision in the Dutch Corporate Governance Code, i.e. no more than two times base salary (first appointment period) or one time base salary (all other situations).

As existing contracts cannot be adapted unilaterally, Executive Board members appointed before 2004 remain appointed for an indefinite period of time and, in case of an involuntary exit remain entitled to an exit payment of three years base salary.

The term of notice for Executive Board members is three months for the employee and six months for the employer.

REMUNERATION EXECUTIVE BOARD 2007

Executive Board base salary 2007

The base salary of the Executive Board members has been frozen for 2007, as was the case in 2004, 2005 and 2006.

Executive Board short-term incentive plan 2007

The target STI payout over 2007 was set at 100% of the individual Executive Board member s base salary. The final award is based on the achievement of a set of common Group financial targets and specific individual qualitative and quantitative objectives for each Executive Board member. Specifically, 70% of the total award is based on the Group s underlying net profit, underlying operating expenses and economic profit/embedded value profit (excluding financial variances), while the remaining 30% is based on individual objectives set at the beginning of the year by the chairman of the Executive Board and approved by the Remuneration and Nomination Committee of the Supervisory Board.

Early in 2008, the Remuneration and Nomination Committee reviewed the actual results of ING against the 2007 targets. Over 2007, ING exceeded on average the three Group financial targets set, resulting in a score of 136% of target on this component. The individual performance of the Executive Board members was on average 182%. ING s external auditor has reviewed the extent to which the objectives of both the Group and the individual have been met. The Audit Committee was involved in the review of the underlying financial data.

Table of Contents

Executive Board long-term incentive plan 2007

Under the LTIP for the Executive Board, two instruments are used: stock options and performance shares. As mentioned earlier, an identical plan has been adopted by the Executive Board for the top senior managers across ING. As a result, approximately 7,000 senior leaders participate in a similar plan.

The target level for the 2007 LTIP was set at 100% of base salary for each Executive Board member. The final grant level depends on the Group STIP performance and will vary between 50% of the target level (if Group STI would be 0%) and 150% (if Group STI would be 200%).

As the Group STIP performance outcome over 2007 was 136%, the resulting LTIP award is 118% of target. The number of options and performance shares is determined based on a reference price set at the end of 2007 (EUR 26.79) and a fair value calculation of options and performance shares (based on a pricing model).

The grant to the Executive Board members is subject to shareholder approval of the maximum number of stock options, performance shares and conditional share awards pursuant to the 2007 LTIP.

Tom McInerney will receive a conditional share award on the same grant date as the other long-term incentive awards. The conditional share award will be 100% vested four years after the grant date with the condition being an active employment contract at the date of vesting. This award is part of Tom McInerney s employment contract to align his total remuneration with the market practice of senior executives in the United States

The exercise price of the options will be fixed at the Euronext Amsterdam by NYSE Euronext opening price of the ING share on May 15, 2008. The performance shares are granted provisionally at the beginning of 2008; the final number will depend on the ranking within the performance peer group after the three-year period (2008 2010) based on the performance/payout scale as indicated above.

The performance shares granted in 2005 had a three-year performance period of 2005 2007 and will vest in 2008. The actual results of 71% are based upon ING s TSR ranking of 13 within the designated peer group. The results were determined by an independent third party. ING s external auditor has reviewed the calculations performed. For members of the Executive Board who received an award as an Executive Board member in 2005, such award will vest in the final number of performance shares in May 2008. For the other senior leaders who participated in the 2005 2008 performance share award, such award vested in March 2008.

Table of Contents

Compensation in cash of the individual members of the Executive Board

	2007	2006	2005
		(EUR thousands)	
Michel Tilmant			
Base salary	1,289	1,289	1,289
Short-term performance-related bonus	2,001	2,299	1,520
Total cash compensation	3,290	3,588	2,809
Eric Boyer de la Giroday			
Base salary	850	850	850
Short-term performance-related bonus	1,319	1,477	945
Total cash compensation	2,169	2,327	1,795
Dick Harryvan (1)			
Base salary	634	423	
Short-term performance-related bonus	842	710	
Total cash compensation	1,476	1,133	
John Hele (2) (3)			
Base salary	412		
Short-term performance-related bonus	621		
Total cash compensation	1,033		
Eli Leenaars			
Base salary	634	634	634
Short-term performance-related bonus	956	1,102	705
Total cash compensation	1,590	1,736	1,339
Tom McInerney (1) (3)			
Base salary	946	690	
Short-term performance-related bonus	1,425	1,157	
Total cash compensation	2,371	1,847	
Hans van der Noordaa (1)			
Base salary	634	423	
Short-term performance-related bonus	956	710	
Total cash compensation	1,590	1,133	
Koos Timmermans (2)			
Base salary	423		
Short-term performance-related bonus	637		

Total cash compensation	1,060		
Jacques de Vaucleroy (1)			
Base salary	634	423	
Short-term performance-related bonus	956	710	
Total cash compensation	1,590	1,133	
Cees Maas (4)			
Base salary	291	697	697
Short-term performance-related bonus	438	1,244	806
Total cash compensation	729	1,941	1,503

(1) Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy were appointed to the Executive Board on April 25, 2006. The figures for these members reflect compensation earned in their capacity as Executive Board members. Thus, the figures for 2006 reflect the partial year as Executive Board members.

(2) John Hele and Koos Timmermans were appointed to the Executive Board on April 24, 2007. The figures for these members reflect compensation earned in their

capacity as Executive Board members. Thus, the figures for 2007 reflect the partial year as Executive Board members.

Table of Contents

(3) John Hele and Tom McInerney get their compensation in US dollars. For each year the compensation in US dollars was converted to euros at the average exchange rate for that year. (4) Cees Maas stepped down from his position in the Executive Board on April 24, 2007 and retired on June 1, 2007. The figures for this member reflect compensation earned until the last day of employment. Thus, the figures for 2007 reflect the partial year. In addition to his base salary, Cees Maas received a one-off retirement payment in 2007 of EUR 727 thousand .

Compensation in cash of former members of the Executive Board who are not included in the above table amounted to nil in 2007, EUR 3,412 thousand in 2006 and EUR 5,068 thousand in 2005.

Table of Contents

Long-term incentives of the individual members of the Executive Board [1]
fair market value at grant

	2007	2006	2005
		(EUR thousands)	
Michel Tilmant			
Number of options	132,054	132,163	108,200
Number of performance shares	31,293	27,650	19,300
Fair market value of long-term incentive [2]	1,521	1,734	1,160
Eric Boyer de la Giroday			
Number of options	87,066	87,138	71,400
Number of performance shares	20,632	18,230	12,800
Fair market value of long-term incentive [2]	1,003	1,143	765
Dick Harryvan [3]			
Number of options	64,967	43,347	
Number of performance shares	15,396	9,069	
Fair market value of long-term incentive [2]	748	569	
John Hele [4]			
Number of options	42,228		
Number of performance shares	10,007		
Fair market value of long-term incentive [2]	486		
Eli Leenaars			
Number of options	64,967	65,021	53,200
Number of performance shares	15,396	13,603	9,500
Fair market value of long-term incentive [2]	748	853	571
Tom McInerney [3] [5]			
Number of options	96,875	70,695	
Number of performance shares	22,957	14,790	
Number of conditional shares	54,312	37,633	
Fair market value of long-term incentive [2]	2,571	2,201	
Hans vander Noordaa [3]			
Number of options	64,967	43,347	
Number of performance shares	15,396	9,069	
Fair market value of long-term incentive [2]	748	569	
Koos Timmermans [4]			
Number of options	43,312		
Number of performance shares	10,264		
Fair market value of long-term incentive [2]	499		
Jacques de Vaucleroy [3]			
Number of options	64,967	43,347	
Number of performance shares	15,396	9,069	

Fair market value of long-term incentive [2]	748	569	
Cees Maas [6]			
Number of options		0	58,600
Number of performance shares		0	10,500
Fair market value of long-term incentive [2]		938	628

(1) Long-term incentives are granted in the year following the reporting year. The long-term incentive plan provides for a combination of share options and provisional performance shares based on a 50/50 split in value. The ratio of options to performance shares varies each year as a result of the fair value calculation and the 50/50 split in value. The fair value calculation for the performance year 2007 resulted in a ratio of options to performance shares of 4.22: 1 (2006: 4.78 : 1, 2005: 5.6 : 1). The maximum number of stock options and performance shares to be granted to the Executive Board members will be tabled for

approval at the General Meeting of Shareholders.

Table of Contents

(2) The fair market value of a long-term incentive award reflects the estimated fair market value of the long-term incentive award based on a fair value calculation. The valuation is calculated on the last trading day of the year for grants made to the Executive Board members for performance over the specified year and is not updated for current market values.

(3) Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy were appointed to the Executive Board on April 25, 2006. The figures for these members reflect compensation earned in their capacity as Executive Board members.

(4) John Hele and Koos Timmermans

were appointed to the Executive Board on April 24, 2007. The figures for these members reflect compensation earned in their capacity as Executive Board members.

(5) Tom McInerney will receive conditional shares on the same grant date as the other long-term incentive awards. The conditional shares will be 100% vested four years after the grant date with the condition being an active employment contract. The conditional shares are provided to align Tom McInerney s total remuneration with US market practice.

(6) As a result of his retirement from the Executive Board in 2007, Cees Maas received the fair market value of his 2006 long-term

incentive award in cash instead of options and performance shares.

The fair market value of long-term incentive awards of former members of the Executive Board who are not included in the above table amounted to nil in 2007 and 2006, and EUR 2,150 thousand in 2005.

Pension costs of the individual members of the Executive Board [1]

	2007	2006	2005
		(EUR thousands)	
Michel Tilmant	874	689	685
Eric Boyer de la Giroday	566	439	482
Dick Harryvan [2]	324	206	
John Hele [3] [4]	72		
Eli Leenaars	348	270	255
Tom McInerney [2] [4]	286	297	
Hans van der Noordaa [2]	267	170	
Koos Timmermans [3]	166		
Jacques de Vaucleroy [2]	267	170	
Cees Maas [5] [6]	1,386	448	482

(1) For reasons of comparison, the company pension expenses are recalculated under IAS 19 with general assumption setting for 2005 to 2007.

(2) Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy were appointed to the Executive Board on April 25, 2006. The figures for these members reflect pension costs in their capacity as Executive Board members.

(3) John Hele and Koos Timmermans were appointed to the Executive Board on April 24, 2007. The figures for these members reflect pension costs in their capacity as Executive Board members.

(4) John Hele s and Tom McInerney s pension costs have been translated from US dollars to euros at the average exchange rate for that year.

(5) Cees Maas stepped down from his position in the Executive Board on April 24, 2007 and retired on June 1, 2007. The 2007 figures for him reflect pension costs for the partial year until the last day of employment.

(6) The early retirement pension benefit is paid up until age 65 and during the early retirement

benefit period, the plan provides for additional pension rights earned towards the old-age pension plan, which begins at age 65. The pension cost shown is the additional IFRS impact and cost related to the funding of Cees Maas old-age pension rights earned during the early retirement pension period, which must be fully realised by the company in the same year he has retired.

Pension costs of former members of the Executive Board who are not included in the above table amounted to nil in 2007, EUR 4,506 thousand in 2006 and EUR 1,184 thousand in 2005.

Loans and advances to Executive Board members

The table below presents the loans and advances provided to Executive Board members and outstanding on December 31, 2007, 2006 and 2005. These loans were concluded in the normal course of business and on terms generally applicable to Company personnel as a whole and were approved by the Supervisory Board.

Table of Contents

Loans and advances to the individual members of the Executive Board

	Amount outstanding	Average interest rate	Repayments	Amount outstanding	Average interest rate	Repayments	Amount outstanding	Average interest rate	Repayments
					(EUR thousands)				
	December 31, 2007			**December 31, 2006**			**December 31, 2005**		
Eric Boyer de la Giroday	24	4.3%	4	28	4.3%	3	31	4.3%	3
Dick Harryvan	227	3.5%	200	427	3.9%				
John Hele	635	5.6%							
Hans van der Noordaa	930	4.4%		930	4.4%				
Koos Timmermans	380	4.6%							
Jacques de Vaucleroy	180	5.5%	12	192	5.5%	17			
Cees Maas [1]				446	4.0%		446	4.0%	

(1) Cees Maas retired on June 1, 2007.

ING depositary receipts for shares held by Executive Board members

Executive Board members are permitted to hold ING depositary receipts for shares as a long-term investment. The table below shows the holdings by members of the Executive Board.

ING depositary receipts for shares held by members of the Executive Board

	Number of shares		
	2007	**2006**	**2005**
Michel Tilmant	24,764	7,764	7,764
Tom McInerney [1]	127,694	64,527	
Eric Boyer de la Giroday	7,126		
Dick Harryvan	2,000		
John Hele	2,300		
Eli Leenaars	5,628		
Hans van der Noordaa	2,000		
Koos Timmermans	2,000		
Jacques de Vaucleroy	27,740		
Cees Maas [2]		7,764	7,764

(1) The shares held by Tom McInerney are American Depositary Receipts. He also holds 2,239 units in a Leveraged

Stock Fund.

(2) Cees Maas retired on 1 June 2007.

Table of Contents

Information on the options outstanding and the movements during the financial year of options held by the members of the Executive Board as at December 31, 2007

number of options	Outstanding as at 31 December 2006	Granted in 2007	Exercised in 2007	Waived or expired in 2007 (1)	Outstanding as at 31 December 2007	Exercise price in euros	Exercise price in US dollars	Expiry date
Michel Tilmant	21,000				21,000	29.39		Mar 11, 2012
	14,000				14,000	29.50		Mar 11, 2012
	21,000				21,000	12.65		Mar 3, 2013
	14,000				14,000	12.55		Mar 3, 2013
	41,250				41,250	17.69		May 14, 2014
	82,600				82,600	21.67		May 13, 2015
	108,200				108,200	32.75		May 12, 2016
		132,163			132,163	33.10		May 17, 2017
Eric Boyer de la Giroday	2,000				2,000	26.10		May 28, 2009
	10,000				10,000	28.30		Apr 3, 2010
	4,000				4,000	35.80		Mar 15, 2011
	3,000				3,000	28.60		May 27, 2012
	4,000				4,000	12.55		Mar 3, 2013

	17,800		17,800	17.69		May 14, 2014
	53,400		53,400	21.67		May 13, 2015
	71,400		71,400	32.75		May 12, 2016
		87,138	87,138	33,10		May 17, 2017
Dick Harryvan	13,125		13,125	29.39		Mar 11, 2012
	12,250		12,250	12.65		Mar 3, 2013
	6,000		6,000	18.71		Mar 15, 2014
	8,800		8,800	23.28		Mar 30, 2015
	13,060		13,060	32.77		Mar 23, 2016
		46,802	46,802	33.10		May 17, 2017
John Hele	24,200		24,200		21.64	Nov 17, 2013
	5,700		5,700	18.71		Mar 15, 2014
	39,173		39,173	23.28		Mar 30, 2015
	31,896		31,896	32.77		Mar 23, 2016
		46,592	46,592	32.19		Mar 22, 2017
Eli Leenaars	3,300		3,300	25.25		Apr 1, 2009

						Apr 3,
	10,000		10,000		27.28	2010
						Mar 15,
	22,400		22,400		31.96	2011
						Mar 11,
	31,000		31,000		25.72	2012
						Mar 3,
	7,850		7,850	12.55		2013
						Mar 15,
	9,654		9,654	18.75		2014
						Mar 15,
	6,436		6,436	18.71		2014
						May 13,
	41,700		41,700	21.67		2015
						May 12,
	53,200		53,200	32.75		2016
						May 17,
		65,021	65,021	33.10		2017
						Mar 15,
Tom McInerney	40,000		40,000		31.96	2011
						Mar 11,
	91,400		91,400		25.72	2012
						Mar 3,
	125,200		125,200		13.70	2013
						Mar 15,
	153,550		153,550	18.71		2014
						Mar 30,
	260,425		260,425	23.28		2015
						Mar 23,
	213,325		213,325	32.77		2016
						May 17,
		125,879	125,879	33.10		2017

Table of Contents

number of options	Outstanding as at 31 December 2006	**Granted in 2007**	**Exercised in 2007**	**Waived or expired in 2007 (1)**	Outstanding as at 31 December 2007	Exercise price in euros	Exercise price in US dollars	Expiry date
Hans van der Noordaa	13,125				13,125	29.39		Mar 11, 2012
	8,900				8,900	12.65		Mar 3, 2013
	6,000				6,000	18.71		Mar 15, 2014
	15,000				15,000	23.28		Mar 30, 2015
	11,195				11,195	32.77		Mar 23, 2016
		46,802			46,802	33.10		May 17, 2017
Koos Timmermans	10,500				10,500	29.39		Mar 11, 2012
	6,000				6,000	18.71		Mar 15, 2014
	8,800				8,800	23.28		Mar 30, 2015
	6,530				6,530	32.77		Mar 23, 2016
		35,443			35,443	32.19		Mar 22, 2017
Jacques de Vaucleroy	7,000				7,000	26.10		May 28, 2009
	20,000				20,000	28.30		Apr 3, 2010
	7,634				7,634		13.70	

					Mar 3, 2013
	61,110		61,110	18.71	Mar 15, 2014
	114,950		114,950	23.28	Mar 30, 2015
	100,352		100,352	32.77	Mar 23, 2016
		70,657	70,657	33.10	May 17, 2017
Cees Maas	35,000		35,000	29.39	Mar 11, 2012
	35,000		35,000	12.65	Mar 3, 2013
	41,250		41,250	17.69	May 14, 2014
	51,200		51,200	21.67	May 13, 2015
	58,600		58,600	32.75	May 12, 2016

(1) Waived at vesting date or expired at expiry date.

REMUNERATION SUPERVISORY BOARD

Remuneration

The annual remuneration of the Supervisory Board members amounts to: chairman EUR 75,000, vice-chairman EUR 65,000, other members EUR 45,000. In addition to the remuneration each member receives an expense allowance. For the chairman and vice-chairman the annual amount is EUR 6,810. For the other members the amount is EUR 2,270. The remuneration for the membership of committees is as follows: chairman of the Audit Committee EUR 8,000, members of the Audit Committee EUR 6,000, chairmen of other Supervisory Board committees EUR 7,500 and members of other Supervisory Board committees EUR 5,000. In addition to the fixed remuneration, committee members receive a fee for each meeting they attend. For the Audit Committee chairman this fee is EUR 2,000 per meeting and for its members EUR 1,500. For the chairman and members of other committees the attendance fee amounts to EUR 450 per meeting. The remuneration and the attendance fee for the membership of a committee are not applicable to the chairman and vice-chairman of the Supervisory Board if they are on one of the committees.

Table of Contents

The table below shows the remuneration, expense allowances and attendance fees per Supervisory Board member for 2007 and previous years

Compensation of the members of the Supervisory Board

	2007	2006	2005
		(EUR thousands)	
Cor Herkströter	82	75	68
Eric Bourdais de Charbonnière[1]	72	70	65
Henk Breukink[2]	35		
Peter Elverding[3]	20		
Luella Gross Goldberg	60	52	44
Claus Dieter Hoffmann	62	56	49
Jan Hommen[4]	67	57	24
Piet Hoogendoorn[5]	28		
Piet Klaver[6]	47	33	
Wim Kok	62	51	39
Godfried van der Lugt	62	56	40
Karel Vuursteen	56	43	39
Paul van der Heijden[7]	20	52	43

(1) Eric Bourdais de Charbonnière is a member of the Supervisory Board as of April 2004 and vice-chairman as of February 2005. The compensation figure for 2005 reflects the partial year as vice chairman.

(2) Henk Breukink is a member of the Supervisory Board as of April 2007. The compensation figure for 2007 reflects the partial year as member of the Supervisory Board.

(3) Peter Elverding is a member of the Supervisory Board as of August 2007. The compensation figure for 2007 reflects the partial year as member of the Supervisory Board.

(4) Jan Hommen is a member of the Supervisory Board as of June 2005. The compensation figure for 2005 reflects the partial year as member of the Supervisory Board.

(5) Piet Hoogendoorn is a member of the Supervisory Board as of June 2007. The compensation figure for 2007 reflects the partial year as member of the Supervisory Board.

(6) Piet Klaver is a member of the Supervisory Board as of April 2006. The compensation figure for 2006 reflects the partial year as member of the

Supervisory Board .

(7) Paul van der Heijden retired in April 2007. The compensation figure for 2007 reflects the partial year as member of the Supervisory Board.

Compensation of former members of the Supervisory Board who are not included in the above table amounted to nil in 2007, EUR 33 thousand in 2006 and EUR 138 thousand in 2005.

Proposal to amend the Supervisory Board remuneration

On the agenda of the 2008 General Meeting of Shareholders a proposal has been tabled to amend the remuneration of the Supervisory Board by providing a supplementary allowance for additional time requirements in cases where international travel is required for attending meetings, given that the current structure does not compensate at a competitive level in cases where individual Supervisory Board member s time commitments are substantially in excess of the time required for attending domestic meetings.

The amendment to the Supervisory Board remuneration would be as follows as of May 1, 2008: an additional fee of EUR 2,000 per attended Supervisory Board or Committee meeting in the event the meeting is held outside the country of residence of the Supervisory Board member, or an additional amount of EUR 7,500 per attended Supervisory Board or Committee meeting if intercontinental travel is required for attending the meeting.

Loans and advances to Supervisory Board members

As at December 31, 2007 and 2006, there were no loans and advances outstanding to members of the Supervisory Board. As at December 31, 2005, the amount of loans and advances outstanding to the Supervisory Board was EUR 1.6 million at an average rate of 4.7%. This amount concerned a loan to a former Supervisory Board member.

Table of Contents

ING depositary receipts for shares and options held by Supervisory Board members

Supervisory Board members are permitted to hold ING depositary receipts for shares as a long-term investment. The table below shows the holdings by members of the Supervisory Board. Supervisory Board members did not hold ING options at year-end 2007.

ING (depositary receipts for) shares held by members of the Supervisory Board

	2007	2006	2005
		(EUR thousands)	
Cor Herkströter	1,616	1,616	1,616
Luella Gross Goldberg [1]	6,814	6,814	6,814
Piet Klaver	7,430	5,430	0
Karel Vuursteen	1,510	1,510	1,510

[1] The shares held by Luella Gross Goldberg are American Depositary Receipts.

EXECUTIVE BOARD REMUNERATION STRUCTURE 2008

The Supervisory Board has taken notice of the recommendations by the Frijns corporate governance monitoring committee and will consider these recommendations in their evaluation in 2008.

Policy for 2008

With regard to the remuneration policy for 2008, the Supervisory Board continues to build upon the remuneration policy initiated in 2003, which supports the performance-oriented culture. Over the past six years, the Executive Boards total remuneration package has gradually converged to the benchmark through increases in the short-term and long-term incentive target levels (as a percentage of base salary). The results of the market-competitive analysis indicate overall increases in the market that may put pressure on compensation levels.

Executive Board base salary 2008

A market-competitive analysis is conducted on an annual basis to ensure market competitiveness. For 2008 the Supervisory Board has concluded to increase the base-salary levels by 5% for all Executive Board members with the exception of Tom McInerney (who is employed on a US-based compensation structure).

Executive Board short-term incentive plan 2008

The 2008 short-term incentive target at 100% of base salary will remain the same as 2007. The actual payout may vary between 0% and 200% of the target level (e.g. between 0% and 200% of base salary).

The mix for the 2008 short-term incentive award will remain the same as in 2007: 70% will be determined by pre-defined ING Group financial performance measures and 30% will be based on individual performance objectives set for each Executive Board member and agreed by the Supervisory Board.

For 2008 the Supervisory Board has determined that the Executive Board s short-term incentive award for the Group performance should be measured using three financial criteria: underlying net profit per share, underlying operating expenses and economic profit/embedded value profit (excluding financial variances).

Executive Board long-term incentive plan 2008

The Supervisory Board will keep the LTI target value at 100% of base salary (same target percentage as the STI). The range may vary between 50% and 150% of the target level (e.g. between 50% and 150% of base salary). The structure for the 2008 long-term incentive award will remain the same as the 2004 structure (the total award value will be split between stock options and performance shares).

As was the case in 2007, the total LTI value in stock options and provisional performance shares to be granted to the Executive Board members will be determined by the Supervisory Board at the end of 2008, based on the extent to which each of the three pre-defined financial objectives set out in the 2008 short-term incentive plan have been

achieved.

Table of Contents

EMPLOYEES

The number of staff employed on a full time equivalent basis of ING Group averaged 120,282 in 2007, of which 31,047 or 26%, were employed in the Netherlands. The geographical distribution of employees with respect to the Group s insurance operations and banking operations over was as follows (average full time equivalents):

	Insurance operations			Banking operations			Total		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
The Netherlands	9,462	9,688	11,191	21,585	22,884	22,946	31,047	32,572	34,137
Belgium	228	1,215	1,289	10,983	11,277	11,272	11,211	12,492	12,561
Rest of Europe	3,899	3,767	3,616	18,581	18,026	18,010	22,480	21,793	21,626
North America	15,194	15,016	14,920	3,625	3,032	2,689	18,819	18,048	17,609
Latin America	16,074	13,614	12,155	373	386	442	16,447	14,000	12,597
Asia	8,451	8,206	6,985	9,115	8,748	7,579	17,566	16,954	14,564
Australia	1,703	1,507	1,403	929	815	757	2,632	2,322	2,160
Other	76	57	70	4	5	4	81	62	74
Total	**55,087**	**53,070**	**51,629**	**65,195**	**65,173**	**63,699**	**120,282**	**118,243**	**115,328**

In addition, the number of staff employed by joint ventures included in the Group s consolidated accounts averaged 1,942 in 2007, 1,709 in 2006 and 1,584 in 2005. The Group does not employ significant numbers of temporary workers. The percentage of the Group s employees allocated to the six business lines was as follows for each of the years 2007, 2006 and 2005:

	2007	**2006**	**2005**
Insurance Europe	12%	13%	14%
Insurance Americas	27	24	24
Insurance Asia/Pacific	9	9	7
Wholesale Banking	16	17	18
Retail Banking	30	31	31
ING Direct	6	6	6
Total	**100%**	**100%**	**100%**

Substantially all of the Group s Dutch employees are subject to collective labor agreements covering the banking and insurance industries. The Group believes that its employee relations are generally good.

Table of Contents

Item 7. Major shareholders and related party transactions

As of December 31, 2007, *Stichting ING Aandelen* (the Trust) held 2,225,764,238 Ordinary shares of ING Groep N.V., which represents 99.9% of the Ordinary shares outstanding. These holdings give the Trust voting control of ING Groep N.V. subject to the right of holders of bearer receipts to vote according to their own discretion on the basis of a proxy as set out below under Voting of Ordinary Shares by holders of bearer receipts as a proxy of the Trust. The following is a description of the material provisions of the Articles of Association (Statuten) and the related Conditions of Administration (*Administratievoorwaarden*) (together the Trust Agreement), which governs the Trust, and the applicable provisions of Netherlands law. This description does not purport to be complete and is qualified in its entirety by reference to the Trust Agreement and the applicable provisions of Netherlands law referred to in such description.

As of December 31, 2007, there were 143,961,236 American Depositary Shares or ADSs outstanding, representing an equal number of bearer receipts. The ADSs were held by 900 record holders. Because certain of the ADSs were held by brokers or other nominees and the bearer receipts are held in bearer form and due to the impracticability of obtaining accurate residence information for all such shareholders, the number of holders of record or registered holders in the United States is not representative of the number of beneficial holders or of the residence of the beneficial holders.

Bearer receipts, which are negotiable instruments under Netherlands law, are issuable by the Trust pursuant to the terms of the Trust Agreement. Each bearer receipt represents financial interests in one Ordinary share held by the Trust, as described herein. Holders of bearer receipts (including those bearer receipts for which ADSs have been issued) do not have any voting rights with respect to the Ordinary shares underlying the bearer receipts owned by the Trust. Such rights belong only to the Trust and will be exercised by the Trust pursuant to the terms of the Trust Agreement as described in more detail below. Bearer receipts are also issued by the Trust for preference shares.

All bearer receipts are embodied in one or more global depositary receipts which are held in custody by Euroclear Nederland (the Central securities Depository (CSD) of the Netherlands, formerly known as NECIGEF) in exchange for which every bearer receipt holder is credited in the books of the participants of Euroclear Nederland pursuant to the Netherlands Act on Book-Entry Transactions (*Wet giraal effectenverkeer).* Each bearer receipt holder shall nominate a Euroclear Nederland participant, through which the global depositary receipts are to be held in custody on his behalf. Return of the global depositary receipts to a party other than the Trust shall not be permitted without the Trust s consent. Administration of the global depositary receipts is assigned to Euroclear Nederland which is authorized to perform any necessary act on behalf of the bearer receipt holder(s) in respect of the relevant depositary receipts, including acceptance and transfer, and to cooperate in making additions to and deletions from the relevant global depositary receipt in accordance with the provisions of the Act on Book Entry Transactions.

Transfer of title in the bearer receipts in the form of CF Certificates together with the dividend sheet is effected by book-entry through the facilities of Euroclear Nederland and its participants pursuant to the Netherlands Act on Book-Entry Transactions. Owners of bearer receipts participate in the Euroclear Nederland system by maintaining accounts with Euroclear Nederland participants. There is no limitation under Netherlands law on the ability of non-Dutch citizens or residents to maintain such accounts that are obtainable through Dutch banks.

Voting of the Ordinary shares by holders of bearer receipts as proxy of the Trust

Holders of bearer receipts are entitled to attend and speak at General Meetings of Shareholders of ING Groep N.V. but do not have any voting rights.

However, the Trust will, subject to certain restrictions, grant a proxy to a holder of bearer receipts to the effect that such holder may, in the name of the Trust, exercise the voting rights attached to the number of its Ordinary shares that corresponds to the number of bearer receipts held by such holder of bearer receipts.

On the basis of such a proxy, the holder of bearer receipts may vote according to his own discretion. The requirements with respect to the use of the voting rights on the Ordinary shares that apply for the Trust (set out in the paragraph below) do not apply for the holder of bearer receipts voting on the basis of such a proxy.

The restrictions under which the Trust will grant a voting proxy to holders of bearer receipts are:

- the relevant holder of bearer receipts must have announced his intention to attend the General Meeting of Shareholders observing the provisions laid down in the articles of association of ING Groep N.V.;

the relevant holder of bearer receipts may delegate the powers conferred upon him by means of the

Table of Contents

voting proxy; provided that the relevant holder of bearer receipts has announced his intention to do so to the Trust observing a term before the commencement of the General Meeting of Shareholders, which term will be determined by the Trust.

Voting instructions of holders of bearer receipts of Ordinary shares to the Trust

Holders of bearer receipts are entitled to give binding instructions to the Trust, concerning the Trust s exercise of the voting rights attached to its Ordinary shares. The Trust will follow such instructions for a number of Ordinary shares equal to the number of bearer receipts held by the relevant holder of bearer receipts.

Voting of the Ordinary shares by the Trust

The Trust will only determine its vote with respect to the Ordinary shares of ING Groep N.V., held by the Trust, that correspond with bearer receipts:

the holder of which does not, either in person or by proxy, attend the General Meeting of Shareholders;

the holder of which, did not give a voting instruction to the Trust.

The Trust has discretion to vote in respect of shares for which it has not issued proxy votes to holders of depositary receipts and has not received any voting instructions. Under the Trust Agreement, the Trust is required to promote the interests of all holders of depositary receipts, irrespective of whether they attend the General Meetings of Shareholders, also taking into account the interests of ING Group, the businesses of ING Group and its group companies and all other ING Group stakeholders in voting such shares, so as to ensure that all these interests are given as much consideration and protection as possible.

Intention to abolish ING Trust Office

It is the intention of the Executive Board and the Supervisory Board to abolish the Trust Office and depositary receipts once the number of votes on ordinary shares and depositary receipts of ordinary shares, including proxies, and excluding the votes which are at the discretion of the Trust Office, at a General Meeting of Shareholders is at least 35% of the total votes that may be cast for three consecutive years. In 2006, 28% of total votes were cast and in 2007, the figure was 36.7%. The Executive Board is committed to achieving the 35% requirement and will encourage depositary receipt holders, particularly institutional investors, to participate in voting at the General Meeting of Shareholders.

Administration of the Trust

The Management Board of the Trust will determine the number of its members itself, subject to the restriction that there may be no more members than seven and no less than three. Members of the Management Board will be appointed by the Management Board itself without any approval from ING Groep N.V. or any of its corporate bodies being required. Members of any corporate body of ING Groep N.V. are not eligible for appointment as a Managing Director. Managing Directors are appointed for a term of four years and may be re-appointed for two terms without any requirement for approval by ING Groep N.V.

Valid resolutions may be passed only if all Managing Directors have been duly notified, except that in a case where there is no such notification valid resolutions may nevertheless be passed by unanimous consent at a meeting at which all Managing Directors are present or represented. A Managing Director may be represented only by a fellow Managing Director who is authorized in writing. All resolutions of the Management Board shall be passed by an absolute majority of the votes.

The legal relationship between holders of bearer receipts and the Trust is governed entirely by Netherlands law.

Termination of the Trust

Should the Trust be dissolved or wish to terminate its function under the Trust Agreement, or should ING Groep N.V. wish to have such function terminated, ING Groep N.V. shall, in consultation with the Trust and with the approval of the meeting of holders of bearer receipts, appoint a successor to whom the administration can be transferred. The successor shall have to take over all commitments under the Trust Agreement. Within two months of the decision to dissolve or terminate the Trust, the Trust shall have the shares which it holds for administration transferred into its successor s name. For a period of two months following notification of succession of the administration, holders of bearer receipts may elect to obtain free of charge, shares of type of which they hold bearer receipts. In no case shall the administration be terminated without ING Groep N.V. s approval.

104

Table of Contents

Holders of bearer receipts with a stake of 5% or more

According to filings under the Dutch Financial Supervision Act)[1], AllianceBernstein Corporation held more than 5% of the bearer receipts as of December 31, 2007. As of December 19, 2007, Alliance Bernstein Corporation held 117,225,238 bearer receipts. To the best of our knowledge, as of December 31, 2007 no other shareholder holds more than 5% of all bearer receipts outstanding. Neither AllianceBernstein Corporation nor any other shareholder possesses voting rights different from those possessed by other shareholders.

As of December 31, 2007, the Company held 126,759,829 bearer receipts, representing 5.69% of the bearer receipts and underlying Ordinary shares outstanding. These bearer receipts were acquired pursuant to the Company s share repurchase plan as well as the Company s delta hedging activities in respect of its employee option plans. The company does not have voting rights in respect of bearer receipts it owns. A proposal for the cancellation of all such bearer receipts held by the Company will be submitted at the 2008 annual General Meeting of Shareholders. As of December 31, 2007, the Company held 10,000,000 depositary receipts of preference A shares, representing 62.45% of the depositary receipts of preference A shares outstanding. The Company s depositary receipts for preference A shares were repurchased from ABN AMRO Holding N.V. in December 2007 and have subsequently been cancelled.

As of December 31, 2007, the percentage ownership by ABN AMRO Holding N.V. and Fortis Utrecht N.V. of bearer receipts outstanding had each decreased to below the 5% threshold, compared to percentage ownerships of above 5% at December 31, 2006.

The following table sets forth the share ownership of the 5% shareholder of ING issued capital as of December 31, 2007.

Shareholder	% of Issued capital[1]
AllianceBernstein Corporation	5.08

(1) This information is based upon filings made under the Dutch Financial Supervision Act as of the respective filing dates and may not be accurate as of the date hereof. The Dutch Financial Supervision Act requires investors to file their ownership as a percentage of the company s issued capital rather than as a percentage of the class of securities. For

more information regarding this act and the filings based on it, please visit the website of the Dutch Authorities for the Financial Markets at www.afm.nl

Pursuant to section 5.3 of the Dutch Financial Supervision Act, shareholders are only required to provide updated information on their holdings once they cross threshold levels of 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75%, 95%. As a result, other than information that may be ascertained from public filings available under the applicable laws of any other jurisdiction, we are not, nor would we be likely to be, aware of any changes in the ownership of bearer receipts between the threshold levels mentioned in the previous sentence.

The voting rights of the majority of Ordinary shares are held by the Trust. As of December 31, 2007, shareholders in the Netherlands held approximately 409 million bearer receipts, or 18% of the total number of bearer receipts then outstanding. As of December 31, 2007, shareholders in the United States held approximately 543 million bearer receipts (including ADSs), or 24% of the total number of bearer receipts then outstanding.

As of December 31, 2007, other than the Trust, no other person is known to the Company to be the owner of more than 10% of the Ordinary shares or bearer receipts. As of December 31, 2007, members of the Supervisory Board held 17,370 bearer receipts. If Supervisory Board members hold ING options that were granted in their former capacity as Executive Board member, these options are part of the ING Stock option plan described in Note 2.1 to the consolidated financial statements.

As of December 31, 2007, to the best of its knowledge, there are no agreements or arrangements in place that could lead to a change in control of the Company.

Related Party Transactions

As of December 31, 2007, the amount outstanding in respect of loans and advances made to members of the Supervisory Board was zero. The amount outstanding in respect of loans and advances, mostly mortgages, to members of the Executive Board was EUR 2.4 million, at an average interest rate of 4.8%. The largest aggregate

Table of Contents

amount of loans and advances outstanding to the members of the Supervisory Board and the Executive Board during 2007 was EUR 2.4 million.

The loans and advances mentioned in the preceding paragraph (1) were made in the ordinary course of business, (2) were granted on conditions that are comparable to those of loans and advances granted to people in peer groups and (3) did not involve more than the normal risk of collectibility or present other unfavorable features. For members of the Executive Board this means that the conditions have been set according to the prevailing conditions for ING personnel.

As described under Item 6. Directors, Senior Management and Employees, some members of the Supervisory Board are current or former senior executives of leading multi-national corporations based primarily in the Netherlands. ING Group may at any time have lending, investment banking or other financial relationships with one or more of these corporations in the ordinary course of business on terms which we believe are no less favorable to ING than those reached with unaffiliated parties of comparable creditworthiness.

Table of Contents

Item 8. Financial information

Legal Proceedings, Consolidated Statements and Other Financial Information

See Note 30 of Note 2.1 to the consolidated financial statements.

Legal Proceedings

ING Group 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 insurers, 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 Group s financial position or results of operations.

These legal proceedings included a dispute over certain hurricane damages claimed by a Mexican fertilizer producer Grupo Fertinal (Fertinal) against ING Comercial América (now known as Seguros ING S.A. de C.V. and referred to hereinafter as Seguros), a wholly owned subsidiary of ING Group. Fertinal claimed USD 300 million, the maximum coverage under the insurance policy of their mining operations. A judge in Mexico ruled in favor of Fertinal. This decision was appealed to a Mexican Court of Appeal, which reduced the judgment to USD 94 million plus interest. This decision was appealed by all parties involved. Seguros appeal was rejected and the decision of the Court of Appeal regarding the amount owed was affirmed. Seguros has paid the principal and interest into court, bringing the case to a close. Seguros also has been the subject of complaints and suits concerning the performance of certain interest sensitive life insurance products. These matters are being defended vigorously; however, at this time, we are unable to assess their final outcome.

In November 2006, the issue of amongst others the costs charged by the insurance industry to customers in respect of universal life insurance products (commonly referred to as beleggingsverzekeringen , beleggingspolissen or beleggingshypotheken) has received attention both in the Dutch public media and from the Dutch regulator for the insurance industry and consumer protection organizations. The Dutch insurance industry (including subsidiaries of the ING Groep N.V., primarily Nationale-Nederlanden) sold these products to customers either directly or through intermediaries. In July 2007 a class action was lodged against Nationale-Nederlanden in relation to these products. The subject of this procedure is not a specific claim for compensation, but a request to the judge to pronounce that Nationale-Nederlanden provided clients with incomplete or misleading information about costs and risks. Such legal proceedings can also be lodged against other subsidiaries of ING Groep N.V. involved. Discussions are ongoing between the insurance industry and consumer organizations to find an out of court solution. Early March 2008 the Ombudsman Financial Services published a recommendation for an industry wide solution. This recommendation is not binding on the parties involved. While ING believes that it has complied with all relevant laws and regulations regarding consumer rights and consumer protection, ING s Dutch insurance companies will accept the recommendation. A provision has been taken to contribute to this possible solution. As consumer organisations criticize the recommendation and the policy holders have not formally agreed with the proposed solution, it is difficult to predict when and how the issue will be solved.

Like many other companies in the mutual funds, brokerage, investment, and insurance industries, several of our companies have received informal and formal requests for information from various governmental and self-regulatory agencies or have otherwise identified issues arising in connection with fund trading, compensation, conflicts of interest, anti-competitive practices, insurance risk transfer and sales practices. ING is responding to the requests and working to resolve issues with regulators. We believe that any issues that have been identified thus far do not represent a systemic problem in the ING businesses involved and in addition that the outcome of the investigations will not have a material effect on ING Group.

Because of the geographic spread of its business, ING may be subject to tax audits in numerous jurisdictions at any point in time. Although ING believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits may result in liabilities which are different from the amounts recorded.

Table of Contents

Dividends

ING Groep N.V. has declared and paid dividends each year since its formation in 1991. Each year, a final dividend in respect of the prior year is generally declared at and paid after the annual General Meeting of Shareholders generally held in April of each year. An interim dividend is generally declared and paid in September, based upon the results for the first six months. The declaration of interim dividends is subject to the discretion of the Executive Board of ING Groep N.V., whose decision to that effect is subject to the approval of the Supervisory Board of the Company. The Executive Board decides, subject to the approval of the Supervisory Board of ING Groep N.V., which part of the annual profits (after payment of dividends on Preference shares and Cumulative Preference shares) will be added to the reserves of ING Groep N.V. The part of the annual profits that remains after this addition to the reserves and after payment of dividends on Preference shares and Cumulative Preference shares is at the disposal of the General Meeting of Shareholders, which may declare dividends there from and/or add additional amounts to the reserves of ING Groep N.V. A proposal of the Executive Board with respect thereto is submitted to the General Meeting of Shareholders. The declaration and payment of dividends and the amount thereof is dependent upon the Company s results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Executive Board in determining the appropriate amount of reserves and there can be no assurance that the Company will declare and pay any dividends in the future.

Since the beginning of 2005 ING has a dividend policy of full cash dividends starting with the final dividend 2004. Following the introduction of IFRS-EU which is expected to increase volatility in net profit ING intends to pay dividends in relation to the longer-term underlying development of profit.

ING Groep N.V. made dividend payments of EUR 7 million, EUR 10 million and EUR 14 million on its Preference shares and declared dividends of EUR 2,999 million, EUR 2,681 million and EUR 2,461 million on its Ordinary shares, in 2007, 2006 and 2005, respectively. Both the final dividend 2006 and the interim dividend 2007 were fully paid in cash

Cash distributions on ING Groep N.V. s Ordinary shares and bearer receipts are generally paid in euros. However, the Executive Board may decide, with the approval of the Supervisory Board, to declare dividends in the currency of a country other than the Netherlands in which the bearer receipts are trading. Amounts payable to holders of ADSs that are paid to the Depositary in a currency other than dollars will be converted to dollars and subjected to a charge by the Depositary for any expenses incurred by it in such conversion. The right to cash dividends and distributions in respect of the Ordinary shares will lapse if such dividends or distributions are not claimed within five years following the day after the date on which they were made available.

If a distribution by ING Groep N.V. consists of a dividend in Ordinary shares, such Ordinary shares will be held by the Trust, and the Trust will distribute to the holders of the outstanding bearer receipts, in proportion to their holdings, additional bearer receipts issued for the Ordinary shares received by the Trust as such dividend. In the event the Trust receives any distribution with respect to Ordinary shares held by the Trust other than in the form of cash or additional shares, the Trust will adopt such method as it may deem legal, equitable and practicable to effect such distribution.

If ING Groep N.V. offers or causes to be offered to the holders of Ordinary shares the right to subscribe for additional shares, the Trust, subject to applicable law, will offer to each holder of bearer receipts the right to subscribe for additional bearer receipts of such shares on the same basis.

If the Trust has the option to receive such distribution either in cash or shares, the Trust will give notice of such option by advertisement and give holders of bearer receipts the opportunity to choose between cash and shares until the fourth day before the day on which the Trust must have made such choice. Holders of bearer receipts may receive an equal nominal amount in Ordinary shares

There are no legislative or other legal provisions currently in force in the Netherlands or arising under ING Groep N.V. s Articles of Association restricting the remittance of dividends to holders of Ordinary shares, bearer receipts or ADSs not resident in the Netherlands. Insofar as the laws of the Netherlands are concerned, cash dividends paid in Euro may be transferred from the Netherlands and converted into any other currency, except that for statistical purposes such payments and transactions must be reported by ING Groep N.V. to the Dutch Central Bank (De Nederlandsche Bank N.V.) and, further, no payments, including dividend payments, may be made to jurisdictions or persons, that are subject to certain sanctions, adopted by the Government of the Netherlands,

108

Table of Contents

implementing resolutions of the Security Council of the United Nations, or adopted by the European Union.
Dividends are subject to withholding taxes in the Netherlands as described under Item 10, Additional Information Taxation Netherlands Taxation .
Since December 31, 2007, until the filing of this report, no significant changes have occurred in the financial statements of the Group included in Item 18, Financial Statements of this document.

Table of Contents

Item 9. The offer and listing

Bearer receipts representing Ordinary shares (nominal value EUR 0.24 per share) are traded on Euronext Amsterdam by NYSE Euronext, the principal trading market for the bearer receipts. The bearer receipts are also listed on the stock exchanges of Euronext Brussels, Euronext Paris, Deutsche Börse as well as on the Swiss Exchange. As of December 31, 2007, ING Group was the second largest company quoted on Euronext Amsterdam by NYSE Euronext, based on market capitalization. ING Bank is one of the principal market makers for the bearer receipts on Euronext Amsterdam by NYSE Euronext.

Since June 13, 1997,ADSs, each representing one bearer receipt in respect of one Ordinary share, have traded on the New York Stock Exchange under the symbol ING , and are the principal form in which the bearer receipts are traded in the United States. Prior to June 13, 1997, there was no active trading market for the ADSs. The ADSs are issued by JP Morgan Chase Bank, as Depositary, pursuant to an Amended and Restated Deposit Agreement dated March 6, 2004, among the Company, The Trust (Stichting ING Aandelen), as trustee, such Depositary and the holders of ADSs from time to time. The Trust holds all voting rights over the Ordinary shares, and pursuant to the Trust Agreement, the Trust will grant proxies to holders of the bearer receipts. See Item 7. Major Shareholders and Related Party Transactions . Under the Amended and Restated Deposit Agreement holders of ADSs may instruct the Depositary as to the exercise of proxy voting rights associated with the ADSs. As of December 31, 2007, there were 143,961,236 ADSs outstanding, representing an equal number of bearer receipts. The ADSs were held by 900 record holders. Because certain of the ADSs were held by brokers or other nominees and the bearer receipts are held in bearer form and due to the impracticability of obtaining accurate residence information for all such shareholders, the number of holders of record or registered holders in the United States is not representative of the number of beneficial holders or of the residence of the beneficial holders. As of December 31, 2007, approximately 18% of the bearer receipts were held by Dutch investors, approximately 24% by investors in the U.K. and approximately 24% by investors in the United States and Canada (including as represented by ADSs).

The following are the high and low sales prices of the bearer receipts on the Euronext Amsterdam Stock Exchange, and the ADSs on the New York Stock Exchange, for the period 2003 February 28, 2008:

	Euronext Amsterdam Stock Exchange (EUR)		**Trading volume in millions of bearer receipts**	**New York Stock Exchange (USD)**		**Trading volume in millions of ADSs**
Calendar period	**High**	**Low**		**High**	**Low**	
2003	19.06	8.70	2,863.5	23.41	9.96	124.9
2004	22.28	16.73	2,403.5	30.32	20.28	106.4
2005	29.75	20.99	2,131.7	35.40	26.94	113.2
2006						
First quarter	32.79	27.82	584.1	39.71	33.61	25.8
Second quarter	33.38	28.10	632.3	42.59	34.74	27.5
Third quarter	34.80	29.56	510.0	44.37	37.22	20.9
Fourth quarter	35.96	31.50	593.0	45.35	41.74	33.4
2007						
First quarter	34.69	29.91	754.1	45.78	40.04	32.3
Second quarter	34.50	31.68	773.4	47.18	42.43	38.8
Third quarter	33.23	28.94	862.1	45.67	38.49	50.5
Fourth quarter	32.45	24.38	877.3	45.94	36.41	56.1

2007 and 2008						
September 2007	31.13	29.12	228.8	44.31	40.42	10.3
October 2007	32.45	30.34	251.8	45.94	43.75	11.3
November 2007	30.34	24.38	424.2	43.54	36.41	27.5
December 2007	27.43	26.00	201.4	40.35	37.40	17.2
January 2008	26.21	20.91	504.5	39.17	31.33	41.2
February 2008	24.07	20.08	478.9	36.11	29.28	44.0

Table of Contents

Item 10. Additional information

Memorandum and Articles of Association

ING Groep N.V. is a holding company organized under the laws of the Netherlands. Our object and purpose, as set forth in Article 3 of our Articles of Association, is to participate in, manage, finance, provide personal or real security for the obligations of, and provide services to other business enterprises and institutions of any kind whatsoever, but in particular business enterprises and institutions which are active in the field of insurance, banking, investment and/or financial services, and to do anything which is related to the foregoing or may be conductive thereto. ING Groep N.V. is registered as number 33231073 in the Company Registry of Amsterdam and our Articles of Association are available there.

Certain Powers of Directors

The Supervisory Board determines the compensation of the members of the Executive Board within the framework of the remuneration policy adopted by the General Meeting of Shareholders and the compensation of members of the Supervisory Board is determined by the General Meeting of Shareholders. Neither members of the Executive Board nor members of the Supervisory Board will vote on compensation for themselves or any other member of their body. During their office, members of the Supervisory Board are not allowed to borrow from ING Group or any of its subsidiaries. Loans that already exist upon appointment as a Supervisory Board member however, may be continued. ING Group subsidiaries however, may in the normal course of their business and on terms that are customary in the sector, provide other banking and insurance services to Supervisory Board members. These may include services in which the granting of credit is of a subordinate nature, e.g. credit cards and overdrafts in current accounts. Members of the Executive Board are empowered to exercise all the powers of ING Group to borrow money, subject to regulatory restrictions (if any) and, in the case of the issuance of debt securities, to the approval of the Supervisory Board.

Our Articles of Association do not contain any age limits for retirement of the members of the Executive Board and members of the Supervisory Board. Nevertheless, it has become standard practice for Executive Board members to retire at a certain age. In line with current Dutch tax legislation, this age currently is 65.

Following the amendments of the Articles of Association in 2003, members of the Executive Board appointed in 2004 and later have been and will be appointed by the General Meeting of Shareholders for a term of four years and may be reappointed. Members of the Supervisory Board are appointed for a term of four years and may be re-appointed for two terms subject to the requirement in the charter of the Supervisory Board that Supervisory Board members retire from the Board in the year in which he or she turns 70. Both members of the Executive Board and members of the Supervisory Board are appointed from a binding nomination by the Supervisory Board.

Members of the Executive Board and the Supervisory Board are not required to hold any shares of ING Groep N.V. to qualify as such.

Capital structure, shares

The authorised capital of ING Groep N.V. consists of Ordinary shares, preference A shares, five series of preference B shares and cumulative preference shares. When we refer to shares herein, we mean both our Ordinary shares and our preference shares, unless otherwise specified. Currently, only Ordinary and preference A shares are issued, while a right to acquire up to 900 million cumulative preference shares has been granted to the ING Continuity Foundation (*Stichting Continuiteit ING*) pursuant to a call option issued by ING Groep N.V. The acquisition of cumulative preference shares pursuant to the call option is subject to the restriction that, immediately after the issue of cumulative preference shares, the total amount of cumulative preference shares may not exceed one-third of the total issued share capital of ING Groep N.V. The purpose of the cumulative preference shares is to protect the independence, the continuity and the identity of the company against the acquisition of control by third parties, including hostile takeovers, while the Ordinary shares and the preference shares are used solely for funding purposes. These shares, which are all registered shares, are not listed on a stock exchange.

Description of Shares

A description of our securities, and other information with respect to shareholders, annual meetings, changes in capital and limitations on changes in control can be found in our registration statements filed with the Commission on Form F-1 on June 12, 1997 and in this Annual Report under the heading Item 7 - Major Shareholders and Related Party Transactions . See Item 4 Information on the Company - Recent Developments for more information on the tender

offer for ING s preference A shares.

Table of Contents

Material contracts

There have been no material contracts (outside the ordinary course of business) to which ING is a party in the last two years.

Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and other information with the Securities and Exchange Commission (SEC). These materials, including this Annual Report and its exhibits, may be inspected and copied at the SEC s public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549 or on the SEC s website at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for more information about the public reference room and the copy charges. You may also inspect our SEC reports and other information located at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, or on our website at http://www.ing.com.

Exchange controls

Cash distributions, if any, payable in euros on Ordinary shares, bearer receipts and ADSs may be officially transferred from the Netherlands and converted into any other currency without violating Dutch law, except that for statistical purposes such payments and transactions must be reported by ING Groep N.V. to the Dutch Central Bank and, further, no payments, including dividend payments, may be made to jurisdictions or persons subject to certain sanctions, adopted by the government of the Netherlands, implementing resolutions of the Security Council of the United Nations or adopted by the European Union.

Restrictions on voting

The ADSs represent interests in the bearer receipts of the Trust, which holds the Ordinary shares for which such bearer receipts are issued. See Item 7. Major Shareholders and Related Party Transactions . The Trust is the holder of all Ordinary shares underlying the bearer receipts. Only holders of shares (including the Trust) may vote at General Meetings of Shareholders.

Holders of bearer receipts are entitled to attend and speak at General Meetings of Shareholders of the Company; however holders of bearer receipts (including the Depositary on behalf of the holders of ADSs) as such are not entitled to vote at such meetings. However, as set out in Item 7. Major Shareholders and Related Party Transactions , the Trust will grant a proxy to the effect that such holder of bearer receipts may, in the name of the Trust, exercise the voting rights attached to a number of its Ordinary shares that corresponds to the number of bearer receipts held by him. On the basis of such a proxy the holder of bearer receipts may vote according to its own discretion.

Holders of bearer receipts may surrender the bearer receipts in exchange for Ordinary shares. The Trust charges a fee for exchanging bearer receipts for Ordinary shares. Such fee, in each case, is a minimum of EUR 25.00, but varies based on the number of bearer receipts so exchanged.

Obligations of shareholders to disclose holdings

Section 5.3 of the Dutch Financial Supervision Act (the Major Holdings Rules) applies to any person who, directly or indirectly, acquires or disposes of an interest in the voting rights and/or the capital of a public limited company incorporated under the laws of the Netherlands with an official listing on a stock exchange within the European Economic Area, as a result of which acquisition or disposal the percentage of voting rights or capital interest acquired or disposed of reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95%. With respect to ING Groep N.V., the Major Holdings Rules would require any person whose interest in the voting rights and/or capital of ING Groep N.V. reached, exceeded or fell below those percentage interests, whether through ownership of bearer receipts, Ordinary shares, ADSs, Preference shares, options or warrants, to notify in writing the Dutch Authority for the Financial Markets *(Autoriteit Financiële Markten)* immediately after the acquisition or disposal of the triggering interest in ING Groep N.V. s share capital.

The notification will be recorded in the register which is held by the Authority for the Financial Markets for that purpose, which register is available for public inspection.

Noncompliance with the obligations of the Major Holdings Rules can lead to criminal prosecution. In addition, a civil court can issue orders against any person who fails to notify or incorrectly notifies the Authority for the

Table of Contents

Financial Markets , in accordance with the Major Holdings Rules, including suspension of the voting right in respect of such person s Ordinary shares.

Voting rights

Each Ordinary share entitles the holder to cast a vote at the General Meeting of Shareholders. By Dutch law, voting rights are proportional to the nominal value of the shares. In other words, each Ordinary share (nominal value: EUR 0.24) gives the right to one vote, while each preference A share (nominal value: EUR 1.20) gives the right to five votes.

On the basis of the closing price of the shares on December 31, 2007, the ratio of market price to voting rights on depositary receipts for Ordinary shares was EUR 26.75 : 1, while the ratio for depositary receipts for preference A shares was EUR 2.94 : 5.

Proposals by shareholders/holders of depositary receipts

In view of the size and market value of ING Group, proposals to put items on the Shareholders Meeting agenda can be made by shareholders and holders of depositary receipts representing a joint total of 1 per mille of the share capital or representing together, on the basis of the stock prices on the Euronext Amsterdam Stock Exchange, a share value of at least EUR 50 million. Given the periods of notice required for proxy voting, proposals have to be submitted in writing at least 50 days before the date of the meeting. Properly submitted proposals will be included on the agenda for the General Meeting of Shareholders.

Issue of shares

The company s authorized capital is the maximum amount of capital allowed to be issued under the terms of its Articles of Association. New shares in excess of this amount can only be issued after amendment of the Articles of Association. For reasons of flexibility (an amendment to the Articles of Association has to be passed by notarial deed if it is to become effective, and this in turn requires a declaration of no objection to be issued by the Minister of Justice), the authorized capital in the Articles of Association of ING Group has been set at the highest level permitted by law.

Share issues have to be approved by the General Meeting of Shareholders, which may also delegate its authority. Each year, the General Meeting has been asked to delegate authority to the Executive Board to issue new shares. The powers thus delegated to the Executive Board are limited:

- in time: powers are delegated for a period of 18 months;
- to specific types of shares: only Ordinary shares and preference B shares may be issued;
- by number: Ordinary shares may be issued up to a maximum of 10% of the issued capital, or 20% in the event of a merger or takeover;
- in terms of control: resolutions by the Executive Board to issue shares require the approval of the Supervisory Board. Approval by the General Meeting of Shareholders would be required for any share issues exceeding these limits.

Shareholders structure

See Item 7. Major Shareholders and Related Party Transactions for a description of the Bearer receipts held by ING Group and for details of investors who have reported their interest in ING Group pursuant to the Financial Supervision Act (or the predecessor of this legislation).

Under the terms of the Dutch Financial Supervision Act , declarations of no objection from the Dutch Minister of Finance are to be obtained by anyone wishing to obtain or hold a participating interest of at least 10% respectively in ING Group or to exercise control to this extent via a participating interest in ING Group. Similarly, on the basis of indirect change of control statutes in the various jurisdictions where subsidiaries of ING Group are operating, permission from or notification to local regulatory authorities may be required for the acquisition of a substantial interest in ING Group. ING Group is not aware of investors with an interest of 10% or more in ING Group.

Table of Contents

TAXATION

The following is a summary of certain Netherlands tax consequences, and the United States Federal income tax consequences, of the ownership of bearer receipts or American Depositary Shares (ADSs) by U.S. Shareholders (as defined below). For purposes of this summary a U.S. Shareholder is a beneficial owner of bearer receipts or ADSs that is:

- an individual citizen or resident of the United States,
- a corporation organized under the laws of the United States or of any state of the United States,
- an estate, the income of which is subject to United States Federal income tax without regard to its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

The summary is a general description of the present Netherlands and United States federal income tax laws and practices as well as the relevant provisions of the present double taxation treaty between the Netherlands and the United States (the Treaty). The information provided below is neither intended as tax advice nor purports to describe all of the tax considerations that may be relevant to prospective investors. It should not be read as extending to matters not specifically discussed, and investors should consult their own advisors as to the tax consequences of their ownership and disposal of bearer receipts or ADSs. In particular, the summary does not take into account the specific circumstances of any particular investors (such as banks, insurance companies, dealers in securities, traders in securities that elect to mark-to-market their securities holdings, investors liable for alternative minimum tax, investors whose functional currency is not the U.S. dollar, investors that actually or constructively own 10% or more of the voting stock of ING Groep N.V. or investors that hold bearer receipts or ADSs as part of a straddle or a hedging or conversion transaction), some of which may be subject to special rules. Moreover, if the holder of bearer receipts or ADSs:

1. holds a substantial interest in ING Groep N.V.; or, in case such holder is an individual,
2. receives income or capital gains derived from the bearer receipts and ADSs and this income received or capital gains derived are attributable to the past, present or future employment activities of such holder, the Dutch tax position is not discussed in this summary.

Generally speaking, for Dutch tax purposes, an interest in the share capital of ING Groep N.V., should not be considered a substantial interest if the holder of such interest, and, in case of an individual, his or her spouse, registered partner, certain other relatives or certain persons sharing the holder s household, alone or together, does or do not hold, either directly or indirectly, the ownership of, or certain rights over, shares or rights resembling shares representing 5% or more of the total issued and outstanding capital, or the issued and outstanding capital of any class of shares, of ING Groep N.V. With respect to U.S. Shareholders, this summary generally applies only to holders who hold bearer receipts or ADSs as capital assets. The summary is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms. Furthermore, this summary is based on the tax legislation, published case law, and other regulations in force as at the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

In general, for United States federal income and Netherlands tax purposes, holders of bearer receipts will be treated as the owners of the Ordinary shares underlying the bearer receipts, holders of American Depositary Receipts (ADRs) underlying ADSs will be treated as the owners of the Ordinary shares evidencing the ADSs, and exchanges of Ordinary shares for bearer receipts and then for ADSs, and exchanges of ADSs for Bearer receipts and then for Ordinary shares, will not be subject to United States federal or Netherlands income tax.

It is assumed, for purposes of this summary, that a U.S. Shareholder is eligible for the benefits of the Treaty and that a U.S. Shareholder s eligibility is not limited by the limitations on benefits provisions article 26 of the Treaty.

Table of Contents

NETHERLANDS TAXATION

Withholding tax on dividends

The Netherlands imposes a withholding tax on a distribution of a dividend at the rate of 15%. Stock dividends paid out of ING Groep N.V. s paid-in share premium recognized for Netherlands tax purposes as such are not subject to the above withholding tax.

The Treaty provides for a complete exemption from withholding for dividends received by exempt pension trusts and other exempt organizations, as defined in the Treaty. Qualifying exempt pension trusts may claim the benefits of a reduced withholding tax rate pursuant to article 35 of the Treaty. Qualifying exempt pension trusts normally remain subject to withholding at the rate of 15% and are required to file for a refund of the tax withheld. Only if certain conditions are fulfilled, such pension trusts may be eligible for relief at source upon payment of the dividend. Qualifying exempt organizations (other than qualifying exempt pension trusts) are subject to withholding at the rate of 15% and can only file for a refund of the tax withheld.

On August 29, 2002 dividend-stripping rules were introduced in Netherlands tax law. These rules have retroactive effect as of April 27, 2001. The rules provide that in the case of dividend-stripping, the 15% dividend withholding tax cannot be reduced or refunded. Dividend-stripping is deemed to be present if the recipient of a dividend is, different from what has been assumed above, not the beneficial owner thereof and is entitled to a larger credit, reduction or refund of dividend withholding tax than the beneficial owner of the dividends. Under these rules, a recipient of dividends will not be considered the beneficial owner thereof if as a consequence of a combination of transactions a person other than the recipient wholly or partly benefits form the dividends, whereby such person retains, whether directly or indirectly, an interest in the share on which the dividends were paid.

Currently ING Groep N.V. may, with respect to certain dividends received from qualifying non-Netherlands subsidiaries, credit taxes withheld from those dividends against the Netherlands withholding tax imposed on certain qualifying dividends that are redistributed by ING Groep N.V., up to a maximum of the lesser of

3% of the amount of qualifying dividends redistributed by ING Groep N.V. and

3% of the gross amount of certain qualifying dividends received by ING Groep N.V.

The reduction is applied to the Dutch dividend withholding tax that ING Groep N.V. must pay to the Dutch tax authorities and not to the Dutch dividend withholding tax that ING Groep N.V. must withhold.

Both the European Free Trade Association Court of Justice as well as the European Court of Justice (ECJ) issued judgments concerning outbound dividend payments to foreign shareholders. According to both courts, it could be in breach with the European freedom of capital and the freedom of establishment to treat outbound dividend payments less favourably than dividend payments to domestic shareholders. As of January 1, 2007, in general, dividend payments to certain qualifying EU resident corporate shareholders are treated the same as dividend payments to certain qualifying Dutch resident corporate shareholders. Dividend payments to corporate shareholders residing outside the EU are treated still less favorably as opposed to dividend payments to certain qualifying Dutch resident corporate shareholders. Furthermore, subject to certain conditions, a legal entity resident in the Netherlands that is not subject to Dutch corporate income tax is entitled to a refund of the Dutch dividend withholding tax withheld. In addition, subject to certain conditions as well, a legal entity resident in a member state of the European Union, that is not subject to a profit based tax in that member state, and, should that entity be a resident in the Netherlands, would not be subject to Dutch corporate income tax, is also entitled to a refund of the Dutch dividend withholding tax withheld. Such legal entities that are not a resident of the Netherlands or the European Union, are not entitled to a refund of Dutch dividend withholding tax. The above stated court cases may have significant implications for certain non-EU resident shareholders that receive dividends that are subject to Netherlands dividend withholding tax (i.e. the aforementioned different treatment may be a breach of the European freedom of capital).

Although the freedom of capital generally also applies to capital movements to and from third countries, such as the United States, it cannot be ruled out that the freedom of capital movements to and from third countries must be interpreted more stringent as opposed to the freedom of capital movements to EU member states. Furthermore, the freedom of capital movements to and from third countries is generally subject to grandfathering (stand-still) provisions in the EC-Treaty (i.e. the restriction of the freedom of capital movements is allowed if these stand-still

provisions apply). However, based on case law of the ECJ it may be held that these stand-still provisions do not apply in the specific case of claiming a refund of the Netherlands dividend withholding tax by a shareholder who did *not* acquire the shares in ING Groep N.V. with a view to establishing

Table of Contents

or maintaining lasting and direct economic links between the shareholder and ING Groep N.V. which allow the shareholder to participate effectively in the management of the company or in its control.

Especially the following non-EU resident shareholders may be affected and may as a result be entitled to a (partial) refund of Netherlands dividend withholding tax.

- Legal entities that could have invoked the participation exemption with respect to the dividends received in case they would have been a resident of the Netherlands for tax purposes. In general, the participation exemption applies in case of shareholdings of 5% or more. In case of legal entities resident in the Netherlands, in effect no Dutch dividend withholding tax is due with respect to dividends on shareholdings that apply for the participation exemption.

- Individuals if the shares do not belong to the assets of a business enterprise or do not belong to a substantial interest. In case such a natural person would have been a resident of the Netherlands, the dividend as such would not be subject to individual income tax. In stead, the individual would be taxed on a deemed income, calculated at 4% of his net equity, whereas the dividend tax withheld would have been credited in full against the individual income tax due.

- Legal entities that, if they had been based in the Netherlands, would not have been subject to corporate income tax (such as a pension fund), or would have qualified as an investment institution for the purposes of this tax, and that would, because of this, be eligible for a refund of dividend withholding tax withheld at their expense.

Taxes on income and capital gains

A U.S. Shareholder will not be subject to Netherlands income tax or corporation tax, other than the withholding tax described above, or capital gains tax, provided that:

§ such shareholder is not a resident or deemed resident and, in the case of an individual, has not elected to be treated as a resident of the Netherlands; and

§ such shareholder does not have an enterprise or an interest in an enterprise, which in its entirety or in part carries on business in the Netherlands through a permanent establishment or a permanent representative or deemed permanent establishment to which or to whom the bearer receipts or ADSs are attributable; and

§ such shareholder is an individual, and income from a bearer receipt or ADS is not attributable to certain activities in the Netherlands performed by such shareholder other than business activities (for example, by the use of that individual s special knowledge or activities performed by that individual with respect to the bearer receipts or ADSs as a result of which such individual can make a return on the bearer receipt or ADS that is in excess of the return on normal passive portfolio management).

Gift, estate or inheritance tax

No Netherlands gift, estate or inheritance tax will be imposed on the acquisition of bearer receipts or ADSs by gift or inheritance from a holder of bearer receipts or ADSs who is neither resident nor deemed resident in the Netherlands, provided that the ADSs or bearer receipts are not attributable to an enterprise which in its entirety or in part is carried on through a permanent establishment or a permanent representative in the Netherlands. Furthermore, Dutch gift and inheritance tax is due if the holder of bearer receipts or ADSs dies within 180 days of making the gift, and at the time of death is a resident or deemed resident of the Netherlands. A non-resident Netherlands citizen, however, is still treated as a resident of the Netherlands for gift and inheritance tax purposes for ten years after leaving the Netherlands. An individual with a non-Dutch nationality is deemed to be a resident of the Netherlands for the purposes of Dutch gift tax if he or she has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

UNITED STATES TAXATION

Taxes on income

For United States federal income tax purposes, a U.S. Shareholder will be required to include in gross income the full amount of a cash dividend (including any Netherlands withholding tax withheld) as ordinary income when the dividend is actually or constructively received by the Trust in the case of bearer receipts, or the Depositary in the case of ADSs. For this purpose, a dividend will include any distribution paid by ING Groep N.V. with respect to the bearer

receipts or ADSs, but only to the extent such distribution is not in excess of ING Groep N.V. s current and accumulated earnings and profits as defined for United States federal income tax

Table of Contents

purposes. A dividend will constitute income from sources outside the United States. A dividend will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other United States corporations. If you are a non corporate U.S. Shareholder, dividends paid to you in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the bearer receipts or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the bearer receipts or ADSs generally will be qualified dividend income.

Subject to the limitations provided in the United States Internal Revenue Code, a U.S. Shareholder may generally deduct from income, or credit against its United States federal income tax liability, the amount of any Dutch withholding taxes under the Treaty. The Netherlands withholding tax will likely not be creditable against the U.S. Shareholder s United States tax liability, however, to the extent that ING Groep N.V. is allowed to reduce the amount of dividend withholding tax paid over to the Netherlands Tax Administration by crediting withholding tax imposed on certain dividends paid to ING Groep N.V. ING Groep N.V. will endeavour to provide to U.S. Shareholders information concerning the extent to which it has applied the reduction described above with respect to dividends paid to U.S. Shareholders. In addition, special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate.

Since payments of dividends with respect to bearer receipts and ADSs will be made in euros, a U.S. Shareholder will generally be required to determine the amount of dividend income by translating the euro into United States dollars at the spot rate on the date the dividend distribution is includable in the income of the U.S. Shareholder. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend distribution is includable in the income of the U.S. Shareholder to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Taxes on capital gains

Gain or loss on a sale or exchange of bearer receipts or ADSs by a U.S. Shareholder will generally be a capital gain or loss for United States federal income tax purposes. If such U.S. Shareholder has held the bearer receipts or ADSs for more than one year, such gain or loss will generally be long term capital gain or loss. Long term capital gain of a non-corporate U.S. Shareholder that is recognized in a taxable year beginning before January 1, 2011 will generally be subject to a maximum tax rate of 15%. In general, gain or loss from a sale or exchange of bearer receipts or ADSs by a U.S. Shareholder will be treated as United States source income or loss for United States foreign tax credit limitation purposes.

Passive foreign investment company

ING Groep N.V. believes it is not a passive foreign investment company (a PFIC) for United States federal income tax purposes. This is a factual determination that must be made annually and thus may change.

If ING Groep N.V. were to be treated as a PFIC, unless a U.S. Shareholder makes an effective election to be taxed annually on a mark-to-market basis with respect to the bearer receipts or ADSs, any gain from the sale or disposition of bearer receipts or ADSs by a U.S. Shareholder would be allocated ratably to each year in the holder s holding period and would be treated as ordinary income. Tax would be imposed on the amount allocated to each year prior to the year of disposition at the highest rate in effect for that year, and interest would be charged at the rate applicable to underpayments on the tax payable in respect of the amount so allocated. The same rules would apply to excess distributions , defined generally as distributions exceeding 125% of the average annual distribution made by ING Groep N.V. over the shorter of the holder s holding period or the three preceding years.

A U.S. Shareholder who owns bearer receipts or ADSs during any year that ING Groep N.V. is a PFIC would be required to file Internal Revenue Service Form 8621.

Table of Contents

Item 11. Quantitative and Qualitative Disclosure of Market Risk

See Item 5. Operating and Financial Review and Prospects Factors Affecting Results of Operations and Risk Management of Note 2.1 to the consolidated financial statements for these disclosures, including disclosures relating to operational, compliance and other non market-related risks.

Item 12. Description of Securities Other Than Equity Securities

Not applicable.

Table of Contents

PART II.

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

On February 12, 2008, an evaluation was performed under the supervision and with the participation of the Company s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company s disclosure controls and procedures. Based on that evaluation, the Company s management, including the CEO and CFO, concluded that the Company s disclosure controls and procedures were effective as of the end of the period covered by this Annual Report. There have been no significant changes in the Company s internal controls or in other factors that could significantly affect internal controls over financial reporting subsequent to February 12, 2008.

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. ING s internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ING;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. In making this assessment, management performed tests based on the criteria of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. Based on management s assessment and those criteria, management concluded that the company s internal control over financial reporting is effective as of December 31, 2007.

Our independent registered public accounting firm has audited and issued their report on ING s internal control over financial reporting.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, the Supervisory Board and Executive Board of ING Groep N.V.

We have audited ING Groep N.V. s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). ING Groep N.V. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, ING Groep N.V. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ING Groep N.V. as of December 31, 2007 and 2006, and the related consolidated profit and loss accounts, consolidated statements of cash flows and consolidated statements of changes in equity for each of the three years in the period ended December 31, 2007 and our report dated March 17, 2008 expressed an unqualified opinion thereon.

Amsterdam, the Netherlands

March 17, 2008

Ernst & Young Accountants

Table of Contents

Item 16A. Audit Committee Financial Expert

ING Group s Supervisory Board has determined that ING Group has four audit committee financial experts serving on its Audit Committee. These four audit committee financial experts are Messrs. Kok, Hoogendoorn, Elverding and Van der Lugt. All have gathered their experience by serving as executive officers and on the Boards of international conglomerates, Mr. Kok as former Minister of Finance and Prime Minister of the Netherlands, Mr. Hoogendoorn serving as the CEO of the Board of Directors of Deloitte Touche Tohmatsu, Mr. Elverding serving as chairman of the Managing Board of Directors of Royal DSM and vice-chairman of the Supervisory Board of De Nederlandsche Bank and Mr. Van der Lugt serving as CEO of ING Group. All audit committee financial experts are independent in accordance with the relevant Sarbanes-Oxley regulations, however Mr. Hoogendoorn does not meet the independence criteria for Supervisory Board members as set out in the Tabaksblat Code.

Item 16B. Code of Ethics

ING Group has adopted a code of ethics, called the ING s Business Principles, which apply to all our employees, including our principal executive officer, principal financial officer and principal accounting officer. These Business Principles have undergone minor changes to adapt them to the requirements of the Sarbanes-Oxley Act of 2002 as a code of ethics for certain officers. The Business Principles are posted on ING Group s website at www.ing.com, under the heading Corporate Responsibility followed by Principles and Policies . During the most recently completed fiscal year no waivers, explicit or implicit, from these Business Principles have been granted to any of the officers described above.

Item 16C. Principal Accountant Fees and Services (Ernst & Young and KPMG)

As at December 31, 2007, Ernst & Young Accountants (Ernst & Young) and KPMG Accountants N.V. (KPMG) were the appointed auditors of ING. Ernst & Young was responsible for auditing the financial statements of ING Group and ING Verzekeringen N.V., while KPMG was responsible for the audit of the financial statements of ING Bank N.V. The external auditors, Ernst & Young and KPMG, both attended the meetings of the Audit Committee.

At the annual General Meeting of Shareholders on April 27, 2004, Ernst & Young was appointed to audit the financial statements of ING Group for the financial years 2004 to 2007 inclusive, to report on the outcome of these audits to the Executive Board and the Supervisory Board and to provide an audit opinion on the financial statements of ING Group. Furthermore, Ernst & Young also audited and reported on the effectiveness of internal control over financial reporting as of December 31, 2007.

In 2006, the Supervisory Board, at the suggestion of the Audit Committee and the Executive Board, concluded that it is more efficient that the financial audit of ING Group and its subsidiaries be assigned to one single audit firm, instead of being shared between two firms. Accordingly, both Ernst & Young and KPMG were invited to tender for the financial audit of ING Group and all of its subsidiaries in 2007. This resulted in the nomination of Ernst & Young for appointment by the annual General Meeting of Shareholders in 2008 as sole external auditor as of 2008 onwards for ING Group and its subsidiaries.

After a maximum period of five years of performing the financial audit of ING Group or ING Verzekeringen N.V. or ING Bank N.V., the lead audit partners of the external audit firms and the audit partners responsible for reviewing the audits, have to be replaced by other partners of the respective external audit firms. The Audit Committee provides recommendations to the Supervisory Board regarding these replacements, among others, based on an annual evaluation of the provided services. In line with this requirement, the lead audit partner of Ernst & Young has been succeeded after the year-end audit 2006. The rotation of other partners involved with the audit of the financial statements of ING, are subject to applicable independence legislation.

The external auditors may be questioned at the annual General Meeting of Shareholders in relation to their audit opinion on the annual accounts. The external auditors will therefore attend and be entitled to address this meeting.

Both Ernst & Young and KPMG may only provide audit and non audit services to ING Group and its subsidiaries with the permission of the Audit Committee. The Audit Committee has generally preapproved certain types of audit, audit-related, tax and non-audit services to be provided by ING s external audit firms on an annual basis. Services that have not been generally pre-approved by the Audit Committee should not be

Table of Contents

provided by the external auditor or should be specifically pre-approved by the Audit Committee after recommendation of local management.

The Audit Committee also sets the maximum annual amount that may be spent for pre-approved services. Throughout the year the external audit firms and ING monitor the amounts paid versus the pre-approved amounts. The external auditor provides the Audit Committee with a full overview of all services provided to ING, including related fees, supported by sufficiently detailed information. This overview is periodically evaluated by the Audit Committee during the year.

Audit fees

Audit fees were paid for professional services rendered by the auditors for the audit of the consolidated financial statements of ING Group and statutory financial statements of ING s subsidiaries or services provided in connection with the audit of Form 20-F and other filings for regulatory and supervisory purposes as well as the review on interim financial statements.

Audit-related fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the consolidated financial statements and are not reported under the audit fee item above. These services consisted primarily of IT audits, work performed relating to comfort letters issued in connection with prospectuses, reviews of SEC product filings and advice on accounting.

Tax fees

Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services consisted of: tax compliance including the review of original and amended tax returns, assistance with questions regarding tax audits, the preparation of employee tax returns under the ING s expatriate tax services program and tax planning and advisory services relating to common forms of domestic and international taxation (i.e., income tax, capital tax and value added tax).

All other fees

Fees disclosed in the table above under all other fees were paid for products and services other than the audit fees, audit-related fees and tax fees described above, and consisted primarily of non-recurring support and advisory services. More details on ING s policy regarding external auditor s independence are available on the website of ING Group (www. ing.com). In 2007 and 2006, the following amounts were paid to Ernst & Young and KPMG for audit services and non-audit services:

	Year ended December 31, 2007	**Year ended December 31, 2006**
	(EUR millions)	
Ernst & Young		
Audit fees	35	35
Audit-related fees	5	2
Tax fees	3	2
All other fees		1
Total[(1)]	**43**	**40**
KPMG		
Audit fees	26	28
Audit-related fees	2	2
Tax fees	2	2

All other fees	2	2
Total[(1)]	**32**	**34**

Total		
Audit fees	61	63
Audit-related fees	7	4
Tax fees	5	4
All other fees	2	3
Total[(1)]	**75**	**74**

(1) all amounts excluding VAT

Table of Contents

Item 16E. Purchases of Registered Equity Securities by the Issuer and Affiliated Purchasers

			Number X 1000	Average price in euros	Purchased as part of Publicly Announced Plans or Programs	Maximum number of Shares that may be purchased
Purchases:						
January	1/1/07	1/31/07	840	33.85		
February	2/1/07	2/28/07	598	34.15		
March	3/1/07	3/31/07	17,060	30.69		
April	4/1/07	4/30/07	747	32.51		
May	5/1/07	5/31/07	776	33.13		
June	6/1/07	6/30/07	20,902	32.85	20,432	
July	7/1/07	7/31/07	12,185	32.51	11,933	
August	8/1/07	8/31/07	6,637	29.89	6,396	
September	9/1/07	9/30/07	13,882	29.99	13,611	
October	10/1/07	10/31/07	13,634	31.29	13,145	
November	11/1/07	11/30/07	15,277	28.31	15,217	
December	12/1/07	12/31/07	10,046	26.62	9,989	
Total[(1)]			**112,584**	**30.33**	**90,723**	
Purchases:						
January	1/1/06	1/31/06	10,329	28.91		
February	2/1/06	2/28/06	1,530	31.41		
March	3/1/06	3/31/06	4,591	31.47		
April	4/1/06	4/30/06	963	32.17		
May	5/1/06	5/31/06	6,172	31.48		
June	6/1/06	6/30/06	181	29.65		
July	7/1/06	7/31/06	334	30.72		
August	8/1/06	8/31/06	1,441	32.77		
September	9/1/06	9/30/06	1,317	33.98		
October	10/1/06	10/31/06	887	34.99		
November	11/1/06	11/30/06	4,938	33.92		
December	12/1/06	12/31/06	12,419	30.76		
Total[(1)]			**45,102**	**31.14**		

(1) This table excludes market-making and related hedging purchases by ING Group.

The table also (i) excludes ING Group shares purchased by investments funds managed by ING Group for clients in accordance with specified investment strategies that are established by each individual fund manager acting independently of ING Group, and (ii) includes share purchases under ING Group s delta hedging activities in respect of its employee option plans.

(2) In May 2007, ING announced a plan to adopt a share buyback program approved for a total of EUR five (5) billion over a period of approximately12 months starting from June 2007. The share buyback program is expected to be completed in June 2008 unless the target of EUR five (5) billion is reached earlier than this date or if ING and its subsidiaries hold 10% of the outstanding issued share capital of ING Groep N.V. , which is the current maximum allowed under Dutch law.

Table of Contents

PART III.

Item 18. Financial Statements

See pages F-1 to F-178 and the Schedules on F-190 to F-193

Item 19. Exhibits

The following exhibits are filed as part of this Annual Report, dated October 8, 2007:

Exhibit 1.1	Amended and Restated Articles of Association of ING Groep N.V.
Exhibit 1.2	Amended and Restated Trust Agreement (English Translation), dated October 8, 2007
Exhibit 2.1	Subordinated Indenture, dated July 18, 2002, between the Company and The Bank of New York, (incorporated by reference to Exhibit 2.1 of ING Groep N.V. s Annual Report on Form 20-F for the year ended December 31, 2002, File No. 1-14642 filed on March 27, 2003)
Exhibit 2.2	First Supplemental Indenture, dated July 18, 2002, between the Company and The Bank of New York (incorporated by reference to Exhibit 2.2 of ING Groep N.V. s Annual Report on Form 20-F for the year ended December 31, 2003, File No. 1-14642 filed on March 30, 2004)
Exhibit 2.3	Second Supplemental Indenture, dated December 12, 2002, between the Company and The Bank of New York (incorporated by reference to Exhibit 2.3 of ING Groep N.V. s Annual Report on Form 20-F for the year ended December 31, 2003, File No. 1-14642 filed on March 30, 2004)
Exhibit 2.4	Third Supplemental Indenture, dated October 28, 2003, between the Company and The Bank of New York (incorporated by reference to Exhibit 2.4 of ING Groep N.V. s Annual Report on Form 20-F for the year ended December 31, 2003, File No. 1-14642 filed on March 30, 2004)
Exhibit 2.5	Fourth Supplemental Indenture, dated September 26, 2005, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.2 of ING Groep N.V. s Report on Form 6-k filed on September 23, 2005)
Exhibit 2.6	Fifth Supplemental Indenture, dated December 8, 2005, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-k filed on December 7, 2005)
Exhibit 2.7	Sixth Supplemental Indenture, dated June 13, 2007, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-K filed on June 12, 2007)
Exhibit 2.8	Seventh Supplemental Indenture, dated October 4, 2007, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-k filed on October 3, 2007)
Exhibit 4.1	Form of Employment Contract for Members of the Executive Board (English translation) (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Annual Report on Form 20-F for the year ended December 31, 2002, File No. 1-14642 filed on March 27, 2003)
Exhibit 7	Statement regarding Computation of Ratio of Earnings to Fixed Charges
Exhibit 8	List of Subsidiaries of ING Groep N.V.

Exhibit 10.1	Consent of Ernst & Young Accountants
Exhibit 10.2	Consent of KPMG Accountants
Exhibit 10.3	Consent of Ernst & Young Reviseurs d Entrerprises SCCRL.
Exhibit 12.1	Certification of the Registrant s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Table of Contents

Exhibit 12.2	Certification of the Registrant s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 13.1	Certification of the Registrant s Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 13.2	Certification of the Registrant s Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ING Groep N.V.
(Registrant)

By: /s/ J. Hele

Name: John Hele
Title: Chief Financial Officer

Date: March 17, 2008

Table of Contents

ADDITIONAL INFORMATION
SELECTED STATISTICAL INFORMATION ON BANKING OPERATIONS

The information in this section sets forth selected statistical information regarding the Group s banking operations. Information for 2007, 2006, 2005 and 2004 is set forth under IFRS-EU. Information for 2003 is set forth under Dutch GAAP, which differs in significant respects from IFRS-EU. Unless otherwise indicated, average balances, when used, are calculated from monthly data and the distinction between domestic and foreign is based on the location of the office where the assets and liabilities are booked, as opposed to the domicile of the customer. However, the Company believes that the presentation of these amounts based upon the domicile of the customer would not result in material differences in the amounts presented below.

	Year Ended December 31,		
	2007	**2006**	**2005**
Return on equity of the banking operations	16.7%	19.4%	24.2%
Return on equity of ING Group	24.2%	23.5%	26.6%
Dividend pay-out ratio of ING Group	34.3%	37.0%	35.5%
Return on assets of ING Group	0.7%	0.6%	0.5%
Equity to assets of ING Group	2.8%	3.1%	2.6%
Net interest margin of the banking operations	0.9%	1.1%	1.2%

AVERAGE BALANCES AND INTEREST RATES

The following tables show the banking operations, average interest-earning assets and average interest-bearing liabilities, together with average rates, for the periods indicated. The interest income, interest expense and average yield figures do not reflect interest income and expense on derivatives and other interest income and expense not considered to be directly related to interest-bearing assets and liabilities. These items are reflected in the corresponding interest income, interest expense and net interest result figures in the consolidated financial statements. A reconciliation of the interest income, interest expense and net interest result figures to the corresponding line items in the consolidated financial statements is provided hereunder.

Table of Contents

ASSETS

	Interest-earning assets								
	2007			2006			2005		
	Average balance (EUR millions)	Interest income	Average yield %	Average balance (EUR millions)	Interest income	Average yield %	Average balance (EUR millions)	Interest income	Average yield %
Time deposits with banks									
domestic	25,730	960	3.7	13,138	522	4.0	3,553	99	2.8
foreign	61,531	2,381	3.9	51,553	1,799	3.5	25,576	1,022	4.0
Loans and advances									
domestic	270,149	11,290	4.2	243,306	9,566	3.9	222,459	8,331	3.7
foreign	296,055	17,044	5.8	273,383	13,520	4.9	247,444	11,035	4.5
Interest-earning securities[1]									
domestic	34,993	1,295	3.7	38,310	1,248	3.3	35,423	1,031	2.9
foreign	173,248	8,660	5.0	185,411	8,003	4.3	176,247	6,773	3.8
Other interest-earning assets									
domestic	8,208	514	6.3	5,910	165	2.8	848	89	10.5
foreign	11,520	517	4.5	9,743	333	3.4	6,971	224	3.2
Total	**881,434**	42,661	**4.8**	**820,754**	35,156	**4.3**	**718,521**	28,604	**4.0**
Non-interest earning assets	57,980			51,317			45,054		
Derivatives assets	**33,025**			**27,212**			**28,310**		
Total assets[1]	**972,439**			**899,283**			**791,885**		
Percentage of assets applicable to foreign operations		61.1%			63.6%			63.5%	
Interest income on derivatives		33,622			23,521			19,253	
other		576			585			485	
Total interest income		**76,859**			**59,262**			**48,342**	

(1)

Substantially all interest-earning securities held by the banking operations of the Company are taxable securities.

Table of Contents

LIABILITIES

	Interest-bearing liabilities								
	2007			2006			2005		
	Average balance (EUR millions)	Interest expense	Average yield %	Average balance (EUR millions)	Interest expense	Average yield %	Average balance (EUR millions)	Interest expense	Average yield %
Time deposits from banks									
domestic	40,487	1,801	4.4	46,930	1,979	4.2	31,928	814	2.5
foreign	37,583	1,991	5.3	34,368	1,255	3.7	32,898	869	2.6
Demand deposits[5]									
domestic	106,597	1,682	1.6	92,488	1,293	1.4	78,030	595	0.8
foreign	40,173	1,060	2.6	32,533	692	2.1	27,930	502	1.8
Time deposits[5]									
domestic	28,535	1,388	4.9	27,983	1,168	4.2	16,764	485	2.9
foreign	35,281	1,338	3.8	31,160	1,205	3.9	29,976	901	3.0
Savings deposits[5]									
domestic	63,109	1,475	2.3	66,845	1,562	2.3	63,157	1,494	2.4
foreign	228,030	8,603	3.8	228,656	7,682	3.4	198,855	6,208	3.1
Short term debt									
domestic	5,557	285	5.1	4,133	165	4.0	2,815	88	3.1
foreign	46,548	2,685	5.8	35,605	1,768	5.0	28,203	1,269	4.5
Long term debt									
domestic	12,903	813	6.3	14,050	798	5.7	13,971	675	4.8
foreign	21,155	1,063	5.0	40,291	1,532	3.8	47,443	2,037	4.3
Subordinated liabilities									
domestic	18,938	1,079	5.7	18,713	1,023	5.5	16,702	920	5.5
foreign	1,574	82	5.2	2,229	119	5.3	2,605	153	5.9
Other interest-bearing liabilities									
domestic	77,426	3,220	4.2	46,096	1,260	2.7	38,678	919	2.4
foreign	90,157	5,131	5.7	72,665	2,471	3.4	58,639	1,784	3.0
Total	854,053	33,696	3.9	794,745	25,972	3.3	688,594	19,713	2.9
Non-interest bearing liabilities	64,649			57,099			55,612		
Derivatives liabilities	30,591			25,706			27,290		
Total Liabilities	949,293			877,550			771,496		
Group Capital	23,146			21,733			20,389		
Total liabilities and capital	**972,439**			**899,283**			**791,885**		

Percentage of liabilities applicable to foreign operations	59.2%	61.4%	62.1%
Other interest expense:			
interest expenses on derivatives	33,298	23,243	18,836
other	828	712	631
Total interest expense	**67,822**	**49,927**	**39,180**
Total net interest result	**9,037**	**9,335**	**9,162**

(5) These captions do not include deposits from banks.

Table of Contents

ANALYSIS OF CHANGES IN NET INTEREST INCOME

The following table allocates changes in the Group s interest income and expense and net interest result between changes in average balances and rates for the periods indicated. Changes due to a combination of volume and rate have been allocated to changes in average volume. The net changes in interest income, interest expense and net interest result, as calculated in this table, have been reconciled to the changes in interest income, interest expense and net interest result in the consolidated financial statements. See introduction to Average Balances and Interest Rates for a discussion of the differences between interest income, interest expense and net interest result as calculated in the following table and as set forth in the consolidated financial statements.

	2007 over 2006 Increase (decrease) due to changes in (EUR millions)			2006 over 2005 Increase (decrease) due to changes in (EUR millions)		
	Average volume	**Average rate**	**Net change**	**Average volume**	**Average rate**	**Net change**
Interest-earning assets						
Time deposits to banks						
domestic	500	(62)	438	267	156	423
foreign	348	234	582	1,038	(261)	777
Loans and advances						
domestic	1,055	669	1,724	781	454	1,235
foreign	1,121	2,403	3,524	1,157	1,328	2,485
Interest-earning securities						
Domestic	(108)	155	47	84	133	217
foreign	(525)	1,182	657	352	878	1,230
Other interest-earning assets						
domestic	64	285	349	531	-455	76
foreign	61	123	184	89	20	109
Interest income						
domestic	1,511	1,047	2,558	1,663	288	1,951
foreign	1,005	3,942	4,947	2,636	1,965	4,601
Total	**2,516**	**4,989**	**7,505**	**4,299**	**2,253**	**6,552**
Other interest income			10,092			4,368
Total interest income			**17,597**			**10,920**

Table of Contents

	2007 over 2006 Increase (decrease) due to changes in			2006 over 2005 Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
		(EUR millions)			(EUR millions)	
Interest-bearing liabilities						
Time deposits from banks						
domestic	(272)	94	(178)	382	783	1,165
foreign	117	619	736	39	347	386
Demand deposits						
domestic	197	192	389	110	588	698
foreign	163	205	368	83	107	190
Time deposits						
domestic	23	197	220	325	358	683
foreign	159	(26)	133	36	268	304
Savings deposits						
domestic	(87)		(87)	87	(19)	68
foreign	(21)	942	921	930	544	1,474
Short term debt						
domestic	57	63	120	41	36	77
foreign	543	374	917	333	166	499
Long term debt						
domestic	(65)	80	15	4	119	123
foreign	(728)	259	(469)	(307)	(198)	(505)
Subordinated liabilities						
domestic	12	44	56	111	(8)	103
foreign	(35)	(2)	(37)	(22)	(12)	(34)
Other interest-bearing liabilities						
domestic	856	1,103	1,959	176	165	341
foreign	595	2,065	2,660	427	260	687
Interest expense						
domestic	721	1,773	2,494	1,236	2,022	3,258
foreign	793	4,436	5,229	1,519	1,482	3,001
Total	**1,514**	**6,209**	**7,723**	**2,755**	**3,504**	**6,259**
Other interest expense			10,171			4,488
Total interest expense			**17,894**			**10,747**
Net interest						
domestic	790	(727)	63	165	(1,472)	(1,307)
Foreign	211	(494)	(282)	1,178	422	1,600

Net interest	**1001**	**(1,221)**	**(219)**	**1,343**	**(1,050)**	**293**
Other net interest result			(79)			(120)
Net interest result			**(298)**			**173**

Table of Contents

INVESTMENTS OF THE GROUP S BANKING OPERATIONS

The following table shows the balance sheet value under IFRS-EU of the investments of the Group s banking operations.

	Year ended December 31		
	2007	**2006**	**2005**
		(EUR millions)	
Debt securities available for sale			
Dutch government	4,741	6,106	6,052
German government	5,960	8,076	9,664
Central banks	331	213	159
Belgian government	11,017	14,225	15,711
Other governments	26,090	27,959	32,001
Corporate debt securities			
Banks and financial institutions	36,860	26,791	29,418
Other corporate debt securities	2,145	9,900	3,815
U.S. Treasury and other U.S. Government agencies	163	322	1,424
Other debt securities	52,699	57,941	60,808
Total debt securities available for sale	140,006	151,533	159,052
Debt securities held to maturity			
Dutch government			452
German government	789	790	792
Other governments	969	564	767
Banks and financial institutions	14,249	13,970	14,375
Other corporate debt securities	39	40	40
U.S. Treasury and other U.S. Government agencies	102	233	361
Other debt securities	605	2,063	2,150
Total debt securities held to maturity	16,753	17,660	18,937
Shares and convertible debentures	3,626	1,898	2,147
Land and buildings (1)	4,997	5,005	3,205
Total	**165,382**	**176,096**	**183,340**

(1) Including commuted ground rents

Banking investment strategy

ING s investment strategy for its investment portfolio related to the banking activities is formulated by the Asset and Liability Committee (ALCO). The exposures of the investments to market rate movements are managed by modifying the asset and liability mix, either directly or through the use of derivative financial products including interest rate swaps, futures, forwards and purchased option positions such as interest rate caps, floors and collars. See Item 11. Quantative and Qualitative Disclosure of Market Risk .

The investment portfolio related to the banking activities primarily consists of fixed-interest securities. Approximately 29% of the land and buildings owned by ING Bank are wholly or partially in use by Group companies.

132

Table of Contents

Portfolio maturity description

	1 year or less		Between 1 and 5 years		Between 5 and 10 years	
	Book value (EUR millions)	Yield[1] %	Book value (EUR millions)	Yield[1] %	Book value (EUR millions)	Yield[1] %
Debt securities available for sale						
Dutch government	83		1,985		2,673	
German government	707		2,330		2,917	
Belgian government	3,033		5,195		2,717	
Central banks	40		139		152	
Other governments	4,944		10,662		9,069	
Banks and financial institutions	9,570		14,934		10,709	
Corporate debt securities	411		1,336		345	
U.S. Treasury and other U.S. Government agencies	52		111			
Other debt securities	1,251		12,232		8,602	
Total debt securities available for sale	**20,091**	5.5	**48,924**	4.9	**37,184**	4.3

	Over 10 years Book value (EUR millions)	Yield[1] %	Total Book value (EUR millions)
Debt securities available for sale			
Dutch government			4,741
German government	6		5,960
Belgian government	72		11,017
Central banks			331
Other governments	1,415		26,090
Banks and financial institutions	1,647		36,860
Corporate debt securities	53		2,145
U.S. Treasury and other U.S. Government agencies			163
Other debt securities	30,613		52,699
Total debt securities available for sale	**33,806**	5.3	**140,006**

(1) Since substantially all investment securities held by the banking operations of

the Company are taxable securities, the yields are on a tax-equivalent basis.

Table of Contents

	1 year or less		Between 1 and 5 years		Between 5 and 10 years	
	Book value (EUR millions)	Yield[1] %	Book value (EUR millions)	Yield[1] %	Book value (EUR millions)	Yield[1] %
Debt securities held to maturity						
Dutch government						
German government			690		99	
Belgian government						
Central banks						
Other governments	146		413		410	
Banks and financial institutions	1,278		7,106		5,765	
Corporate debt securities					39	
U.S. Treasury and other U.S. Government agencies	68		34			
Other debt securities	120		261		224	
Total debt securities held to maturity	**1,612**	4.4	**8,504**	3.7	**6,537**	4.1

	Over 10 years		Total
	Book value (EUR millions)	Yield[1] %	Book value (EUR millions)
Debt securities held to maturity			
Dutch government			
German government			789
Belgian government			
Central banks			
Other governments			969
Banks and financial institutions	100		14,249
Corporate debt securities			39
U.S. Treasury and other U.S. Government agencies			102
Other debt securities			605
Total debt securities held to maturity	**100**	4.5	**16,753**

(1) Since substantially all investment securities held by the banking operations of

the Company are taxable securities, the yields are on a tax-equivalent basis.

On December 31, 2007, ING Group also held the following securities for the banking operations that exceeded 10% of shareholders equity:

	2007	
	Book value	Market value
	(EUR millions)	
Dutch government	4,741	4,741
Belgian government	11,017	11,017
German government	6,749	6,741

Table of Contents

LOAN PORTFOLIO

Loans and advances to banks and customers

Loans and advances to banks include all receivables from credit institutions, except for cash, current accounts and deposits with other banks (including central banks). Lending facilities to corporate and private customers encompass among others, loans, overdrafts and finance lease receivables. The following table sets forth the gross loans and advances to banks and customers as of December 31, 2007, 2006, 2005 and 2004 under IFRS-EU.

IFRS-EU

	Year ended December 31			
	2007	**2006**	**2005**	**2004**
		(EUR millions)		
By domestic offices:				
Loans guaranteed by public authorities	14,679	16,450	13,907	7,296
Loans secured by mortgages	141,314	120,753	111,257	103,594
Loans to or guaranteed by credit institutions	16,347	6,747	4,573	7,323
Other private lending	6,975	6,484	9,943	6,420
Other corporate lending	105,114	89,999	80,540	35,897
Total domestic offices	**284,429**	**240,433**	**220,220**	**160,530**
By foreign offices:				
Loans guaranteed by public authorities	8,961	9,503	17,535	17,118
Loans secured by mortgages	132,614	87,457	69,855	53,156
Loans to or guaranteed by credit institutions	31,929	32,072	23,721	26,471
Other private lending	17,784	16,422	15,200	8,474
Other corporate lending	100,601	89,547	84,355	88,639
Total foreign offices	**291,889**	**235,001**	**210,666**	**193,858**
Total gross loans and advances to banks and customers	**576,318**	**475,434**	**430,886**	**354,388**

The following table sets forth the gross loans and advances to banks and customers as of December 31, 2003 under Dutch GAAP.

Dutch GAAP

	Year ended December 31 2003 (EUR millions)
By domestic offices:	
Loans guaranteed by public authorities	6,473
Loans secured by mortgages	94,125
Loans to or guaranteed by credit institutions	8,367
Other private lending	7,009
Other corporate lending	36,861
Total domestic offices	**152,835**

By foreign offices:	
Loans guaranteed by public authorities	16,603
Loans secured by mortgages	39,604
Loans to or guaranteed by credit institutions	17,879
Other private lending	7,813
Other corporate lending	86,722
Total foreign offices	**168,621**
Total gross loans and advances to banks and customers	**321,456**

Table of Contents

Maturities and sensitivity of loans to changes in interest rates

The following table analyzes loans and advances to banks and customers by time remaining until maturity as of December 31, 2007.

	1 year or less	1 year to 5 years	After 5 years	Total
		(EUR millions)		
By domestic offices:				
Loans guaranteed by public authorities	3,727	1,146	9,806	14,679
Loans secured by mortgages	7,807	15,445	118,062	141,314
Loans guaranteed by credit institutions	14,676	1,459	212	16,347
Other private lending	5,113	549	1,313	6,975
Other corporate lending	86,866	10,328	7,920	105,114
Total domestic offices	**118,189**	**28,927**	**137,313**	**284,429**
By foreign offices:				
Loans guaranteed by public authorities	2,980	2,943	3,038	8,961
Loans secured by mortgages	11,586	27,503	93,525	132,614
Loans guaranteed by credit institutions	24,885	5,244	1,800	31,929
Other private lending	10,953	3,185	3,646	17,784
Other corporate lending	44,630	27,221	28,750	100,601
Total foreign offices	**95,034**	**66,096**	**130,759**	**291,889**
Total gross loans and advances to banks and customers	**213,223**	**95,023**	**268,072**	**576,318**

The following table analyzes loans and advances to banks and customers by interest rate sensitivity by maturity as of December 31, 2007.

	1 year or less	Over 1 year	Total
		(EUR millions)	
Non-interest earning	5,865	308	6,173
Fixed interest rate	79,520	116,408	195,928
Semi-fixed interest rate[(1)]	4,265	154,130	158,395
Variable interest rate	123,573	92,249	215,822
Total	**213,223**	**363,095**	**576,318**

(1) Loans that have an interest rate that remains fixed for more than one year and which can

then be changed
are classified as
semi-fixed

Loan concentration

The following industry concentrations were in excess of 10% of total loans as of December 31, 2007:

	Total outstandings %
Financial institutions	36.2%
Private individuals	33.9%

Table of Contents

Risk elements

Loans Past Due 90 days and Still Accruing Interest

Loans past due 90 days and still accruing interest are loans that are contractually past due 90 days or more as to principal or interest on which we continue to recognize interest income on an accrual basis in accordance with IFRS-EU.

Under IFRS-EU prior to the implementation of IAS 32 and IAS 39 and under Dutch GAAP, loans were placed on non-accrual status when a loan was in default as to payment of principal and interest for 90 days or more, or when, in the judgment of management, the accrual of interest should cease before 90 days. Any accrued, but unpaid, interest was reversed against the same period s interest revenue. Interest payments received on a cash basis during the period were recorded as interest income.

In 2005 with the implementation of IAS 32 and IAS 39, once a loan has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. As all loans continue to accrue interest under IFRS-EU, the non-accrual loan status is no longer used to identify ING Group s risk elements. Therefore, as from 2005, no loans are reported as non-accrual and there is an increase in the amount of loans reported as Loans past due 90 days and still accruing interest, compared to the prior years reported, due to the interest accrual on impaired loans.

The following table sets forth the outstanding balance of the loans past due 90 days and still accruing interest and non-accrual loans for the years ended December 31, 2007, 2006, 2005 and 2004 under IFRS-EU.

	Year ended December 31			
	2007	**2006**	**2005**	**2004**
IFRS-EU		**(EUR millions)**		
Loans past due 90 days and still accruing interest				
Domestic	1,159	1,317	1,664	577
Foreign	1,892	2,426	2,112	510
Total loans past due 90 days and still accruing interest	3,051	3,743	3,776	1,087
Non-accrual				
Domestic				1,143
Foreign				2,284
Total non-accrual loans				3,427
Total loans past due 90 days and still accruing interest and non-accrual loans	**3,051**	**3,743**	**3,776**	**4,514**

As of December 31, 2007, EUR 3,043 million of the loans past due 90 days and still accruing interest have a loan loss provision. The remaining loans past due 90 days and still accruing interest have also been reviewed for impairment; however, based on our measurement of the impairment, no impairment loss has been determined. Total loans with a loan loss provision, including those loans classified as past due 90 days and still accruing interest with a provision and troubled debt restructurings with a provision, amounts to EUR 3,851 million as of December 31, 2007.

Table of Contents

The following table sets forth the outstanding balances of the loans past due 90 days and still accruing interest and non-accrual loans for the years ended December 31, 2003 under Dutch GAAP.

	Year ended December 31 2003
Dutch GAAP	**(EUR millions)**
Loans past due 90 days and still accruing interest	
Domestic	830
Foreign	819
Total loans past due 90 days and still accruing interest	1,649
Non-accrual	
Domestic	965
Foreign	2,599
Total non-accrual loans	3,564
Total loans past due 90 days and still accruing interest and non-accrual loans	**5,213**

Troubled Debt Restructurings

Troubled debt restructurings are loans that we have restructured due to deterioration in the borrower s financial position and in relation to which, for economic or legal reasons related to the borrower s deteriorated financial position, we have granted a concession to the borrower that we would not have otherwise granted.

The following table sets forth the outstanding balances of the troubled debt restructurings as of December 31, 2007, 2006, 2005 and 2004 under IFRS-EU.

	Year ended December 31			
IFRS-EU	**2007**	**2006**	**2005**	**2004**
		(EUR millions)		
Troubled debt restructurings				
Domestic	45	163	495	197
Foreign	47	199	582	651
Total troubled debt restructurings	**92**	**362**	**1,077**	**848**

The following table sets forth the outstanding balances of the troubled debt restructurings as of December 31, 2003 under Dutch GAAP.

	Year ended December 31 2003
Dutch GAAP	**(EUR millions)**
Troubled debt restructurings	
Domestic	115
Foreign	516

Total troubled debt restructurings	**631**

Interest Income on Troubled Debt Restructurings

The following table sets forth the gross interest income that would have been recorded during the year ended December 31, 2007 on troubled debt restructurings had such loans been current in accordance with their original contractual terms and interest income on such loans that was actually included in interest income during the year ended December 31, 2007.

Table of Contents

	Year ended December 31, 2007 (EUR millions)		
	Domestic Offices	Foreign Offices	Total
Interest income that would have been recognized under the original contractual terms	5	3	8
Interest income recognized in the profit and loss account	3	4	7

Potential Problem Loans

Potential problem loans are loans that are not classified as loans past due 90 days and still accruing interest or troubled debt restructurings and amounted to EUR 2,883 million as of December 31, 2007. Of this total, EUR 2,155 million relates to domestic loans and EUR 728 million relates to foreign loans. These loans are considered potential problem loans as there is known information about possible credit problems causing us to have serious doubts as to the ability of the borrower to comply with the present loan repayment terms and which may result in classifying the loans as loans past due 90 days and still accruing interest or as troubled debt restructurings. Appropriate provisions, following ING Group s credit risk rating system, have been established for these loans.

Cross-border outstandings

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets that are denominated in euro or other non-local currency. To the extent that material local currency outstandings are not hedged or are not funded by local currency borrowings, such amounts are included in cross-border outstandings.

Commitments such as irrevocable letters of credit are not considered as cross border outstanding. Total outstandings are in line with Dutch Central Bank requirements. On December 31, 2007, there were no outstandings exceeding 1% of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

The following tables analyze cross-border outstandings as of the end of December 31, 2007, 2006 and 2005 stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings exceed 1% of total assets, by the following categories.

	Year ended December 31, 2007					
	Government & official institutions	**Banks & other financial Institutions**	**Commercial & industrial (EUR millions)**	**Other**	**Total**	**Cross-border Commitments**
United Kingdom	144	27,501	44,621	1,403	73,669	6,018
United States	33	4,035	26,821	14,852	45,741	13,050
France	5,777	17,811	6,864	4,474	34,926	2,295
Germany	4,839	10,361	4,499	4,428	24,127	9,500
Italy	10,381	4,642	4,378	1,117	20,518	1,318
Spain	2,375	7,749	6,183	685	16,992	2,139
Belgium	2,638	5,782	3,607	1,683	13,710	14,999

Table of Contents

	Year ended December 31, 2006					
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial (EUR millions)	Other	Total	Cross-border Commitments
United Kingdom	60	29,787	51,344	2,437	83,628	9,840
United States	114	7,241	33,388	4,102	44,845	11,353
France	4,831	12,012	5,658	3,491	25,992	2,776
Germany	6,855	10,233	4,244	1,906	23,238	7,898
Italy	11,819	4,011	5,704	1,118	22,652	1,445
Spain	2,494	7,766	8,194	923	19,377	2,071

	Year ended December 31, 2005					
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial (EUR millions)	Other	Total	Cross-border Commitments
United Kingdom	42	23,954	41,139	1,531	66,666	4,728
United States	538	6,027	32,154	3,192	41,911	12,148
Germany	8,605	12,677	2,744	3,840	27,866	3,445
France	5,398	7,931	4,659	1,391	19,379	5,067
Italy	10,407	3,618	4,589	449	19,063	1,031
Spain	4,946	6,101	5,785	917	17,749	1,592

There were no cross-border outstandings between 0.75% and 1% of total assets, at year end 2007.

On December 31, 2006, Ireland and Belgium had EUR 10,049 million and EUR 9,523 million, respectively, of cross-border outstandings between 0.75% and 1% of total assets. On December 31, 2005, Ireland and Belgium had EUR 11,400 million and EUR 10,201 million, respectively, of cross-border outstandings between 0.75% and 1% of total assets.

Summary of Loan Loss Experience

For further explanation on loan loss provision see Loan Loss Provisions in Note 2.1 to the consolidated financial statements.

The application of the IFRS-EU methodology has reduced the amount of the unallocated provision for loan losses that ING Group provided in prior years to adequately capture various subjective and judgmental aspects of the credit risk assessment which were not considered on an individual basis.The net impact of the application of the IFRS-EU methodology on the loan loss provision of ING Group s banking operations, including the reclassification from other assets for the provision for interest on impaired loans, was EUR (398) million as of January 1, 2005.

Table of Contents

The following table presents the movements in allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2007, 2006 and 2005 under IFRS-EU.

	Calendar period			
IFRS-EU	**2007**	**2006**	**2005**	**2004**
		(EUR millions)		
Balance on January 1	2,642	3,313	4,262	4,671
Implementation IAS 32 and IAS 39 [(1)]			(398)	
Change in the composition of the Group	98	(101)	(4)	(38)
Charge-offs:				
Domestic:				
Loans guaranteed by public authorities				(1)
Loans secured by mortgages	(22)	(32)	(8)	(3)
Loans to or guaranteed by credit institutions	(11)	(11)	(12)	(22)
Other private lending	(115)	(108)	(107)	(57)
Other corporate lending	(189)	(136)	(164)	(156)
Foreign:				
Loans guaranteed by public authorities	(25)		(9)	(13)
Loans secured by mortgages	(11)	(26)	(23)	(31)
Loans to or guaranteed by credit institutions	(2)	(5)	(4)	20
Other private lending	(104)	(70)	(78)	(57)
Other corporate lending	(473)	(303)	(437)	(589)
Total charge-offs	(952)	(691)	(842)	(909)
Recoveries:				
Domestic:				
Loans guaranteed by public authorities				
Loans secured by mortgages				
Loans to or guaranteed by credit institutions	2	4		6
Other private lending	3	11	6	3
Other corporate lending		1		
Foreign:				
Loans guaranteed by public authorities				
Loans secured by mortgages	1			(1)
Loans to or guaranteed by credit institutions				23
Other private lending	30	49	39	11
Other corporate lending	23	21	16	42
Total recoveries	59	86	61	84
Net charge-offs	(893)	(605)	(781)	(825)
Additions and other adjustments (included in value Adjustments to receivables of the Banking operations)	154	35	234	454
Balance on December 31	**2,001**	**2,642**	**3,313**	**4,262**

Ratio of net charge-offs to average loans and advances to banks and customers	0.16%	0.12%	0.17%	0.24%

(1) Consists of release of unallocated provision for loan losses of EUR (592) million and reclassification from other assets for provision for interest on impaired loans of EUR 194 million.

Table of Contents

The following table presents the movements in allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2003 under Dutch GAAP.

Dutch GAAP	**Calendar period 2003 (EUR millions)**
Balance on January 1	4,870
Change in the composition of the Group	104
Charge-offs:	
Domestic:	
Loans guaranteed by public authorities	
Loans secured by mortgages	(1)
Loans to or guaranteed by credit institutions	(27)
Other private lending	(65)
Other corporate lending	(166)
Foreign:	
Loans guaranteed by public authorities	(1)
Loans secured by mortgages	(30)
Loans to or guaranteed by credit institutions	(10)
Other private lending	(105)
Other corporate lending	(797)
Total charge-offs	(1,202)
Recoveries:	
Domestic:	
Loans guaranteed by public authorities	
Loans secured by mortgages	
Loans to or guaranteed by credit institutions	7
Other private lending	9
Other corporate lending	
Foreign:	
Loans guaranteed by public authorities	
Loans secured by mortgages	
Loans to or guaranteed by credit institutions	4
Other private lending	10
Other corporate lending	19
Total recoveries	49
Net charge-offs	(1,153)
Additions and other adjustments (included in value Adjustments to receivables of the Banking operations), excluding foreign currency exchange	850
Balance on December 31	**4,671**

Ratio of net charge-offs to average loans and advances to banks and customers	0.37%

Additions to the provision for loan losses presented in the table above were influenced by developments in general economic conditions as well as certain individual exposures.

Table of Contents

The following table shows the allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2007, 2006 and 2005 under IFRS-EU.

	Year ended December 31							
	2007		2006		2005		2004	
	EUR	%(1)	EUR	%(1)	EUR	%(1)	EUR	%(1)
IFRS-EU				(EUR millions)				
Domestic:								
Loans guaranteed by public authorities		2.56		3.46	1	3.23	1	2.06
Loans secured by mortgages	96	24.62	96	25.40	93	25.82	198	29.23
Loans to or guaranteed by credit institutions	11	2.85		1.42		1.06		2.07
Other private lending	181	1.21	357	1.36	230	2.31	181	1.81
Other corporate lending	377	17.91	280	18.93	594	18.69	692	10.13
Total domestic	665	49.15	733	50.57	918	51.11	1,072	45.30
Foreign:								
Loans guaranteed by public authorities	1	1.56	2	2.00	2	4.07	36	4.83
Loans secured by mortgages	203	23.10	177	18.40	273	16.20	213	15.00
Loans to or guaranteed by credit institutions	3	5.56	6	6.75	13	5.51	23	7.47
Other private lending	374	3.10	408	3.45	408	3.53	344	2.39
Other corporate lending	755	17.53	1,316	18.83	1,699	19.58	2,574	25.01
Total foreign	1,336	50.85	1,909	49.43	2,395	48.89	3,190	54.70
Total	**2,001**	**100.00**	**2,642**	**100.00**	**3,313**	**100.00**	**4,262**	**100.00**

(1) The percentages represent the loans in each category as a

percentage of the total loan portfolio for loans and advances to banks and customers.

The following table shows the allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2003 under Dutch GAAP.

	Year ended December 31 2003	
	EUR	%(1)
Dutch GAAP	**(EUR millions)**	
Domestic:		
Loans guaranteed by public authorities		2.00
Loans secured by mortgages	164	29.15
Loans to or guaranteed by credit institutions		2.59
Other private lending	258	2.17
Other corporate lending	728	11.83
Total domestic	1,150	47.75
Foreign:		
Loans guaranteed by public authorities	30	5.14
Loans secured by mortgages	238	12.27
Loans to or guaranteed by credit institutions	28	5.54
Other private lending	385	2.42
Other corporate lending	2,840	26.89
Total foreign	3,521	52.25
Total	**4,671**	**100.00**

(1) The percentages represent the loans in each category as a percentage of the total loan portfolio for loans and advances to banks and customers.

DEPOSITS

The aggregate average balance of all the Group s interest-bearing deposits (from banks and customer accounts) increased by 6.68% to EUR 633,924 million for 2007, compared to 2006. Interest rates paid reflect market conditions. The effect on net interest income depends upon competitive pricing and the level of interest income that can be generated through the use of funds.

Table of Contents

Deposits by banks are primarily time deposits, the majority of which are raised by the Group s Amsterdam based money market operations in the world s major financial markets.
Certificates of deposit represent 31% of the category Debt securities (19% at the end of 2006). These instruments are issued as part of liquidity management with maturities generally of less than three months.
The following table includes the average deposit balance by category of deposit and the related average rate.

	2007		2006		2005	
	Average Deposit (EUR millions)	Average Rate %	Average Deposit (EUR millions)	Average Rate %	Average deposit (EUR millions)	Average rate %
Deposits by banks						
In domestic offices:						
Demand non-interest bearing	4,278		2,404		944	
interest bearing	20,909	5.3	16,118	4.5	1.231	2.3
Time	58,601	3.1	31,896	4.3	31,338	2.7
Other	1,900	4.1	1,474	4.0	9,095	2.1
Total domestic offices	85,688		51,892		42,608	
In foreign offices:						
Demand non-interest bearing	2,149		1,556		1,687	
interest bearing	7,295	5.8	4,184	3.2	3,766	3.7
Time	35,679	5.3	33,802	3.4	32,649	2.7
Other	31,975	4.7	31,520	4.5	39,963	4.1
Total foreign offices	77,098		71,062		78,065	
Total deposits by banks	**162,786**		**122,954**		**120,673**	
Customer accounts						
In domestic offices:						
Demand non-interest bearing	16,702		15,804		15,691	
interest bearing	100,618	2.1	86,748	1.8	70,559	0.8
Savings	63,001	2.3	66,765	2.3	63,205	2.4
Time	35,767	3.9	20,062	4.6	9,275	5.2
Other	1,578	4.8	1,809	4.5	2,966	3.1
Total domestic offices	217,666		191,188		161,696	
In foreign offices:						
Demand non-interest bearing	4,887		4,401		3,780	
interest bearing	41,519	3.5	33,403	2.3	30,134	1.7
Savings	228,030	3.8	228,636	3.4	200,066	3.1
Time	34,987	3.8	28,149	3.9	26,227	3.3
Other	4,672	3.6	9,673	1.4	16,777	1.7

Total foreign offices	314,095		304,262		276,984	
Total customers accounts	**531,761**		**495,450**		**438,680**	
Debt securities						
In domestic offices:						
Debentures	5,054	5.0	5,481	4.4	5,141	6.2
Certificates of deposit	3,441	4.7	2,531	3.8	1,566	2.8
Other	2,216	5.7	1,722	4.2	1,396	3.4
Total domestic offices	10,711		9,734		8,103	
In foreign offices:						
Debentures	8,609	5.8	23,197	3.8	19,447	7.1
Certificates of deposit	17,815	5.9	11,027	5.0	7,715	4.5
Other	32,008	5.3	28,150	4.7	24,009	3.6
Total foreign offices	58,432		62,374		51,171	
Total debt securities	**69,143**		**72,108**		**59,274**	

Table of Contents

For the years ended December 31, 2007, 2006 and 2005, the aggregate amount of deposits by foreign depositors in domestic offices was EUR 78,227 million, EUR 69,838 million and EUR 46,126 million, respectively.
On December 31, 2007, the maturity of domestic time certificates of deposit and other time deposits, exceeding EUR 20,000, was:

	Time certificates of deposit		Other time deposits	
	(EUR millions)	%	(EUR millions)	%
3 months or less	5,476	90.3	78,802	89.6
6 months or less but over 3 months	412	6.8	4,011	4.6
12 months or less but over 6 months	172	2.8	2,672	3.0
Over 12 months	8	0.1	2,504	2.8
Total	**6,068**	**100**	**87,989**	**100**

The following table shows the amount outstanding for time certificates of deposit and other time deposits exceeding EUR 20,000 issued by foreign offices on December 31, 2007.

	(EUR millions)
Time certificates of deposit	15,785
Other time deposits	90,544
Total	**106,329**

Short-term Borrowings
Short-term borrowings are borrowings with an original maturity of one year or less. Commercial paper and securities sold under repurchase agreements are the only significant categories of short-term borrowings within our banking operations.
The following table sets forth certain information relating to the categories of our short-term borrowings.

	Year ended December 31		
	2007	2006	2005
IFRS-EU		(EUR millions, except % data)	
Commercial paper:			
Balance at the end of the year	14,393	35,682	22,836
Monthly average balance outstanding during the year	30,403	26,416	21,314
Maximum balance outstanding at any period end during the year	**37,304**	**35,682**	**23,265**
Weighted average interest rate during the year	**5.80%**	**4.87%**	**3.86%**
Weighted average interest rate on balance at the end of the year	**6.02%**	**3.60%**	**3.60%**
Securities sold under repurchase agreements:			
Balance at the end of the year	127,111	101,239	79,609
Monthly average balance outstanding during the year	124,723	103,951	77,611
Maximum balance outstanding at any period end during the year	**142,753**	**122,619**	**95,616**

Weighted average interest rate during the year	**4.66%**	**3.03%**	**2.38%**
Weighted average interest rate on balance at the end of the year	**4.57%**	**3.11%**	**2.32%**

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F	2
CONSOLIDATED BALANCE SHEET	F	3
CONSOLIDATED PROFIT AND LOSS ACCOUNT	F	4
CONSOLIDATED STATEMENT OF CASH FLOWS	F	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	F	7
ACCOUNTING POLICIES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT	F	9
ACCOUNTING POLICIES FOR THE CONSOLIDATED STATEMENT OF CASH FLOWS	F	27
NOTES TO THE CONSOLIDATED BALANCE SHEET	F	27
ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET	F	56
NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT	F	78
SEGMENT REPORTING	F	89
NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS	F	95
RISK MANAGEMENT	F	96
CAPITAL MANAGEMENT	F	145
SUPPLEMENTAL INFORMATION	F	152
SHAREHOLDERS EQUITY AND NET PROFIT ON THE BASIS OF IFRS-IASB	F	164
SHAREHOLDERS EQUITY AND NET PROFIT ON THE BASIS OF U.S. GAAP	F	165
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F	179
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ING BANK BELGIUM N.V./S.A.	F	180
GLOSSARY	F	182
SCHEDULE I: SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES	F	190
SCHEDULE III: SUPPLEMENTARY INSURANCE INFORMATION	F	191

SCHEDULE IV: REINSURANCE **F** **192**

SCHEDULE VI: SUPPLEMENTARY INFORMATION CONCERNING NON-LIFE INSURANCE OPERATIONS **F** **193**

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, the Supervisory Board and the Executive Board of ING Groep N.V.

We have audited the accompanying consolidated balance sheets of ING Groep N.V. as of December 31, 2007 and 2006, and the related consolidated profit and loss accounts, consolidated statements of cash flows and consolidated statements of changes in equity for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedules listed in the Index at Item 18. These financial statements and schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits. We did not audit the consolidated financial statements of ING Bank N.V., a wholly owned subsidiary. In our position we did not audit capital base, as defined in Note 2.2.2 to the consolidated financial statements, constituting 41% in 2007 and 37% in 2006 and net profit constituting 29% in 2007, 37% in 2006 and 45% in 2005 of the related consolidated totals of ING Groep N.V. These data were reported on by other auditors whose report has been furnished to us, and our opinion insofar as it relates to data included for ING Bank N.V. is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts (including the conversion of the financial statements of ING Groep N.V. to International Financial Reporting Standards as issued by the International Accounting Standards Board as of December 31, 2007 and for the year then ended, and the conversion of the financial statements of ING Groep N.V to U.S. generally accepted accounting principles as of December 31, 2006 and for each of the two years in the period then ended) and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the ING Groep N.V. as of December 31, 2007 and 2006, and the consolidated results of its operations, and it cash flows for each of the three years in the period ended December 31, 2007, in conformity with International Financial Reporting Standards as adopted by the European Union. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in section Changes in accounting policies and presentation on page F-9 in Note 2.1.1 to the consolidated financial statements, as of January 1, 2007 ING Groep N.V. changed the level at which the adequacy test of the provision for insurance contracts is evaluated.

International Financial Reporting Standards as adopted by the European Union vary in certain significant respects from International Financial Reporting Standards as issued by the International Accounting Standards Board and U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in Notes 2.4 and 2.5, respectively, of the Notes to the Consolidated Financial Statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of ING Groep N.V. s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 17, 2008 expressed an unqualified opinion thereon.

Amsterdam, the Netherlands
March 17, 2008
Ernst & Young Accountants

Table of Contents

CONSOLIDATED BALANCE SHEET OF ING GROUP AS AT DECEMBER 31,
Before profit appropriation

amounts in millions of euros	**2007**	2006
ASSETS		
Cash and balances with central banks **1**	**12,406**	14,326
Amounts due from banks **2**	**48,875**	39,868
Financial assets at fair value through profit and loss **3**		
trading assets	**193,213**	193,977
investments for risk of policyholders	**114,827**	110,547
non-trading derivatives	**7,637**	6,521
designated as at fair value through profit and loss	**11,453**	6,425
Investments **4**		
available-for-sale	**275,897**	293,921
held-to-maturity	**16,753**	17,660
Loans and advances to customers **5**	**552,964**	474,437
Reinsurance contracts **17**	**5,874**	6,529
Investments in associates **6**	**5,014**	4,343
Real estate investments **7**	**4,829**	6,974
Property and equipment **8**	**6,237**	6,031
Intangible assets **9**	**5,740**	3,522
Deferred acquisition costs **10**	**10,692**	10,163
Other assets **11**	**40,099**	31,063
Total assets	**1,312,510**	1,226,307
EQUITY		
Shareholders equity (parent) **12**	**37,208**	38,266
Minority interests	**2,323**	2,949
Total equity	**39,531**	41,215
LIABILITIES		
Preference shares **13**	**21**	215
Subordinated loans **14**	**7,325**	6,014
Debt securities in issue **15**	**66,995**	78,133
Other borrowed funds **16**	**27,058**	29,639
Insurance and investment contracts **17**	**265,712**	268,683
Amounts due to banks **18**	**166,972**	120,839
Customer deposits and other funds on deposit **19**	**525,216**	496,680
Financial liabilities at fair value through profit and loss **20**		
trading liabilities	**148,988**	127,975
non-trading derivatives	**6,951**	4,934
designated as at fair value through profit and loss	**13,882**	13,702
Other liabilities **21**	**43,859**	38,278
Total liabilities	**1,272,979**	1,185,092

Total equity and liabilities	**1,312,510**	1,226,307

References relate to the notes starting on page F 27 which form an integral part of the consolidated annual accounts.

Table of Contents

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP
For the years ended December 31,

amounts in millions of euros	**2007**	**2007**	2006	2006	2005	2005
Interest income banking operations	**76,749**		59,170		48,176	
Interest expense banking operations	**(67,773)**		(49,978)		(39,109)	
Interest result banking operations **34**		**8,976**		9,192		9,067
Gross premium income **35**		**46,818**		46,835		45,758
Investment income **36**		**13,352**		10,907		10,434
Net gains/losses on disposals of group companies		**430**		1		390
Gross commission income	**7,693**		6,867		5,845	
Commission expense	**(2,866)**		(2,551)		(2,098)	
Commission income **37**		**4,827**		4,316		3,747
Valuation results on non-trading derivatives **38**		**(561)**		89		47
Net trading income **39**		**1,119**		1,172		426
Share of profit from associates **6**		**740**		638		541
Other income **40**		**885**		471		710
Total income		**76,586**		73,621		71,120
Gross underwriting expenditure	**51,818**		53,065		54,594	
Investment income for risk of policyholders	**(1,079)**		(2,702)		(5,074)	
Reinsurance recoveries	**(1,906)**		(2,175)		(2,400)	
Underwriting expenditure **41**		**48,833**		48,188		47,120
Addition to loan loss provisions **5**		**125**		103		88
Other impairments **42**		**(3)**		27		76
Staff expenses **43**		**8,261**		7,918		7,646
Other interest expenses **44**		**1,102**		1,016		969
Other operating expenses **45**		**7,225**		6,429		6,327
Total expenses		**65,543**		63,681		62,226
Profit before tax		**11,043**		9,940		8,894
Taxation **46**		**1,535**		1,907		1,379
		9,508		8,033		7,515

Net profit (before minority interests)				
Attributable to:				
Shareholders of the parent	**9,241**	7,692		7,210
Minority interests	**267**	341		305
	9,508	8,033		7,515

amounts in euros		**2007**	2006	2005
Earnings per ordinary share attributable to shareholders of parent	**47**	**4.32**	3.57	3.32
Diluted earnings per ordinary share	**47**	**4.28**	3.53	3.32
Dividend per ordinary share	**48**	**1.48**	1.32	1.18

References relate to the notes starting on page F 78 which form an integral part of the consolidated annual accounts.

Table of Contents

CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP
For the years ended December 31,

amounts in millions of euros	**2007**	2006	2005
Profit before tax	**11,043**	9,940	8,894
Adjusted for depreciation	**1,382**	1,298	1,278
deferred acquisition costs and VOBA	**(1,338)**	(1,317)	(1,141)
increase in provisions for insurance and investment contracts	**26,494**	17,689	21,250
addition to loan loss provisions	**125**	103	88
other	**(3,897)**	(4,778)	(1,282)
Taxation paid	**(1,347)**	(1,739)	(1,398)
Changes in amounts due from banks, not available on demand	**(8,690)**	3,117	(720)
trading assets	**2,997**	(48,168)	(29,925)
non-trading derivatives	**261**	(179)	2,596
other financial assets at fair value through profit and loss	**(4,878)**	3,930	(2,193)
loans and advances to customers	**(75,501)**	(59,800)	(62,709)
other assets	**(6,534)**	1,218	(7,551)
amounts due to banks, not payable on demand	**15,414**	1,925	19,405
customer deposits and other funds on deposit	**28,640**	47,521	62,089
trading liabilities	**20,916**	38,821	13,442
other financial liabilities at fair value through profit and loss	**44**	2,405	8,398
other liabilities	**6,577**	(2,416)	3,568
Net cash flow from operating activities	**11,708**	9,570	34,089
Investments and advances group companies	**(3,215)**	(2,358)	(250)
associates	**(1,221)**	(449)	(858)
available-for-sale investments	**(284,006)**	(295,086)	(260,769)
held-to-maturity investments			(1,030)
real estate investments	**(876)**	(1,588)	(1,156)
property and equipment	**(575)**	(568)	(540)
assets subject to operating leases	**(1,393)**	(1,164)	(991)
investments for risk of policyholders	**(54,438)**	(44,116)	(41,781)
other investments	**(316)**	(250)	(164)
Disposals and redemptions group companies	**1,012**	490	703
associates	**1,049**	459	1,058
available-for-sale investments	**281,198**	271,983	218,847
held-to-maturity investments	**822**	1,343	245
real estate investments	**309**	1,294	1,030
property and equipment	**151**	292	483
assets subject to operating leases	**417**	402	391
investments for risk of policyholders	**47,136**	37,945	34,464
other investments	**13**	51	13
Net cash flow from investing activities **51**	**(13,933)**	(31,320)	(50,305)
Proceeds from issuance of subordinated loans	**1,764**	865	1,901
Repayments of subordinated loans		(600)	(177)

Proceeds from borrowed funds and debt securities	**455,629**	304,228	237,340
Repayments of borrowed funds and debt securities	**(464,982)**	(283,728)	(229,498)
Issuance of ordinary shares	**397**	5	114
Payments to acquire treasury shares	**(3,446)**	(1,422)	(303)
Sales of treasury shares	**846**	373	55
Dividends paid	**(3,039)**	(2,716)	(2,461)
Net cash flow from financing activities	**(12,831)**	17,005	6,971
Net cash flow **52**	**(15,056)**	(4,745)	(9,245)
Cash and cash equivalents at beginning of year	**(1,795)**	3,335	11,588
Implementation IAS 32/39			692
Effect of exchange rate changes on cash and cash equivalents	**40**	(385)	300
Cash and cash equivalents at end of year **53**	**(16,811)**	(1,795)	3,335

Cash and cash equivalents at December 31, 2007 of EUR (16,811) million includes cash and balances with central banks of EUR 12,406 million. Reference is made to Note 53 Cash and Cash equivalents .

Table of Contents

CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP
For the years ended December 31,

References relate to the notes starting on page F 95 which form an integral part of the consolidated annual accounts.

Table of Contents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ING GROUP
For the years ended December 31,

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholders equity (parent)	Minority interests	Total equity
Balance as at January 1, 2005	634	8,525	14,910	24,069	3,481	27,550
Implementation IAS 32/39 and IFRS 4	(104)	(191)	4,398	4,103	(1,386)	2,717
Unrealized revaluations after taxation			2,514	2,514	(32)	2,482
Realized gains/losses transferred to profit and loss			(663)	(663)		(663)
Changes in cash flow hedge reserve			764	764		764
Transfer to insurance liabilities/DAC			(89)	(89)	17	(72)
Employee stock option and share plans			63	63		63
Exchange rate differences			1,217	1,217	14	1,231
Total amount recognized directly in equity			3,806	3,806	(1)	3,805
Net profit			7,210	7,210	305	7,515
			11,016	11,016	304	11,320
Changes in composition of the group					(710)	(710)
Dividends [1]			(2,461)	(2,461)		(2,461)
Exercise of warrants and options		9		9		9
Balance as at December 31, 2005	530	8,343	27,863	36,736	1,689	38,425
Unrealized revaluations after taxation			(1,096)	(1,096)	(8)	(1,104)
Realized gains/losses transferred to profit and loss			(759)	(759)	(1)	(760)
Changes in cash flow hedge reserve			(696)	(696		(696)
Transfer to insurance liabilities/DAC			820	820	(3	817

Employee stock option and share plans			100	100	2	102
Exchange rate differences			(1,335)	(1,335)	(70)	(1,405)
Total amount recognized directly in equity			(2,966)	(2,966)	(80)	(3,046)
Net profit			7,692	7,692	341	8,033
			4,726	4,726	261	4,987
Changes in composition of the group					1,034	1,034
Dividends [2]			(2,681)	(2,681)	(35)	(2,716)
Purchase/sale of treasury shares			(520)	(520)		(520)
Exercise of warrants and options		5		5		5
Balance as at December 31, 2006	530	8,348	29,388	38,266	2,949	41,215
Unrealized revaluations after taxation			**(1,135)**	**(1,135)**	**(109)**	**(1,244)**
Realized gains/losses transferred to profit and loss			**(3,186)**	**(3,186)**		**(3,186)**
Changes in cash flow hedge reserve			**(925)**	**(925)**		**(925)**
Transfer to insurance liabilities/DAC			**1,132**	**1,132**	**5**	**1,137**
Employee stock option and share plans			**104**	**104**		**104**
Exchange rate differences			**(1,381)**	**(1,381)**	**23**	**(1,358)**
Other revaluations					**31**	**31**
Total amount recognized directly in equity			**(5,391)**	**(5,391)**	**(50)**	**(5,441)**
Net profit			**9,241**	**9,241**	**267**	**9,508**
			3,850	**3,850**	**217**	**4,067**
Changes in composition of the group					**(745)**	**(745)**
Dividends [3]			**(2,999)**	**(2,999)**	**(40)**	**(3,039)**
Purchase/sale of treasury shares			**(2,304)**	**(2,304)**		**(2,304)**
Exercise of warrants and options	**4**	**391**		**395**		**395**
Change in minority interest shareholdings					**(58)**	**(58)**
	534	**8,739**	**27,935**	**37,208**	**2,323**	**39,531**

Balance as at December 31, 2007

(1) 2004 final dividend of EUR 0.58 per ordinary share and 2005 interim dividend of EUR 0.54 per ordinary share.

(2) 2005 final dividend of EUR 0.64 per ordinary share and 2006 interim dividend of EUR 0.59 per ordinary share.

(3) 2006 final dividend of EUR 0.73 per ordinary share and 2007 interim dividend of EUR 0.66 per ordinary share.

Table of Contents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ING GROUP
For the years ended December 31,

In 2007, deferred taxes for the year with regard to unrealized revaluations amounted to EUR 1,451 million (2006: EUR 1,339 million). For details on deferred tax see Note 21 Other liabilities .

Reserves include Revaluation reserve of EUR 4,937 million (2006: EUR 9,453 million; 2005: EUR 11,206 million), Currency translation reserve of EUR (1,354) million (2006: EUR (473) million; 2005: EUR 668 million) and Other reserves of EUR 24,352 million (2006: EUR 20,408 million; 2005: EUR 15,989 million). Changes in individual components are presented in Note 12 Shareholders equity (parent) .

For details on Implementation IAS 32/39 and IFRS 4 refer to section Implementation of IAS 32, IAS 39 and IFRS 4 at the end of the Accounting policies section.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Amounts in millions of euros, unless stated otherwise

2.1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1.1. ACCOUNTING POLICIES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP

AUTHORIZATION OF ANNUAL ACCOUNTS

The consolidated annual accounts of ING Groep N.V. (ING Group) for the year ended December 31, 2007 were authorized for issue in accordance with a resolution of the Executive Board on March 17, 2008. ING Groep N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principle activities of ING Group are described in the section ING at a glance in section 1.1.

BASIS OF PRESENTATION

ING Group applies International Financial Reporting Standards as adopted by the European Union (EU).

IFRS 7 Financial Instruments: Disclosure became effective as of January 1, 2007. Also during the year IFRIC 11 Group and treasury share transactions became effective. Neither of these recent standards and interpretations has had a material effect on equity nor profit for the period. Recently issued standards and interpretations that became effective after January 1, 2007 are not expected to have a material effect on equity or profit for the period. ING Group has not early adopted any new International Financial Reporting Standard or interpretation.

International Financial Reporting Standards as adopted by the EU provide several options in accounting policies. ING Group s accounting policies under International Financial Reporting Standards as adopted by the EU and its decision on the options available are set out in the section Principles of valuation and determination of results below.

In this document the term IFRS-EU is used to refer to International Financial Reporting Standards as adopted by the EU including the decisions ING Group made with regard to the options available under International Financial Reporting Standards as adopted by the EU.

As permitted by IFRS-EU ING Group adopted IAS 32 and IAS 39 and IFRS 4 for the accounting period beginning on January 1, 2005. For the resulting changes in policies made as at January 1, 2005 see section Implementation of IAS 32, IAS 39 and IFRS 4 at the end of the Accounting policies section.

As explained in the section Principles of valuation and determination of results and in Note 23 Derivatives and hedge accounting ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU carve out of IFRS-EU.

CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

As of January 1, 2007, the level at which the adequacy test of the provision for insurance contracts is evaluated has been aligned to the business lines, which is the level at which performance is evaluated and segments are reported. Previously, if it was determined using a best estimate (50%) confidence level that a shortfall existed in a business unit, then this shortfall was immediately recorded in the profit and loss account. Under the new policy, if it is determined using a best estimate (50%) confidence level that a shortfall exists in a business unit, and there are no offsetting amounts within other business units in the Business Line, then this shortfall is immediately recorded in the profit and loss account. This change in accounting policy has no effect on the equity or profit for any of the years presented in these annual accounts.

The presentation of, and certain terms used in, the balance sheet, the profit and loss account, cash flow statement, statement of changes in equity and certain notes has been changed to provide additional and more relevant information. Certain comparative amounts have been reclassified to conform with the current period presentation.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

CRITICAL ACCOUNTING POLICIES

ING Group has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to insurance provisions and deferred acquisition costs, the loan loss provision, the determination of the fair values of financial assets and liabilities and employee benefits. 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 under Principles of valuation and determination of results .

Insurance provisions, Deferred acquisition costs (DAC) and Value of business acquired (VOBA)

The establishment of insurance provisions, DAC and VOBA is an inherently uncertain process, involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends. Specifically, significant assumptions related to these items that could have a material impact on financial results include interest rates, mortality, morbidity, property and casualty claims, investment yields on equity and real estate, foreign currency exchange rates and reserve adequacy assumptions.

The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expense. Changes in assumptions may lead to changes in the insurance provisions over time. Furthermore, some of these assumptions can be volatile.

In addition, the adequacy of provision for life policies, net of DAC and VOBA, is evaluated regularly. The test involves comparing the established insurance provision with current best estimate assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour and other factors, and mortality and morbidity trends. The use of different assumptions in this test could lead to a different outcome.

Insurance provisions also include the impact of minimum guarantees which are contained within certain variable annuity products. This impact is dependant upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, and mortality and morbidity trends. The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expense.

See section Risk management for a sensitivity analysis of net profit and shareholders equity to insurance, interest rate, equity, foreign currency and real estate risks. These sensitivities are based on changes in assumptions that management considers reasonably likely at the balance sheet date.

Loan loss provisions

Loan loss provisions are recognized based on an incurred loss model. Considerable judgement is exercised in determining the extent of the loan loss provision (impairment) and is based on the management s evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit, industry and geographical concentration trends. Changes in such judgements and analyses may lead to changes in the loan loss provisions over time.

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.

Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk

characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Current observable data may include changes in unemployment rates, property prices and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Fair values of financial assets and liabilities

Fair values of financial assets and liabilities are determined using quoted market prices, where available. Market prices are obtained from independent market vendors, brokers, or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated. Furthermore, additional fair value adjustments may be necessary for liquidity or outdated data because transactions in a particular financial instrument do not take place on a regular basis.

For certain financial assets and liabilities no quoted market prices are available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations, credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding the pricing factors. The use of different valuation techniques and assumptions could produce materially different estimates of fair value. Price testing is done to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the profit and loss account. Price testing is performed to minimize the potential risks for economic losses due to materially incorrect or misused models.

See Note 33 Fair value of financial assets and liabilities for the basis of the determination of the fair value of financial instruments.

Employee benefits

Group companies operate various defined benefit retirement plans covering a significant number of its domestic and international employees.

The liability recognized in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains and losses, and unrecognized past service costs.

The determination of the defined benefit plan liability is based on internal and external actuarial models and calculations. The defined benefit obligation is calculated using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, health care costs trend rates, consumer price index, and the expected return on plan assets. The assumptions are based on available market data and the historical performance of plan assets, and are updated annually.

The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan liabilities and future pension costs. The effects of changes in actuarial assumptions and experience adjustments are not recognized in the profit and loss account unless the accumulated changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets and the excess is then amortized over the employees expected average remaining working lives. See Note 21 Other liabilities for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

Consolidation

ING Group (the Group) comprises ING Groep N.V. (the Company), ING Verzekeringen N.V., ING Bank N.V. and all other subsidiaries. The consolidated financial statements of ING Group comprise the accounts of ING Groep N.V. and each of those entities in which it either owns, directly or indirectly, more than half of the voting power or over which it has control of their operating and financial policies through situations including, but not limited to:

Ability to appoint or remove the majority of the board of directors;

Power to govern such policies under statute or agreement; and

Power over more than half of the voting rights through an agreement with other investors.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

A list of principal subsidiaries is included in Note 28 Principal subsidiaries .

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls another entity. For interests in investment vehicles the existence of control is determined taking into account both ING s financial interests for own risk and its role as investment manager.

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. On disposal, the difference between the sales price, net of directly attributable transaction costs, and the net assets is included in net profit.

All intercompany transactions, balances and unrealized surpluses and deficits on transactions between group companies have been eliminated. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of ING Groep N.V. There are no material restrictions on subsidiaries to transfer funds to ING Groep N.V.

ING Group s interests in jointly controlled entities are accounted for using proportionate consolidation. ING Group proportionately consolidates its share of the joint ventures individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in ING Group s financial statements. ING Group recognizes the portion of gains or losses on the sale of assets to the joint venture that is attributable to the other venturers. ING Group does not recognize its share of profits or losses from the joint venture that result from the purchase of assets by ING Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognized immediately.

Use of estimates and assumptions

The preparation of the consolidated financial statements 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 at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

The process of setting assumptions is subject to internal control procedures and approvals, and takes into account internal and external studies, industry statistics, environmental factors and trends, and regulatory requirements.

Segmental reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated. The business lines of the Group are the business segments and the primary segment reporting format. The geographical segments are considered the secondary.

Analysis of insurance business

Where amounts in respect of insurance business are analyzed into life and non-life , health and disability insurance business which is similar in nature to life insurance business included in life .

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Company s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, measured at fair value through profit and loss, are reported as part of the fair value gain or loss. Non-monetary items are retranslated at the date fair value is determined. Translation differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

Translation differences in the profit and loss account are generally included in Net trading income. Refer to Note 39 Net trading income , which discloses the amounts included in profit and loss. Translation differences relating to the disposal of Available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognized in Investment income. As mentioned in Group companies below any translation differences deferred in equity are recognized in the profit and loss account in Net gains and losses on disposals of group companies. Refer also to Note 12 Shareholders equity (parent) , which discloses the amounts included in profit and loss.

Group companies

The results and financial position of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet;

Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

All resulting exchange rate differences are recognized in a separate component of equity.

On consolidation exchange rate differences arising from the translation of a monetary item that forms part of the net investment in a foreign operation, and of borrowings and other instruments designated as hedges of such investments, are taken to shareholders equity. When a foreign operation is sold such exchange rate differences are recognized in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate ruling at the balance sheet date.

Fair values of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

See Note 33 Fair value of financial assets and liabilities for the basis of the determination of the fair value of financial instruments.

Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeazured to their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques (such as discounted cash flow models and option pricing models), as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Some credit protection contracts that take the legal form of a derivative, such as certain credit default swaps, are accounted for as financial guarantees.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge), hedges of highly probable future cash flows attributable to a recognized asset or liability or a forecast transaction (cash flow hedge), or hedges of a net investment

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions together with the methods selected to assess hedge effectiveness. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU carve out of IFRS-EU. The EU carve-out macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-EU carve-out , hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket.

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit and loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognized in the profit and loss account. Assessment is made when the Group first becomes party to the contract. Subsequent reassessment is made only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the profit and loss account, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortized in the profit and loss account over the remaining term of the original hedge or recognized directly when the hedged item is derecognized. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognized in the profit and loss account only when the hedged item is derecognized.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item will affect net profit. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity and the gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account. Gains and losses accumulated in equity are included in the profit and loss account when the foreign operation is disposed of.

Non-trading derivatives that do not qualify for hedge accounting

Derivative instruments that are used by the Group as part of its risk management strategies, but do not qualify for hedge accounting under the Group s accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to the profit and loss account.

Financial assets

Recognition of financial assets

All purchases and sales of financial assets classified as fair value through profit and loss, held-to-maturity and available-for-sale that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) are recognized at trade date, which is the date

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

that the Group commits to purchase or sell the asset. Loans and receivables are recognized at settlement date, which is the date the Group receives or delivers the asset.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognizes the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Group continues to recognize the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Group is exposed to changes in the value of the asset.

Classification of financial instruments

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss comprise two sub-categories: financial assets held for trading and other financial assets designated at fair value through profit and loss by management, including investments for risk of policyholders. A financial asset is classified as at fair value through profit and loss if acquired principally for the purpose of selling in the short term or if so designated by management. Designation by management will only take place if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. Investments for risk of policyholders are investments against insurance liabilities for which all changes in fair value of invested assets are offset by similar changes in insurance liabilities. Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit and loss is recognized in Interest income and Investment income in the profit and loss account using the effective interest method. Dividend income from equity instruments classified as at fair value through profit and loss is recognized in Investment income in the profit and loss account generally when the dividend has been declared. For all financial assets classified as at fair value through profit and loss changes in fair value are recognized in Net trading income.

Investments

Investments (including loans quoted in active markets) are classified either as held-to-maturity or available-for-sale and are initially recognized at fair value plus transaction costs. Investment securities and loans quoted in active markets with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities and actively traded loans intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortized. Interest income is recognized using the effective interest method. Available-for-sale financial assets are measured at fair value. Interest income from debt securities classified as Available-for-sale is recognized in Interest income and Investment income in the profit and loss account using the effective interest method. Dividend income from equity instruments classified as Available-for-sale is recognized in Investment income in the profit and loss account generally when the dividend has been declared. Unrealized gains and losses arising from changes in the fair value are recognized in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as investment income. For impairments of available-for-sale financial assets reference is made to the section Impairments of other financial assets . Investments in prepayment sensitive securities such as Interest-Only and Principal-Only strips are generally classified as available-for-sale.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the positive intent and ability to hold to maturity and which are designated as held-to-maturity assets are initially recognized at fair value plus transaction costs. Subsequently they are carried at amortized cost using the effective

interest method less any impairment losses. Interest income from debt securities classified as Held-to-maturity is recognized in Interest income in the profit and loss account using the effective interest method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs. Subsequently, they are carried at amortized cost using the effective interest method less any

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

impairment losses. Loans and receivables are included in the following balance sheet lines: Cash and balances with central banks, Amounts due from banks, Loans and advances to customers, and Other assets. Interest income from loans and receivables is recognized in Interest income and Investment income in the profit and loss account using the effective interest method.

Realized gains and losses on investments

Realized gains and losses on investments are determined as the difference between the sale proceeds and (amortized) cost. For equity securities the cost is determined using a weighted average per portfolio. For debt securities the cost is determined by specific identification.

Credit risk management classification

In relation to credit risk management disclosures provided in the Risk management section, classification follows the credit risk management characteristics of the instrument. The relationship between risk classifications and the classifications above is explained below:

- Lending risk arises when ING grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the balance sheet classification Loans and advances to customers and credit commitments in respect of off balance sheet items e.g. financial guarantees.
- Investment risk comprises the credit default and migration risk that is associated with ING s investment portfolio and mainly relates to the balance sheet classification Investments (available-for-sale and held-to-maturity).
- Money market risk arises when ING places short term deposits with a counterparty in order to manage excess liquidity and mainly relates to the balance sheet classification Amounts due from banks.
- Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk classification mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives).
- Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING has paid or delivered its side of the trade. Settlement risk mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and Investments (available-for-sale and held-to-maturity).

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount reported, in the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.

*Repurchase transactions and reverse repurchase transact*ions

Securities sold subject to repurchase agreements (repos) are retained in the consolidated financial statements. The counterparty liability is included in Amounts due to banks, Other borrowed funds or Customer deposits and other funds on deposit, as appropriate.

Securities purchased under agreements to resell (reverse repos) are recorded as Loans and advances to customers or Amounts due from banks, as appropriate. The difference between sale and repurchase price is treated as interest and amortized over the life of the agreement using the effective interest method.

*Loan loss provisi*ons

The Group assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The following circumstances, among others, are considered objective evidence that a financial asset or group of assets is impaired**:**

The borrower has sought or has been placed in bankruptcy or similar protection and this leads to the avoidance or delays repayment of the financial asset**;**

The borrower has failed in the repayment of principal, interest or fees and the payment failure has remained unsolved for a certain period**;**

The borrower has demonstra significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset;

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

The credit obligation has been restructured for non-commercial reasons. ING has granted concessions, for economic or legal reasons relating to the borrower s financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset;

Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by the Group s credit risk systems.

The Group does not consider events that may be expected to occur in the future as objective evidence and, consequently, they are not used as a basis for concluding that a financial asset or group of assets is impaired. In determining the impairment, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Losses expected as a result of future events, no matter how likely, are not recognized.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on an asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account (Loan loss provision) and the amount of the loss is recognized in the profit and loss account under Addition to loan loss provision . If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors ability to pay all amounts due according to the contractual terms of the assets being evaluated. The collective evaluation of impairment includes the application of a loss confirmation period to default probabilities. The loss confirmation period is a concept which recognizes that there is a period of time between the emergence of impairment triggers and the point-in-time at which those events are captured by the Group s credit risk systems. Accordingly, the application of the loss confirmation period ensures that impairments that are incurred but not yet identified are adequately reflected in the Group s loan loss provision. Though the loss confirmation periods are inherently uncertain, the Group applies estimates to sub-portfolios (e.g. large corporations, small and medium size enterprises and retail portfolios) that reflect factors such as the frequency with which customers in the sub-portfolio disclose credit risk sensitive information and the frequency with which they are subject to review by the Group s account managers. Generally, the frequency increases in relation to the size of the borrower. Loss confirmation periods are based on historical experience and are validated, and revised where necessary, through regular back-testing to ensure that they reflect recent experience and current events.

When a loan is uncollectible, it is written off against the related loan loss provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the loan loss provision and are recognized in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor s credit rating), the previously recognized impairment loss is reversed by adjusting the provision. The amount of the reversal is

recognized in the profit and loss account.

Impairment of other financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

considered in determining whether the assets are impaired. If any objective evidence exists for available-for-sale debt and equity investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in net profit is removed from equity and recognized in the profit and loss account. Impairment losses recognized on equity instruments can never be reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit and loss, the impairment loss is reversed through the profit and loss account.

Investments in associates

Associates are all entities over which the Group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to the following:

Representation on the board of directors;

Participation in the policy making process; and

Interchange of managerial personnel.

Investments in associates are initially recognized at cost and subsequently accounted for using the equity method of accounting.

The Group s investment in associates (net of any accumulated impairment loss) includes goodwill identified on acquisition. The Group s share of its associates post-acquisition profits or losses is recognized in the profit and loss account, and its share of post-acquisition changes in reserves is recognized in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When the Group s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting dates of all material associates are consistent with the reporting date of the Group.

For interests in investment vehicles the existence of significant influence is determined taking into account both the Group s financial interests for own risk and its role as investment manager.

Real estate investments

Real estate investments are stated at fair value at the balance sheet date. Changes in the carrying amount resulting from revaluations are recorded in the profit and loss account. On disposal the difference between the sale proceeds and book value is recognized in the profit and loss account.

Fair value of real estate investments is based on regular appraisals by independent qualified valuers. Each year a valuation is made, either by an independent valuer or internally, of every property. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions, and disposals made by the Group, are monitored as part of the procedures to back test the indexation methodology. All properties are valued independently at least every 5 years.

Property and equipment

Property in own use

Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying amount arising on revaluation of land and buildings held for own use are credited to the revaluation reserve in shareholders equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognized in net profit are recognized in the profit and loss account. Depreciation is

recognized based on the fair value and the estimated useful life (in general 20 50 years). Depreciation is calculated on a straight-line basis. On disposal the related revaluation reserve is transferred to retained earnings.

The fair values of land and buildings are based on regular appraisals by independent qualified valuers. Subsequent expenditure is included in the assets carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Property under construction

Land and buildings under construction (including real estate investments) are stated at the directly attributable purchase and construction costs incurred up to the balance sheet date plus borrowing costs incurred during construction and the Group s own development and supervision expenses, where necessary, less impairment losses.

Property held for sale

Property held for sale comprises properties obtained from foreclosures and property developed for sale for which there is no specifically negotiated contract. These properties are stated at the lower of cost and net realizable value. Cost includes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where the net realizable value is lower than the carrying amount, the impairment is recorded in the profit and loss account.

Property under development for third parties

Property under development where there is not yet a specifically negotiated contract is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and the Group s own directly attributable development and supervision expenses less any impairment losses. Profit is recognised using the completed contract method (on completion date of the property).

Property under development where there is a specifically negotiated contract is valued using the percentage of completion method (pro rata profit recognition).

Equipment

Equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over their estimated useful lives, which are generally as follows: for data processing equipment 2 to 5 years, and 4 to 10 years for fixtures and fittings. Expenditures for maintenance and repairs are charged to the profit and loss account as incurred. Expenditure incurred on major improvements is capitalized and depreciated.

Assets under operating leases

Assets leased out under operating leases in which ING is the lessor are stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over the lease term. Reference is made to the section Leases .

Disposals

The difference between the proceeds on disposal and net book value is recognized in the profit and loss account.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Leases

The Group as the lessee

The leases entered into by ING are primarily operating leases. The total payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

The Group as the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable under Loans and advances to customers or Amounts due from banks. The difference between the gross receivable and the present value of the receivable is unearned lease finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. When assets are held subject to an operating lease, the assets are included under Assets under operating leases.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Purchase accounting, goodwill and other intangible assets

Goodwill

ING Group s acquisitions are accounted for under the purchase method of accounting, whereby the cost of the acquisitions is allocated to the fair value of the assets, liabilities and contingent liabilities acquired. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and the Group s interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalized as an intangible asset. The results of the operations of the acquired companies are included in the profit and loss account from the date control is obtained.

Goodwill is only capitalized on acquisitions after the date of implementing IFRS-EU (January 1, 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on those acquisitions were charged directly to shareholders equity. Goodwill is allocated to cash-generating units for the purpose of impairment testing. These cash-generating units represent the lowest level at which goodwill is monitored for internal management purposes. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the cash generating units (including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

Adjustments to the fair value as of the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recorded as an adjustment to goodwill; any subsequent adjustment is recognized as income or expense. However, recognition of deferred tax assets after the acquisition date is recorded as an adjustment to goodwill even after the first year. On disposal of group companies, the difference between the sale proceeds and book value (including goodwill) and the unrealized results (including the currency translation reserve in equity) is included in the profit and loss account.

Computer software

Computer software that has been purchased or generated internally for own use is stated at cost less amortization and any impairment losses. Amortization is calculated on a straight-line basis over its useful life. This period will generally not exceed three years. Amortization is included in Other operating expenses.

Value of business acquired (VOBA)

VOBA is an asset that reflects the present value of estimated net cash flows embedded in the insurance contracts of an acquired company, which existed at the time the company was acquired. It represents the difference between the fair value of Insurance liabilities and their book value. VOBA is amortized in a similar manner to amortization of deferred acquisition costs as described in the section Deferred acquisition costs .

Other intangible assets

Other intangible assets are capitalized and amortized over their expected economic life, which is generally between three and ten years. Intangible assets with an indefinite life are not amortized.

Deferred acquisition costs

Deferred acquisition costs (DAC) are an asset and represent costs of acquiring insurance and investment contracts that are deferred and amortized. The deferred costs, all of which vary with (and are primarily related to) the production of new and renewal business, consist principally of commissions, certain underwriting and contract issuance expenses, and certain agency expenses. DAC is amortized over the life of the underlying contracts.

For traditional life insurance contracts, certain types of flexible life insurance contracts, and non-life contracts, DAC is amortized over the premium payment period in proportion to the premium revenue recognized.

For other types of flexible life insurance contracts DAC is amortized over the lives of the policies in relation to the emergence of estimated gross profits. Amortization is adjusted retrospectively when estimates of current or future gross profits, to be realized from a group of products, are revised. The estimates and the assumptions are reassessed at the end of each reporting period. For DAC on flexible insurance contracts the approach is that in determining the estimate of future gross profits ING assumes the short-term and long-term separate account growth rate assumption to be the same. Higher/lower expected profits (e.g. reflecting stock market performance or a change in the level of assets under management) may cause a lower/higher amortization of DAC due to the catch-up of amortization in previous

and future years. This process is known as DAC unlocking. The impact of the DAC unlocking is recorded in the profit and loss account of the period in which the unlocking occurs.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

DAC is evaluated for recoverability at issue. Subsequently it is tested on a regular basis together with the provision for life insurance liabilities and VOBA. The test for recoverability is described in the section Insurance, Investment and Reinsurance Contracts .

For certain products DAC is adjusted for the impact of unrealized results on allocated investments through equity.

Taxation

Income tax on the net profit for the year comprises current and deferred tax. Income tax is recognized in the profit and loss account but it is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognized as an asset where it is probable that future taxable profits will be available against which these losses can be utilized. Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognized in the profit and loss account together with the deferred gain or loss.

Financial liabilities

Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities. The dividends on these preference shares are recognized in the profit and loss account as interest expense using the effective interest method.

Borrowings are recognized initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in the profit and loss account.

Financial liabilities at fair value through profit and loss comprise two sub-categories: financial liabilities held for trading, and other financial liabilities designated at fair value through profit and loss by management. Designation by management will only take place if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. All other financial liabilities are measured at amortized cost.

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are initially recognized at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognized less cumulative amortization to reflect revenue recognition principles.

Insurance, investment and reinsurance contracts

Insurance contracts

Insurance policies which bear significant insurance risk are presented as insurance contracts. Provisions for liabilities under insurance contracts represent estimates of future payouts that will be required in respect of life and non-life insurance claims, including expenses relating to such claims. For some insurance contracts the measurement reflects

current market assumptions.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Provision for life insurance

The Provision for life insurance is calculated on the basis of a prudent prospective actuarial method, taking into account the conditions for current insurance contracts. Specific methodologies may differ between business units as they may reflect local regulatory requirements and local practices.

Insurance provisions on traditional life policies are calculated using various assumptions, including assumptions on mortality, morbidity, expenses, investment returns and surrenders. Assumptions for insurance provisions on traditional life insurance contracts, including traditional whole life and term life insurance contracts, are based on best estimate assumptions including margins for adverse deviations. The assumptions are set initially at the policy issue date and remain constant throughout the life of the policy, except in the case of loss recognition.

Insurance provisions for universal life, variable life and annuity contracts, unit-linked contracts, etc. are generally set equal to the balance that accrues to the benefit of the policyholders. Certain variable annuity products contain minimum guarantees on the amounts payable upon death and/or maturity. The insurance provisions include the impact of these minimum guarantees, taking into account the difference between the potential minimum benefit payable and the total account balance, expected mortality and surrender rates.

The as yet unamortized interest rate rebates on periodic and single premium contracts are deducted from the Provision for life insurance. Interest rate rebates granted during the year are capitalized and amortized in conformity with the anticipated recovery pattern and are recognized in the profit and loss account.

Provision for unearned premiums and unexpired insurance risks

The provision is calculated in proportion to the unexpired periods of risk. For insurance policies covering a risk increasing during the term of the policy at premium rates independent of age, this risk is taken into account in determining the provision. Further provisions are made to cover claims under unexpired insurance contracts, which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provision

The Claims provision is calculated either on a case-by-case basis or by approximation on the basis of experience. Provisions have also been made for claims incurred but not reported (IBNR) and for future claims handling expenses. The adequacy of the Claims provision is evaluated each year using standard actuarial techniques. In addition, IBNR reserves are set to recognize the estimated cost of losses that have occurred but which have not yet been notified to the Group.

Deferred profit sharing liability

For insurance contracts with discretionary participation features a deferred profit sharing liability is recorded for the full amount of the unrealized revaluation on allocated investments. Upon realization, the profit sharing on unrealized revaluation is reversed and a deferred profit sharing liability is recorded for the share in realized results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing liability is reduced with the actual allocation of profit sharing to individual policyholders.

Provisions for life insurance for risk of policyholders

The Provisions for life insurance for risk of policyholder are calculated on the same basis as the Provision for life insurance. For insurance contracts for risk of policyholders the provisions are generally shown at the balance sheet value of the associated investments.

Reinsurance contracts

Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in the same way as the original contracts for which the reinsurance was concluded. To the extent that the assuming reinsurers are unable to meet their obligations, the Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectible.

Adequacy test

The adequacy of the Provision for life insurance, net of unamortized interest rate rebates, DAC and VOBA (the net insurance liabilities), is evaluated regularly by each business unit. The test considers current estimates of all

contractual and related cash flows, and future developments. It includes investment income on the same basis as it is included in the profit and loss account.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

If, for any business unit, it is determined using a best estimate (50%) confidence level that a shortfall exists, and there are no offsetting amounts within other business units in the Business Line, then the shortfall is immediately recorded in the profit and loss account.

If, for any business unit, the net insurance liabilities are not adequate using a prudent (90%) confidence level, but there are offsetting amounts within other Group business units, then the business unit is allowed to take measures to strengthen the net insurance liabilities over a period no longer than the expected life of the policies. To the extent that there are no offsetting amounts within other Group business units then any shortfall at the 90% confidence level is immediately recorded in the profit and loss account.

If the net insurance liabilities are determined to be adequate at above the 90% confidence level, no reduction in the net insurance liabilities is recorded.

Investment contracts

Insurance policies without discretionary participation features which do not bear significant insurance risk are presented as Investment contracts. Provisions for liabilities under investment contracts are determined either at amortized cost, using the effective interest method (including certain initial acquisition expenses) or at fair value.

Other liabilities

Employee benefits pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains and losses, and unrecognized past service costs. The defined benefit obligation is calculated annually by internal and external actuaries using the projected unit credit method.

The expected value of the assets is calculated using the expected rate of return on plan assets. Differences between the expected return and the actual return on these plan assets and actuarial changes in the deferred benefit obligation are not recognized in the profit and loss account, unless the accumulated differences and changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. The excess is charged or credited to the profit and loss account over employees remaining working lives. The corridor was reset to nil at the date of transition to IFRS-EU.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as staff expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some group companies provide post-employment healthcare and other benefits to certain employees and former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Other provisions

A 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, however the timing or the amount is uncertain. Provisions are discounted when the effect of the time value of money is material using a pre-tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

Reorganization provisions include employee termination benefits when the Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Income recognition

Gross premium income

Premiums from life insurance policies are recognized as revenue when due from the policyholder. For non-life insurance policies, gross premium income is recognized on a pro-rata basis over the term of the related policy coverage. Receipts under investment contracts are not recognized as gross premium income.

Interest

Interest income and expense are recognized in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment.

All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the clean fair value are included in Valuation results on non-trading derivatives.

Fees and commissions

Fees and commissions are generally recognized as the service is provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognized on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Fees received and paid between banks for payment services are classified as commission income and expenses.

Lease income

The proceeds from leasing out assets under operating leases are recognized on a straight-line basis over the life of the lease agreement. Lease payments received in respect of finance leases when ING is the lessor are divided into an interest component (recognized as interest income) and a repayment component.

Expense recognition

Expenses are recognized in the profit and loss account as incurred or when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Share-based payments

Share-based payment expenses are recognized as the employees provide the service. A corresponding increase in equity is recognized if the services are received in an equity-settled share-based payment transaction. A liability is recognized if the services are acquired in a cash-settled share-based payment transaction. The cost of acquiring the services is expensed as a staff expense. Prior to 2007 ING Group generally provided equity-settled share-based payment transactions. However, from 2007 ING Group generally provides cash-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date and the

fair value of cash-settled share-based payment transactions is measured at each balance sheet date.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Earnings per ordinary share

Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding:

Own shares held by group companies are deducted from the total number of ordinary shares in issue;

The computation is based on daily averages;

In case of exercised warrants, the day of exercise is taken into consideration.

Diluted earnings per share data are computed as if the stock options and warrants outstanding at year-end were exercised at the beginning of the period. It is also assumed that ING Group uses the assumed proceeds thus received for stock options and warrants exercised to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from the exercise of warrants and stock options is added to the average number of shares used for the calculation of diluted earnings per share.

Share options with fixed or determinable terms are treated as options in the calculation of diluted earnings per share, even though they may be contingent on vesting. They are treated as outstanding on the grant date. Performance-based employee share options are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time.

Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

Implementation of IAS 32, IAS 39 and IFRS 4

ING Group applies IFRS-EU since 2004. However, as permitted by IFRS 1, ING Group implemented IAS 32, IAS 39 and IFRS 4 as of January 1, 2005.

The key differences between the former accounting policies under Dutch GAAP and IFRS-EU as applied as from January 1, 2005 for financial instruments and insurance contracts and their transitional impact on equity as at January 1, 2005 are summarized below.

Impact of IAS 32/39 and IFRS 4

amounts in millions of euros	As at January 1, 2005
Available-for-sale debt securities	9,922
Insurance provisions	(3,126)
Derivatives/hedge accounting/fair value option	(977)
Loans and advances to customers	465
Loan loss provisions	623
Venture capital investments	90
Other	(35)
Taxation	(2,460)
Classification of equity instruments shareholders equity	(399)
IFRS-EU impact on net profit and shareholders equity	4,103
Classification of equity instruments minority interests	(1,442)
Minority interests in equity	56

Total impact	2,717

Available-for-sale debt securities

Under IFRS-EU, quoted debt securities (non-trading) other than those designated as being held-to-maturity are reported at fair value, with changes in fair value recognized in a revaluation reserve in equity; realized results are recognized directly in the profit and loss account. Under Dutch GAAP, debt securities were reported at amortized cost; realized results were deferred and amortized over the remaining term.

Insurance provisions

Under IFRS-EU contracts that do not contain significant insurance risk are presented as investment contracts and measured either at amortized cost or at fair value.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

For insurance contracts with discretionary participation features, a deferred profit sharing liability is recorded under IFRS-EU for the full amount of unrealized results on allocated investments. In addition, a deferred profit sharing liability is recorded for the policyholders share in other differences between Dutch GAAP and IFRS-EU as at January 1, 2005.

Where deferred acquisition costs are amortized over the lives of policies in relation to the emergence of estimated gross profits, under IFRS-EU the amortization is adjusted through equity to reflect changes that would have been necessary if unrealized investment gains and losses had been realized.

Derivatives

Under IFRS-EU, all derivatives (including embedded derivatives that are not closely related to the host contract) are reported at fair value. Under Dutch GAAP, non-trading derivatives were valued similarly to the item being hedged (mainly at cost); realized results were deferred and amortized over the remaining term.

Hedge accounting

Under IFRS-EU, for derivatives qualifying as cash flow hedges and net investment hedges, the fair value movements are initially deferred in equity and subsequently released to the profit and loss account in the same period in which the hedged item affects profit and loss. For fair value hedges, the valuation of the hedged item is adjusted to reflect the hedged risk; this fair value adjustment on the hedged item is reported in the profit and loss account and (partly) offsets the fair value impact of the derivative that is also reported in the profit and loss account. Under Dutch GAAP, non-trading derivatives used for risk management purposes were valued similarly to the item being hedged (mainly at cost).

Fair value option

As an alternative to hedge accounting under IFRS-EU, financial assets and liabilities may be designated at fair value through profit and loss, which results in these being presented at fair value, with all changes in fair value recognized directly in the profit and loss account. Furthermore, the fair value option is applied to certain financial liabilities that are subject to market-making activities.

Loans and advances to customers

Under both Dutch GAAP and IFRS-EU loans are measured at amortized cost. Under IFRS-EU, certain fees/costs are capitalized and amortized whilst under Dutch GAAP they were expensed immediately (e.g. mortgage broker fees). The amortization of premiums, discounts and fees under IFRS-EU is based on effective yield whereas under Dutch GAAP these were amortized on a straight-line basis. Under IFRS-EU, realized results are reported in net profit. Under Dutch GAAP these were amortized over the remaining term (e.g. certain prepayment penalties on mortgages).

Loan loss provisions

Under IFRS-EU loan loss provisions are determined under a revised methodology based on a narrow interpretation of an incurred loss model. The application of the IFRS-EU methodology has reduced the amount of the unallocated provision for loan losses that ING Group provided in prior years to adequately capture various subjective and judgemental aspects of credit risk assessment which were not considered on an individual basis.

Venture capital investments

Under Dutch GAAP, venture capital investments were reported at the lower of cost or fair value. Under IFRS-EU, venture capital investments are reported at fair value.

Equity securities

Under Dutch GAAP, negative revaluations on equity securities were only charged to the profit and loss account as an impairment when triggered by the financial condition of the issuer. Under IFRS-EU, an impairment is also triggered by a significant or prolonged decline of the market value below cost. This did not affect Group equity at the date of transition to IFRS-EU.

Classification of equity instruments

Under Dutch GAAP, preference shares and trust preferred securities were classified as equity in accordance with their legal form. Under IFRS-EU, the terms and conditions of ING Group s preference shares and trust preferred securities require them to be classified as liabilities.

Taxation
Deferred taxation was adjusted for the (deferred) tax effect of the above differences between Dutch GAAP and IFRS-EU.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

2.1.2. ACCOUNTING POLICIES FOR THE CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP

The cash flow statement has been drawn up in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the profit before tax is adjusted for those items in the profit and loss account, and changes in balance sheet items, which do not result in actual cash flows during the year.

For the purposes of the cash flow statement, Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, amounts due from other banks and amounts due to banks. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The net cash flow shown in respect of Loans and advances to customers only relates to transactions involving actual payments or receipts. The Addition to loan loss provision which is deducted from the item Loans and advances to customers in the balance sheet has been adjusted accordingly from the profit before tax and is shown separately in the cash flow statement.

The difference between the net cash flow in accordance with the cash flow statement and the change in Cash and cash equivalents in the balance sheet is due to exchange rate differences and is separately accounted for as part of the reconciliation of the net cash flow and the balance sheet change in Cash and cash equivalents.

2.1.3. NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP

ASSETS

1 CASH AND BALANCES WITH CENTRAL BANKS

Cash and balances with central banks

	2007	2006
Amounts held at central banks	**8,376**	10,511
Cash and bank balances	**3,664**	3,563
Short term deposits insurance operations	**366**	252
	12,406	14,326

2 AMOUNTS DUE FROM BANKS

Amounts due from banks

	Netherlands		International		Total	
	2007	2006	**2007**	2006	**2007**	2006
Loans and advances to banks	**14,451**	4,660	**31,339**	31,751	**45,790**	36,411
Cash advances, overdrafts and other balances	**1,065**	285	**2,033**	3,176	**3,098**	3,461
	15,516	4,945	**33,372**	34,927	**48,888**	39,872
Loan loss provision	**(11)**		**(2)**	(4)	**(13)**	(4)

15,505	4,945	**33,370**	34,923	**48,875**	39,868

Amounts due from banks, at December 31, 2007, included receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 2,472 million (2006: EUR 2,249 million) and assets held under finance lease contracts amounting to EUR 232 million (2006: EUR 277 million).
As at December 31, 2007, the non-subordinated receivables amounted to EUR 48,705 million (2006: EUR 39,774 million), and the subordinated receivables amounted to EUR 170 million (2006: EUR 94 million).
No individual amount due from banks has terms and conditions that materially affect the amount, timing or certainty of consolidated cash flows of the Group. For details on significant concentrations see Risk management section.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss

	2007	2006
Trading assets	**193,213**	193,977
Investments for risk of policyholders	**114,827**	110,547
Non-trading derivatives	**7,637**	6,521
Designated as at fair value through profit and loss	**11,453**	6,425
	327,130	317,470

Trading assets by type

	2007	2006
Equity securities	**11,112**	14,717
Debt securities	**37,345**	38,287
Derivatives	**28,592**	22,514
Loans and receivables	**116,164**	118,459
	193,213	193,977

As at December 31, 2007, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 4 million (2006: EUR 13 million) and nil (2006: nil), respectively. As at December 31, 2007, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 386 million (2006: EUR 42 million) and EUR 629 million (2006: EUR 4,303 million), respectively.

Investments for risk of policyholders by type

	2007	2006
Equity securities	**106,061**	102,775
Debt securities	**7,398**	7,100
Loans and receivables	**122**	59
Other	**1,246**	613
	114,827	110,547

In 2007 none of the changes in the fair value of the loans and receivables included in Investments for risk of policyholders are attributable to changes in the credit risk of the financial assets (2006: nil), or cumulatively (2006: nil).

The fair value of credit derivatives included in trading assets and held to mitigate exposure to credit risk was EUR (7) million (2006: nil), and the change in their fair value in the period was EUR (7) million (2006: nil).

The cost of investments for risk of policyholders as at December 31, 2007 was EUR 105,625 million (2006: EUR 98,863 million).

Investments in investment funds (with underlying investments in debt, equity securities, real estate and derivatives) are included under equity securities.

Non-trading derivatives by type

	2007	2006
Derivatives used in:		
fair value hedges	**1,952**	1,080
cash flow hedges	**3,417**	3,617
hedges of net investments in foreign operations	**281**	3
Other non-trading derivatives	**1,987**	1,821
	7,637	6,521

Designated as at fair value through profit and loss by type

	2007	2006
Equity securities	**306**	193
Debt securities	**8,774**	4,744
Loans and receivables	**428**	306
Other	**1,945**	1,182
	11,453	6,425

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

In 2007 none of the change in the fair value of the loans and receivables designated as at fair value through profit and loss are attributable to changes in the credit risk of the financial assets (2006: nil), or cumulativelyl (2006: nil).
The fair value of credit derivatives included in non-trading derivatives and held to mitigate exposure to credit risk on debt securities was EUR (10) million (2006: EUR (2) million), and the change in their fair value in the period was nil (2006: nil).
As at December 31, 2007, trading assets include receivables of EUR 114,897 million (2006: EUR 118,053 million) with regard to reverse repurchase transactions.
Other includes alternative asset investments and limited partnerships.

4 INVESTMENTS

Investments by type

	2007	2006
Available-for-sale		
equity securities	**19,947**	18,225
debt securities	**255,950**	275,696
	275,897	293,921
Held-to-maturity		
debt securities	**16,753**	17,660
	16,753	17,660
	292,650	311,581

Changes in investments available-for-sale and held-to-maturity

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Opening balance	**18,225**	16,466	**275,696**	289,241	**17,660**	18,937	**311,581**	324,644
Additions	**7,788**	6,395	**275,497**	281,452			**283,285**	287,847
Amortization			**(181)**	(309)	**(59)**		**(240)**	(309)
Transfers	**512**	(294)	**(1,417)**	(249)		110	**(905)**	(433)
Changes in the composition of the group	**(536)**	(26)	**(2,903)**	(9,653)			**(3,439)**	(9,679)
Change in unrealized revaluations	**3,379**	1,956	**(6,284)**	(5,177)			**(2,905)**	(3,221)
Impairments and reversals	**(53)**	(42)	**(133)**	36			**(186)**	(6)
	(9,093)	(5,782)	**(272,106)**	(266,200)	**(822)**	(1,342)	**(282,021)**	(273,324)

Disposals and redemptions								
Exchange rate differences	**(275)**	(448)	**(12,219)**	(13,445)	**(26)**	(45)	**(12,520)**	(13,938)
Closing balance	**19,947**	18,225	**255,950**	275,696	**16,753**	17,660	**292,650**	311,581

Included in transfers of available-for-sale and held-to-maturity investments

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
To/from available-for-sale	**21**	49	**(21)**	(12)				37
To/from loans and advances	**(1)**		**(6)**	(122)			**(7)**	(122)
To/from fair value through profit and loss	**52**	(118)	**(1,386)**	(164)			**(1,334)**	(282)
To/from Investment in associates	**438**	(197)					**438**	(197)
To/from Other assets/Other liabilities	**2**	(28)	**(4)**	49		110	**(2)**	131
	512	(294)	**(1,417)**	(249)		110	**(905)**	(433)

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

The reclassification from Available-for-sale debt securities to Financial assets designated as at fair value through profit and loss relates to debt securities backing insurance contracts where current market assumptions were implemented in the measurement of the insurance contracts.

Available-for-sale equity securities by insurance and banking operations

	Listed		Unlisted		Total	
	2007	2006	**2007**	2006	**2007**	2006
Insurance operations	**14,082**	14,376	**2,240**	1,951	**16,322**	16,327
Banking operations	**3,309**	1,093	**316**	805	**3,625**	1,898
	17,391	15,469	**2,556**	2,756	**19,947**	18,225

Debt securities by insurance and banking operations

	Available-for-sale		Held-to-maturity		Total	
	2007	2006	**2007**	2006	**2007**	2006
Insurance operations	**115,944**	124,163			**115,944**	124,163
Banking operations	**140,006**	151,533	**16,753**	17,660	**156,759**	169,193
	255,950	275,696	**16,753**	17,660	**272,703**	293,356

As at December 31, 2007, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 13 million (2006: EUR 20 million) and nil (2006: nil), respectively, and debt securities which were lent or sold in repurchase transactions amounting to EUR 4,114 million (2006: EUR 2,119 million) and EUR 38,214 million (2006: EUR 37,804 million), respectively.

Borrowed debt securities are not recognized in the balance sheet and amounted to EUR 170 million as at December 31, 2007 (2006: EUR 460 million).

Investments in connection with the insurance operations with a combined carrying value of EUR 69 million (2006: EUR 43 million) were non-income-producing for the year ended December 31, 2007.

5 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by insurance and banking operations

	2007	2006
Insurance operations	**27,576**	37,606
Banking operations	**528,540**	440,375
	556,116	477,981
Eliminations	**(3,152)**	(3,544)
	552,964	474,437

Loans and advances to customers by type insurance operations

	Netherlands		International		Total	
	2007	2006	**2007**	2006	**2007**	2006
Policy loans	**54**	55	**3,414**	3,511	**3,468**	3,566
Loans secured by mortgages	**8,532**	18,335	**8,772**	9,539	**17,304**	27,874
Personal loans	**2,851**	3,736	**2,602**	913	**5,453**	4,649
Other	**378**	507	**1,003**	1,047	**1,381**	1,554
	11,815	22,633	**15,791**	15,010	**27,606**	37,643
Loan loss provisions	**(14)**	(12)	**(16)**	(25)	**(30)**	(37)
	11,801	22,621	**15,775**	14,985	**27,576**	37,606

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Loans and advances to customers by type banking operations

	Netherlands		International		Total	
	2007	2006	**2007**	2006	**2007**	2006
Loans to, or guaranteed by, public authorities	**14,678**	16,450	**8,961**	9,503	**23,639**	25,953
Loans secured by mortgages	**141,314**	120,753	**132,614**	87,458	**273,928**	208,211
Loans guaranteed by credit institutions	**1,951**	2,088	**591**	320	**2,542**	2,408
Other personal lending	**6,975**	6,484	**17,784**	16,422	**24,759**	22,906
Other corporate loans	**105,017**	93,988	**100,643**	89,547	**205,660**	183,535
	269,935	239,763	**260,593**	203,250	**530,528**	443,013
Loan loss provisions	**(654)**	(733)	**(1,334)**	(1,905)	**(1,988)**	(2,638)
	269,281	239,030	**259,259**	201,345	**528,540**	440,375

Loans and advances to customers analyzed by subordination banking operations

	2007	2006
Non-subordinated	**527,344**	439,850
Subordinated	**1,196**	525
	528,540	440,375

As at December 31, 2007, Loans and advances to customers included receivables with regard to securities which have been acquired in reverse repurchase transactions related to the banking operations amounting to EUR 4,569 million (2006: EUR 1,554 million).
No individual loan or advance has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group.
Loans and advances to customers and Amounts due from banks include finance lease receivables, analyzed as follows:

Finance lease receivables

	2007	2006
Maturities of gross investment in finance lease receivables		
within 1 year	**6,473**	4,641
more than 1 year but less than 5 years	**8,448**	8,061
more than 5 years	**3,753**	3,346
	18,674	16,048
Unearned future finance income on finance leases	**(3,109)**	(2,684)

Net investment in finance leases	**15,565**	13,364
Maturities of net investment in finance lease receivables		
within 1 year	**5,337**	3,943
more than 1 year but less than 5 years	**7,060**	6,813
more than 5 years	**3,168**	2,608
	15,565	13,364
Included in Amounts due from banks	**232**	277
Included in Loans and advances to customers	**15,333**	13,087
	15,565	13,364

The allowance for uncollectible finance lease receivables included in the loan loss provisions amounted to EUR 33 million at December 31, 2007 (2006: EUR 47 million).
No individual finance lease receivable has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Loan loss provisions analyzed by type banking operations

	Netherlands		International		Total	
	2007	2006	**2007**	2006	**2007**	2006
Loans secured by public authorities			**1**	2	**1**	2
Loans secured by mortgages	**96**	96	**203**	177	**299**	273
Loans guaranteed by credit institutions	**11**		**3**	6	**14**	6
Other personal lending	**181**	357	**374**	408	**555**	765
Other corporate loans	**377**	280	**755**	1,316	**1,132**	1,596
	665	733	**1,336**	1,909	**2,001**	2,642
The closing balance is included in						
amounts due from banks	**11**		**2**	4	**13**	4
loans and advances to customers	**654**	733	**1,334**	1,905	**1,988**	2,638
	665	733	**1,336**	1,909	**2,001**	2,642

Changes in loan loss provisions

	Insurance operations		Banking operations		Total	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**37**	47	**2,642**	3,313	**2,679**	3,360
Changes in the composition of the group	**(3)**		**98**	(101)	**95**	(101)
Write-offs	**(11)**	(4)	**(952)**	(691)	**(963)**	(695)
Recoveries	**1**		**59**	86	**60**	86
Increase in loan loss provisions	**8**	4	**125**	103	**133**	107
Exchange rate differences	**(1)**	(2)	**(19)**	(67)	**(20)**	(69)
Other changes	**(1)**	(8)	**48**	(1)	**47**	(9)
Closing balance	**30**	37	**2,001**	2,642	**2,031**	2,679

Changes in loan loss provisions relating to insurance operations are presented under Investment income. Changes in the loan loss provision relating to banking operations are presented on the face of the profit and loss account.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

6 INVESTMENTS IN ASSOCIATES

Investments in associates

2007	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30		481	16,028	15,002	180	436
ING Dutch Office Master Fund C.V.	24		348	1,718	257	202	24
ING Winkels Basisfonds	24		333	1,617	209	192	22
ING Industrial Fund Australia	18	303	303	3,124	1,338	411	168
Lionbrook Property Partnership	28		295	1,243	176	(60)	27
ING Woningen Basisfonds	25		237	1,116	112	135	48
Q-Park N.V.	19		191	3,911	2,914	458	403
ING Real Estate Asia Retail Fund	46		189	791	399	29	2
Property Fund Iberica	30		185	1,959	1,331	313	188
ING Retail Property Fund Australia	29		150	958	399	179	100
Lion Properties Fund	5		147	4,502	1,666	660	155
Lion Industrial Trust	9		142	3,001	1,157	387	106
B.V. Petroleum Maatschappij Moeara Enim	30		130	461		19	2
ING Re Nordic Property Fund	22		104	1,089	623	70	47
ING Vastgoed Kantoren C.V.	10		103	1,033	7	124	34
ING PF Brittanica	20		93	864	402	(7)	42
Lion Value Fund	33		92	423	143	76	14
ING Vastgoed Winkels C.V.	10		86	870	8	130	19
ING Office Fund Australia	6	69	83	2,134	763	443	152
Retail Property Fund France Belgium (RPFFB)	15		81	1,597	1,069	304	189
ING Logistics Property Fund Europe	25		78	574	263	76	31
Property Fund Central Europe	25		73	649	358	119	41

ING Retail Property Partnership Southern Europe	**23**	**66**	**1,150**	**857**	**111**	**78**
ING Property Fund Central and Eastern Europe	**23**	**66**	**761**	**478**	**40**	**39**
ING Vastgoed Woningen C.V.	**10**	**56**	**557**	**1**	**68**	**15**
Other investments in associates		**902**				
		5,014				

Other investments in associates represents a large number of associates with a balance sheet value of less than EUR 50 million.
Accumulated impairments have been recognized of EUR 29 million (2006: EUR 4 million).
For the above associates in which the interest held is below 20%, significant influence exists based on the combination of ING s financial interest for own risk and its role as investment manager.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Investments in associates

2006	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Vesteda	25		810	4,610	1,371	362	51
Lionbrook Property Partnership	30		355	1,276	106	214	20
ING Winkels Basisfonds	25		311	1,326	80	212	9
ING Woningen Basisfonds	25		227	990	84	93	8
Property Fund Iberica	30		186	1,792	1,160	319	175
Lion Properties Fund	5		144	3,904	1,049	567	155
Lion Industrial Fund	10		142	2,495	1,080	327	100
ING PF Brittanica	20		115	1,093	522	162	59
ING Industrial Fund Australia	12	157	165	1,685	617	250	53
ING Global Fund	10		56	600	40	179	4
Gables RE Trust Permanent/Bridge equity	6		45	1,646	805	279	147
ING Retail Property Fund Australia	29		124	744	321	66	21
Q-Park N.V.	19		166	1,995	1,120	95	86
B.V. Petroleum Maatschappij Moeara Enim	33		141	2,901	2,475	52	6
ING Korea Property Investments	15		32	458	248	30	31
ING Vastgoed Winkels C.V.	10		80	803	4	146	11
ING Office Fund Australia	6	62	60	1,548	627	272	69
ING Logistic Property C.V.	25		74	552	255	90	29
ING Convent Garden	32		59	318	130	76	9
Retail Property Fund France Belgium (RPFFB)	15		63	1,096	678	142	60
ING Vastgoed Woningen C.V.	10		54	541		71	9
Other investments in associates			934				
			4,343				

Changes in Investments in associates

	2007	2006
Opening balance	**4,343**	3,622
Additions	**1,222**	449
Changes in the composition of the group	**934**	152
Transfers to and from Investments	**(438)**	197
Revaluations	**(155)**	41
Share of results	**765**	638
Dividends received	**(224)**	(174)
Disposals	**(1,296)**	(511)
Impairments	**(25)**	(3)
Exchange rate differences	**(112)**	(68)
Closing balance	**5,014**	4,343

In 2007, share of results of EUR 765 million and impairments of EUR (25) million are presented in the profit and loss account in Share of profit from associates (EUR 740 million).

7 REAL ESTATE INVESTMENTS

Changes in real estate investments

	2007	2006
Opening balance	**6,974**	5,031
Additions	**878**	1,588
Changes in the composition of the group	**(2,919)**	1,497
Transfers to and from Property in own use	**(60)**	44
Transfers to and from Other assets	**13**	
Fair value gains/(losses)	**168**	175
Disposals	**(309)**	(1,293)
Exchange rate differences	**84**	(68)
Closing balance	**4,829**	6,974

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

In 2007 Changes in composition of the group relates mainly to the deconsolidation of Real estate funds as a result of the reduction of ING s shareholding in these funds.

Real estate investments by insurance and banking operations

	2007	2006
Insurance operations	**1,302**	3,310
Banking operations	**3,527**	3,664
	4,829	6,974

The total amount of rental income recognized in the profit and loss account for the year ended December 31, 2007 was EUR 402 million (2006: EUR 434 million). The total amount of contingent rent recognized in the profit and loss account for the year ended December 31, 2007 was EUR 14 million (2006: EUR 14 million).
The total amount of direct operating expenses (including repairs and maintenance) arising from Real estate investments that generated rental income for the year ended December 31, 2007 was EUR 64 million (2006: EUR 168 million). The total amount of direct operating expenses (including repairs and maintenance) arising from Real estate investments that did not generate rental income for the year ended December 31, 2007 was EUR 20 million (2006: EUR 32 million).

Appraisal of real estate investments during the last five years by independently qualified valuers (in percentages)

year of appraisal	
2007	**64**
2006	**36**
2005	**0**
2004	**0**
2003	**0**
	100

8 PROPERTY AND EQUIPMENT

Property and equipment by type

	2007	2006
Property in own use	**2,069**	2,034
Equipment	**1,270**	1,312
Assets under operating leases	**2,898**	2,685
	6,237	6,031

Property in own use by insurance and banking operations

	2007	2006

Insurance operations	**599**	694
Banking operations	**1,470**	1,340
	2,069	2,034

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Changes in property in own use

	2007	2006
Opening balance	**2,034**	2,271
Additions	**85**	68
Changes in the composition of the group	**29**	(14)
Transfers to and from Real estate investments	**60**	(44)
Transfers to and from Other assets	**59**	(4)
Depreciation	**(39)**	(64)
Revaluations	**(60)**	76
Reversal of impairments	**14**	4
Disposals	**(84)**	(221)
Exchange rate differences	**(29)**	(38)
Closing balance	**2,069**	2,034
Gross carrying amount as at December 31	**2,943**	2,883
Accumulated depreciation as at December 31	**(708)**	(669)
Accumulated impairments as at December 31	**(166)**	(180)
Net book value	**2,069**	2,034
Revaluation surplus		
Opening balance	**693**	612
Revaluation in year	**19**	82
Released in year	**(79)**	(1)
Closing balance	**633**	693

The cost or purchase price amounted to EUR 2,310 million (2006: EUR 2,190 million). Cost less accumulated depreciation would have been EUR 1,602 million (2006: EUR 1,521 million).

Appraisal of property in own use during the last five years by independently qualified valuers (in percentages)

year of appraisal	
2007	**39**
2006	**19**
2005	**26**
2004	**4**
2003	**12**
	100

Changes in equipment

	Data	Fixtures and fittings

	processing equipment		and other equipment		Total	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**283**	314	**1,029**	1,002	**1,312**	1,316
Additions	**177**	157	**309**	343	**486**	500
Changes in the composition of the group	**10**	(7)	**16**	(1)	**26**	(8)
Disposals	**(24)**	(9)	**(44)**	(63)	**(68)**	(72)
Depreciation	**(164)**	(177)	**(216)**	(222)	**(380)**	(399)
Impairments	**(1)**		**(1)**	(1)	**(2)**	(1)
Exchange rate differences	**(3)**	(6)	**(17)**	(26)	**(20)**	(32)
Other changes	**3**	11	**(87)**	(3)	**(84)**	8
Closing balance	**281**	283	**989**	1,029	**1,270**	1,312
Gross carrying amount as at December 31	**1,763**	1,499	**2,950**	2,729	**4,713**	4,228
Accumulated depreciation as at December 31	**(1,481)**	(1,216)	**(1,959)**	(1,699)	**(3,440)**	(2,915)
Accumulated impairments as at December 31	**(1)**		**(2)**	(1)	**(3)**	(1)
Net book value	**281**	283	**989**	1,029	**1,270**	1,312

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Changes in assets under operating leases

	Cars		Other leased-out assets		Total	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**2,671**	2,116	**14**	54	**2,685**	2,170
Additions	**1,396**	1,146	**2**	18	**1,398**	1,164
Changes to the composition of the group		417		(46)		371
Disposals	**(417)**	(400)		(2)	**(417)**	(402)
Depreciation	**(720)**	(617)	**(4)**	(10)	**(724)**	(627)
Exchange rate differences	**(44)**	9			**(44)**	9
Closing balance	**2,886**	2,671	**12**	14	**2,898**	2,685
Gross carrying amount as at December 31	**5,177**	3,938	**70**	39	**5,247**	3,977
Accumulated depreciation as at December 31	**(2,291)**	(1,267)	**(58)**	(25)	**(2,349)**	(1,292)
Net book value	**2,886**	2,671	**12**	14	**2,898**	2,685

Depreciation of assets under operating leases is included in the profit and loss account in other income as a deduction from operating lease income.
No individual operating lease has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group.
The Group leases assets to third parties under operating leases as lessor. The future minimum lease payments to be received under non cancellable operating leases are as follows:

Future minimum lease payments by maturity

	2007	2006
Within 1 year	**1,048**	926
More than 1 year but less than 5 years	**1,844**	1,754
More than 5 years	**6**	5
	2,898	2,685

9 INTANGIBLE ASSETS

Changes in intangible assets

	Value of business acquired		Goodwill		Software		Other		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006

Opening balance	**2,641**	2,986	**305**	173	**377**	408	**199**	94	**3,522**	3,661
Additions (bought)	**93**	107	**2,040**	169	**215**	194	**170**	59	**2,518**	529
Capitalized expenses					**124**				**124**	
Amortization	**(229)**	(175)			**(221)**	(200)	**(18)**	(8)	**(468)**	(383)
Impairments					**(14)**	(10)	**(1)**		**(15)**	(10)
Effect of unrealized revaluations in equity	**32**	18							**32**	18
Changes in the composition of the group	**25**	(5)	**(28)**	(21)	**9**	(6)	**390**	61	**396**	29
Exchange rate differences	**(261)**	(290)	**(71)**	(10)	**(5)**	(9)	**(18)**	(7)	**(355)**	(316)
Disposals			**(1)**	(6)	**(13)**				**(14)**	(6)
Closing balance	**2,301**	2,641	**2,245**	305	**472**	377	**722**	199	**5,740**	3,522
Gross carrying amount as at December 31	**2,946**	3,057	**2,245**	305	**1,379**	1,049	**766**	224	**7,336**	4,635
Accumulated amortization as at December 31	**(645)**	(416)			**(878)**	(657)	**(43)**	(25)	**(1,566)**	(1,098)
Accumulated impairments as at December 31					**(29)**	(15)	**(1)**		**(30)**	(15)
Net book value	**2,301**	2,641	**2,245**	305	**472**	377	**722**	199	**5,740**	3,522

Amortization of software and other intangible assets is included in the profit and loss account in Other operating expenses. Amortization of VOBA is included in Underwriting expenditure.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Additions to goodwill in 2007 include mainly EUR 1,818 million related to the acquisition of Landmark, Latin American Pension business of Santander, Oyak Bank and Sharebuilder Corporation. The increase in Other intangibles in 2007 includes mainly EUR 390 million related to the acquisition of Latin American Pension business of Santander and Oyak Bank. Reference is made to Note 29 Companies acquired and companies disposed .

10 DEFERRED ACQUISITION COSTS

Changes in deferred acquisition costs

	Investment contracts		Life insurance		Non-life insurance		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Opening balance	**83**	71	**9,645**	9,043	**435**	490	**10,163**	9,604
Capitalized	**31**	25	**2,766**	2,544	**257**	259	**3,054**	2,828
Amortization	**(12)**	(11)	**(1,266)**	(1,178)	**(274)**	(255)	**(1,552)**	(1,444)
Unlocking			**(28)**	(11)			**(28)**	(11)
Effect of unrealized revaluations in equity			**43**	43			**43**	43
Changes in the composition of the group					**(5)**		**(5)**	
Exchange rate differences	**(1)**	(2)	**(938)**	(812)	**10**	(43)	**(929)**	(857)
Disposal of portfolios			**(39)**	16	**(15)**	(16)	**(54)**	
Closing balance	**101**	83	**10,183**	9,645	**408**	435	**10,692**	10,163

For flexible life insurance contracts the growth rate assumption used for calculating the amortization of the deferred acquisition costs for 2007 is 6.6% gross and 5.6% net of investment management fees (2006: 7.6% gross and 6.1% net of investment management fees).

11 OTHER ASSETS

Other assets by type

	2007	2006
Reinsurance and insurance receivables	**3,664**	4,105
Deferred tax assets	**2,723**	1,872
Property held for sale	**2,993**	2,243
Property under development for third parties		96
Income tax receivable	**974**	1,222
Accrued interest and rents	**17,818**	14,535
Other accrued assets	**1,099**	1,167
Pension assets	**439**	251
Other receivables	**10,389**	5,572
	40,099	31,063

Disclosures in respect of deferred tax assets and pension assets are provided in Note 21 Other liabilities .
Included in the above table are assets measured at amortized cost under the IAS 39 classification Loans and receivables. These amount to EUR 8,844 million and are included in Accrued interest and rents.
The total amount of borrowing costs relating to Property under development for third parties, capitalized in 2007 is nil (2006: EUR 2 million).

Reinsurance and insurance receivables

	2007	2006
Receivables on account of direct insurance from:		
policyholders	**2,211**	2,390
intermediaries	**283**	239
Reinsurance receivables	**1,170**	1,476
	3,664	4,105

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Property held for sale

	2007	2006
Property held for sale	**530**	367
Other:		
property obtained from foreclosures	**48**	58
property developed for sale	**2,415**	1,818
	2,993	2,243
Gross carrying amount as at December 31	**3,104**	2,328
Accumulated impairments as at December 31	**(111)**	(85)
Net book value	**2,993**	2,243

EQUITY
12 SHAREHOLDERS EQUITY (PARENT)
Shareholders equity (parent)

	2007	2006	2005
Share capital	**534**	530	530
Share premium	**8,739**	8,348	8,343
Revaluation reserve	**4,937**	9,453	11,206
Currency translation reserve	**(1,354)**	(473)	668
Other reserves	**24,352**	20,408	15,989
Shareholders equity (parent)	**37,208**	38,266	36,736

The Revaluation reserve, Share of associates reserve (included in Other reserves) and Currency translation reserve cannot be freely distributed.
As at December 31, 2007 Other reserves included an amount of EUR 566 million (2006: EUR 566 million; 2005: EUR 583 million) related to Regio Bank NV (formerly Stichting Regio Bank) that cannot be freely distributed.
Share capital

	Ordinary shares (par value EUR 0.24)					
	Number X1,000			Amount		
	2007	2006	2005	**2007**	2006	2005
Authorized share capital	**3,000,000**	3,000,000	3,000,000	**720**	720	720
Unissued share capital	**773,555**	794,907	795,066	**186**	190	190
Issued share capital	**2,226,445**	2,205,093	2,204,934	**534**	530	530

Changes in issued share capital

	Ordinary shares (par value EUR 0.24)	
	Number X1,000	Amount
Issued share capital as at January 1, 2005	2,204,720	530
Issue of shares	214	
Issued share capital as at December 31, 2005	2,204,934	530
Issue of shares	96	
Exercise of B warrants and options	63	
Issued share capital as at December 31, 2006	2,205,093	530
Issue of shares	**5,569**	**1**
Exercise of B warrants and options	**15,783**	**3**
Issued share capital as at December 31, 2007	**2,226,445**	**534**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

In May 2007, ING announced a plan to adopt a buy-back programme under which it plans to purchase (depository receipts for) ordinary shares with a total value of EUR 5 billion over a period of 12 months, beginning in June 2007. During 2007 the total number of (depository receipts for) ordinary shares repurchased under this programme is 90.7 million at an average price of EUR 30.49, and a total consideration of EUR 2.8 billion. This represents completion of approximately 56% of the repurchase program. Shares bought back are included in the table Changes in treasury shares on page F-42.

Ordinary shares

All shares are in registered form. No share certificates have been issued. Shares may be transferred by means of a deed of transfer, subject to the approval of the Executive Board of ING Group. The par value of ordinary shares is EUR 0.24. The authorized ordinary share capital of ING Group consists of 3,000 million shares, of which as at December 31, 2007 2,226 million have been issued and fully paid.

Depository receipts for ordinary shares and preference shares

More than 99% of the ordinary shares and preference shares issued by ING Groep N.V. are held by the Stichting ING Aandelen (Trust Office ING Shares). In exchange for these shares, the Trust Office has issued depository receipts in bearer form for ordinary shares and for preference shares, respectively. The depository receipts are listed on various stock exchanges. Depository receipts can be exchanged for (non-listed) shares of the relevant category without any restriction.

The holder of a depository receipt is entitled to receive from the Trust Office payment of dividends and distributions corresponding with the dividends and distributions received by the Trust Office on a share of the relevant category. In addition, the holder of a depository receipt is entitled to attend and to speak at the General Meeting of Shareholders of ING Groep N.V. either in person or by proxy. A holder of a depository receipt, who thus attends the General Meeting of Shareholders, is entitled to vote as a proxy of the Trust Office but entirely at his own discretion for a number of shares equal to the number of his depository receipts of the relevant category.

A holder of depository receipts who does not attend the General Meeting of Shareholders in person or by proxy is entitled to give a binding voting instruction to the Trust Office for a number of shares equal to the number of his depository receipts of the relevant category.

Concentration of holders of depository receipts for shares

As at December 31, 2007, AllianceBernstein Corporation had an interest in depository receipts (for ordinary shares) of ING Groep N.V. of between 5% and 10%.

Depository receipts for ordinary shares held by ING Group

As at December 31, 2007, 126.8 million (2006: 53.8 million; 2005: 38.7 million) of depository receipts for ordinary shares of ING Groep N.V. with a par value of EUR 0.24 was held by ING Group or its subsidiaries. These were purchased as part of the buy-back plan announced in 2007 and to hedge option rights granted to the Executive Board members and other employees.

Dividend restrictions

ING Groep N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company s own funds over the sum of the paid-up capital, and reserves required by law. Additionally, certain group companies are subject to restrictions on the amount of funds they may transfer in the form of dividends or otherwise to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

B warrants

In 1998, ING Groep N.V. authorized the issue of a maximum of 17,317,132 B warrants, of which 17,220,200 have been issued. As at December 31, 2007, 9,266,097 B warrants were outstanding (2006: 17,157,891; 2005: 17,189,554). B warrant holders are entitled to obtain from ING Groep N.V., for a fixed price, depository receipts for ordinary shares in the proportion of 1 B warrant to 2 depository receipts. B warrant holders may exercise their rights at their

own discretion but no later than January 5, 2008. As at December 31, 2007, 601,356 B warrants (2006: nil; 2005: nil) were held by group companies of ING Group.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

The closing date for exercising warrants B was January 5, 2008. The exercise price of warrants B was EUR 49.92 for 2 depository receipts.

Changes in revaluation reserve

2007	**Property revaluation reserve**	**Available-for-sale reserve**	**Cash flow hedge reserve**	**Total**
Opening balance	**468**	**7,629**	**1,356**	**9,453**
Unrealized revaluations after taxation	**(29)**	**(1,508)**		**(1,537)**
Realized gains/losses transferred to profit and loss		**(3,186)**		**(3,186)**
Changes in cash flow hedge reserve			**(925)**	**(925)**
Transfer to insurance liabilities/DAC		**1,132**		**1,132**
Closing balance	**439**	**4,067**	**431**	**4,937**

Changes in revaluation reserve

2006	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	460	8,700	2,046	11,206
Unrealized revaluations after taxation	8	(1,087)		(1,079)
Realized gains/losses transferred to profit and loss		(804)		(804)
Changes in cash flow hedge reserve			(690)	(690)
Transfer to insurance liabilities/DAC		820		820
Closing balance	468	7,629	1,356	9,453

Changes in revaluation reserve

2005	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	382	875		1,257
Implementation IAS 32/39 and IFRS 4		6,256	1,282	7,538
Unrealized revaluations after taxation	53	2,095		2,148
Realized gains/losses transferred to profit and loss		(663)		(663)
Changes in cash flow hedge reserve			764	764
Transfer to insurance liabilities/DAC		(89)		(89)
Other revaluations	25	226		251
Closing balance	460	8,700	2,046	11,206

Changes in currency translation reserve

	2007	2006	2005
Opening balance	**(473)**	668	(184)
Implementation IAS 32/39 and IFRS 4			(556)
Unrealized revaluations after taxation	**500**	194	489
Realized gains/losses transferred to profit and loss	**(228)**		
Exchange rate differences	**(1,153)**	(1,335)	919
Closing balance	**(1,354)**	(473)	668

Changes in other reserves

2007	**Retained earnings**	**Share of associates reserve**	**Treasury shares**	**Other reserves**	**Total**
Opening balance	**20,700**	**1,181**	**(1,436)**	**(37)**	**20,408**
Profit for the year	**8,894**	**347**			**9,241**
Unrealized revaluations after taxation				**(98)**	**(98)**
Changes in treasury shares			**(2,304)**		**(2,304)**
Dividend	**(2,826)**	**(173)**			**(2,999)**
Employee stock options and share plans	**104**				**104**
Other	**153**	**(153)**			
Closing balance	**27,025**	**1,202**	**(3,740)**	**(135)**	**24,352**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Changes in other reserves

2006	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	16,262	608	(868)	(13)	15,989
Profit for the year	6,972	720			7,692
Unrealized revaluations after taxation				(124)	(124)
Changes in treasury shares			(520)		(520)
Dividend	(2,534)	(147)			(2,681)
Other			(48)	100	52
Closing balance	20,700	1,181	(1,436)	(37)	20,408

Changes in other reserves

2005	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	13,792	608	(563)		13,837
Implementation IAS 32/39 and IFRS 4	(2,584)				(2,584)
Profit for the year	7,210				7,210
Changes in treasury shares			(305)		(305)
Dividend	(2,461)				(2,461)
Other	305			(13)	292
Closing balance	16,262	608	(868	(13)	15,989

Changes in treasury shares

	Amount			Number		
	2007	2006	2005	**2007**	2006	2005
Opening balance	**1,436**	868	563	**53,859,235**	38,722,934	29,787,165
Purchased	**2,505**	1,030	381	**79,652,109**	30,858,427	13,013,029
Share based payments	**(201)**	(462)	(76)	**(6,751,515)**	(15,722,126)	(3,203,303)
Other						(873,957)
Closing balance	**3,740**	1,436	868	**126,759,829**	53,859,235	38,722,934

Preference shares are presented in the balance sheet under liabilities. See Note 13 Preference shares .

LIABILITIES

13 PREFERENCE SHARES

ING Group preference shares

Preference shares are divided into 2 categories: A preference shares and B preference shares. The authorized preference share capital of ING Groep N.V. consists of 100 million A preference shares with a par value of EUR 1.20, of which as at December 31, 2007 16,012,839 have been issued and 1,000 million B preference shares with a par value of EUR 0.24, of which none have been issued. The only movement in preference shares outstanding is explained under Buy-back of preference shares.

Preference shares may only be issued if at least the nominal value is paid up.

Preference shares rank before ordinary shares in entitlement to dividends and distributions upon liquidation of ING Groep N.V., but are subordinated to cumulative preference shares. Holders of A and B preference shares rank pari passu among themselves. If the profit or amount available for distribution to the holders of preference shares is not sufficient to make such distribution in full, the holders will receive a distribution in proportion to the amount they would have received if the distribution could have been made in full. The A preference shares and B preference shares are not cumulative and their holders will not be compensated in subsequent years for a shortfall in a prior year.

The ING Groep N.V. s Articles of Association make provision for cancellation of preference shares.

A preference shares

The dividend on the A preference shares is equal to a percentage of the amount (including share premium) for which the A preference shares were originally issued.

This percentage is calculated by taking the arithmetic mean of the average effective yield on the 5 longest-dated Dutch government loans, as determined by a Calculating Agent to be designated by the Executive Board for the last 20 stock exchange days preceding the day on which the first A preference

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

shares are issued, or, as the case may be, preceding the day on which the dividend percentage is adjusted. The percentage thus established may be increased or decreased by not more than 0.5 percentage points, depending on the market conditions then prevailing, as the Executive Board may decide with the approval of the Supervisory Board. The dividend on the A preference shares is set at EUR 0.1582 per year until January 1, 2014 at which stage the dividend percentage will be readjusted (and thereafter every 10 years) to the average effective yield at that time on the 5 longest-dated Dutch government loans.

A preference shares may only be cancelled if a distribution of the amount (including share premium) for which the A preference shares were originally issued reduced by the par value of the shares can be made on each A preference share. Upon liquidation of ING Groep N.V., a distribution of the amount (including share premium) for which the A preference shares were originally issued will, insofar as possible, be made on each A preference share.

Buy-back of preference shares

During 2007, ING Group bought back 57,016,572 (depository receipts for) A preference shares (2006: 24,051,039) at an average price of EUR 3.64 per share or EUR 207.5 million in total (2006: EUR 3.72 per share or EUR 89.5 million). The A preference shares were bought back from ABN AMRO Holding and Fortis as described below.

In July 2007, ING announced that agreement had been reached with Fortis Insurance Netherlands to buy-back 28,172,583 A preference shares of ING at a price of EUR 3.618175 per share or EUR 101,933,336 in total. Following the repurchase the preference shares were cancelled.

In October 2007, ING announced that agreement had been reached with ABN AMRO Holding to buy-back 28,843,989 A preference shares of ING Group. The transaction was completed in two tranches. On October 15, 2007, 18,843,989 A preference shares, were repurchased at a price of EUR 3.65 per share, or EUR 68,780,560 in total. Following the repurchase these preference share were cancelled. On 24 December, an additional 10,000,000 A preference shares were repurchased at a price of EUR 3.68 per share, or EUR 36,800,000. None of the 10 million preference shares had been cancelled at December 31, 2007, and are therefore included in the number of A preference share in issue at December 31, 2007. However, all of these shares were cancelled in February 2008.

Cumulative preference shares

The par value of the cumulative preference shares is EUR 1.20. The authorized cumulative preference share capital consists of 900 million cumulative preference shares, of which none have been issued.

The cumulative preference shares rank before the preference shares and the ordinary shares in entitlement to dividend and to distributions upon liquidation of ING Groep N.V.

The dividend on the cumulative preference shares will be equal to a percentage, calculated on the amount compulsorily paid up or yet to be paid up. This percentage shall be equal to the average of the Euro OverNight Index Average (EONIA) as calculated by the European Central Bank. During the financial year for which the distribution is made, this percentage is weighted on the basis of the number of days for which it applies, increased by 2.5 percentage points.

If and to the extent that the profit available for distribution is not sufficient to pay the dividend referred to above in full, the shortfall will be made up from the reserves insofar as possible. If, and to the extent that, the dividend distribution cannot be made from the reserves, the profits earned in subsequent years shall first be used to make up the shortfall before any distribution may be made on shares of any other category.

ING Groep N.V. s Articles of Association make provision for the cancellation of cumulative preference shares. Upon cancellation of cumulative preference shares and upon liquidation of ING Groep N.V., the amount paid up on the cumulative preference shares will be repaid together with the dividend shortfall in preceding years, insofar as this shortfall has not yet been made up.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

14 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of Issue	Due date		Notional amount in original currency	Balance sheet value **2007**	Balance sheet value 2006
7.375%	2007	Perpetual	USD	1,500	**988**	
6.375%	2007	Perpetual	USD	1,045	**690**	
5.140%	2006	Perpetual	GBP	600	**810**	885
5.775%	2005	Perpetual	USD	1,000	**674**	752
6.125%	2005	Perpetual	USD	700	**462**	515
4.176%	2005	Perpetual	EUR	500	**497**	497
Variable	2004	Perpetual	EUR	1,000	**937**	926
6.200%	2003	Perpetual	USD	500	**330**	368
Variable	2003	Perpetual	EUR	750	**682**	669
7.200%	2002	Perpetual	USD	1,100	**726**	811
7.050%	2002	Perpetual	USD	800	**529**	591
					7,325	6,014

Subordinated loans consist of perpetual subordinated bonds issued by ING Groep N.V. These bonds have been issued to raise hybrid capital for ING Verzekeringen N.V. and Tier-1 capital for ING Bank N.V. Under IFRS-EU these bonds are classified as liabilities. They are considered capital for regulatory purposes.
These loans have been subsequently provided as subordinated loans by ING Groep N.V. to ING Verzekeringen N.V. and ING Bank N.V. under the same conditions as the original bonds.
The number of debentures held by group companies as at December 31, 2007 was 3,504 with a balance sheet value of nil (2006: nil with a balance sheet value of nil).

15 DEBT SECURITIES IN ISSUE

Debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on interest rate levels, such as certificates of deposit and accepted bills issued by ING Group, except for subordinated items. Debt securities in issue do not include debt securities presented as Financial liabilities at fair value through profit and loss. ING Group does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

Debt securities in issue maturities

	2007	2006
Fixed rate debt securities		
Within 1 year	**35,182**	49,692
More than 1 year but less than 2 years	**4,156**	1,475
More than 2 years but less than 3 years	**1,738**	2,914
More than 3 years but less than 4 years	**2,057**	1,824
More than 4 years but less than 5 years	**2,374**	3,140
More than 5 years	**5,870**	5,155

Total fixed rate debt securities	**51,377**	64,200
Floating rate debt securities		
Within 1 year	**7,204**	4,637
More than 1 year but less than 2 years	**487**	238
More than 2 years but less than 3 years	**989**	413
More than 3 years but less than 4 years	**1,847**	1,086
More than 4 years but less than 5 years	**1,140**	2,611
More than 5 years	**3,951**	4,948
Total floating rate debt securities	**15,618**	13,933
Total debt securities	**66,995**	78,133

As of December 31, 2007, ING Group had unused lines of credit available including the payment of commercial paper borrowings relating to debt securities in issue, totalling EUR 6,974 million (2006: EUR 29,335 million).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

16 OTHER BORROWED FUNDS

Other borrowed funds by remaining term

2007	**2008**	**2009**	**2010**	**2011**	**2012**	**There after**	**Total**
Subordinated loans of group companies	**66**	**542**	**1,052**	**429**	**1,632**	**9,942**	**13,663**
Preference shares of group companies						**1,014**	**1,014**
Loans contracted	**4,791**	**1,054**	**1,306**	**1,019**		**1,284**	**9,454**
Loans from credit institutions	**1,340**	**2**	**353**	**279**	**168**	**785**	**2,927**
	6,197	**1,598**	**2,711**	**1,727**	**1,800**	**13,025**	**27,058**

Other borrowed funds by remaining term

2006	2007	2008	2009	2010	2011	There after	Total
Subordinated loans of group companies	34	200	366	1,227	2,276	9,488	13,591
Preference shares of group companies						1,132	1,132
Loans contracted	4,927	489	304	1,188	1,138	854	8,900
Loans from credit institutions	3,749	1,103	357	280	164	363	6,016
	8,710	1,792	1,027	2,695	3,578	11,837	29,639

Subordinated loans of group companies relate to capital debentures and private loans which are subordinated to all current and future liabilities of ING Bank N.V. or Postbank N.V.
Preference shares of group companies comprise non-cumulative guaranteed Trust Preference Securities which are issued by wholly owned subsidiaries of ING Groep N.V. These securities have a liquidation preference of a certain amount plus any accrued interest and unpaid dividend. Dividends with regard to these preference securities are presented as an interest expense in the profit and loss account. These trust preference securities have no voting rights.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

17 INSURANCE AND INVESTMENT CONTRACTS, REINSURANCE CONTRACTS

The provisions for insurance and investment contracts, net of reinsurance (i.e. the provision for the company s own account) is presented in the balance sheet gross under Insurance and investment contracts and Reinsurance contracts .

Insurance and investment contracts, reinsurance contracts

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2007	2006	**2007**	2006	**2007**	2006
Provision for non-participating life policy liabilities	**70,149**	78,772	**4,481**	4,930	**74,630**	83,702
Provision for participating life policy liabilities	**54,645**	52,914	**175**	187	**54,820**	53,101
Provision for (deferred) profit sharing and rebates	**1,601**	2,956	**5**	5	**1,606**	2,961
Provision for life insurance for risk of policyholders	**100,753**	97,304	**639**	651	**101,392**	97,955
Life insurance provisions	**227,148**	231,946	**5,300**	5,773	**232,448**	237,719
Provision for unearned premiums and unexpired risks	**2,564**	2,631	**99**	156	**2,663**	2,787
Reported claims provision	**5,051**	5,503	**475**	600	**5,526**	6,103
Claims incurred but not reported (IBNR)	**1,121**	1,148			**1,121**	1,148
Claims provisions	**6,172**	6,651	**475**	600	**6,647**	7,251
Other insurance provisions	**302**	176			**302**	176
Total provisions for insurance contracts	**236,186**	241,404	**5,874**	6,529	**242,060**	247,933
Investment contracts for risk of company	**9,520**	7,505			**9,520**	7,505
Investment contracts for risk of policyholders	**14,132**	13,245			**14,132**	13,245
Total provisions for investment contracts	**23,652**	20,750			**23,652**	20,750
Total	**259,838**	262,154	**5,874**	6,529	**265,712**	268,683

Changes in life insurance provisions

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**231,946**	225,351	**5,773**	6,638	**237,719**	231,989
Changes in the composition of the group	**(3,475)**	83	**2**	23	**(3,473)**	106
	228,471	225,434	**5,775**	6,661	**234,246**	232,095
Current year provisions	**27,224**	28,863	**139**	1,525	**27,363**	30,388
Change in deferred profit sharing liability	**(1,546)**	(1,241)			**(1,546)**	(1,241)
Prior year provisions:						
benefit payments to policyholders	**(21,933)**	(13,166)	**(82)**	(366)	**(22,015)**	(13,532)
interest accrual	**6,794**	4,791	**(40)**	18	**6,754**	4,809
valuation changes for risk of policyholders	**5,612**	2,702			**5,612**	2,702
effect of changes in other assumptions	**2**	(21)			**2**	(21)
	(9,525)	(5,694)	**(122)**	(348)	**(9,647)**	(6,042)
Exchange rate differences	**(15,583)**	(15,874)	**(501)**	(535)	**(16,084)**	(16,409)
Other changes	**(1,893)**	458	**9**	(1,530)	**(1,884)**	(1,072)
Closing balance	**227,148**	231,946	**5,300**	5,773	**232,448**	237,719

Included in Changes in the composition of the group is EUR 4,017 million relating to the disposal of portfolios in connection with the sale of Belgian Broker and Employee Benefit insurance business as disclosed in Note 29 Companies acquired and companies disposed .

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Where discounting is used in the calculation of life insurance provisions the rate is within the range 2.9% to 6.0% (2006: 2.9% to 6.8%) based on weighted averages.

ING transferred part of their life insurance business to Scottish Re in 2004 by means of a co-insurance contract. This business continues to be included in Life insurance provisions. The related asset from the co-insurance contract is recognized under Reinsurance contracts.

To the extent that the assuming reinsurers are unable to meet their obligations, the Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectible. The life reinsurance market is highly concentrated and, therefore, diversification of exposure is inherently difficult. To minimize its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer.

As at December 31, 2007, the total Reinsurance exposure, including Reinsurance contracts and Receivables from reinsurers (presented in Other assets) amounted to EUR 7,044 million (2006: EUR 8,005 million) after the provision for uncollectible reinsurance of EUR 5 million (2006: EUR 6 million).

Changes in provision for unearned premiums and unexpired risks

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**2,631**	2,835	**156**	258	**2,787**	3,093
Changes in the composition of the group	**(194)**	(9)	**3**		**(191)**	(9)
	2,437	2,826	**159**	258	**2,596**	3,084
Premiums written	**5,780**	5,994	**306**	339	6,086	6,333
Premiums earned during the year	**(5,701)**	(5,929)	**(326)**	(377)	**(6,027)**	(6,306)
Exchange rate differences	**15**	(245)	**(10)**	(22)	**5**	(267)
Other changes	**33**	(15)	**(30)**	(42)	**3**	(57)
Closing balance	**2,564**	2,631	**99**	156	**2,663**	2,787

Changes in claims provisions

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**6,651**	8,202	**600**	1,389	**7,251**	9,591
Changes in the composition of the group	**(667)**	(4)	**(18)**		**(685)**	(4)
	5,984	8,198	**582**	1,389	**6,566**	9,587

Additions						
for the current year	**3,356**	3,261	**78**	124	**3,434**	3,385
for prior years	**(282)**	(525)	**14**	(18)	**(268)**	(543)
interest accrual of provision	32	54			32	54
	3,106	2,790	**92**	106	**3,198**	2,896
Claim settlements and claim settlement costs						
for the current year	**1,747**	1,569	**(42)**	33	**1,705**	1,602
for prior years	**1,343**	1,458	**151**	388	**1,494**	1,846
	3,090	3,027	**109**	421	**3,199**	3,448
Exchange rate differences	**84**	(381)	**(14)**	(93)	**70**	(474)
Other changes	**88**	(929)	**(76)**	(381)	12	(1,310)
Closing balance	**6,172**	6,651	**475**	600	**6,647**	7,251

ING Group had an outstanding balance of EUR 66 million at December 31, 2007 (2006: EUR 66 million) relating to environmental and asbestos claims of the insurance operations. In establishing the liability for unpaid claims and claims adjustment expenses related to asbestos related illness and toxic waste clean up, the management of ING Group considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for IBNR claims and for known claims (including the costs of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities are reviewed and updated regularly.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

The release of the provision from prior years in 2006 is as a result of favourable underwriting results in several business units, in particular, the Netherlands business units benefited from changes in legal requirements for disability benefits , favourable results and reserving methodology changes and Canada benefited from favourable experience mostly from automobile pool.

Where discounting is used in the calculation of the claims provisions the rate is, based on weighted averages, within the range of 3.8% to 4.3% (2006: 3.0% to 4.0%).

Changes in investment contracts liabilities

	2007	2006
Opening balance	**20,750**	18,633
Changes in the composition of the group	**(277)**	(42)
	20,473	18,591
Current year liabilities	**12,890**	8,432
Prior year provisions		
payments to contract holders	**(9,697)**	(6,667)
interest accrual	**408**	344
valuation changes investments	**576**	948
	(8,713)	(5,375)
Exchange rate differences	**(1,147)**	(1,021)
Other changes	**149**	123
Closing balance	**23,652**	20,750

Gross claims development table

	Underwriting year				
	2004	**2005**	**2006**	**2007**	**Total**
Estimate of cumulative claims:					
At the end of underwriting year	**2,773**	**3,010**	**2,678**	**3,007**	
1 year later	**2,428**	**2,856**	**2,623**		
2 years later	**2,228**	**2,703**			
3 years later	**2,169**				
Estimate of cumulative claims	**2,169**	**2,703**	**2,623**	**3,007**	**10,502**
Cumulative payments	**(1,638)**	**(1,929)**	**(1,588)**	**(1,052)**	**(6,207)**
	531	**774**	**1,035**	**1,955**	**4,295**
Effect of discounting	**(55)**	**(66)**	**(84)**	**(131)**	**(336)**

Liability recognized	**476**	**708**	**951**	**1,824**	**3,959**
Liability relating to prior underwriting years					**2,688**
Total amount recognized in the balance sheet					**6,647**

The Group applies the exemption in IFRS-EU not to present Gross claims development for annual periods beginning before January 1, 2004 (the date of transition to IFRS-EU) as it is impracticable to obtain such information.

18 AMOUNTS DUE TO BANKS

Amounts due to banks include non-subordinated debt due to banks, other than amounts in the form of debt securities. As at December 31, 2007, liabilities concerning securities sold in repurchase transactions amounted to EUR 29,604 million (2006: EUR 23,627 million).

Amounts due to banks by type

	Netherlands		International		Total	
	2007	2006	**2007**	2006	**2007**	2006
Non-interest bearing	**3,527**	2,696	**3,580**	1,035	**7,107**	3,731
Interest bearing	**72,257**	52,817	**87,608**	64,291	**159,865**	117,108
	75,784	55,513	**91,188**	65,326	**166,972**	120,839

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

19 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

Customer deposits and other funds on deposit

	2007	2006
Savings accounts	**275,127**	283,147
Credit balances on customer accounts	**161,204**	147,695
Corporate time deposits	**86,151**	62,628
Other	**2,734**	3,210
	525,216	496,680

Customer deposits and other funds on deposits by type

	Netherlands		International		Total	
	2007	2006	**2007**	2006	**2007**	2006
Non-interest bearing	**15,100**	13,734	**3,905**	2,704	**19,005**	16,438
Interest bearing	**192,808**	181,976	**313,403**	298,266	**506,211**	480,242
	207,908	195,710	**317,308**	300,970	**525,216**	496,680

No funds have been entrusted to the Group by customers on terms other than those prevailing in the normal course of business. As at December 31, 2007, Customer deposits and other funds on deposit included liabilities with regard to securities sold in repurchase transactions amounting to EUR 3,725 million (2006: EUR 870 million).
Savings accounts relate to the balances on savings accounts, savings books, savings deposits and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

20 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial liabilities at fair value through profit and loss

	2007	2006
Trading liabilities	**148,988**	127,975
Non-trading derivatives	**6,951**	4,934
Designated as at fair value through profit and loss	**13,882**	13,702
	169,821	146,611

Trading liabilities by type

	2007	2006
Equity securities	**12,271**	20,732
Debt securities	**10,301**	9,045
Funds on deposit	**97,857**	77,245
Derivatives	**28,559**	20,953

	148,988	127,975

Non-trading derivatives by type

	2007	2006
Derivatives used in:		
fair value hedges	**958**	606
cash flow hedges	**3,188**	1,696
hedges of net investments in foreign operations	**352**	7
Other non-trading derivatives	**2,453**	2,625
	6,951	4,934

Designated as at fair value through profit and loss by type

	2007	2006
Debt securities	**10,902**	10,642
Funds entrusted	**756**	603
Other	**2,224**	2,457
	13,882	13,702

In 2007, the changes in the fair value of financial liabilities designated as at fair value through profit and loss attributable to changes in the credit risk of that liability is approximately EUR 20 million.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

The amount that ING Group is contractually required to pay at maturity to the holders of financial liabilities designated as at fair value through profit and loss is EUR 13,845 million.
As at December 31, 2007, trading liabilities include amounts payable of EUR 86,759 million (2006: EUR 67,114 million) with regard to repurchase transactions.

21 OTHER LIABILITIES

Other liabilities by type

	2007	2006
Deferred tax liabilities	**3,432**	4,042
Income tax payable	**877**	923
Pension and post-employment liabilities	**657**	1,208
Other staff-related liabilities	**355**	247
Other taxation and social security contributions	**1,123**	1,147
Deposits from reinsurers	**427**	462
Accrued interest	**13,606**	10,556
Costs payable	**2,744**	2,353
Amounts payable to brokers	**114**	238
Amounts payable to policyholders	**2,283**	3,105
Reorganization and other provisions	**1,400**	1,055
Share-based payment plan liabilities	**7**	5
Property under development for third parties	**284**	
Other	**16,550**	12,937
	43,859	38,278

On a distribution of a dividend ING Groep N.V. is required to withhold an income tax on dividends at a rate of 15%.
Other staff-related liabilities include vacation leave provisions, jubilee provisions and disability/illness provisions.
Other mainly relates to year-end accruals in the normal course of business, none of which are individually material.
Deferred taxes are calculated on all temporary differences under the liability method using tax rates applicable to the jurisdictions in which the Group is liable to taxation.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Changes in deferred tax

	Net liability 2006	Change through equity	Change through net profit	Changes in the composition of the group	Exchange rate differences	Other	Net liability 2007
Investments	1,375	**(1,243)**	**213**	**(17)**	**56**	**(126)**	**258**
Financial assets and liabilities at fair value through profit and loss	119	**(40)**	**82**	**(11)**	**(2)**	**8**	**156**
Deferred acquisition costs and VOBA	3,201	**3**	**151**		**(312)**	**4**	**3,047**
Fiscal equalization reserve	3		**8**			**4**	**15**
Depreciation	28	**3**	**(26)**	**(5)**	**1**	**(12)**	**(11)**
Insurance provisions	(1,490)	**116**	**339**		**93**	**71**	**(871)**
Other provisions	(1,081)	**238**	**(174)**	**(28)**	**109**	**(210)**	**(1,146)**
Receivables	196		**(128)**	**1**	**(2)**	**33**	**100**
Loans and advances to customers	102	**5**	**(7)**		**(1)**	**(3)**	**96**
Unused tax losses carried forward	(909)	**(15)**	**(26)**	**1**	**76**	**(59)**	**(932)**
Other	626	**(767)**	**27**	**117**	**3**	**(9)**	**(3)**
	2,170	**(1,700)**	**459**	**58**	**21**	**(299)**	**709**
Comprising:							
deferred tax liabilities	4,042						**3,432**
deferred tax assets	(1,872)						**(2,723)**
	2,170						**709**

In 2006, the deferred tax changes through equity includes a deferred tax charge of EUR (1,583) million relating to unrealized valuations, EUR (242) million relating to changes in the cash flow hedge reserve, EUR 486 million relating to transfers to insurance liabilities and DAC, and nil relating to stock options and share plans. These items are presented in the Deferred tax by origin table in investments and insurance provisions respectively. Other changes in deferred tax are included in the profit and loss.

Deferred tax in connection with unused tax losses carried forward

	2007	2006
Total unused tax losses carried forward	**3,814**	3,977

Unused tax losses carried forward not recognized as a deferred tax asset	**(688)**	(953)
Unused tax losses carried forward recognized as a deferred tax asset	**3,126**	3,024
Average tax rate	**29.8%**	30.1%
Deferred tax asset	**932**	909

Deferred income tax assets are recognized for tax loss carry forwards and unused tax credits only to the extent that realization of the related tax benefit is probable. The uncertainty of the recoverability of the tax losses and tax credits is taken into account in establishing the deferred tax assets. The following tax loss carry forwards and tax credits will expire as follows at December 31:

Total unused tax losses carried forward analyzed by expiry terms

	No deferred tax		Deferred tax	
	2007	2006	**2007**	2006
Within 1 year	**64**	16	**41**	30
More than 1 year but less than 5 years	**176**	156	**249**	424
More than 5 years but less than 10 years	**230**	47	**610**	347
More than 10 years but less than 20 years	**71**	247	**1,010**	1,045
Unlimited	**147**	487	**1,216**	1,178
	688	953	**3,126**	3,024

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Changes in reorganization and other provisions

	Reorganization		Other		Total	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**335**	356	**720**	825	**1,055**	1,181
Changes in the composition of the group		(6)	**60**	4	**60**	(2)
Additions	**507**	96	**359**	269	**866**	365
Interest	**9**	3		4	**9**	7
Releases	**(62)**	(49)	**(149)**	(36)	**(211)**	(85)
Charges	**(175)**	(174)	**(219)**	(238)	**(394)**	(412)
Exchange rate differences	**(3)**	(1)	**(7)**	(15)	**(10)**	(16)
Other changes	**8**	110	**17**	(93)	**25**	17
Closing balance	**619**	335	**781**	720	**1,400**	1,055

The provision for reorganizations at December 31, 2007 includes EUR 252 million for the restructuring of the retail business of Postbank and ING Bank and EUR 100 million for the global wholesale restructuring. The remaining term of the provision for reorganizations is generally not more then 5 years.
Included in Other provisions is a provision for a loss of EUR 129 million relating to the agreed disposal of NRG as disclosed in Note 29 Companies acquired and companies disposed .
In general, Other provisions are of a short-term nature.
The amounts included in other provisions are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation.

Pension and post-employment liabilities

The Group 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. The benefits in some of these plans are subject to various forms of indexation. The indexation is, in some cases, at the discretion of management; in other cases it is dependent upon the sufficiency of plan assets.
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 all countries comply with applicable local regulations concerning investments and funding levels.
The Group provides other post-employment employee benefits to certain employees and former employees. These are primarily post-employment healthcare benefits and discounts on ING products provided to employees and former employees.
Certain group companies sponsor defined contribution pension plans. The assets of all ING Group s defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in current liabilities. The amount incurred in 2007 was EUR 68 million (2006: EUR 45 million).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Summary of pension and post-employment liabilities

	Pension benefits			Post-employment benefits other than pensions			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Defined benefit obligation	**14,499**	15,758	15,782	**220**	239	441	**14,719**	15,997	16,223
Fair value of plan assets	**14,708**	14,361	12,937				**14,708**	14,361	12,937
	(209)	1,397	2,845	**220**	239	441	**11**	1,636	3,286
Unrecognized past service costs	**(3)**			**4**	10	(6)	**1**	10	(6)
Unrecognized actuarial gains/(losses)	**198**	(687)	(1,778)	**8**	(2)	(27)	**206**	(689)	(1,805)
	(14)	710	1,067	**232**	247	408	**218**	957	1,475
Presented as:									
Other liabilities	**425**	961	1,067	**232**	247	408	**657**	1,208	1,475
Other assets	**(439)**	(251)					**(439)**	(251)	
	(14)	710	1,067	**232**	247	408	**218**	957	1,475

Actuarial gains and losses for the year ended December 31, 2007 includes EUR (789) million (2006: EUR (180) million; 2005: EUR 873 million) experience gain adjustments for assets and EUR 83 million (2006: EUR (163) million; 2005: EUR 116 million) experience gain adjustments for liabilities.

During 2006 certain plans were reclassified from Other to Pension benefits. This reclassification did not have an effect on total pension liabilities and other staff related liabilities. This reclassification is included in the line Changes in the composition of the group and other changes in the tables below.

Changes in defined benefit obligations

	Pension benefits		Post-employment benefits other than pensions	
	2007	2006	**2007**	2006
Opening balance	**15,758**	15,782	**239**	441
Current service cost	**408**	417	**11**	13
Interest cost	**739**	703	**13**	11
Employer s contribution				1
Participants contributions	**2**	(22)		5
Benefits paid	**(556)**	(493)	**(13)**	(44)
Actuarial gains and losses	**(1,727)**	(1,199)	**(8)**	(25)
Past service cost	**(83)**	18		(5)
Changes in the composition of the group and other changes	**207**	727	**(11)**	4

Effect of curtailment or settlement	**(32)**	(6)		(147)
Exchange rate differences	**(217)**	(169)	**(11)**	(15)
Closing balance	**14,499**	15,758	**220**	239
Relating to:				
funded plans	**14,441**	15,675		
unfunded plans	**58**	83	**220**	239
	14,499	15,758	**220**	239

The estimated unrecognized past services cost and unrecognized actuarial gains and losses for the defined benefit plans that will be amortized into pension and other staff related liability costs during 2008 are nil and nil, respectively.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Changes in fair value of plan assets

	Pension benefits	
	2007	2006
Opening balance	**14,361**	12,937
Expected return on plan assets	**869**	820
Employer s contribution	**816**	776
Participants contributions	**6**	5
Benefits paid	**(540)**	(476)
Actuarial gains and losses	**(789)**	(180)
Changes in the composition of the group and other changes	**176**	597
Exchange rate differences	**(191)**	(118)
Closing balance	**14,708**	14,361

The actual return on the plan assets amounted to EUR 80 million (2006: EUR 613 million).
It is not expected that any plan assets are returned to ING Group during 2008.

Pension Investment Strategy

The primary financial objective of ING Employee Benefit Plans (the Plans) is to secure participant retirement benefits. As such, the key objective in the Plans financial management is to promote stability and, to the extent appropriate, growth in funded status (i.e. the ratio of market value of assets to liabilities). The investment strategy for the Plans portfolios of assets (the Funds) balances the requirement to generate returns with the need to control risk. The asset mix is recognized as the primary mechanism to influence the reward and risk structure of the Funds in an effort to accomplish the Plans funding objectives. Desirable target allocations amongst identified asset classes are set and within each asset class, careful consideration is given to balancing the portfolios among industry sectors, geographical areas, interest rate sensitivity, dependence on economic growth, currency and other factors affecting investment returns. The assets are managed by professional investment firms. They are bound by precise mandates and are measured against specific benchmarks. Factors considered by the fund managers include balancing security concentration, investment style, and reliance on particular active investment strategies. The asset mixes of the funds are reviewed on a regular basis. Generally, the funds asset mixes will be rebalanced to the target mixes as individual portfolios approach their minimum or maximum levels.

Categories of plan assets in percentages

	Target allocation	Percentage of plan assets		Weighted average expected long term rate of return	
	2008	**2007**	2006	**2007**	2006
Equity securities	**34**	**33**	37	**8.1**	8.1
Debt securities	**53**	**52**	52	**4.7**	5.2
Other	**13**	**15**	11	**6.5**	7.1
	100	**100**	100	**6.2**	6.5

Equity securities include ING Group ordinary shares of EUR 5 million (0.1% of total plan assets) at December 31, 2007 (2006: EUR 14 million, 0.1% of total plan assets). Real estate, which is included in Other, includes nil (0.0% of total plan assets) at December 31, 2007 which was occupied by the Group (2006: nil, 0.0% of total plan assets).

Determination of Expected Return on Assets

An important element for financial reporting is the assumption for return on assets (ROA). The ROA is updated at least annually, taking into consideration the Plans asset allocations, historical returns on the types of assets held in the Funds, and the current economic environment. Based on these factors, it is expected that the Funds assets will earn an average percentage per year over the long term. This estimation takes into account a reduction for administrative expenses and non-ING investment manager fees paid from the Funds. For estimation purposes, it is assumed the long term asset mixes will be consistent with the current mixes. Changes in the asset mixes could impact the amount of recorded pension income or expense, the funded status of the Plans, and the need for future cash contributions.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Weighted averages of basic actuarial assumptions in annual % at December 31

	Pension benefits		Post-employment benefits other than pensions	
	2007	2006	**2007**	2006
Discount rates	**5.60**	4.80	**5.70**	5.40
Expected rates of salary increases (excluding promotion increases)	**2.80**	2.75	**3.20**	3.50
Medical cost trend rates			**7.00**	6.10
Consumer price inflation	**2.10**	2.00	**2.30**	2.25

The assumptions above are weighted by defined benefit obligations. The rates used for salary developments, interest discount factors and other adjustments reflect specific country conditions.

An increase of 1% in the assumed medical cost trend rate for each future year would have resulted in an additional accumulated defined benefit obligation of EUR 4 million at December 31, 2007 (2006: EUR 2 million) and nil increase in the charge for the year (2006: nil). A decrease of 1% in the medical cost trend rate for each future year would have resulted in lower defined benefit obligation of EUR 4 million at December 31, 2007 (2006: EUR 2 million) and nil decrease in the charge for the year (2006: nil).

Expected Cash Flows

During 2008 the expected contributions to pension plans are EUR 633 million (2007: EUR 904 million).

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid by the plan:

Benefit payments

	Pension benefits	**Post-employment benefits other than pensions**
2008	**437**	**9**
2009	**466**	**9**
2010	**498**	**10**
2011	**514**	**10**
2012	**526**	**10**
Years 2013 2017	**2,239**	**75**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

2.1.4. ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP

22 ASSETS AND LIABILITIES BY CONTRACTUAL MATURITY

Assets and liabilities by contractual maturity

2007	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
ASSETS							
Cash and balances with central banks	**12,406**						**12,406**
Amounts due from banks	**25,939**	**5,736**	**8,705**	**6,591**	**1,904**		**48,875**
Financial assets at fair value through profit and loss							
trading assets[1]						**193,213**	**193,213**
investments for risk of policyholders [2]						**114,827**	**114,827**
non-trading derivatives	**403**	**115**	**758**	**2,651**	**3,708**	**2**	**7,637**
designated as at fair value through profit and loss	**1,504**	**610**	**1,894**	**1,999**	**5,043**	**403**	**11,453**
Investments							
available-for-sale	**4,184**	**7,016**	**13,267**	**71,107**	**135,992**	**44,331**	**275,897**
held-to-maturity	**232**	**287**	**1,093**	**8,504**	**6,637**		**16,753**
Loans and advances to customers	**131,610**	**17,234**	**26,654**	**93,545**	**280,738**	**3,183**	**552,964**
Reinsurance contracts	**21**	**36**	**308**	**307**	**2,725**	**2,477**	**5,874**
Intangible assets	**2**	**4**	**111**	**391**	**1,120**	**4,112**	**5,740**
Deferred acquisition costs						**10,692**	**10,692**
Other assets	**14,399**	**2,771**	**15,838**	**4,195**	**2,845**	**51**	**40,099**
Remaining assets (where maturities are not applicable) [3]						**16,080**	**16,080**
Total assets	**190,700**	**33,809**	**68,628**	**189,290**	**440,712**	**389,371**	**1,312,510**
LIABILITIES							
Preference shares						**21**	**21**
Subordinated loans						**7,325**	**7,325**
Debt securities in issue	**22,277**	**13,899**	**6,210**	**14,787**	**9,822**		**66,995**
Other borrowed funds	**434**	**4,847**	**916**	**7,059**	**13,802**		**27,058**
Insurance and investment contracts	**1,855**	**3,907**	**10,712**	**33,854**	**97,244**	**118,140**	**265,712**

Amounts due to banks	**117,179**	**28,758**	**12,935**	**6,862**	**1,238**		**166,972**
Customer deposits and other funds on deposit	**463,995**	**23,988**	**26,864**	**8,369**	**2,000**		**525,216**
Financial liabilities at fair value through profit and loss							
trading liabilities[1]						**148,988**	**148,988**
non-trading derivatives	**255**	**317**	**521**	**2,937**	**2,921**		**6,951**
designated as at fair value through profit and loss	**873**	**771**	**2,395**	**5,912**	**3,931**		**13,882**
Other liabilities	**14,292**	**4,920**	**12,067**	**6,420**	**2,844**	**3,316**	**43,859**
Total liabilities	**621,160**	**81,407**	**72,620**	**86,200**	**133,802**	**277,790**	**1,272,979**

(1) Trading assets and trading liabilities have been presented in the above table as maturity not applicable, because they are held for short term profit taking. The majority of items are debt instruments and equity instruments, where the contractual maturity is generally more than 5 years.

(2) Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity

depending on their nature, this does not impact the liquidity position of ING.

(3) Included in remaining assets where maturities are not applicable are:

property and equipment

real estate investments

investments in associates.

Note: Due to their nature remaining assets consists mainly of assets expected to be recovered after more than 12 months.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Assets and liabilities by contractual maturity

2006	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
ASSETS							
Cash and balances with central banks	14,326						14,326
Amounts due from banks	19,742	5,441	2,619	7,277	4,789		39,868
Financial assets at fair value through profit and loss							
trading assets[1]						193,977	193,977
investments for risk of policyholders [2]						110,547	110,547
non-trading derivatives	140	126	314	2,263	3,672	6	6,521
designated as at fair value through profit and loss	187	420	1,435	874	3,509		6,425
Investments							
available-for-sale	6,399	7,522	11,626	76,959	148,254	43,161	293,921
held-to-maturity	87	154	563	7,683	9,173		17,660
Loans and advances to customers	107,295	13,919	23,795	84,601	241,539	3,288	474,437
Reinsurance contracts	23	60	440	571	2,281	3,154	6,529
Intangible assets			71	143		3,308	3,522
Deferred acquisition costs						10,163	10,163
Other assets	9,365	1,801	10,167	8,309	922	499	31,063
Remaining assets (where maturities are not applicable) [3]						17,348	17,348
Total assets	157,564	29,443	51,030	188,680	414,139	385,451	1,226,307
LIABILITIES							
Preference shares						215	215
Subordinated loans						6,014	6,014
Debt securities in issue	17,580	26,946	9,803	13,701	10,103		78,133
Other borrowed funds	2,636	4,475	1,837	9,987	10,704		29,639
Insurance and investment contracts	2,327	3,556	11,677	34,003	103,524	113,596	268,683
Amounts due to banks	90,250	15,094	10,879	4,077	539		120,839
	447,824	15,374	16,690	12,197	4,595		496,680

Customer deposits and other funds on deposit							
Financial liabilities at fair value through profit and loss							
trading liabilities[1]						127,975	127,975
non-trading derivatives	93	95	331	1,786	2,591	38	4,934
designated as at fair value through profit and loss	617	581	2,081	6,285	4,138		13,702
Other liabilities	8,562	714	5,117	6,300	1,229	16,356	38,278
Total liabilities	569,889	66,835	58,415	88,336	137,423	264,194	1,185,092

(1) Trading assets and trading liabilities have been presented in the above table as maturity not applicable, because they are held for short term profit taking. The majority of items are debt instruments and equity instruments, where the contractual maturity is generally more than 5 years.

(2) Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on

their nature, this does not impact the liquidity position of ING.

(3) Included in remaining assets where maturities are not applicable are:

property and equipment

real estate investments

investments in associates.

Note: Due to their nature remaining assets consists mainly of assets expected to be recovered after more than 12 months.

23 DERIVATIVES AND HEDGE ACCOUNTING

Use of derivatives and hedge accounting

As described in the Risk management section, ING Group uses derivatives (principally interest rate swaps and cross currency interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios and structural positions. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure. The impact of ING Group s hedging activities is to optimize the overall cost to the Group of accessing debt capital markets and to mitigate the market risk which would otherwise arise from structural imbalances in the duration and other profiles of its assets and liabilities. In addition, hedging activities are undertaken to

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

hedge against the interest rate risk in the mortgage offer period in relation to retail mortgages and to lock-in the interest margin in relation to interest bearing assets and the related funding.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies under the IFRS-EU hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS EU are classified and accounted for according to the nature of the instrument hedged and the type of IFRS-EU hedge model that is applicable. The three models applicable under IFRS-EU are: fair value hedge accounting, cash flow hedge accounting and net investment hedge accounting. These are described under the relevant headings below. The company s detailed accounting policies for these three hedge models are set out in section Principles of valuation and determination of results .

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non qualifying hedges are taken to the profit and loss account. However, in certain cases, the Group mitigates the resultant profit and loss account volatility by designating hedged assets and liabilities at fair value through profit and loss. If hedge accounting is applied under IFRS-EU, it is possible that during the hedge a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amounts of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; they do however not represent amounts at risk. ING Group uses credit derivatives in managing its exposure to credit risk, including total return swaps and credit default swaps, to sell or buy protection for credit risk exposures in the loan, investment and trading portfolios. Hedge accounting is not applied in relation to credit derivatives.

Fair value hedge accounting

ING Group s fair value hedges principally consist of interest rate swaps and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates. Gains and losses on derivatives designated under fair value hedge accounting are recognized in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognized in the profit and loss account. As a result, only the net accounting ineffectiveness impacts the net profit.

For the year ended December 31, 2007, ING Group recognized in the profit and loss account EUR 697 million (2006: EUR 41 million) of fair value changes on derivatives designated under fair value hedge accounting. This amount was partly offset by EUR 663 million (2006: EUR (8) million) fair value changes recognized on hedged items. This resulted in EUR 34 million (2006: EUR 49 million) net accounting ineffectiveness recognized in the profit and loss account. At December 31, 2007, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR 994 million (2006: EUR 474 million), presented in the balance sheet as EUR 1,952 million (2006: EUR 1,080 million) positive fair values under assets and EUR 958 million (2006: EUR 606 million) negative fair values under liabilities.

ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU carve out of IFRS-EU. The EU carve-out macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-EU carve-out , hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket.

Cash flow hedge accounting

ING Group s cash flow hedges principally consist of (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on non-trading assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of

financial assets and liabilities, based on contractual terms and other relevant factors including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across for the respective portfolios form the basis

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

for identifying the notional amount subject to interest rate risk that is designated under cash flow hedge accounting. Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recorded in Shareholders equity. Interest cash flows on these derivatives are recognized in the profit and loss account in interest income consistently with the manner in which the forecast cash flows affect net profit. The gains and losses on ineffective portions of such derivatives are recognized immediately in the profit and loss account.

For the year ended December 31, 2007, ING Group recognized EUR (925) million (2006: EUR (690) million) after tax in equity as effective fair value changes on derivatives under cash flow hedge accounting. As a consequence, the balance of the cash flow hedge reserve in equity at December 31, 2007 was EUR 463 million (2006: EUR 1,819 million) gross and EUR 431 million (2006: EUR 1,356 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value changes on the underlying derivatives and will be reflected in the profit and loss account under Interest income/expense over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities, up to 40 years for insurance operations and 21 years for banking operations, with the largest concentration in the range of 20 to 25 years for insurance operations and 5 to 10 years for banking operations. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting of EUR (9) million (2006: EUR (7) million) was recognized in the profit and loss account.

At December 31, 2007, the fair values of outstanding derivatives designated under cash flow hedge accounting was EUR 229 million (2006: EUR 1,921 million), presented in the balance sheet as EUR 3,417 million (2006: EUR 3,617 million) positive fair values under assets and EUR 3,188 million (2006: EUR 1,696 million) negative fair values under liabilities.

At December 31, 2007 and December 31, 2006, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes.

Included in Interest income and interest expense on non-trading derivatives is EUR 2,317 million (2006: EUR 3,440 million) and EUR 2,042 million (2006: EUR 3,097 million) respectively relating to derivatives used in cash flow hedges.

Hedges of net investments in foreign operations

ING Group s net investment hedges principally consist of derivatives (including currency forwards and swaps) and non-derivative financial instruments such as foreign currency denominated funding that are used to protect against foreign currency exposures on foreign subsidiaries.

Gains and losses on the effective portions of derivatives designated under net investment hedge accounting are recorded in Shareholders equity. The balance in equity is recognized in the profit and loss account when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognized immediately in the profit and loss account.

At December 31, 2007, the fair values of outstanding derivatives designated under net investment hedge accounting was EUR (71) million (2006: EUR (4) million), presented in the balance sheet as EUR 281 million (2006: EUR 3 million) positive fair values under assets and EUR 352 million (2006: EUR 7 million) negative fair values under liabilities.

At December 31, 2007, the fair values of outstanding non-derivatives designated under net investment hedge accounting was EUR (1,318) million (2006: EUR (1,520) million), presented in the balance sheet as negative fair values under liabilities. Non-derivatives designated as hedging instruments consist mainly of loan agreements.

Accounting ineffectiveness recognized in the profit and loss account for the year ended December 31, 2007 on derivatives and non-derivatives designated under net investment hedge accounting was EUR (14) million (2006: EUR (12) million).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

24 MAXIMUM CREDIT EXPOSURE

ING s maximum credit exposure as at December 31, 2007 and 2006 is represented as follows:

Maximum credit exposure

	2007	2006
Cash and balances with central banks	**12,406**	14,326
Amounts due from banks		
loans and advances to banks	**45,790**	36,411
cash advances, overdrafts and other balances	**3,098**	3,461
Trading assets		
debt securities	**37,345**	38,287
loans and receivables	**116,164**	118,459
derivatives	**28,592**	22,514
Non-trading derivatives	**7,637**	6,521
Designated as at fair value through profit and loss	**11,453**	6,425
Available-for-sale debt securities	**255,950**	275,696
Held-to-maturity debt securities	**16,753**	17,660
Loans and advances to customers		
policy loans	**3,468**	3,566
public authorities	**23,638**	25,951
secured by mortgages	**290,933**	235,812
guaranteed by credit institutions	**2,528**	2,402
personal loans	**5,453**	4,649
other personal lending	**24,204**	22,141
other corporate lending	**204,528**	181,939
other	**1,351**	1,517
Reinsurance contracts	**5,874**	6,529
Reinsurance and insurance receivables	**3,664**	4,105
Other receivables	**10,389**	5,572
Maximum credit exposure on balance sheet	**1,111,218**	1,033,943
Off-balance sheet credit commitments		
commitments Insurance	**4,477**	4,636
guarantees Insurance	**173**	319
discounted bills Bank	**1**	3
guarantees Bank	**19,018**	17,297
irrevocable letters of credit Bank	**11,551**	8,456
other Bank	**350**	623
irrevocable facilities	**100,707**	90,384
Maximum credit exposure off balance sheet	**136,277**	121,718
Maximum credit exposure	**1,247,495**	1,155,661

The maximum credit exposure for relevant items on the balance sheet is the balance sheet carrying value for the relevant financial assets. For the off-balance sheet items the maximum credit exposure is the maximum amount that could be required to be paid. Collateral received is not taken into account.

The manner in which ING manages credit risk and determines credit risk exposures for that purpose is explained in the Risk management section.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

25 ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable primarily consist of interest bearing securities pledged to secure deposits from De Nederlandsche Bank (the Dutch Central Bank) and other banks, serve to secure margin accounts or are used for other purposes required by law. The assets not freely disposable and the items for which they are held are as follows:

Assets not freely disposable

	Customer deposits and other funds on deposit and debt securities in issue		Banks		Other contingent liabilities		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Investments	**1,601**	2,686	**3,803**	4,483	**403**	590	**5,807**	7,759
Loans and advances to customers	**130**	548	**781**	2		96	**911**	646
Banks		8	**1,596**	1,100	**6**	7	**1,602**	1,115
Other assets	**3,816**	3,700	**652**	1,016	**141**	532	**4,609**	5,248
	5,547	6,942	**6,832**	6,601	**550**	1,225	**12,929**	14,768

Banks includes Amounts due from banks and balances with central banks. ING Bank N.V. has an obligation to maintain a reserve with an average monthly balance with the Dutch Central Bank. In December 2007 the required monthly average was EUR 5,676 million (2006: EUR 5,295 million). On December 31, 2007 the balance on this reserve was EUR 1,375 million (2006: EUR 4,076 million).

There are no material terms and conditions relating to the collateral represented in the above table which are individually significant.

26 CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business the Group is a party to activities whose risks are not reflected in whole or part in the consolidated financial statements. In response to the needs of its customers, the Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments

	2007	2006
Insurance operations		
Commitments	**4,477**	4,636
Guarantees	**173**	319
	4,650	4,955
Banking operations		
Contingent liabilities in respect of discounted bills	**1**	3

guarantees	**19,018**	17,297
irrevocable letters of credit	**11,551**	8,456
other	**350**	623
	30,920	26,379
Irrevocable facilities	**100,707**	90,384
	136,277	121,718

Guarantees relate both to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees given by ING Group in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. The guarantees are generally of a short-term nature. In addition to the items included in contingent liabilities, ING Group has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes which apply in different countries.

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

Other contingent liabilities include acceptances of bills and are of a short-term nature. Also included in Other contingent liabilities are contingent liabilities resulting from the normal operations of the Real

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Estate business including obligations under development and construction contracts. None of the items included in Other contingent liabilities are individually significant.

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. ING Group s credit risk and interest rate risk in these transactions is limited. Most of the unused portion of irrevocable credit facilities is secured by customers assets or counter-guarantees by the central governments and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

Future rental commitments for operating lease contracts

2008	**213**
2009	**206**
2010	**185**
2011	**170**
2012	**156**
years after 2012	**339**

27 SPECIAL PURPOSE ENTITIES AND SECURITIZATION

Securitization

ING as originator

ING Group enters into synthetic securitization programmes in order to reduce credit risk on certain assets. In synthetic securitizations ING enters into a credit default swap with securitization Special Purpose Entities (SPEs), in relation to which ING purchases credit protection in respect of residential mortgage loans and loans to small and medium-sized enterprises. The SPEs have in turn hedged their exposure with investors through the issue of credit linked notes or credit linked commercial paper. As a result of these transactions, ING Group has transferred a substantial part of the credit risk related to these loan portfolios to third-party investors. In general, the third-party investors in securities issued by the SPE have recourse only to the assets of the SPE and not to ING Group.

After securitization of these assets ING Group continues to recognize these assets on its balance sheet under Loans and advances to customers.

Assets under synthetic securitization programmes

	2007	2006
Loans to small and medium-sized enterprises	**8,946**	8,859
Asset backed securities		7,126
Corporate loans	**430**	4,851
Mortgages	**6,488**	7,978
Total	**15,864**	28,814

The winding down of two conduits in 2007 caused a decrease in Assets under securitisation programmes amounting to EUR 10,968 million.

ING as sponsor of multi-seller conduit

In the normal course of business, ING Group structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients receivables or other financial assets to an SPE. The SPE issues asset-backed commercial paper to the market to fund the purchases. ING Group, in its role as administrative agent, facilitates these transactions by providing structuring, accounting, funding and operations services.

ING Group supports the commercial paper programmes by providing the SPE with short-term standby 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 Group covers at least some of the credit risk incorporated in these programs itself (in addition to normal liquidity facilities), and as a consequence might suffer credit losses from it. Furthermore, under a Program Wide Credit Enhancement ING Group 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 Group analysis procedures regarding credit risk and liquidity risk. The fees received for services provided and for facilities are charged on market conditions.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

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

Collateralized debt obligations (CDO)-transactions

Within ING Group, SPEs are used for CDO transactions. In a typical CDO transaction an SPE is used to issue structured, rated securities which are backed (or collateralized) by a pool of transferable debt securities. Besides investing in CDOs ING often has different roles in these transactions:

- the arranger of the transaction; ING structures the SPE, acquires the assets for the SPE and sells the CDOs to investors;
- collateral manager of the assets in the SPE; ING manages the assets based on strict conditions of the SPEs charter.

ING Group receives market-rate fees for structuring, (asset) managing and distributing CDO-securities to investors. The total amount of these fees is not significant.

ING as investor

As part of its investment activities ING invests in securitizations by purchasing notes from securitization SPEs. For certain own asset securitization programs ING acts as a market maker and holds limited positions in this capacity. Non-cash investments are made by ING by selling credit protection in the market using credit default swaps.

Other entities

ING Group is also a party in other SPEs used, for example, in structured finance and leasing transactions.

Investment funds

ING as fund manager and investor

ING Group sets up investment funds for which it acts as a fund manager and sole investor at the inception of the fund. Subsequently, ING will seek third-party investors to invest in the fund, thereby reducing the interest of ING Group. In general, ING Group will maintain a small percentage of interest in these funds.

ING as fund manager

ING acts as fund manager for several funds. Fees related to these management activities are charged on an arm s-length basis. In general, ING as fund manager will hold these funds in a fiduciary capacity. Therefore, these funds are generally not included in the consolidated financial statement of the Group.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

28 PRINCIPAL SUBSIDIARIES

The principal subsidiaries of ING Groep N.V. are as follows:

Companies treated as part of the insurance operations

ING Verzekeringen N.V.	The Netherlands
ING Verzekeringen Nederland N.V.	The Netherlands
ING Vastgoed Belegging B.V.	The Netherlands
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	The Netherlands
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	The Netherlands
Parcom Ventures B.V.	The Netherlands
Postbank Levensverzekering N.V.	The Netherlands
Postbank Schadeverzekering N.V.	The Netherlands
RVS Levensverzekering N.V.	The Netherlands
RVS Schadeverzekering N.V.	The Netherlands
Movir N.V.	The Netherlands
ING Zivotna Poistovna a.s.	Slovakia
ING Nationale-Nederlanden Polska S.A.	Poland
ING Nationale-Nederlanden Polska Powszechne Towarzystwo Emerytaine S.A.	Poland
ING Asigurari de Viata S.A.	Romania
ING Greek Life Insurance Company S.A.	Greece
ING Greek General Insurance Company S.A.	Greece
ING Nationale-Nederlanden Magyarorszagi Biztosito Rt.	Hungary
Nationale Nederlanden Vida, Compañia de Seguros y Reaseguros S.A.	Spain
Nationale Nederlanden Generales, Compañia de Seguros y Reaseguros S.A.	Spain
ING Canada Inc.	Canada
Belair Insurance Company Inc.	Canada
ING Insurance Company of Canada	Canada
ING Novex Insurance Company of Canada	Canada
ING America Insurance Holdings, Inc.	U.S.A.
ING International Insurance Holdings, Inc.	U.S.A.
ING Life Insurance and Annuity Company	U.S.A.
ING North America Insurance Corporation	U.S.A.
Lion Connecticut Holdings Inc.	U.S.A.
ReliaStar Life Insurance Company	U.S.A.
ReliaStar Life Insurance Company of New York	U.S.A.
Security Life of Denver Insurance Company	U.S.A.
ING USA Annuity and Life Insurance Company	U.S.A.
ING Seguros de Vida S.A.	Chile
ING Afore S.A. de C.V.	Mexico
Seguros Comercial America S.A. de C.V.	Mexico
ING Life Insurance Company (Japan) Limited	Japan
ING Life Insurance Company (Korea) Limited	South Korea
ING Life Insurance Company of America	U.S.A.

ING Australia Holdings Limited	Australia
ING Australia Pty Limited	Australia
ING Re (Netherlands) N.V.	The Netherlands

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Companies treated as part of the banking operations

ING Bank N.V.	The Netherlands
ING Bank Nederland N.V.	The Netherlands
Bank Mendes Gans N.V.	The Netherlands
ING Lease Holding B.V.	The Netherlands
ING Corporate Investments B.V.	The Netherlands
ING Vastgoed Management Holding B.V.	The Netherlands
InterAdvies N.V.	The Netherlands
Nationale-Nederlanden Financiële Diensten B.V.	The Netherlands
ING Commercial Finance B.V.	The Netherlands
Postbank N.V.	The Netherlands
Postbank Groen N.V.	The Netherlands
Westland Utrecht Hypotheekbank N.V.	The Netherlands
ING België N.V.	Belgium
ING Bank Slaski S.A.	Poland
ING Bank Deutschland A.G.	Germany
ING Financial Holdings Corporation	U.S.A.
ING Middenbank Curaçao N.V.	Netherlands Antilles
ING Vysya Bank Ltd.	India
ING Direct N.V.	Canada, Germany, Spain, Australia, France, U.S.A., Italy, U.K.
Oyak Bank A.S.	Turkey

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

29 COMPANIES ACQUIRED AND COMPANIES DISPOSED

The initial accounting for the fair value of the net assets of the companies acquired during the year has been determined only provisionally at December 31, 2007 given the proximity of the dates of acquisition to the year end. Also, the analysis of the contributory factors relating to goodwill will only be performed once the final values have been determined. The initial accounting shall be completed within a year of acquisition in accordance with IFRS 3 and the policies, procedures and risk management of the companies acquired shall be brought in line with ING during 2008.

Most significant companies acquired in 2007

	Landmark	Latin American Pension business of Santander	Oyak Bank	Share-builder Corporation	Total
General					
Primary line of business	**Insurance**	**Insurance**	**Bank**	**Bank**	
Date of acquisition	**July 31, 2007**	**December 4, 2007**	**December 31, 2007**	**November 15, 2007**	
Percentage of voting shares acquired	**100%**	**100%**	**100%**	**100%**	
Purchase price					
Purchase price	**255**	**692**	**1,903**	**152**	**3,002**
Costs directly attributable to the acquisition	**2**	**8**	**2**	**1**	**13**
Cash purchase price	**257**	**700**	**1,905**	**153**	**3,015**
Cash in company acquired	**29**	**28**	**75**	**12**	**144**
Cash outflow on acquisition [2]	**228**	**672**	**1,830**	**141**	**2,871**
Assets					
Cash assets	**29**	**28**	**75**	**12**	**144**
Investments		**86**	**1,332**		**1,418**
Loans and advances to customers			**4,824**	**15**	**4,839**
Amounts due from banks			**508**		**508**
Financial assets at fair value through profit and loss		**520**	**41**	**2**	**563**
Intangible assets		**154**	**236**		**390**
Miscellaneous other assets	**18**	**85**	**474**	**80**	**657**
Liabilities					

Insurance and investment contracts		**500**			**500**
Amounts due to banks			**632**		**632**
Customer deposits and other funds on deposit			**5,369**		**5,369**
Miscellaneous other liabilities		**182**	**601**	**51**	**834**
Net assets	**47**	**191**	**888**	**58**	**1,184**
Minority interests					
Net assets acquired	**47**	**191**	**888**	**58**	**1,184**
Goodwill recognized [1]	**208**	**501**	**1,015**	**94**	**1,818**
Profit since date of acquisition	**1**	**8**		**(1)**	**8**
Income if acquisition effected at start of year	**15**	**209**		**38**	**262**
Profit if acquisition effected at start of year [3]	**4**	**46**	**80**	**(2)**	**128**

(1) Goodwill recognized in 2007 on immaterial acquisitions and real estate portfolios was EUR 222 million, resulting in total Goodwill recognized in 2007 of EUR 2,040 million as disclosed in Note 9 Intangible assets .

(2) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial acquisitions and real estate portfolios in addition to the

cash flows presented herein.

(3) Estimate of full year profit of acquired company based on local accounting principles.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Acquisitions effective in 2007

In September 2007 ING paid EUR 20 million to increase its shareholding in ING Piraeus Life (the joint venture between ING and Piraeus Bank) from 50 to 100%.

In April 2007 ING acquired 100% of AZL, an independent Dutch provider of pension fund management services, for EUR 65 million.

In July 2007 ING announced that it had reached agreement to acquire full ownership of Landmark Investment Co Ltd, the twelfth largest asset manager in Korea. The purchase price paid for Landmark was EUR 255 million.

In November 2007 ING acquired 100% of Sharebuilder Corporation, a Seattle-based brokerage company for EUR 152 million, to extend its retail investment products range and geographical spread in the United States.

In November and December 2007 ING acquired the Latin American pension businesses of Banco Santander in Mexico for EUR 349 million, Columbia for EUR 88 million, Uruguay for EUR 20 million and Argentina for EUR 235 million. The pension business in Chile was acquired in January 2008 for EUR 450 million. The total cost of the entire deal was approximately EUR 1,142 million.

In December 2007 ING announced the completion of the acquisition of 100% of the shares in Oyak Bank for an amount of EUR 1,903 million. Oyak Bank is a leading bank in the Turkish market, offering a full range of banking services with a focus on retail banking. Goodwill of EUR 1,015 million was recognized on acquisition. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. The profit for the year (before amortization of the intangibles recognized on purchase accounting) was approximately EUR 80 million, but no profit or loss was included in the ING Group net profit in 2007.

Most significant companies disposed in 2007

	Belgian Broker & employee benefits	ING Trust	ING Regio B.V.	Total
General				
Primary line of business	**Insurance**	**Bank**	**Bank**	
Sales proceeds				
Sales proceeds	**777**	**25**	**51**	**853**
Cash proceeds	**777**	**25**	**51**	**853**
Cash in company disposed	**11**			**11**
Cash inflow on disposal [(1)]	**766**	**25**	**51**	**842**
Assets				
Cash assets	**11**			**11**
Investments	**4,622**			**4,622**
Loans and advances to customers	**301**	**4**	**1,156**	**1,461**
Financial assets at fair value through profit and loss	**350**			**350**
Miscellaneous other assets	**463**	**10**	**110**	**583**
Liabilities				

Insurance and investment contracts	**5,075**			**5,075**
Customer deposits and other funds on deposit			**2,052**	**2,052**
Miscellaneous other liabilities	**178**	**(4)**	**(811)**	**(637)**
Net assets	**494**	**18**	**25**	**537**
% disposed	**100**	**100**	**100**	
Net assets disposed	**494**	**18**	**25**	**537**
Gain/loss on disposal	**418**	**7**	**26**	**451**

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial disposals in addition to the cash flows presented.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Disposals effective in 2007

In June 2007 ING sold its investment in Nationale Borg, a specialist provider of guarantee insurance to HAL Investments BV and Egeria.

In July 2007 ING sold ING Trust to management and Foreman Capital, an independent investment company based in the Netherlands. The sale is part of ING s strategy to focus on its core banking, insurance and asset management businesses.

In July 2007 ING sold its entire shareholding in ING Regio B.V., a subsidiary of Regio Bank NV to SNS REAAL for EUR 50.5 million, resulting in a gain of EUR 26 million. This entity conducts most of the business of Regio Bank. The legal entity Regio Bank NV itself was not part of the transaction.

In September 2007 ING sold its Belgian Broker and Employee Benefits insurance business to P&V Verzekeringen for EUR 777 million, resulting in a gain of EUR 418 million.

Disposals announced and expected to occur in 2008

In December 2007 ING announced that agreement had been reached to sell NRG, a reinsurance unit, to Berkshire Hathaway. The sale for approximately EUR 300 million will result in a loss of approximately EUR 129 million. A provision has been recognized for this loss in Other liabilities. The net assets of NRG at December 31, 2007 amounted to EUR 397 million. Individually significant assets and liabilities consisted of Investments of EUR 578 million and Technical provisions of EUR 194 million, respectively.

In February 2008, ING Group announced that it has reached an agreement with AXA to sell part of its Mexican business, Seguros ING SA de CV and subsidiaries, for a price of approximately EUR 1.0 billion. Under the terms of the agreement, ING will divest companies that comprise its non-life businesses of P&C and Auto, plus its Health and Life insurance lines, its Health Maintenance Organization (ISES) and its Bonding Business. This sale, which is subject to regulatory approval and is expected during the course of 2008, will allow ING to focus on growing its existing Mexican pension (Afore) and Annuities businesses. Seguros ING SA de CV and subsidiaries are presented within the Insurance Americas segment in Note 49 Primary reporting format Business segments .

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Most significant companies acquired in 2006

	ABN AMRO Asset Management (Taiwan) Ltd	Appleyard	Summit REIT	Total
General				
Primary line of business	Insurance	Bank	Bank	
Date of acquisition	October 27, 2006	July 1, 2006	October 5, 2006	
Percentage of voting shares acquired	100%	100%	56%	
Purchase price				
Purchase price	65	110	2,132	2,307
Cash purchase price	65	110	2,132	2,307
Cash in company acquired	19			19
Cash outflow on acquisition [2]	46	110	2,132	2,288
Assets				
Cash assets	23			23
Investments	2		2,132	2,134
Amounts due from banks	1			1
Financial assets at fair value through profit and loss	2		793	795
Miscellaneous other assets		332	34	366
Liabilities				
Amounts due to banks		238		238
Miscellaneous other liabilities	4	52	73	129
Net assets	24	42	2,886	2,952
Minority interests			754	754
Net assets acquired	24	42	2,132	2,198
Goodwill recognized [1]	41	54		95
Profit since date of acquisition	(1)	1	8	8
Income if acquisition effected at start of year	2	33	131	166

(1) Goodwill recognized in 2006 on immaterial acquisitions and real estate portfolios was EUR 74 million, resulting in total Goodwill recognized in 2006 of EUR 169 million as disclosed in Note 9 Intangible assets .

(2) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial acquisitions and real estate portfolios in addition to the cash flows presented herein.

In July 2006 ING acquired 100% of Appleyard Vehicles Contracts, a U.K. based car leasing company. The purchase price paid for Appleyard was EUR 110 million.

In October 2006 ING acquired 56% of Summit Real Estate Investment Trust (Summit REIT) for an amount of EUR 2,132 million. Summit REIT owns a portfolio of high-quality light industrial properties in major markets across Canada.

In October 2006 ING acquired 100% of ABN AMRO Asset Management (Taiwan) Ltd, a registered Securities Investment Trust Enterprise, for EUR 65 million. The purchase will strengthen ING s existing position as the Taiwanese largest overall asset manager.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Most significant companies disposed in 2006

	Williams de Broë	Deutsche Hypotheken-bank AG	Degussa Bank	Total
General				
Primary line of business	Bank	Bank	Bank	
Sales proceeds				
Sales proceeds	19	275	195	489
Cash proceeds	19	275	195	489
Cash in company disposed		11	27	38
Cash inflow on disposal (1)	19	264	168	451
Assets				
Cash assets		11	27	38
Investments		9,556		9,556
Loans and advances to customers	228	16,884	2,334	19,446
Amounts due from banks	14	5,928	187	6,129
Financial assets at fair value through profit and loss	5	3,280	162	3,447
Miscellaneous other assets	27	747	163	937
Liabilities				
Amounts due to banks	64	2,439	198	2,701
Customer deposits and other funds on deposit		8,984	2,184	11,168
Miscellaneous other liabilities	198	24,541	286	25,025
Net assets	12	442	205	659
% disposed	100%	84%	100%	
Net assets disposed	12	370	205	587

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash

outflows/inflows on individually immaterial disposals in addition to the cash flows presented.

In June 2006 ING sold its U.K. brokerage unit Williams de Broë Plc for EUR 22 million. The sale is part of ING Group s strategy to focus on core businesses. The result on the sale is subject to closing adjustments.

In September 2006 ING sold its 87.5% stake in Deutsche Hypothekenbank AG, a publicly listed mortgage bank in Germany, as part of ING s strategy to focus on its core business. The sale resulted in a loss of EUR 83 million.

In December 2006 ING sold its stake in Degussa Bank, a unit of ING-DiBa specializing in worksite banking for private customers. The sale results in a loss of EUR 23 million.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Total of companies acquired and total of companies disposed in 2005

	Acquisition of Eural	Acquisition of New Zealand	Total acquisitions	Disposal of Baring Asset Management	Disposal of Life of Georgia	Total disposals
General						
Primary line of business	Bank	Life Insurance		Bank	Life Insurance	
Purchase price						
Purchase price	83	98	181	663	235	898
Cash in company acquired / disposed					118	118
Cash outflow / inflow on acquisition / disposal	83	98	181	663	353	1,016
Assets						
Investments	1,535		1,535		1,809	1,809
Loans and advances to customers	819		819	2,196		2,196
Amounts due from banks	286		286	1,419		1,419
Miscellaneous other assets	65	151	216	696		696
Liabilities						
Insurance and investment contracts					1,503	1,503
Amounts due to banks	7		7	68		68
Customer deposits and other funds on deposit	1,384		1,384	2,470		2,470
Miscellaneous other liabilities	1,231		1,231	910		910
Net assets	83	151	234	863	306	1,169
Minority interest						
Net assets acquired	83	151	234	863	306	1,169

In February 2005, ING sold internet service provider Freeler to KPN. The sale resulted in a net gain of EUR 10 million.

In March 2005, ING Group reduced its stake in ING Bank Slaski from 87.77% to 75% by selling shares on the market. By reducing the stake in ING Bank Slaski, ING Group complied with requirements set by the Polish regulator in 2001. ING Group has no intention to further reduce its stake of 75% in ING Bank Slaski.

In March 2005, ING Group acquired 19.9% of Bank of Beijing for an amount of EUR 166 million. Bank of Beijing is the second largest city commercial bank in China and the third largest bank in Beijing.

In March 2005, ING Group finalized the sale of Barings Asset Management to MassMutual Financial Group and Northern Trust Corp. The sale resulted in a net gain of EUR 254 million.

In May 2005, ING Group sold Life Insurance Company of Georgia to Prudential PLC s subsidiary, Jackson National Life Insurance Company. The loss from this transaction amounts to EUR 32 million after tax.

In June 2005, ING Group formed a private equity joint venture to purchase Gables Residential Trust, a U.S.-based real estate investment trust. Gables Residential Trust is a developer, builder, owner and manager of higher-end multifamily properties. ING will provide USD 400 million in equity to finance the transaction. The venture is managed by ING Clarion, a wholly-owned subsidiary of ING Group.

In June 2005, ING Group has purchased GE Commercial Finance s 50% stake in NMB-Heller s Dutch and Belgian factoring business. The factoring business has been transferred into a new company, which operates under the name ING Commercial Finance. GE Commercial Finance purchased ING s 50% stake in NMB-Heller s German unit, Heller GmbH. Both purchases took effect retroactively from January 1, 2005.

In August 2005, ING Group acquired a portfolio of properties located in the UK from Abbey National. The purchase price amounted to EUR 1.7 billion. The portfolio has been divided between various separate account clients.

In October 2005, ING Group acquired Eural NV from Dexia Bank Belgium. In the course of 2006, Eural is expected to be merged with ING Belgium s unit Record Bank.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

In November 2005, ING Group sold its stake in Austbrokers Holdings in an initial public offering. Austbrokers is one of the leading insurance brokers in Australia. The decision to sell the business follows ING s sale of its 50% stake in general insurer QBE Mercantile Mutual to QBE in 2004.

In December 2005 ING Group sold Arenda Holding BV to ZBG, a Dutch private equity firm. Arenda is a provider of consumer finance products.

30 LEGAL PROCEEDINGS

ING Group 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 insurers, 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 Group s financial position or results of operations.

These legal proceedings included a dispute over certain hurricane damages claimed by a Mexican fertilizer producer Grupo Fertinal (Fertinal) against ING Comercial América (now known as Seguros ING S.A. de C.V. and referred to hereinafter as Seguros), a wholly owned subsidiary of ING Group. Fertinal claimed EUR 204 million (USD 300 million), the maximum coverage under the insurance policy of their mining operations. A judge in Mexico ruled in favour of Fertinal. This decision was appealed to a Mexican Court of Appeal, which reduced the judgment to EUR 64 million (USD 94 million) plus interest. This decision was appealed by all parties involved. Seguros appeal was rejected and the decision of the Court of Appeal regarding the amount owed was affirmed. Seguros has paid the principal and interest into court, bringing the case to a close. Seguros also has been the subject of complaints and suits concerning the performance of certain interest sensitive life insurance products. These matters are being defended vigorously; however, at this time, we are unable to assess their final outcome.

In November 2006, the issue of amongst others the costs charged by the insurance industry to customers in respect of universal life insurance products (commonly referred to as beleggingsverzekeringen , beleggingspolissen or beleggingshypotheken) has received attention both in the Dutch public media and from the Dutch regulator for the insurance industry and consumer protection organisations. The Dutch insurance industry (including subsidiaries of the ING Groep N.V., primarily Nationale-Nederlanden) sold these products to customers either directly or through intermediaries. In July 2007 a class action was lodged against Nationale-Nederlanden in relation to these products. The subject of this procedure is not a specific claim for compensation, but a request to the judge to pronounce that Nationale-Nederlanden provided clients with incomplete or misleading information about costs and risks. Such legal proceedings can also be lodged against other subsidiaries of ING Groep N.V. involved. Discussions are ongoing between the insurance industry and consumer organisations to find an out of court solution. Early March 2008 the Ombudsman Financial Services published a recommendation for an industrywide solution. This recommendation is not binding on the parties involved. While ING believes that it has complied with all relevant laws and regulations regarding consumer rights and consumer protection, ING s Dutch insurance companies will accept the recommendation. A provision has been taken to contribute to this possible solution. As consumer organisations criticize the recommendation and the policy holders have not formally agreed with the proposed solution, it is difficult to predict when and how the issue will be solved.

Like many other companies in the mutual funds, brokerage, investment, and insurance industries, several of our companies have received informal and formal requests for information from various governmental and self-regulatory agencies or have otherwise identified issues arising in connection with fund trading, compensation, conflicts of interest, anti-competitive practices, insurance risk transfer and sales practices. ING is responding to the requests and working to resolve issues with regulators. We believe that any issues that have been identified thus far do not represent a systemic problem in the ING businesses involved and in addition that the outcome of the investigations will not have a material effect on ING Group.

Because of the geographic spread of its business, ING may be subject to tax audits in numerous jurisdictions at any point in time. Although ING believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits may result in liabilities which are different from the amounts recorded.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

31 JOINT VENTURES

Joint ventures are included proportionally in the consolidated financial statements as follows:

Most significant joint ventures

2007	**Interest held (%)**	**Assets**	**Liabilities**	**Income**	**Expenses**
ING Australia Ltd	**51**	**9,735**	**9,252**	**474**	**348**
Postkantoren B.V.	**50**	**159**	**126**	**205**	**203**
KB Life Insurance Company	**49**	**412**	**394**	**231**	**228**
ING (NZ) Ltd	**51**	**128**	**14**	**44**	**33**
Pacific-Antai Life Insurance Company Ltd	**50**	**150**	**117**	**42**	**36**
Total		**10,584**	**9,903**	**996**	**848**

Most significant joint ventures

2006	Interest held (%)	Assets	Liabilities	Income	Expenses
ING Australia Ltd	51	8,617	8,266	402	295
Postkantoren B.V.	50	168	137	219	220
KB Life Insurance Company	49	292	279	167	166
ING (NZ) Ltd	51	132	28	38	29
Pacific-Antai Life Insurance Company Ltd	50	136	106	37	36
Total		9,345	8,816	863	746

32 RELATED PARTIES

In the normal course of business, the Group enters into various transactions with related companies. 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 arm s length basis and include rendering or receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral.

Transactions with joint ventures and associates

	Joint ventures		Associates	
	2007	2006	**2007**	2006
Receivables	**336**	267	**885**	846
Liabilities	**85**	85	**94**	57

Guarantees issued in favour of			**20**	4
Income received	**16**	14	**213**	154
Expenses paid	**58**	64	**32**	1

Transactions with ING Verzekeringen N.V. and ING Bank N.V.

	ING Verzekeringen N.V.		ING Bank N.V.	
	2007	2006	**2007**	2006
Receivables	**2,315**	2,604	**8,137**	6,190
Liabilities		35	**201**	121
Income received	**112**	120	**619**	367
Expenses paid		5	**228**	33

Transactions with key management personnel (Executive Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. These transactions are disclosed in more detail in the remuneration report in the annual report. For the post-employment benefit plans see Note 21 Other liabilities .

Key management personnel compensation

	Executive Board		Supervisory Board		Total	
amounts in thousands of euros	**2007**	2006	**2007**	2006	**2007**	2006
Base salary and short-term bonus	**16,898**	18,250	**673**	578	**17,571**	18,828
Pension costs	**3,334**	3,113			**3,334**	3,113
Retirement benefit	**1,222**	4,082			**1,222**	4,082
Fair market value of long-term incentives	**9,072**	8,576			**9,072**	8,576
Total compensation	**30,526**	34,021	**673**	578	**31,199**	34,599

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Loans and advances to key management personnel

	Amount outstanding December 31		Average Interest Rate		Repayments	
amounts in thousands of euros	**2007**	2006	**2007**	2006	**2007**	2006
Executive Board members	**2,376**	2,023	**4.8%**	4.3%	**216**	20
Total	**2,376**	2,023			**216**	20

The total number of stock options on ING Groep N.V. shares held by the Executive Board members amounted to 2,744,887 at December 31, 2007 (2006: 2,176,641). As at December 31, 2007, members of the Executive Board held 201,252 ING Groep N.V. shares (2006: 80,055). Part of these shares are held in a trust. As at December 31, 2007, members of the Supervisory Board held 17,370 ING Groep N.V. shares (2006: 15,370).
There are no significant provisions for doubtful debts or individually significant bad debt expenses.

33 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	2007	2006	**2007**	2006
Financial assets				
Cash and balances with central banks	**12,406**	14,326	**12,406**	14,326
Amounts due from banks	**48,461**	39,861	**48,875**	39,868
Financial assets at fair value through profit and loss				
trading assets	**193,213**	193,977	**193,213**	193,977
investments for risk of policyholders	**114,827**	110,547	**114,827**	110,547
non-trading derivatives	**7,637**	6,521	**7,637**	6,521
designated as at fair value through profit and loss	**11,453**	6,425	**11,453**	6,425
Investments				
available-for-sale	**275,897**	293,921	**275,897**	293,921
held-to-maturity	**16,354**	17,494	**16,753**	17,660
Loans and advances to customers	**546,358**	474,922	**552,964**	474,437
Other assets[(1)]	**32,970**	25,379	**32,970**	25,379
	1,259,576	1,183,373	**1,266,995**	1,183,061
Financial liabilities				
Preference shares	**21**	215	**21**	215
Subordinated loans	**6,731**	6,439	**7,325**	6,014
Debt securities in issue	**66,555**	78,265	**66,995**	78,133

Other borrowed funds	**32,595**	31,052	**27,058**	29,639
Investment contracts for risk of company	**9,520**	7,505	**9,520**	7,505
Investment contracts for risk of policyholders	**14,132**	13,245	**14,132**	13,245
Amounts due to banks	**167,365**	121,680	**166,972**	120,839
Customer deposits and other funds on deposit	**522,859**	496,077	**525,216**	496,680
Financial liabilities at fair value through profit and loss				
trading liabilities	**148,988**	127,975	**148,988**	127,975
non-trading derivatives	**6,951**	4,934	**6,951**	4,934
designated as at fair value through profit and loss	**13,882**	13,702	**13,882**	13,702
Other liabilities [2]	**35,724**	29,656	**35,724**	29,656
	1,025,323	930,745	**1,022,784**	928,537

[1] Other assets do not include (deferred) tax assets, property held for sale, property under development for third parties and pension assets.

[2] Other liabilities do not include (deferred) tax liabilities, pension liabilities, insurance provisions, property under development for third parties, share-based payment plans, other provisions and other taxation and social security contributions.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

The estimated fair values correspond with the amounts at which the financial instruments at our best estimate could have been traded 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 all 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 relevant pricing factors. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realizable 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 Group to estimate the fair value of the financial instruments.

FINANCIAL ASSETS

Cash and balances with central banks

The carrying amount of cash approximates its fair value.

Amounts due from banks

The fair values of receivables from banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

Non-trading derivatives

The fair values of derivatives held for non-trading purposes are based on quoted market prices. For those securities not actively traded, fair values are estimated based on internal valuation techniques.

Financial assets at fair value through profit and loss

The fair values of securities in the trading portfolio and other assets at fair value through profit and loss are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal valuation techniques.

Investments

The fair values of equity securities are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed interest 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.

Loans and advances to customers

For loans and advances 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 mortgage loans are estimated by taking into account prepayment behaviour and discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings. The fair values of fixed-rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying values of variable rate policy loans approximate their fair value.

Other assets

The carrying amount of other assets is not materially different to their fair value.

FINANCIAL LIABILITIES

Subordinated loans

The fair value of the subordinated loans is estimated using discounted cash flows based on interest rates that apply to similar instruments.

Investment contracts

For investment contracts for risk of company the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

consistent with those remaining for the contracts being valued. For investment contracts for risk of policyholder the fair value generally equals the fair value of the underlying assets.

Amounts due to banks

The fair values of payables to banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates for payables to banks with similar characteristics.

Customer deposits and other funds on deposit

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

Financial liabilities at fair value through profit and loss

The fair values of securities in the trading portfolio and other liabilities at fair value through profit and loss are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal valuation techniques.

Debt securities in issue and other borrowed funds

The fair value of debt securities in issue and other borrowed funds is generally based on quoted market prices or, if unquoted, on estimates by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity.

Other liabilities

The carrying amount of other liabilities are stated at their book value which is not materially different to their fair value.

The fair values of the financial instruments carried at fair value were determined as follows:

Methods applied in determining fair values of financial assets and liabilities

2007	Reference to published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs	Total
Assets				
Trading assets	**122,448**	**70,279**	**486**	**193,213**
Investments for risk of policyholders	**111,723**	**2,976**	**128**	**114,827**
Non-trading derivatives	**6,928**	**693**	**16**	**7,637**
Financial assets designated at fair value through profit and loss	**5,012**	**4,608**	**1,833**	**11,453**
Available-for-sale investments	**204,838**	**69,306**	**1,753**	**275,897**
	450,949	**147,862**	**4,216**	**603,027**
Liabilities				
Trading liabilities	**75,131**	**73,841**	**16**	**148,988**
Non-trading derivatives	**6,234**	**620**	**97**	**6,951**
Financial liabilities designated at fair value through profit and loss	**7,723**	**6,159**		**13,882**

Investment contracts (for contracts carried at fair value)	**12,074**	**2,058**		**14,132**
	101,162	**82,678**	**113**	**183,953**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Methods applied in determining fair values of financial assets and liabilities

2006	Reference to published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs	Total
Assets				
Trading assets	150,986	42,718	273	193,977
Investments for risk of policyholders	109,465	813	269	110,547
Non-trading derivatives	2,611	2,671	1,239	6,521
Financial assets designated at fair value through profit and loss	4,343	1,036	1,046	6,425
Available-for-sale investments	219,967	73,230	724	293,921
	487,372	120,468	3,551	611,391
Liabilities				
Trading liabilities	87,374	40,601		127,975
Non-trading derivatives	1,833	2,672	429	4,934
Financial liabilities designated at fair value through profit and loss	10,914	2,788		13,702
Investment contracts (for contracts carried at fair value)	13,235		10	13,245
	113,356	46,061	439	159,856

Reference to published price quotations

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm s length basis.

This category includes instruments for which a model is used to determine fair value instead of using an externally available quoted price, but for which a quoted price is available and the outcome of the model is evaluated regularly against that quoted price, resulting in no or only an insignificant deviation from the quoted price. Furthermore, it also includes financial instruments for which it is market convention to price these based on a single published reference rate (e.g. a published yield curve in the case of plain vanilla interest rate swaps). Certain reverse repos with a very short tenor (i.e. a matter of days) for which the valuation is based on the actual prices on issuance and maturity, are included in this category on the basis that their valuation is highly objective and based on a third party source. In 2006, these were reported under valuation technique not supported by market inputs (EUR 37,229 million at December 31, 2006), as ING then did not take into account market inputs becoming available at very short notice. Consistent with the classification in 2007, these have been reclassified in the 2006 comparatives.

Valuation technique supported by market inputs

This category includes financial instruments whose fair value is determined using a valuation technique (a model), where inputs in the model are taken from an active market or are market observable. If certain inputs in the model are not market observable, but all significant inputs are, the instrument is still classified in this category, provided that the impact of those elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are (more than insignificantly) modified based on other market observable external data.

Valuation technique not supported by market inputs

This category includes financial assets/liabilities whose fair value is determined using a valuation technique (model) for which more than an insignificant level of the input in terms of the overall valuation are not market observable.

The total amount of changes in fair value estimated using a valuation technique not supported by market inputs recognized in net profit in 2007 was EUR 74 million (2006: EUR 19 million).

Sensitivities of fair values

Reasonably likely changes in the assumptions used in the valuation techniques not supported by recent market transactions would not have a significant impact on equity and net profit.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

2.1.5. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP

34 INTEREST RESULT BANKING OPERATIONS

Interest result banking operations

	2007	2006	2005
Interest income on loans	**26,390**	21,970	18,912
Interest income on impaired loans	**(26)**	13	(23)
Total interest income on loans	**26,364**	21,983	18,889
Interest income on available-for-sale securities	**7,397**	6,989	5,989
Interest income on held-to-maturity securities	**736**	755	639
Interest income on trading portfolio	**32,443**	21,414	15,237
Interest income on non-trading derivatives	**6,190**	5,231	5,658
Other interest income	**3,619**	2,798	1,764
Interest income banking operations	**76,749**	59,170	48,176
Interest expense on deposits by banks	**5,131**	3,559	2,371
Interest expense on customer deposits and other funds on deposit	**18,563**	15,107	11,960
Interest expense on debt securities	**3,648**	3,173	2,911
Interest expense on subordinated loans	**1,167**	1,132	1,126
Interest on trading liabilities	**29,383**	18,821	13,369
Interest on non-trading derivatives	**6,115**	5,159	5,821
Other interest expense	**3,766**	3,027	1,551
Interest expense banking operations	**67,773**	49,978	39,109
Interest result banking operations	**8,976**	9,192	9,067

Interest margin

in percentages	**2007**	2006	2005
Interest margin	**0.94**	1.06	1.16

In 2007, the growth of the average total assets caused an increase of the interest result amounting to EUR 753 million (2006: EUR 1,040 million; 2005: EUR 1,214 million). The decrease of the interest margin by 12 basis points caused a decrease of the interest result with EUR 1,051 million (in 2006 the decrease of the interest margin by 10 basis points caused a decrease of the interest result with EUR 867 million; in 2005 the decrease of the interest margin by 6 basis points caused a decrease of the interest result with EUR 345 million).

35 GROSS PREMIUM INCOME

Gross premium income

	2007	2006	2005
Gross premium income from life insurance policies	**40,732**	40,502	39,145

Gross premium income from non-life insurance policies	**6,086**	6,333	6,613
	46,818	46,835	45,758

Gross premium income has been presented before deduction of reinsurance and retrocession premiums granted. Gross premium income excludes premium received for investment contracts, for which deposit accounting is applied.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Effect of reinsurance on premiums written

	Non-life			Life			Total	
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Direct premiums written gross	**6,062**	6,279	6,556	**39,170**	38,838	37,644	**45,232**	45,117	44,200
Reinsurance assumed premiums written gross	**24**	54	57	**1,562**	1,664	1,501	**1,586**	1,718	1,558
Total gross premiums written	**6,086**	6,333	6,613	**40,732**	40,502	39,145	**46,818**	46,835	45,758
Reinsurance ceded	**(306)**	(339)	(526)	**(1,968)**	(2,004)	(2,031)	**(2,274)**	(2,343)	(2,557)
	5,780	5,994	6,087	**38,764**	38,498	37,114	**44,544**	44,492	43,201

Effect of reinsurance on non-life premiums earned

	2007	2006	2005
Direct premiums earned, gross	**6,003**	6,248	6,712
Reinsurance assumed premiums earned, gross	**24**	58	57
Total gross premiums earned	**6,027**	6,306	6,769
Reinsurance ceded	**(326)**	(377)	(636)
	5,701	5,929	6,133

36 INVESTMENT INCOME
Investment income by insurance and banking operations

	Insurance operations			Banking operations			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Income from real estate investments	**80**	184	206	**252**	134	194	**332**	318	400
Dividend income	**750**	604	479	**70**	84	71	**820**	688	550
	830	788	685	**322**	218	265	**1,152**	1,006	950
Income from investments in debt securities	**6,857**	6,359	5,757				**6,857**	6,359	5,757

Income from loans									
personal loans	**76**	200	259				**76**	200	259
mortgage loans	**1,313**	1,640	1,695				**1,313**	1,640	1,695
policy loans	**215**	212	223				**215**	212	223
other	**323**	345	406		18	12	**323**	363	418
Income from investments in debt securities and loans	**8,784**	8,756	8,340		18	12	**8,784**	8,774	8,352
Realized gains/losses on disposal of debt securities	**(9)**	(56)	245	**138**	93	60	**129**	37	305
Reversals/Impairments of available-for-sale debt securities	**(76)**	36	34	**(57)**			**(133)**	36	34
Realized gains/losses and impairments of debt securities	**(85)**	(20)	279	**81**	93	60	**(4)**	73	339
Realized gains/losses on disposal of equity securities	**2,975**	772	511	**330**	149	171	**3,305**	921	682
Impairments of available-for-sale equity securities	**(36)**	(25)	(46)	**(17)**	(17)	(45)	**(53)**	(42)	(91)
Realized gains/losses and impairments of equity securities	**2,939**	747	465	**313**	132	126	**3,252**	879	591
Change in fair value of real estate investments	**75**	108	143	**93**	67	59	**168**	175	202
Investment income	**12,543**	10,379	9,912	**809**	528	522	**13,352**	10,907	10,434

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

37 COMMISSION INCOME

Gross fee and commission income

	Insurance operations			Banking operations			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Funds transfer				**746**	704	645	**746**	704	645
Securities business				**1,049**	1,064	905	**1,049**	1,064	905
Insurance broking	**1,124**	992	584	**180**	171	115	**1,304**	1,163	699
Management fees	**1,025**	860	1,420	**1,140**	944	787	**2,165**	1,804	2,207
Brokerage and advisory fees	**1,014**	951	473	**233**	207	152	**1,247**	1,158	625
Other	**364**	270	119	**818**	704	645	**1,182**	974	764
	3,527	3,073	2,596	**4,166**	3,794	3,249	**7,693**	6,867	5,845

Fee and commission expenses

	Insurance operations			Banking operations			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Funds transfer				**144**	140	56	**144**	140	56
Securities business				**370**	347	264	**370**	347	264
Insurance broking	**686**	551	250				**686**	551	250
Management fees	**182**	188	686	**230**	204	139	**412**	392	825
Brokerage and advisory fees	**673**	624	260	**5**	2	6	**678**	626	266
Other	**85**	75	54	**491**	420	383	**576**	495	437
	1,626	1,438	1,250	**1,240**	1,113	848	**2,866**	2,551	2,098

38 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives

	Insurance operations			Banking operations			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Change in fair value of derivatives relating to:									
fair value hedges	**(227)**	(162)	87	**924**	203	(425)	**697**	41	(338)
cash-flow hedges (ineffective portion)	**(5)**			**(4)**	(7)	(1)	**(9)**	(7)	(1)
hedges of net investment in foreign entities (ineffective portion)	**(14)**	(12)	(16)				**(14)**	(12)	(16)

other non-trading derivatives	**(753)**	(85)	(152)	**36**	391	296	**(717)**	306	144
Net result on non-trading derivatives	**(999)**	(259)	(81)	**956**	587	(130)	**(43)**	328	(211)
Change in fair value of assets and liabilities (hedged items)	**223**	211	(98)	**(886)**	(203)	467	**(663)**	8	369
Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading)	**89**			**56**	(247)	(111)	**145**	(247)	(111)
Net valuation results	**(687)**	(48)	(179)	**126**	137	226	**(561**	89	47

39 NET TRADING INCOME

Net trading income

	Insurance operations			Banking operations			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Results from securities trading	**246**	159	84	**(2,147)**	(804)	660	**(1,901)**	(645)	744
Results from foreign exchange transactions	**174**	120	(87)	**401**	282	378	**575**	402	291
Other	**(50)**	(7)	9	**2,495**	1,422	(618)	**2,445**	1,415	(609)
	370	272	6	**749**	900	420	**1,119**	1,172	426

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Results from securities trading includes the results of making markets in instruments such as government securities, equity securities, corporate debt securities, money-market instruments, and interest rate derivatives such as swaps, options, futures and forward contracts. Results from foreign currency exchange transactions include gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities.

The portion of trading gains and losses for the year ended December 31, 2007 that related to trading securities still held at December 31, amounts to EUR (60) million (2006: EUR (121) million; 2005: EUR 7 million).

The majority of the risks involved in the security and currency trading is economically hedged with derivatives. The results on security trading is partly offset by results on these derivatives. The result of these derivatives is included in Other and amounts to EUR 408 million (2006: EUR 1,662 million).

40 OTHER INCOME

Other income

	Insurance operations			Banking operations			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Net operating lease income				**79**	66	72	**79**	66	72
Other	**305**	(5)	149	**501**	410	489	**806**	405	638
	305	(5)	149	**580**	476	561	**885**	471	710

Net operating lease income comprises income of EUR 803 million (2006: EUR 691 million; 2005: EUR 627 million), depreciation of EUR 724 million (2006: EUR 626 million; 2005: EUR 555 million) and other expenses of nil (2006: nil; 2005: nil).

41 UNDERWRITING EXPENDITURE

Underwriting expenditure

	2007	2006	2005
Gross underwriting expenditure	**51,818**	53,065	54,594
Investment income for risk of policyholders	**(1,079)**	(2,702)	(5,074)
Reinsurance recoveries	**(1,906)**	(2,175)	(2,400)
Underwriting expenditure	**48,833**	48,188	47,120

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Underwriting expenditure by class

	2007	2006	2005
Expenditure from life underwriting			
Reinsurance and retrocession premiums	**1,968**	2,004	2,031
Gross benefits	**28,877**	26,234	22,129
Reinsurance recoveries	**(1,749)**	(1,705)	(1,625)
Change in life insurance provisions for risk of company	**11,979**	13,420	14,650
Costs of acquiring insurance business	**1,098**	1,083	1,060
Other underwriting expenditure	**457**	439	364
Profit sharing and rebates	**424**	801	2,214
	43,054	42,276	40,823
Expenditure from non-life underwriting			
Reinsurance and retrocession premiums	**306**	339	526
Gross claims	**3,589**	3,848	4,343
Reinsurance recoveries	**(157)**	(470)	(775)
Change in provision for unearned premiums	**79**	65	(46)
Change in claims provision	**13**	(209)	(49)
Costs of acquiring insurance business	**979**	1,043	1,012
Other underwriting expenditure	**(50)**	(71)	(52)
	4,759	4,545	4,959
Expenditure from investment contracts			
Costs of acquiring investment contracts	**19**	31	53
Profit sharing and rebates	**16**	64	17
Other changes in investment contract liabilities	**985**	1,272	1,268
	1,020	1,367	1,338
	48,833	48,188	47,120

Profit sharing and rebates

	2007	2006	2005
Distributions on account of interest or underwriting results	**(133)**	458	1,824
Bonuses added to policies	**411**	369	379
Deferred profit sharing expense	**146**	(26)	11
	424	801	2,214

Underwriting expenditure includes an amount of EUR 4,275 million in 2007 (2006: EUR 4,141 million; 2005: EUR 3,956 million) in respect of commission paid and payable with regard to the insurance operations. Amortization of

deferred acquisition costs amounted to EUR 1,552 million in 2007 (2006: EUR 1,444 million; 2005: EUR 1,475 million).

Expenditure from Life underwriting includes an amount of EUR 110 million in 2007 (2006: EUR 181 million; 2005: EUR 220 million) in relation to reserve strengthening for Insurance Asia/Pacific as further described under Segment reporting.

The investment income and valuation results regarding investments for risk of policyholders of EUR 1,079 million (2006: EUR 2,702 million; 2005: EUR 5,074 million) has not been recognized in Investment income and valuation results on assets and liabilities designated at fair value through profit and loss but is recognized in Underwriting expenditure together with the equal amount of change in insurance provisions for risk of policyholders.

ING transferred part of their life insurance business to Scottish Re in 2004 by means of a co-insurance contract. A loss amounting to EUR 160 million was recognized in Underwriting expenditure in 2004 on this transaction. This loss represented the reduction of the related deferred acquisition costs. In addition, an amount of EUR 240 million is being amortized over the life of the underlying business, starting in 2005 and gradually decreasing in subsequent years as the business tails off. The amount amortized in 2007 was EUR 15 million (2006: EUR 32 million; 2005: EUR 34 million). The cumulative amortization as at December 31, 2007 was EUR 81 million (2006: EUR 66 million; 2005: EUR 34 million).

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

42 OTHER IMPAIRMENTS

Other impairment losses and reversals of impairments recognized in the profit and loss account

	Impairment losses			Reversals of impairments			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Property and equipment	**2**	1	82	**(14)**	(4)	(27)	**(12)**	(3)	55
Property under development for third parties	**41**	19		**(43)**			**(2)**	19	
Other intangible assets	**15**	10	21				**15**	10	21
Other		3		**(4)**	(2)		**(4)**	1	
	58	33	103	**(61)**	(6)	(27)	**(3)**	27	76

Impairments on Loans and advances to customers are presented under Addition to loan loss provision. Impairments on Investments are presented under Investment income.

43 STAFF EXPENSES

Staff expenses

	Insurance operations			Banking operations			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Salaries	**2,050**	2,012	2,038	**3,646**	3,480	3,286	**5,696**	5,492	5,324
Pension and other staff related benefit costs	**48**	79	143	**159**	206	256	**207**	285	399
Social security costs	**201**	196	214	**466**	444	444	**667**	640	658
Share-based compensation arrangements	**54**	54	36	**73**	58	33	**127**	112	69
Other staff costs	**484**	457	470	**1,080**	932	726	**1,564**	1,389	1,196
	2,837	2,798	2,901	**5,424**	5,120	4,745	**8,261**	7,918	7,646

Share-based compensation arrangements includes an amount of EUR 110 million (2006: EUR 109 million; 2005: EUR 63 million) relating to equity-settled share-based payment arrangements and EUR 17 million (2006: EUR 4 million; 2005: EUR 6 million) relating to cash-settled share-based payment arrangements.

Pension and other staff-related benefits costs

	Pension benefits			Post-employment benefits other than pensions			Other			Total		
2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005

Current service cost	**408**	417	477	**11**	13	42	**(13)**	23	32	**406**	453	551
Past service cost	**(86)**	18	192		(1)		**(1)**	1	5	**(87)**	18	197
Interest cost	**739**	703	643	**13**	11	40	**9**	7	35	**761**	721	718
Expected return on assets	**(869)**	(820)	(710)						(22)	**(869)**	(820)	(732)
Amortization of unrecognized past service cost				**(5)**	(5)					**(5)**	(5)	
Amortization of unrecognized actuarial (gains)/losses	**29**	22					**4**			**33**	22	
Effect of curtailment or settlement	**(32)**	(6)	(12)		(147)	(396)		4	(3)	**(32)**	(149)	(411)
Other	**(62)**			**(7)**			**1**			**(68)**		
Defined benefit plans	**127**	334	590	**12**	(129)	(314)		35	47	**139**	240	323
Defined contribution plans										**68**	45	76
										207	285	399

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Remuneration of Senior Management, Executive Board and Supervisory Board

The information on share based payment plans and remuneration of the members of the Executive Board and the Supervisory Board is included in the remuneration report in the annual report. This information is considered to be an integral part of the audited annual accounts.

Stock option and share plans

ING Group has granted option rights on ING Group shares and conditional rights on depository receipts (share awards) 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 Group 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 Group, is to attract, retain and motivate senior executives and staff.

ING Group holds 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 December 31, 2007, 36,028,881 own shares (2006: 52,722,755; 2005: 38,722,934) were held in connection with the option plan compared to 76,888,553 options outstanding (2006: 74,175,909; 2005: 85,128,950). 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.

In March 2008 shares will be issued in relation to the vesting of share plans. The actual number of shares to be issued is dependent on ING s TSR ranking. Reference is made to Item 6 Directors, Senior Management and Employees on page 83 up to and including page 102.

Exposure arising out of the share plan is not hedged. The obligations with regard to these plans will be funded by issuing own shares. On 15 March 2007 5.2 million own shares were issued in relation to the vesting of share plans.

The option rights are valid for a period of 5 or 10 years. Option rights that are not exercised within this period lapse. 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 share awards is granted conditionally. If the participant remains in employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional. In 2007 139,113 shares (2006: 52,100; 2005: 73,500) have been granted to the members of the Executive Board and 2,415,649 shares (2006: 2,432,686; 2005: 2,907,101) have been granted to senior management and other employees remaining in the service of ING Group.

Every 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.

Changes in option rights outstanding

	Options outstanding			Weighted average exercise price		
	2007	2006	2005	**2007**	2006	2005
Opening balance	**74,175,909**	85,128,950	81,010,410	**25.99**	24.42	24.97
Granted	**12,139,472**	13,872,880	15,734,031	**32.13**	32.78	23.28
Exercised	**(7,163,332)**	(17,213,518)	(2,820,253)	**19.73**	20.64	21.15
Forfeited	**(2,263,496)**	(1,338,877)	(298,315)	**27.68**	25.78	23.60
Expired		(6,273,526)	(8,496,923)		25.99	30.26
Closing balance	**76,888,553**	74,175,909	85,128,950	**26.66**	25.99	24.42

The weighted average share price at the date of exercise for options exercised during 2007 is EUR 32.48.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Changes in option rights non-vested

	Options non-vested			Weighted average grant date fair value		
	2007	2006	2005	**2007**	2006	2005
Opening balance	**38,551,921**	41,407,132	48,317,040	**4.57**	3.65	4.85
Granted	**12,139,472**	13,872,880	15,734,031	**6.52**	6.49	3.49
Vested	**(10,112,348)**	(15,390,327)	(22,394,188)	**6.14**	4.65	6.11
Forfeited	**(2,173,887)**	(1,337,764)	(249,751)	**5.46**	3.85	3.54
Closing balance	**38,405,158**	38,551,921	41,407,132	**5.83**	4.57	3.65

Summary of stock options outstanding and exercisable
2007

Range of exercise price in euros	**Options outstanding as at December 31, 2007**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at December 31, 2007**	**Weighted average remaining contractual life**	**Weighted average exercise price**
0.00 15.00	**6,236,710**	**5.19**	**12.02**	**6,236,710**	**5.19**	**12.02**
15.00 20.00	**9,773,356**	**5.55**	**18.47**	**9,773,356**	**5.55**	**18.47**
20.00 25.00	**15,180,545**	**6.84**	**23.10**	**1,556,832**	**3.21**	**21.83**
25.00 30.00	**15,338,397**	**3.46**	**28.72**	**15,206,363**	**3.42**	**28.74**
30.00 35.00	**24,726,711**	**8.69**	**32.47**	**77,300**	**3.59**	**33.08**
35.00 40.00	**5,632,834**	**3.14**	**35.51**	**5,632,834**	**3.14**	**35.51**
	76,888,553			**38,483,395**		

Summary of stock options outstanding and exercisable
2006

Range of exercise price in euros	Options outstanding as at December 31, 2006	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at December 31, 2006	Weighted average remaining contractual life	Weighted average exercise price
0.00 15.00	7,953,108	6.18	12.72	7,953,108	6.19	12.72
15.00 20.00	10,162,164	7.20	18.69	121,471	6.66	18.49
20.00 25.00	14,820,967	8.24	23.25	44,875	5.65	23.12
25.00 30.00	19,937,148	4.44	28.73	19,796,024	4.43	28.74
30.00 35.00	13,696,046	9.20	32.78	102,034	4.59	32.93
35.00 40.00	7,606,476	4.09	35.58	7,606,476	4.16	35.58
	74,175,909			35,623,988		

Summary of stock options outstanding and exercisable
2005

Range of exercise price in euros	Options outstanding as at December 31, 2005	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at December 31, 2005	Weighted average remaining contractual life	Weighted average exercise price
0.00 15.00	16,872,752	7.18	12.71	2,423,643	7.20	12.89
15.00 20.00	10,797,877	8.20	18.69	301,461	7.97	18.70
20.00 25.00	15,423,891	9.23	23.25	172,095	8.11	23.21
25.00 30.00	27,110,926	5.28	28.59	25,901,115	5.21	28.57
30.00 35.00	361,530	2.86	33.15	361,530	2.86	33.15
35.00 40.00	14,561,974	3.48	35.47	14,561,974	3.48	35.47
	85,128,950			43,721,818		

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2007 was EUR 230 million and EUR 183 million, respectively.
As of December 31, 2007 there was EUR 69 million of total unrecognized compensation costs related to stock options (2006: EUR 90 million; 2005: EUR 50 million). These costs are expected to be recognized over a weighted average period of 1.7 years (2006: 1.9 years; 2005: 2.0 years). Cash received from stock option exercises for the year ended December 31, 2007 was EUR 131 million (2006: EUR 355 million; 2005: nil).
The fair value of options granted is recorded as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined by using a Monte Carlo simulation. This model takes the risk free interest rate into account (4.04% to 4.51%), as

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

well as the expected life of the options granted (1 year to 7 years), the exercise price, the current share price (EUR 30.02 EUR 33.10), the expected volatility of the certificates of ING Group shares (25% 27%) and the expected dividends yield (3.98% to 4.63%).

Due to timing differences in granting option rights and buying shares to hedge them, an equity difference can occur if shares are purchased at a different price than the exercise price of the options. However, ING Group does not intentionally create a position and occurring positions are closed as soon as possible. If option rights expire, the results on the (sale of) shares which were bought to hedge these option rights are recorded in Shareholders equity.

Changes in share awards

	Share awards			Weighted average grant date fair value		
	2007	2006	2005	**2007**	2006	2005
Opening balance	**8,373,146**	6,499,469	3,715,896	**24.90**	22.92	19.38
Granted	**2,554,762**	2,484,786	2,980,601	**19.74**	29.62	27.50
Performance effect	**2,463,058**			**19.35**		
Vested	**(5,569,061)**	(155,522)	(152,006)	**19.35**	22.48	20.26
Forfeited	**(688,191)**	(455,587)	(45,022)	**26.39**	23.10	24.71
Closing balance	**7,133,714**	8,373,146	6,499,469	**27.52**	24.90	22.92

The fair value of share awards granted is recorded as an expense under staff expenses and is allocated over the vesting period of the share awards. The fair values of share awards have been determined by using a Monte Carlo Simulation based valuation model. The model takes into account the risk free interest rate, the current stock prices, expected volatilities and current divided yields of the performance peer group used to determine ING s Total Shareholder Return (TSR) ranking.

As of December 31, 2007 there were EUR 53 million (2006: EUR 88 million; 2005: EUR 81 million) of total unrecognized compensation costs related to share awards. These costs are expected to be recognized over a weighted average period of 1.7 years (2006: 1.8 years; 2005: 1.9 years).

44 OTHER INTEREST EXPENSES

Other interest expenses mainly consist of interest in connection with the insurance operations, including interest on the perpetual subordinated loans.

Other interest expenses includes EUR 7 million and EUR 92 million dividends paid on preference shares and trust preferred securities (2006: EUR 10 million and EUR 101 million; 2005: EUR 14 million and EUR 111 million).

Total interest income and total interest expense for items not valued at fair value through profit and loss for 2007 were EUR 46,900 million (2006: EUR 41,281 million; 2005: EUR 35,632 million) and EUR 31,173 million (2006: EUR 27,014 million; 2005: EUR 20,888 million) respectively. Net interest income of EUR 16,658 million is presented in the following profit and loss captions.

Net interest income

	2007	2006	2005
Interest result bank **34**	**8,976**	9,192	9,067
Investment income insurance **36**	**8,784**	8,756	8,340
Interest expense	**(1,102)**	(1,016)	(969)
	16,658	16,932	16,438

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

45 OTHER OPERATING EXPENSES

Other operating expenses

	Insurance operations			Banking operations			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Depreciation of property and equipment	**98**	102	113	**321**	361	376	**419**	463	489
Amortization of intangible assets	**117**	107	108	**122**	101	112	**239**	208	220
Computer costs	**393**	331	319	**678**	705	669	**1,071**	1,036	988
Office expenses	**660**	629	595	**628**	634	622	**1,288**	1,263	1,217
Travel and accommodation expenses	**102**	102	104	**153**	139	133	**255**	241	237
Advertising and public relations	**258**	177	150	**759**	722	619	**1,017**	899	769
External advisory fees	**455**	581	505	**491**	449	356	**946**	1,030	861
Addition/(releases) of provision for reorganizations and relocations	**11**	(16)	38	**434**	63	86	**445**	47	124
Other	**580**	465	362	**965**	777	1,060	**1,545**	1,242	1,422
	2,674	2,478	2,294	**4,551**	3,951	4,033	**7,225**	6,429	6,327

Other operating expenses include lease and sublease payments in respect to operating leases, of EUR 156 million (2006: EUR 229 million; 2005: EUR 50 million) in which ING is the lessee.

46 TAXATION

Taxation by type

	Netherlands			International			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Current taxation	**112**	469	855	**963**	970	388	**1,075**	1,439	1,243
Deferred taxation	**144**	95	(2)	**316**	373	138	**460**	468	136
	256	564	853	**1,279**	1,343	526	**1,535**	1,907	1,379

Reconciliation of the weighted average statutory income tax rate to ING Group s effective income tax rate

	2007	2006	2005
Result before taxation	**11,043**	9,940	8,894
Weighted average statutory tax rate	**28.7%**	30.9%	31.8%

Weighted average statutory tax amount	**3,169**	3,071	2,831
Associates exemption	**(814)**	(255)	(386)
Other income not subject to tax	**(577)**	(336)	(222)
Expenses not deductible for tax purposes	**93**	121	37
Impact on deferred tax from change in tax rates	**(9)**	(170)	(2)
Deferred tax benefit from previously unrecognized amounts	**(64)**	(30)	(413)
Current tax benefit from previously unrecognized amounts	**(222)**	(447)	(391)
Write down/reversal of deferred tax assets	**8**	(6)	2
Adjustment to prior periods	**(49)**	(41)	(77)
Effective tax amount	**1,535**	1,907	1,379
Effective tax rate	**13.9%**	19.2%	15.5%

As of 2007, the reconciliation is prepared on the basis of the weighted average statutory tax rate. Until 2006 , it was prepared on the basis of the Dutch statutory tax rate for the entire Group. The 2006 and 2005 comparatives have been restated to reflect this change.
The effect of the change in tax rates in 2006 is mainly attributable to a reduction in the tax rate in the Netherlands from 29.6% to 25.5%.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Tax benefits from previously unrecognized amounts includes releases of tax provisions resulting from settlements with tax authorities. Significant amounts included relate to closing of tax audits in the main tax jurisdictions of the Group.

47 EARNINGS PER ORDINARY SHARE

Earnings per ordinary share

	Net profit (in millions of euros)			Weighted average number of ordinary shares outstanding during the period (in millions)			Net profit per ordinary share (in euros)		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Basic and net profit	**9,241**	7,692	7,210	**2,141.1**	2,155.0	2,169.5	**4.32**	3.57	3.32
Effect of dilutive securities:									
Warrants				**3.2**	7.6				
Stock option and share plans				**12.3**	14.4				
				15.5	22.0				
Diluted profit	**9,241**	7,692	7,210	**2,156.6**	2,177.0	2,169.5	**4.28**	3.53	3.32

Diluted profit per share data are computed as if the stock options and warrants outstanding at year-end were exercised at the beginning of the period. It is also assumed that ING Group uses the cash thus received for stock options and warrants exercised to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from the exercise of warrants and stock options is added to the average number of shares used for the calculation of net profit per share.

48 DIVIDEND PER ORDINARY SHARE

Dividend per ordinary share

	2007[1]	2006	2005
Per ordinary share (in euros)	**1.48**	1.32	1.18
Total amount of dividend declared (in millions of euros)	**3,180**	2,865	2,588

(1) The Executive Board, with the approval of the Supervisory Board, has proposed, subject to the

ratification by the General Meeting of Shareholders, a cash dividend of EUR 1.48 per share for the year 2007. Following the decision of the General Meeting of Shareholders with regard to the profit appropriation, the final cash dividend will become payable on May 5, 2008.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

2.1.6. SEGMENT REPORTING

49 PRIMARY REPORTING FORMAT BUSINESS SEGMENTS

ING Group s business segments relate to the internal segmentation by business lines. These include the business lines: Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct. Other mainly includes items not directly attributable to the business lines.

Each business line is headed by a member of the Executive Board. The Executive Board sets the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Executive Board.

The accounting policies of the business segments are the same as those described under Accounting policies for the consolidated balance sheet and profit and loss account. Transfer prices for inter-segment transactions are set at arm s length. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, or on the basis of income and/or assets of the segment. With regard to capital gains on the share portfolio, a fixed return of 3% is allocated to the insurance business lines. The differences between the actual capital gains on the shares portfolio and the allocated return are included in Other.

ING applies a system of capital charging that makes the results of the banking business units globally comparable, irrespective of the book equity they have and the currency they operate in. ING has the policy that, for the banking business units, equity locally needs to be invested at the local risk free rate. Banking business units are charged by the Corporate Line for the income that they make on the book equity invested and, are given a benefit based on the risk free Euro rate on the economic capital they employ. Consequently, the results of the businesses as disclosed are the local results after Group overhead charges while the investment returns on equity are based on the risk free Euro rate on economic capital.

ING Group evaluates the results of its business segments using a financial performance measure called underlying profit before taxation. Underlying profit before taxation is defined as profit before taxation excluding the impact of divestments and special items.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Business segments

2007	Insurance Europe	Insurance Americas	Insurance/Wholesale Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Eliminations	Total
Income										
external	15,903	29,565	14,105	7,150	6,956	2,346	561	76,586		76,586
inter-segment	359	116	278	(1,290)	(532)	(150)	3,191	1,972	(1,972)	
Total income	16,262	29,681	14,383	5,860	6,424	2,196	3,752	78,558	(1,972)	76,586
Segment profit before taxation	2,300	2,152	576	2,260	1,783	530	1,442	11,043		11,043
Divestments	(460)	(93)			(32)		129	(456)		(456)
Special items				139	311		40	490		490
Underlying profit before taxation	1,840	2,059	576	2,399	2,062	530	1,611	11,077		11,077
Segment assets	98,287	159,679	61,433	965,680	461,946	262,560	139,050	2,148,635	(836,125)	1,312,510
Segment liabilities	89,531	150,769	55,996	957,923	458,006	259,792	110,995	2,083,012	(810,033)	1,272,979
Share in profit or loss of associates	316	191		212	26		(5)	740		740
Book value of associates	2,894	252	1	1,502	461		(96)	5,014		5,014
Cost incurred in 2007 to acquire property, equipment, and intangibles	219	766	122	177	1,227	296	344	3,151		3,151
Significant non-cash expenses										
Depreciation and amortization	255	1,102	573	155	199	87	4	2,375		2,375
Impairments	4	114	1	38		14		171		171

Reversal of impairments		**5**		**51**	**6**		**62**	**62**
Deferred acquisition costs and VOBA	**900**	**6,874**	**5,219**				**12,993**	**12,993**
Increase in provisions for Insurance and investment contracts	**4,339**	**12,036**	**10,060**			**59**	**26,494**	**26,494**
Addition to loan loss provision				**(115)**	**172**	**68**	**125**	**125**

The segment Insurance Asia/Pacific has a net reserve inadequacy using a prudent (90%) confidence level, and, in line with Group Policy, is taking measures to improve adequacy in that region. This inadequacy was offset by reserve adequacies in other segments, such that at the Group level there is a net adequacy at the prudent (90%) confidence level.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Business segments

2006	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Eliminations	Total
Income										
external	15,893	29,775	13,310	7,215	6,126	2,216	(914)	73,621		73,621
inter-segment	278	4	68	(1,397)	(40)	73	2,375	1,361	(1,361)	
Total income	16,171	29,779	13,378	5,818	6,086	2,289	1,461	74,982	(1,361)	73,621
Segment profit before taxation	2,362	1,992	636	2,481	1,935	691	(157)	9,940		9,940
Divestments	(113)		(15)	44		3		(81)		(81)
Underlying profit before taxation	2,249	1,992	621	2,525	1,935	694	(157)	9,859		9,859
Segment assets	117,106	162,229	54,454	764,882	314,191	253,160	205,236	1,871,258	(644,951)	1,226,307
Segment liabilities	102,827	152,599	50,204	756,645	310,078	249,792	159,635	1,781,780	(596,688)	1,185,092
Share in profit or loss of associates	447	8		176	11		(4)	638		638
Book value of associates	2,981	14	2	1,141	57		148	4,343		4,343
Cost incurred in 2006 to acquire property, equipment, and intangibles	1,322	243	90	226	182	144	3	2,210		2,210
Significant non-cash expenses										
Deprecia-tion and amortization	287	915	627	171	216	74		2,290		2,290
Impair-ments	1		10	16	4			31		31
					4			4		4

Reversal of impairments					
Addition to loan loss provision	(118)	161	60	103	103

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Business segments

2005	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Eliminations	Total
Income										
external	15,832	28,030	13,161	6,808	5,702	1,739	(152)	71,120		71,120
intersegment	201	4	31	(851)	179	295	641	500	(500)	
Total income	16,033	28,034	13,192	5,957	5,881	2,034	489	71,620	(500)	71,120
Segment profit before taxation	2,031	1,941	478	2,599	1,864	630	(649)	8,894		8,894
Divestments	(87)	38	(31)	(300)	(62)	(13)		(455)		(455)
Underlying profit before taxation	1,945	1,979	447	2,299	1,802	617	(649)	8,440		8,440
Segment assets	113,900	165,719	48,326	677,869	312,021	232,773	27,856	1,578,464	(419,825)	1,158,639
Segment liabilities	101,855	158,330	44,697	669,352	308,558	229,778	21,018	1,533,588	(413,374)	1,120,214
Share in profit or loss of associates	346	12	34	134	6		9	541		541
Book value of associates	2,421	15	1	1,114	45	2	24	3,622		3,622
Cost incurred in 2005 to acquire property, equipment, and intangibles	1,081	142	46	214	236	103	8	1,830		1,830
Significant non-cash expenses										
Depreciation and amortization	405	934	613	181	229	63		2,425		2,425

Impairments	29	15	19	75	6		144	144
Reversal of impairments		41	1	15	12		69	69
Addition to loan loss provision				(108)	111	85	88	88

Interest income (external) and interest expense (external) breakdown by business line

2007	**Insurance Europe**	**Insurance Americas**	**Insurance Asia/ Pacific**	**Wholesale Banking**	**Retail Banking**	**ING Direct**	**Other**	**Total**
Interest income	**3,026**	**4,603**	**975**	**51,890**	**12,931**	**12,040**	**157**	**85,622**
Interest expense	**85**	**376**	**4**	**45,431**	**10,594**	**9,963**	**2,603**	**69,056**
	2,941	**4,227**	**971**	**6,459**	**2,337**	**2,077**	**(2,446)**	**16,566**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Interest income (external) and interest expense (external) breakdown by business line

2006	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total
Interest income	3,307	4,604	911	37,873	10,390	10,435	669	68,189
Interest expense	25	466	4	31,648	8,085	8,309	2,458	50,995
	3,282	4,138	907	6,225	2,305	2,126	(1,789)	17,194

Interest income (external) and interest expense (external) breakdown by business line

2005	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total
Interest income	3,658	4,492	856	30,092	10,253	8,101	(289)	57,163
Interest expense	115	341	4	25,326	7,072	6,523	769	40,150
	3,543	4,151	852	4,766	3,181	1,578	(1,058)	17,013

50 SECONDARY REPORTING FORMAT GEOGRAPHICAL SEGMENTS

ING Group s six business lines operate in seven main geographical areas: the Netherlands, Belgium, Rest of Europe, North America, Latin America, Asia and Australia. Geographical distribution of income is based on the origin of revenue.

Geographical segments

2007	**Netherlands**	**Belgium**	**Rest of Europe**	**North America**	**Latin America**	**Asia**	**Australia**	**Other**	**Eliminations**	**Total**
Income										
external	**15,577**	**5,850**	**6,424**	**28,240**	**3,186**	**13,999**	**1,005**	**2,307**	**(2)**	**76,586**
intersegment	**686**	**(701)**	**727**	**(463)**	**178**	**304**	**20**	**1,219**	**(1,970)**	
Total income	**16,263**	**5,149**	**7,151**	**27,777**	**3,364**	**14,303**	**1,025**	**3,526**	**(1,972)**	**76,586**
Segment profit before taxation	**2,252**	**1,542**	**1,987**	**2,233**	**523**	**551**	**452**	**1,503**		**11,043**
Segment assets	**676,676**	**177,716**	**363,178**	**313,263**	**23,631**	**89,079**	**40,915**	**36,243**	**(408,191)**	**1,312,510**
Cost incurred in 2007 to	**370**	**61**	**1,215**	**316**	**679**	**113**	**56**	**341**		**3,151**

acquire property, equipment, and intangibles

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Geographical segments

2006	Nether-lands	Belgium	Rest of Europe	North America	Latin America	Asia	Aus-tralia	Other	Elimi-nations	Total
Income										
external	16,079	5,358	5,920	29,472	2,712	13,155	841	84		73,621
intersegment	765	(436)	586	(1,039)	355	117	11	1,002	(1,361)	
Total income	16,844	4,922	6,506	28,433	3,067	13,272	852	1,086	(1,361)	73,621
Segment profit before taxation	3,585	1,115	1,785	2,315	318	583	340	(101)		9,940
Segment assets	608,949	180,694	339,683	319,233	21,567	72,515	33,373	44,459	(394,166)	1,226,307
Cost incurred in 2006 to acquire property, equipment, and intangibles	1,506	62	253	228	40	75	46			2,210

Geographical segments

2005	Nether-lands	Belgium	Rest of Europe	North America	Latin America	Asia	Aus-tralia	Other	Elimi-nations	Total
Income										
external	16,779	5,142	5,586	26,871	2,771	12,996	783	324		71,252
intersegment	217	(358)	460	(161)	55	89	21	(455)		(132)
Total income	16,996	4,784	6,046	26,710	2,826	13,085	804	(131)		71,120
Segment profit before taxation	3,566	1,383	1,123	2,434	168	361	336	(477)		8,894
Segment assets	271,096	165,590	329,198	275,661	19,653	64,176	26,832	6,433		1,158,639
Cost incurred in 2005 to acquire property, equipment, and intangibles	1,271	138	173	135	41	51	21			1,830

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Profit before taxation by geographical area

	Insurance operations			Banking operations			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Netherlands	**1,446**	2,182	1,714	**806**	1,403	1,693	**2,252**	3,585	3,407
Belgium	**523**	160	192	**1,019**	955	790	**1,542**	1,115	982
Rest of Europe	**332**	309	263	**1,655**	1,476	1,317	**1,987**	1,785	1,580
North America	**1,826**	1,564	1,443	**407**	751	705	**2,233**	2,315	2,148
Latin America	**326**	178	152	**197**	140	78	**523**	318	230
Asia	**362**	468	275	**189**	115	170	**551**	583	445
Australia	**215**	176	195	**237**	164	162	**452**	340	357
Other	**1,503**	(101)	(256)			1	**1,503**	(101)	(255)
Total	**6,533**	4,936	3,978	**4,510**	5,004	4,916	**11,043**	9,940	8,894

Geographical analysis of claims, expense ratio and combined ratio for non-life insurance policies

	Claims ratio			Expense ratio			Combined ratio		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Netherlands	**50.2**	44.7	56.0	**41.2**	40.3	39.0	**91.4**	85.0	95.0
Belgium	**70.3**	65.0	66.8	**31.5**	33.7	34.1	**101.8**	98.7	100.9
Rest of Europe	**44.1**	46.8	51.5	**44.8**	41.3	41.8	**88.9**	88.1	93.3
North America	**65.7**	59.2	59.7	**28.5**	29.9	29.4	**94.2**	89.1	89.1
Latin America	**81.6**	74.2	75.8	**27.3**	26.8	28.4	**108.9**	101.0	104.2
Asia	**50.1**	50.2	52.5	**42.7**	40.7	40.3	**92.8**	90.9	92.8
Other	**144.3**	60.1	119.7	**18.7**	(36.4)	14.6	**163.0**	23.7	134.3
Total	**65.3**	58.6	62.7	**31.8**	31.8	31.9	**97.1**	90.4	94.6

The claims ratio is the claims, including claims handling expenses, expressed as a percentage of net earned premiums. The expense ratio is the costs expressed as a percentage of net premiums written. The claims ratio and the expense ratio together form the combined ratio. A combined ratio of more than 100% does not necessarily mean that there is a loss on non-life insurance policies, because the result also includes the allocated investment income.

2.1.7. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP

51 NET CASH FLOW FROM INVESTING ACTIVITIES

Information on the impact of companies acquired or disposed of is presented in Note 29 Companies acquired and companies disposed .

52 INTEREST AND DIVIDEND INCLUDED IN NET CASH FLOW

Interest and dividend received and paid

	2007	2006	2005
Interest received	**82,707**	66,471	53,015
Interest paid	**(66,463)**	(52,369)	(33,379)

	16,244	14,102	19,636
Dividend received	**820**	715	522
Dividend paid	**(3,039)**	(2,716)	(2,461)

53 CASH AND CASH EQUIVALENTS

Cash and cash equivalents

	2007	2006	2005
Treasury bills and other eligible bills	**4,130**	4,333	11,572
Amounts due from/to banks	**(33,347)**	(20,454)	(21,321)
Cash and balances with central banks	**12,406**	14,326	13,084
Cash and cash equivalents at end of year	**(16,811)**	(1,795)	3,335

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Treasury bills and other eligible bills included in cash and cash equivalents

	2007	2006	2005
Treasury bills and other eligible bills included in trading assets	**1,806**	1,286	8,878
Treasury bills and other eligible bills included in available-for-sale investments	**2,324**	3,047	2,694
	4,130	4,333	11,572

Amounts due to/from banks

	2007	2006	2005
Included in cash and cash equivalents			
amounts due to banks	**(42,154)**	(26,498)	(25,441)
amounts due from banks	**8,807**	6,044	4,120
	(33,347)	(20,454)	(21,321)
Not included in cash and cash equivalents			
amounts due to banks	**(124,818)**	(94,341)	(96,793)
amounts due from banks	**40,068**	33,824	43,346
	(84,750)	(60,517)	(53,447)
Included in balance sheet			
amounts due to banks	**(166,972)**	(120,839)	(122,234)
amounts due from banks	**48,875**	39,868	47,466
	(118,097)	(80,971)	(74,768)

Cash and cash equivalents include amounts due to/from banks with a term of less than 3 months from the date on which they were acquired.

ING s risk management (including liquidity) is explained in the Risk management section.

2.2.1. RISK MANAGEMENT

STRUCTURE OF RISK MANAGEMENT SECTION

Key Developments Risk Management 2007
ING Group
Risk Governance
ING Group Risk Profile
ING Bank
ING Bank Risk Profile
ING Bank Credit Risks
ING Bank Market Risks
ING Bank Liquidity Risk
ING Insurance

ING Insurance Risk Profile
ING Insurance Market Risks
ING Insurance Insurance Risks
ING Insurance Credit Risks
Compliance and Operational Risks
Compliance Risk
Operational Risks
Model Disclosures

KEY DEVELOPMENTS RISK MANAGEMENT 2007

Taking measured risks is part of ING s business. Like other financial services companies, ING faces several categories of risk, including credit, interest rate, real estate, equity, insurance and liquidity. Beyond that, there are also operational, information, security and compliance risks attached to doing business.

ING has systematically invested in improving its risk management capabilities over the past years, including investments in people, governance, processes, measurement tools and systems, etc. Recent examples are the introduction of the risk dashboard (discussed below) at the ING Group level, the company-wide embedding of the Compliance and Financial Economic Crime policies, the

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

implementation of advanced measurement methods under Basel II (Credit Risk Internal Rating Based and Operational Risk Advanced Measurement Approach (AMA)) for the Bank and the roll-out of an intranet-based Economic Capital reporting system based on replicating portfolio techniques (ECAPS) to consistently calculate Economic Capital for insurance businesses. The addition of the position of Chief Risk Officer as part of the Executive Board in April 2007 provides a strong commitment to ensuring that risk is a key component of management decisions. To show the commitment and improvements to its risk management ING chose risk management as its theme for its 14th Investor Relations Symposium in London on September 20, 2007.

Effects of market developments during 2007

Throughout 2007, significant market turmoil was experienced in the credit markets, beginning with concerns over US sub-prime mortgages and then widening into a general banking liquidity crisis. For the year ended December 31, 2007, this crisis had only limited impact on the profit and loss account as a result of ING s investments in pressurized assets classes e.g. US sub-prime and Alt-A residential mortgage backed securities (RMBS), Collateralized Debt Obligations (CDOs) and Collateralized Loan Obligations (CLOs). Unrealized gains (losses) relating to available for sale (fixed income) asset backed securities, including RMBS, are taken to the revaluation reserve in shareholders equity, unless there is evidence of impairment, in which case the negative revaluation reserve is recognized in the profit and loss account.

ING s risk management organisation and its liquidity position helped it to manage the problems that occurred in the credit and other financial markets in 2007. It has been ING s policy to maintain a high quality and well diversified portfolio. To that effect ING has limits and investment policies in place which are defined in mandates for every portfolio. Investment and trading decisions are based on internal research, and not only on published ratings. Some limits were set at more stringent levels since early 2007, in anticipation of a potential downturn of the market. As a result ING s exposure to pressurised asset classes is of high quality and has not led to major impairments. The total direct pre-tax negative impact on ING s 2007 profit and loss account was EUR 255 million as a result of exposures in pressurised asset classes and leveraged finance as well as monoline insurers, Structured Investments Vehicles (SIVs) and Asset-Backed Commercial Paper. Pre-tax revaluation (via equity) for the pressurised asset classes (US subprime RMBS, Alt-A RMBS and CDOs/CLOs) at year-end 2007 was EUR (1,377) million. This runs through shareholders equity in the balance sheet on an after-tax basis.

The Group s total exposure to US sub-prime assets, representing less than 0.2% of total assets, relates to non originated loans acquired as investments in RMBS. At December 31, 2007 approximately 96% of ING s US sub-prime portfolio was rated AA or higher. ING Group does not originate sub-prime mortgages. The vast majority of the total mortgage backed securitizations (MBS) contain (residential) mortgages that are not classified as sub-prime.

As at December 31, 2007 ING s well collateralized Alt-A RMBS portfolio was approximately 2% of total assets. Approximately 86% related to ING Direct; the average loan to value ratio is approximately 71% and more than 99% of the portfolio is AAA rated. ING s available for sale Alt-A investments are measured at fair value in the balance sheet.

Net investments in CDOs/CLOs at December 31, 2007 were 0.1% of total assets and are measured at fair value in the balance sheet. An analysis of the method applied in determining the fair values of financial assets and liabilities is provided in Note 33 Fair value of financial assets and liabilities .

ING has a limited exposure to monoline insurers. ING s direct exposure to monoline insurers is negligible. However, ING has some indirect exposure to monoline insurers as it has insured 0.3% of total assets, either through embedded financial guarantees (wrapped bonds) or through credit derivatives. Changes in the monoline insurer s rating (and as a result the asset s fair value) impact the profit and loss account for financial assets at fair value through profit and loss. Underlying wrapped bonds in the available for sale securities portfolio are monitored through the regular credit review process and were not impaired as of December 31, 2007.

ING s approach to liquidity management requires a surplus of liquid assets, contingency plans and close monitoring of market conditions. Since the start of the market turmoil in August 2007, ING s Liquidity Crisis Committee has met on a regular basis in line with ING s liquidity policy. The Committee discusses ING s liquidity and funding profile and is

chaired by the Chief Risk Officer. Other members include the Chief Financial Officer, all the main treasurers of ING Group, the head of Market Risk Management and the head of Corporate Communications and Affairs. The Liquidity strategy and market conditions are monitored on a daily basis. Large buffers of liquidity were retained throughout 2007, and as a result, contingency funding plans, in place at all levels, were not required to be executed as ING s liquidity position remained sound during the year.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

ING Group s credit risk management is described below for both ING Bank and ING Insurance. ING s exposure to credit risk and the resulting credit risk losses in 2007 have been mitigated by maintaining a well diversified portfolio. ING Group s capital management is described in the Capital Management section below. Throughout the market turmoil experienced during 2007, capital levels of ING Group, ING Bank and ING Insurance exceeded those required by regulators.

Developments during the year relating to ING Group s involvement in securitization and asset backed commercial paper vehicles are described in Note 27 Special purpose entities and securitization .

Ongoing volatility in the financial markets

As a result of ongoing and unprecedented volatility in the global financial markets in recent quarters, we have incurred negative revaluations on our investment portfolio, which have impacted our shareholders equity. Furthermore, we have incurred certain impairments and other losses, which have impacted our profit and loss accounts. Such impacts have arisen primarily as a result of valuation issues arising in connection with our exposures to US mortgage-related structured investment products, including sub-prime and Alt-A RMBS, CDOs and CLOs, monoline insurer guarantees, SIVs and other investments. In many cases, the markets for such instruments have become highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such instruments is a complex process involving the consideration of market transactions, pricing models, management judgment and other factors, and is also impacted by external factors such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. While we continue to monitor our exposures in this area, in light of the ongoing market environment and the resulting uncertainties concerning valuations, there can be no assurances that we will not experience further negative impacts to our shareholders equity or profit and loss accounts from such assets in future periods.

ING GROUP

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

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

The following principles support this objective:

Products and portfolios are structured, underwritten, priced, approved and managed appropriately and compliance with internal and external rules and guidelines is monitored;

ING Group s risk profile is transparent, no surprises , and consistent with delegated authorities;

Delegated authorities are consistent with the overall Group strategy and risk appetite;

Transparent communication to internal and external stakeholders on risk management and value creation.

RISK GOVERNANCE

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

operational, compliance and risk management and forms the third line of defence.

Group risk management function

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

Chief Risk Officer

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Group risk organization

The organization chart below illustrates the functional reporting lines within the ING Group risk organization.
The risk organization is structured independently from the business lines and is organized through five risk departments:

Corporate Credit Risk Management (CCRM) is responsible for the credit risk management of ING Bank and ING Insurance;

Corporate Market Risk Management (CMRM) is responsible for the market risk management and liquidity risk management of ING Bank;

Corporate Insurance Risk Management (CIRM) is responsible for the insurance and market risk management of ING Insurance;

Corporate Operational, Information and Security Risk Management (COISRM) is responsible for managing operational, information, and security risks within ING Bank and ING Insurance;

Group Compliance Risk Management assists, supports and advises Management in fulfilling its compliance responsibilities, advises employees on their (personal) compliance obligations and oversees the embedding of Compliance Policies in both ING Bank and ING Insurance.

The heads of these departments (Corporate Risk General Managers) report to the CRO and bear direct responsibility for risk (mitigating) decisions at the Group level. The Corporate Risk General Managers and the CRO are responsible for the harmonization and standardization of risk management practices. The risk management function assists with the formulation of risk appetite, strategies, policies and limits. It also provides a review, oversight and support function throughout the Group on risk related issues.
In addition two staff departments report to the CRO:

The Risk Integration and Analytics department is responsible for inter-risk aggregation processes and for providing Group-wide risk information to the CRO and Executive Board.

The Model Validation department reviews the performance of all material risk models applied within ING. This department carries out periodic model validations of all risk models used by ING. To ensure independence from the business and the other risk departments, the head of this department reports directly to the CRO.

Group risk committees

The Group risk committees described below are also part of the second line of defence. They act within the overall risk policy and delegated authorities granted by the Executive Board and have an advisory role to the CRO. To ensure a close link between the business lines and the risk management function, the business line heads and the respective General Managers Corporate Risk are represented on each committee.

ING Group Credit Committee Policy (GCCP): Discusses and approves policies, methodologies and procedures related to credit, country and reputation risks within ING Group. The GCCP meets on a monthly basis;

ING Group Credit Committee Transaction Approval (GCCTA): Discusses and approves transactions which entail taking credit risk (including issuer investment risk). The GCCTA meets two times a week;

ING Provisioning Committee (IPC): Discusses and approves specific and collective loan loss provisions figures for ING Group. The IPC meets on a quarterly basis. The membership of the IPC, which is chaired by the CFO, consists of both Risk and Finance representatives and reflects the responsibilities of both departments;

ING Group Investment Committee (GIC): Discusses and approves investment proposals for ING Real Estate. The GIC meets on a monthly basis;

Asset and Liability Committee ING Bank (ALCO Bank): Discusses and approves the overall risk profile of all ING Bank s market risks that occur in its Wholesale Banking, Retail Banking and ING Direct activities. ALCO Bank defines the policy regarding funding, liquidity, interest rate mismatch and solvency for ING Bank. ALCO Bank meets on a monthly basis;

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Asset and Liability Committee ING Insurance (ALCO Insurance): Discusses and approves all risks associated with ING s Insurance activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. ALCO Insurance meets six times a year.

In addition, a Finance and Risk Committee has been established as a platform for the CRO and the CFO, along with their respective staff, to discuss and decide on issues that relate to both the finance and risk domains.

ING Group has over the past several year increased its use of risk assessment and risk measurement to guide decision making. As a result, the quality of risk models becomes increasingly important. To meet sophisticated business and regulatory requirements ING revised its governance process for approval of risk models, methods and parameter setting in 2007. The governance process ensures a clear assignment of responsibility and accountability.

Board level risk oversight

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

The Executive Board is responsible for managing risks associated with the activities of ING Group. Its responsibilities include ensuring that internal risk management and control systems are effective and that ING Group complies with relevant legislation and regulations. On a regular basis, the Executive Board reports on these issues and discusses the internal risk management and control systems with the Supervisory Board. On a quarterly basis, the Executive Board reports on the Group s risk profile versus its risk appetite to the Audit Committee, explaining changes in the risk profile.

The Audit Committee is a sub-committee of the Supervisory Board. It assists the Supervisory Board in reviewing and assessing ING Group s major risk exposures and the operation of internal risk management and control systems. Audit Committee membership is such that specific business know-how and expertise relating to the activities of ING is available. The CRO attends the Audit Committee meetings.

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

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

Group risk policies

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

ING GROUP RISK PROFILE

In 2007, ING Group made a significant step forward with its integrated risk management approach. At the Investor Day on September 20, 2007, the CRO presented for the first time the ING Group risk dashboard. This risk dashboard captures the risks in all Banking and Insurance business lines in terms of Earnings at Risk and Capital at Risk, and

shows the impact of diversification across the Group. The

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Executive Board uses the risk dashboard to monitor and manage the actual risk profile in relation to the Group risk appetite. It enables the Executive Board to identify possible risk concentrations and to support strategic decision making. The risk dashboard is reported to the Executive Board on a quarterly basis and is subsequently presented to the Audit Committee.

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

ING Group Risk metrics

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

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

ING Group s risk metrics cover the most important aspects in terms of different severities (moderate vs. extreme stress) and performance measures where risk can materialize (value vs. earnings). The Earnings and Capital at Risk metrics are important metrics from a shareholder point of view since they provide insight in the level of risk ING takes under moderate stress market expectations to generate return.

From the debt and policy holder point of view, Economic Capital is more important since it is the buffer against extreme losses.

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

	Earnings at Risk	Capital at Risk	Economic Capital
Confidence interval	90%	90%	99.95% (based on AA target rating)
Stressed metric	Accounting earnings	Value	Value
Deviation from	Expected accounting earnings (over next year)	Current net asset value based on fair values (over next year)	Current net asset value based on fair values (over next year)
Interpretation	Potential accounting earnings reduction against expectation during a moderate stress scenario (i.e. 1 in 10)	Potential value reduction of net value during a moderate stress scenario (i.e. 1 in 10)	Potential value reduction of net value during an extreme stress scenario (i.e. 1 in 2000)

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Risk types

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

Credit risk: the risk of potential loss due to default by ING s debtors (including bond issuers) or trading counterparties;

Market risk: the risk of potential loss due to adverse movements in market variables, such as equity prices, real estate prices, interest rates and foreign exchange rates. These four market risks cover all market risks identified in ING s businesses;

Insurance risk: risks such as mortality, morbidity and property and casualty associated with the claims under insurance policies it issues/underwrites; specifically, the risk that premium rate levels and provisions are not sufficient to cover insurance claims.

Operational and business risk are summarized as non-financial risk in the risk profiles:

Operational risk: the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss;

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

The above risk metrics do not cover liquidity risk: the risk that ING or one of its subsidiaries cannot meet its financial liabilities when they fall due, at reasonable cost and in a timely manner. ING has a separate liquidity management framework in place to manage this risk. This framework is discussed in the ING Bank Liquidity Risk section below. A description of the models, and underlying assumptions and key principles used by ING for calculating Earnings at Risk, Capital at Risk and Economic Capital is provided in the Model Disclosure section below.

Earnings at Risk

The level of Earnings at Risk (EaR) provides insight into the level of risk ING can absorb relative to its earnings power. The risk appetite set by the Executive Board defines the maximum potential reduction in accounting earnings over the next year during a (moderate, i.e. 1 in10) stress scenario as a percentage of forecast (pre tax) earnings over the next 12 months. Since ING does not disclose forecast earnings, the table below provides the Earnings at Risk per risk type compared to actual full year underlying earnings; i.e. underlying profit before tax. Under ING s accounting policy, accounting results in the Taiwan Insurance business are currently used to strengthen the provision for life insurance. Future earnings may therefore be (partly) offset by increases/decreases to the cumulative reserve strengthening balance. The offsetting effect of increases/decreases to the cumulative reserve strengthening balance is not reflected in the earnings sensitivities below.

Earnings at Risk by risk type (Group diversified)

	Credit	Market							
	and	Interest		Real			Non		Earnings	EaR/ Earnings
2007	Transfer	Rate	Equity	Estate	FX	Insurance	financial	Total	2007	2007
ING Bank	**1,140**	**233**	**112**	**475**	**22**		**223**	**2,205**	**4,967**	**44%**
ING Insurance	**62**	**93**	**328**	**405**	**113**	**34**	**154**	**1,189**	**6,110**	**19%**
Total ING Group	**1,202**	**326**	**440**	**880**	**135**	**34**	**377**	**3,394**	**11,077**	**31%**

Earnings at Risk by risk type (Group diversified)

2006	Credit and Transfer	Interest Rate	Market Equity	Real Estate	FX	Insurance	Non financial	Total	Earnings 2006	EaR/ Earnings 2006
ING Bank	1,226	288	49	274	21		251	2,109	5,052	42%
ING Insurance	107	79	100	378	146	44	160	1,014	4,807	21%
Total ING Group	1,333	367	149	652	167	44	411	3,123	9,859	32%

The ING Group EaR over the actual (pre-tax) earnings decreased from 32% in 2006 to 31% in 2007. This is primarily due to the earnings increasing stronger than EaR. ING Bank s EaR dominates the overall ING Group EaR mainly due to credit and transfer risk. Furthermore, real estate risk combined for

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

ING Bank and ING Insurance has a significant impact on EaR, especially when e.g. compared to interest rate risk. This is caused by the fact that, contrary to accounting the treatment of interest rate risk, most value changes in real estate assets directly impact earnings. The increase over 2007 in real estate risk for ING Bank was mainly due to a combination of an exposure increase in line with higher market values in 2007 (mainly in The Netherlands), and the introduction of improved risk modelling of business behaviour. The increase in equity risk for ING Bank was mainly caused by the inclusion of strategic equity interests, while the increase in ING Insurance is due to an increased earnings risk from potential equity impairments at year end 2007 and modelling refinements in Japan and US insurance entities.

An increase in credit risk (mainly Wholesale Banking) was more than compensated for by higher diversification benefits allocated to credit and transfer risk, leading to a slight decrease in 2007. The higher diversification benefit allocated to credit risk was a result of its reduced contribution to the overall risk profile, as real estate and equity risk grew much more relative to credit risk. In total, the overall diversification benefit between all major risk types remained stable in 2007.

Capital at Risk

The level of Capital at Risk (CaR) measured against ING s financial position provides understanding as to whether ING can maintain a robust financial position under a moderate (i.e. 1 in 10) stress scenario. The risk appetite set by the Executive Board defines the maximum potential value reduction over the next year during a (non extreme) stress scenario as a percentage of Available Financial Resources (AFR) (the definition of AFR is provided in the Capital Management section below).The tables below show the Capital at Risk per risk type.

Capital at Risk by risk type (Group diversified)

		Market							CaR/
2007	Credit and Transfer	Interest Rate	Equity	Real Estate	FX	Insurance	Non financial	Total	Available financial resources	Available financial resources
ING Bank	**1,282**	**716**	**675**	**505**	**81**		**169**	**3,428**	**31,733**	**11%**
ING Insurance	**307**	**3,365**	**2,439**	**378**	**169**	**273**	**172**	**7,103**	**22,710**	**31%**
Total ING Group	**1,589**	**4,081**	**3,114**	**883**	**250**	**273**	**341**	**10,531**	**49,715**(1)	**21%**

(1) Total ING Group is comprised of ING Bank and ING Insurance, excluding core debt of EUR 4,728 million within ING Group.

Capital at Risk by risk type (Group diversified)

		Market							CaR/
	Credit							Available	Available

2006	and Transfers	Interest Rate	Equity	Real Estate	FX	Insurance	Non financial	Total	financial resources	financial resources
ING Bank	1,252	450	176	293	63		177	2,411	25,784	9%
ING Insurance	382	2,730	1,394	350	571	348	161	5,936	27,200	22%
Total ING Group	1,634	3,180	1,570	643	634	348	338	8,347	48,774[(1)]	17%

(1) Total ING Group is comprised of ING Bank and ING Insurance, excluding core debt of EUR 4,210 million within ING Group.

The Capital at Risk figure tends to be dominated by ING insurance, mainly due to interest rate risk related to long-term client guarantees and equity risk.

The overall risk appetite for ING Group in 2007, measured as CaR/ AFR, for ING Group increased to 21% (17% in 2006) as CaR increased more than AFR. This increase is mainly due to ING Insurance, where CaR grew while AFR decreased (for more information on AFR refer to the Capital Management section below).

The CaR figures show notable increases in equity and interest rate risks for both ING Bank and ING Insurance partly offset by a decrease in foreign exchange risk for ING Insurance. The decrease in foreign exchange risk within ING Insurance was largely due to a further alignment of business unit input with corporate aggregation in FX translation risk measurement and the positive impact of a US dollar hedge. The increase in equity risk in ING Bank is attributed to stakes in Bank of Beijing (IPO), the Indian Kotak Mahindra Bank and the TMB while ING Insurance s increase is largely related to refined

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

risk modelling at a unit level rather than changes in actual equity risk taking. In addition, the diversification at group level decreased due to higher equity risk concentration, lower interest rate risk netting between ING Bank and ING Insurance, particularly in Europe and Americas, and changes to risk aggregation parameters.

Capital at Risk and Earnings at Risk by line of business (Group diversified)

	Earnings at Risk		Capital at Risk	
	2007	2006	**2007**	2006
Wholesale Banking	**1,551**	1,283	**1,634**	1,259
Retail Banking	**438**	542	**939**	592
ING Direct	**158**	259	**566**	503
Corporate Line Bank	**58**	25	**289**	57
ING Bank	**2,205**	2,109	**3,428**	2,411
Insurance Americas	**430**	281	**2,022**	1,346
Insurance Asia/Pacific	**183**	140	**2,258**	2,131
Insurance Europe	**469**	485	**2,004**	1,642
Corporate Line Insurance	**107**	108	**819**	817
ING Insurance	**1,189**	1,014	**7,103**	5,936
ING Group	**3,394**	3,123	**10,531**	8,347

During 2007 Group CaR increased more than Group EaR mainly due to the fact that CaR tends to grow faster than EaR under accounting rules e.g. the earnings impact for interest rates and equity price changes are normally lower than their economic impact.

For ING Bank, both CaR and EaR of Wholesale Banking increased as a result of higher credit and transfer risk and higher real estate risk. The increased Corporate Line Bank is mainly due to higher equity risk driven by recent acquisitions, e.g. TMB. For Retail Banking and ING Direct, the CaR in 2007 is higher, while EaR decreased compared to 2006. These differences are mostly driven by various enhanced modelling for amongst others credit risk, as well as the accounting asymmetries for equity and interest rate risk. Examples of this asymmetry include the increase in equity risk at Retail Banking due to the Bank of Beijing IPO, and different dynamics in interest rate risk netting between earnings and value. For earnings (EaR) ING Bank and Insurance exhibit similar interest rate risk sensitivities, while for value (CaR) ING Bank and ING Insurance sensitivities net each other. For ING Direct, the EaR decrease is also caused by a larger percentage of assets repricing within 1 year.

The increase in EaR for ING Insurance is mainly the result of increases in equity risk due to higher potential equity impairments and modelling refinements as mentioned in the EaR section above. The increase in CaR for ING Insurance is mostly driven by increased interest rate risk in the US as rates have decreased leading to higher risk related to guarantees embedded in liabilities, lower interest rate risk netting across the US and Europe, and higher equity risk in the US from the refined modelling.

Economic Capital ING Group

Since 1999 ING Bank has been disclosing Economic Capital information externally, whereas ING Insurance disclosed Economic Capital information for the first time in 2007. Although the fundamental principles are the same, ING Bank and ING Insurance Economic Capital information is currently calculated based on (partly) separately developed models (see Model Disclosure section below) that may differ in the calculation and aggregation approach due to

different market practices and standards used in the banking and insurance industries.

ING s Group Economic Capital and Bank-Insurance diversification benefit is determined by applying one common aggregation approach to bank and insurance. As a result, a best-estimate diversification benefit of approximately 15% for ING Bank and Insurance is applied for 2007 (2006: conservative estimate applied of 10%). Due to inherent uncertainties associated with correlation assumptions and changes in risk exposures the calculations are subjected to extensive sensitivity tests. Combining the 2007 reported ING Bank and ING Insurance Economic Capital figures and the above diversification benefits results in a combined Bank Insurance Economic Capital of EUR 35.0 billion for 2007 (2006: EUR 34.5 billion based on 10% bank-insurance diversification benefit).

On the Group level an additional net risk capital estimate of EUR 1.0 billion (2006: EUR 1.0 billion) is added to reflect any Economic Capital specifically allocated to the Group, leading to a total Group Economic Capital amount of EUR 36.0 billion (2006: EUR 35.5 billion; see also the AFR/EC reconciliation in the Capital Management section below). The potential risk capital impact for ING Group of the ING employee pension liability is currently not included in the aggregated group risk metrics.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

However, the standalone Economic Capital impact for ING employee pension liabilities is calculated separately. From a capital management perspective there is currently no need to reserve any additional capital for ING pension liabilities.

Risk Measurement ING Bank and ING Insurance

The overall ING Group risk appetite is translated into specific operational limits which are cascaded down into the organization, e.g.

Credit risk limits for bank and insurance business;

Market Value at Risk limits for the insurance business;

ALM/Value at Risk limits for bank operations.

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

ING BANK

ING Bank is engaged in selling a broad range of products. The financial risks that arise from selling these products are managed by the Corporate Credit and Market Risk departments. Operational risks are managed by the Corporate Operational, Information and Security Risk department.

ING BANK RISK PROFILE

Economic Capital ING Bank

One of the core risk management tools for ING Bank is Economic Capital which is used to determine the amount of capital that a transaction or business unit requires to support the economic risks it faces. ING Bank implemented Economic Capital for internal use in 1998. Since 1999 ING Bank has been disclosing Economic Capital information externally. The tables below provide ING Bank s Economic Capital by risk type and business line. Figures shown reflect all diversification effects within ING Bank, including risk reduction between the risk categories. Diversification effects that arise as a result of combining ING Bank and ING Insurance activities are not taken into account. Business risk is included in the non-financial risk category to cover unexpected losses that may arise as a result of changes in volumes, margins and costs.

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

The following table provides the Economic Capital break down by risk category including diversification benefits proportionally allocated to the risk types:

Economic Capital (Bank diversified only) by risk category

	2007	2006
Credit risk (including Transfer risk)	**7,503**	7,557
Market risk	**7,407**	4,816
Non-financial risk*	**3,017**	3,503
Total banking operations	**17,927**	15,876

* Non-financial risk includes operational risk as well as business risk.

In 2007 the Economic Capital models for the bank were reassessed following an enhancement program that was driven by preparation for Basel II and the further alignment with other risk measurement developments, such as the introduction of the ING Insurance economic capital models and the ING Group risk dashboard. This has lead to several changes and improvements that mainly relate to credit risk, real estate risk (part of market risk) and diversification. The figures reported for 2007 are based on the best estimate risk profile at the reporting date, whereas previously reported economic capital figures were based on year-to-date averages that are also used for RAROC performance measurement.

The overall increase in Economic Capital is mainly due the acquisition of Oyak Bank and the taking of several strategic equity interests. The latter, as well as the Bank of Beijing IPO, mainly explain the increase in market risk capital. The change in non-financial risk results predominantly stems from the diversification methodology adjustment.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

The following table provides the Economic Capital break down by business line including diversification benefits proportionally allocated to the risk types:

Economic Capital (Bank diversified only) by Line of Business

	2007	2006
Wholesale Banking	**8,646**	8,136
Retail Banking	**5,360**	4,050
ING Direct	**2,831**	3,430
Corporate Line Bank*	**1,090**	260
Total banking operations	**17,927**	15,876

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

The growth of the Economic Capital figure for the Wholesale Banking business line can be mainly explained by the credit risk model enhancements, whereas the risk profile is relatively stable.

The Retail Banking Economic Capital figure increased predominantly as a result of the acquisition of Oyak Bank and the Bank of Beijing IPO. This increase is partly offset by the methodology enhancements for credit risk and the decrease of non-financial risks. Contrary to the portfolio growth of ING Direct the Economic Capital experienced a decrease mainly as a result of model enhancements following the Basel II implementation. The increase of the Economic Capital allocated to the Corporate Line can be explained by the increase in strategic equity interests.

ING BANK CREDIT RISKS

Credit risk is the risk of loss from default by debtors (including bond issuers) or trading counterparties. Credit risks can be split into five principal risk categories: a) lending (including guarantees and letters of credit); b) investments; c) pre-settlement (derivatives, securities financing and foreign exchange trades); d) money markets and e) settlement.

Corporate Credit Risk Management (CCRM) is responsible for the measurement and management of credit risk incurred by all ING Group entities, including country-related risks. CCRM is organized along the three business lines of ING Bank (e.g. Retail Banking, Wholesale Banking and ING Direct) and ING Insurance. The CCRM General Manager is functionally responsible for the global network of credit risk staff, while the heads of the risk management functions for the business lines report directly to him.

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

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

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

Lending Risk

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Investment Risk

Investment risk is the credit default and migration risk that is associated with ING s investments in bonds, commercial paper, securitizations, and other similar publicly traded securities. Investment risk arises when ING purchases a (synthetic) bond with the intent to hold the bond for a longer period of time (generally through maturity). Bonds that are purchased with the intent to re-sell in a short period of time are considered to be trading risks, which are measured and monitored by the Corporate Market Risk Management department.

Money Market Risk

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

Pre-Settlement Risk

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

Settlement risk

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

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

Country risk

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

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

Collateral policies

As with all financial institutions and banks in particular, ING is in the business of taking credit risks in an informed and measured fashion. As such, the creditworthiness of our customers, trading partners and investments is continually

evaluated for their ability to meet their financial obligations to ING. During the assessment process of creating new loans, trading limits, or investments, as well as reviewing existing loans trading positions and investments, ING determines the amount and type of collateral, if any, that a customer may be required to pledge to ING. Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more collateral the customer or counterparty will have to provide. Within counterparty trading activities, ING actively enters into various legal arrangements whereby ING

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

and/or counterparties may have to post collateral to one another to cover market fluctuations of their relative positions. Laws in various jurisdictions also affect the type and amount of collateral that ING can receive or pledge. Additionally, ING will sometimes enter into credit default swaps, and other similar instruments, in order to reduce the perceived credit risk on a given borrower or portfolio. The type of collateral which is held as security is determined by the structure of the loan or position. Consequently, since ING s portfolio is diversified, the profile of collateral it receives is also diversified in nature and does not reflect any particular collateral type more than others.

ING BANK CREDIT RISK PROFILE

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

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

Problem loans

Renegotiated Loans

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

Restructuring activities for Business borrowers normally start with a watch list indication. Borrowers on the watch list maintain their rating (1-19). A watch list indication may develop into a restructuring status (15-19) or even a recovery status (20-22). Most borrowers with a watch list indication return to a regular status. For Consumer clients the watch list of potential problem loan status is usually caused by payment arrears (less than 1 week) which are subsequently reflected in the risk rating of 18-19 (or comparable status based on an increased probability of default). A watch list indication may develop into a restructuring status (rating 15-19) or even a recovery (20-22) status. Most borrowers with a watch list indication return to a regular status. Following restructuring relationship management is either transferred to the regular commercial banking departments or terminated.

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

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

	2007	2006
From restructuring (18-19) to regular (1-17) status	**1,170**	877
From recovery (20-22) to regular or restructuring status (1-19)	**4,359**	4,004
Total of renegotiated loans	**5,529**	4,881

This total is split in Business and Consumer clients as follows:

Renegotiated business loans that would otherwise be past due or impaired

	2007	2006
From restructuring (18-19) to regular (1-17) status	**1,170**	877
From recovery (20-22) to regular or restructuring status (1-19)	**1,414**	1,996
Total of renegotiated Business loans	**2,584**	2,873

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

For Business clients, ING has taken a proactive approach to restructuring loans that may have otherwise experienced financial difficulties, which has led to an increase in the level of restructuring loans returning to a regular status. The decrease in the level of problem loans returning to performing (regular) status is related to the overall decrease in problem loans as whole.

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

	2007	2006
From restructuring (18-19) to regular (1-17) status		
From recovery (20-22) to regular or restructuring status (1-19)	**2,945**	2,008
Total of renegotiated consumer and mortgages loans (Consumer)	**2,945**	2,008

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

Past-due obligations

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

Credit quality: ING Bank portfolio, outstandings

	2007	2006
Neither past due nor impaired	**750,049**	644,318
Past due but not impaired (1-90 days) [(1)]	**5,416**	3,879
Impaired	**5,219**	6,299
	760,684	654,496

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

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

	2007	2006

Past due for 1-30 days	**4,709**	3,143
Past due for 31-60 days	**633**	548
Past due for 61-90 days	**74**	188
	5,416	3,879

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

(2) The amount of past due but not impaired financial assets in respect of non-lending activities was not material.

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

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

Repossession policy

It is ING s general policy not to take possession of assets of defaulted debtors. Rather, ING attempts to sell the assets from within the legal entity that has pledged these assets to ING, in accordance with the respective collateral or pledge agreements signed with the obligors. In those cases where ING does

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

take possession of the collateral, ING generally attempts to sell the assets as quickly as possible to prospective buyers. Based on internal assessments to determine the highest and quickest return for ING, the sale of repossessed assets could be the sale of the obligor s business as a whole (or at least all of its assets), or the assets could be sold piecemeal.

Impaired Loans: ING Bank Portfolio, outstandings by economic sector

	2007	2006
Private individuals	**2,356**	2,227
Services	**219**	258
Construction, Infrastructure and Real Estate	**635**	964
Financial Institutions	**538**	639
Food, Beverages and Personal Care	**264**	366
General Industries	**270**	399
Automotives	**200**	133
Transportation and Logistics	**110**	361
Other	**627**	952
Total	**5,219**	6,299

The table above represents the breakdown of impaired loans by major industry sector across all of ING s banking operations. Against this portfolio, ING holds specific and collective provisions of EUR 711 million and EUR 680 million, respectively (2006 EUR 1,391 million and EUR 718 million respectively), representing the difference between the amortized cost of the portfolio and the estimated recoverable amount discounted at the effective rate of interest**.**

Provisions

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

Provisions: ING Bank portfolio [(1)]

	Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Opening balance	**1,610**	2,294	**741**	725	**291**	294	**2,642**	3,313
Changes in the composition of the Group	**2**	(78)	**95**		**1**	(23)	**98**	(101)
Write-offs	**(593)**	(404)	**(302)**	(236)	**(57)**	(51)	**(952)**	(691)
Recoveries	**30**	31	**26**	44	**3**	11	**59**	86
Increase/(decrease) in loan loss provision	**(115)**	(118)	**172**	161	**68**	60	**125**	103
Exchange differences	**(23)**	(55)	**5**	(7)	**(1)**	(5)	**(19)**	(67)
Other changes	**10**	(60)	**34**	54	**4**	5	**48**	(1)

Closing balance	**921**	1,610	**771**	741	**309**	291	**2,001**	2,642

(1) During 2007, ING Cards was moved from ING Direct to Retail Banking. In order to provide comparative figures, EUR 21 million of Increase/(decrease) in loan loss provision in 2006 has been reclassified from ING Direct to Retail banking.

ING Bank s risk costs continued to below in 2007, as a result of the low inflow of new problem loans and continued improvement of the average risk profile of our credit portfolio reflecting both the strength of the economy in our core markets in Wholesale Banking and the low risk growth strategy in Retail Banking and ING Direct. The total balance of Wholesale Banking provisions in 2007, like in 2006 experienced a material decrease as a result of significant write offs, while there was little or no compensating effect from provisions on new problem loans. The 2007 Wholesale Banking risk costs were also low due to a release of EUR 115 million from one single debtor.

Collateral

As part of its securities financing business, ING entities actively enter into agreements to sell and buy back marketable securities. These transactions can take many legal forms. Repurchase and reverse repurchase agreements; buy/sellback and sell/buyback agreements; and securities borrowing and lending agreements are the most common. The amount of marketable securities that ING held as collateral under these types of agreements was EUR 120.2 billion at December 31, 2007 and EUR 95.2 billion at December 31, 2006. These amounts exclude the cash leg of the respective transactions, as

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

well as any pledges of securities under Tri-Party agreements (as the underlying is not directly pledged to or owned by ING). As a general rule, the marketable securities that have been received under these transactions are eligible to be resold or repledged in other (similar) transactions. ING is obliged to return equivalent securities in such cases.
Risk classes are defined based upon the quality of the exposures in terms of creditworthiness, varying from investment grade to problem grade expressed in S&P equivalents.

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

	Wholesale Banking		Retail Banking		ING Direct[2]		Total ING Bank	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
1 (AAA)	**5.6%**	5.5%	**0.2%**	0.4%	**31.5%**	32.4%	**12.8%**	13.6%
2 4 (AA)	**26.2%**	26.3%	**4.8%**	5.6%	**19.3%**	24.6%	**18.6%**	20.6%
5 7 (A)	**14.5%**	13.8%	**3.4%**	2.7%	**14.4%**	13.3%	**11.8%**	10.9%
8 10 (BBB)	**21.4%**	19.7%	**35.3%**	31.5%	**21.0%**	15.8%	**24.7%**	21.3%
11 13 (BB)	**24.5%**	27.7%	**46.0%**	48.6%	**12.3%**	12.6%	**25.8%**	27.6%
14 16 (B)	**5.9%**	4.9%	**6.3%**	7.4%	**0.8%**	0.8%	**4.3%**	4.1%
17 22 (CCC & Problem Grade)	**1.9%**	2.1%	**4.0%**	3.8%	**0.7%**	0.5%	**2.0%**	1.9%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

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

(2) Covered bonds are presented on the basis of the external credit rating of the issuer in question. Covered bond

issues generally possess a better external credit rating than the issuer standalone, given structural features of such covered bonds.

Risk Classes ING Bank portfolio, as % of total outstandings [(1)]

	Lending		Investment		Money Market		Pre-settlement		Total ING Bank	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
1 (AAA)	**1.9%**	1.1%	**48.4%**	43.9%	**5.9%**	4.8%	**5.4%**	6.7%	**12.8%**	13.6%
2 4 (AA)	**6.0%**	5.9%	**35.2%**	40.3%	**61.4%**	51.7%	**58.2%**	50.9%	**18.6%**	20.6%
5 7 (A)	**9.5%**	8.0%	**13.7%**	12.3%	**16.8%**	32.9%	**22.3%**	18.6%	**11.8%**	10.9%
8 10 (BBB)	**35.7%**	32.8%	**1.5%**	1.6%	**8.2%**	6.5%	**7.1%**	10.3%	**24.7%**	21.3%
11 13 (BB)	**37.7%**	42.3%	**0.9%**	1.9%	**7.1%**	3.8%	**5.3%**	13.0%	**25.8%**	27.6%
14 16 (B)	**6.3%**	6.7%	**0.1%**		**0.3%**	0.3%	**1.2%**	0.5%	**4.3%**	4.1%
17 22 (CCC & Problem Grade)	**2.9%**	3.2%	**0.2%**		**0.3%**		**0.5%**		**2.0%**	1.9%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0**	100.0%	**100.0%**	100.0%

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

ING banking units completed the implementation of Basel II compliant risk rating models in 2007 which led to small improvements in the average reported credit quality. During 2007 the residential mortgage portfolio of ING Direct grew significantly, most notably in Germany and the United States, while the size of its investment portfolio showed a moderate decrease in particular with respect to exposure regarding Public Administration and certain ABS sub-classes. As a result of ING s close management of its liquidity placements as a result of the general market turmoil experienced in the latter half of 2007, ING experienced a shift to higher quality counterparties for its money market activities. The increase in BB rated Money Market outstandings is largely due to the Oyak Bank acquisition.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

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

	Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Construction, infrastructure and Real Estate	**13.3%**	12.3%	**2.4%**	2.0%	**0.8%**	0.8%	**6.5%**	5.8%
Financial Institutions	**41.2%**	39.0%	**3.7%**	3.3%	**53.8%**	59.0%	**36.2%**	37.0%
Natural Resources	**6.2%**	4.7%	**0.2%**	0.2%			**2.7%**	2.0%
Private Individuals	**0.4%**	0.3%	**83.7%**	81.8%	**39.8%**	31.4%	**33.9%**	31.3%
Public Administration	**8.4%**	11.2%	**1.5%**	1.8%	**5.3%**	7.5%	**5.7%**	7.6%
Services	**4.7%**	4.6%	**1.7%**	1.6%			**2.4%**	2.3%
Transportation and Logistics	**4.7%**	4.7%	**0.5%**	0.5%			**2.1%**	2.0%
Other	**21.1%**	23.2%	**6.3%**	8.8%	**0.3%**	1.3%	**10.5%**	12.0%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

[1] Based on the total amount of credit risk in the respective column using ING s internal credit risk measurement methodologies.

ING Direct showed a shift towards private individuals reflecting the emphasis on building the ING Direct residential mortgage business. The other banking units showed no significant shift in the economic sector concentrations. All other industries not shown in the table above have less than 2.0% concentrations.

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

	Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
amounts in billions of euros	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Netherlands	**68.7**	62.0	**141.1**	122.1	**1.6**	1.8	**211.4**	185.9
United States	**28.9**	25.8	**0.2**	0.2	**58.2**	52.1	**87.3**	78.1
Belgium	**44.4**	36.2	**27.5**	26.2	**1.4**	1.6	**73.3**	64.0
Germany	**9.4**	10.3	**0.2**	0.3	**54.8**	45.3	**64.4**	55.9
Spain	**12.4**	11.0	**0.4**	0.4	**38.5**	36.0	**51.3**	47.4
United Kingdom	**19.4**	17.1	**0.1**	0.1	**17.3**	18.5	**36.8**	35.7
Australia	**5.0**	2.4			**25.4**	22.0	**30.4**	24.4

Italy	**12.6**	10.9	**0.5**	0.6	**12.2**	9.7	**25.3**	21.2
France	**17.0**	16.2	**0.6**	0.6	**4.1**	3.2	**21.7**	20.0
Canada	**1.7**	1.5	**0.1**		**15.7**	15.1	**17.5**	16.6

(1) Only covers total exposures in excess of EUR 10 billion, including intercompany exposure with ING Insurance.

The growth in most countries presented above followed the growth pattern of the portfolio as a whole. The growth at ING Direct in Germany is driven by own originated mortgages as well as the acquisition of a residential mortgage portfolio, which closed in late 2007. This was offset by the sale of the former BHF problem loan portfolio within Wholesale Banking. Retail Banking in The Netherlands grew through organic growth as well as the purchase of Nationale Nederlanden Hypotheek Bedrijf (NNHB residential mortgages) from Nationale Nederlanden.

ING BANK MARKET RISKS

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

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

The Corporate Market Risk Management department (CMRM) is the designated independent department that is responsible for the design and execution of the bank s market risk management functions in support of the ALCO function. The CMRM structure recognizes that risk management to a

Table of Contents

large extent occurs at the regional/local level. Bottom-up reporting allows each management level to fully assess the market risk relevant at the respective levels.

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

Market Risk in Trading Portfolios

Organization

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

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

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

Measurement

ING Wholesale Banking uses the Value-at-Risk (VaR) methodology as its primary risk measure. The VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remain unchanged for a time period of one day. The impact of historical market movements on today s portfolio is estimated, based on equally weighted observed market movements of the previous 250 business days. ING uses VaR with a 1-day horizon for internal risk measurement, control and backtesting, and VaR with a 10-day horizon for determining regulatory capital. ING s VaR model has been approved by the Dutch Central Bank to be used for the regulatory capital calculation of its most important trading activities.

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

The VaR for linear portfolios is calculated using a variance covariance approach. The market risk of all the important option portfolios within ING is measured by Monte Carlo and historical simulation methods.

Limitations

VaR as a risk measure has some limitations. VaR quantifies the potential loss under the assumption of normal market conditions only. This assumption may not always hold true in reality, especially when market events occur, and therefore could lead to an underestimation of the potential loss. VaR also uses historical data to forecast future price behaviour. Future price behaviour could differ substantially from past behaviour. Moreover, the use of a one-day holding period (or ten days for regulatory calculations) assumes that all positions in the portfolio can be liquidated or hedged in one day. In periods of illiquidity or market events, this assumption may not hold true. Also, the use of 99%

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

confidence level means that VaR does not take into account any losses that occur beyond this confidence level.

Backtesting

Backtesting is a technique for the ongoing monitoring of the plausibility of the VaR model in use. Although VaR models estimate potential future results, estimates are based on historical market data. In a backtest, the actual daily result is compared with the 1-day VaR. In addition to using actual results for backtesting, ING also uses hypothetical results, which measures results excluding the effect of intraday trading, fees and commissions. When the actual or hypothetical loss exceeds the VaR an occurrence has taken place. Based on ING s one-sided confidence level of 99% an occurrence is expected once in every 100 business days at maximum. In 2007, there was no occurrence (2006: none) where a daily trading loss exceeded the daily consolidated VaR of ING Wholesale Banking. ING reports the results of this backtesting to the Dutch Central Bank on a quarterly basis.

Stress testing

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

Other risk limits

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

Development of trading market risks

The following chart shows the development of the overnight VaR under a 99% confidence interval and a 1-day horizon. The overnight VaR is presented for the ING Wholesale Banking trading portfolio which was managed by CMRM Trading during 2006 and 2007. Several banking books are governed by the trading risk process and are therefore excluded from the non-trading risk table and included in the trading risk graph and table below.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

During 2006 and 2007 the overnight VaR for the ING Wholesale Banking trading portfolio stayed within the range of EUR 26 48 million.

The average exposure over 2007 was higher than 2006 (average VaR 2007: EUR 34 million and average VaR 2006: EUR 31 million). The VaR remained well within the ING Wholesale Banking trading limit. Trading positions with interest rate exposures provided the largest contribution to the trading VaR. In the second half of December the trading VaR increased substantially to EUR 47 million. This increase is related to a counterparty downgrade in the structured credit trading book. As the transactions with this counterparty served as a hedge for other exposures in this book, the downgrade of this counterparty resulted in a rise of the trading VaR.

More details on the VaR of the ING Wholesale Banking trading portfolio for 2007 and 2006 are provided in the table below.

Consolidated trading VaR: ING Wholesale Bank

	Minimum		Maximum		Average		Year end	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Foreign exchange	**2**	1	**7**	7	**4**	3	**4**	2
Equities	**5**	7	**13**	11	**9**	9	**6**	8
Interest	**22**	20	**43**	30	**27**	25	**43**	27
Diversification [1]					**(6)**	(6)	**(5)**	(4)
Total VaR					**34**	31	**48**	33

(1) The total VaR for the columns Minimum and Maximum can not be calculated by taking the sum of the individual components since the observations for both the individual markets as well as total VaR may occur on different dates.

Note: the above captions are consistent with those used for internal risk management purposes and do not relate to financial statement captions.

In general, the trading VaR showed larger movements in 2007 resulting in broader ranges for the equity and interest rate VaR. Due to a counterparty downgrade in December, in particular the interest rate VaR (including credit spread exposures) has risen substantially.

The following table shows the largest trading positions in foreign exchange, interest rate and corporate credit spread positions.

Most important foreign exchange, interest rate and credit spread positions (year end 2007)

	2007
Foreign exchange	
US dollar	**(171)**
Russian rouble	**108**
Japanese yen	**(80)**
Ukrainian Hryvnia	**58**
Swiss Franc	**52**
Interest Rate (Bpv [(1)])	
Eurozone	**(1.2)**
United States	**(0.8)**
Mexico	**(0.4)**
South Korea	**(0.1)**
United Kingdom	**(0.1)**
Credit Spread (Bpv [(1)])	
Eurozone	**(1.2)**
Mexico	**(0.2)**
United States	**(0.2)**
Russia	**(0.2)**
United Kingdom	**(0.2)**

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Market risk in Non-Trading Portfolios

Organization

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

Interest rate risk in banking books

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

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

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

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

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

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

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

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

In the following sections, the risk figures for interest rate risk in the banking books are presented. ING Bank uses several measures to manage interest rate risk both from an earnings and a value perspective. Earnings-at-Risk is used to provide the earnings perspective and the Net Present Value (NPV)-at-Risk and Basis Point Value (BPV) figures provide the value perspective.

Earnings at Risk (EaR)

EaR measures the impact on accounting earnings (pre tax) resulting from changes of market rates over a time period of one year. Changes in balance sheet dynamics and management interventions are not incorporated in these calculations. The EaR figures in the table below are determined on the basis of an instantaneous upward 1% parallel shock in market rates. This shock is assumed to take place at the beginning of the year and the market rates are assumed to remain stable for the remainder of the year. For the ALM books EaR measures the potential loss of earnings due to the structural mismatch in interest rate positions. The calculations for the ALM books capture the EaR resulting from the current positions. For the commercial banking books the EaR captures the interest rate risks resulting from savings, demand deposits and the main mortgage portfolios. The impact of new business is included in the EaR calculations for the savings and demand deposits portfolios, as it is most relevant for these portfolios. The EaR of the Corporate Line, i.e. the investment of ING Bank s own funds, reflects the interest risk profile of the investments only. This ignores ALCO Bank s assumption that its shareholders expect ING Bank to invest the funds in such a way that it produces a long-term and stable income.

Earnings at Risk (1% instantaneous upward shock to market rates) [(1)]

	2007	2006
By Business Line		
ING Wholesale Banking	**(87)**	(19)
ING Retail Banking	**(121)**	(107)
ING Direct	**(5)**	(260)
ING Bank Corporate Line	**26**	22
ING Bank Total	**(187)**	(364)
By Currency		
Euro	**(125)**	(232)
US dollar	**9**	(80)
Pound sterling	**(13)**	(4)
Other	**(58)**	(48)

Total	**(187)**	(364)

(1) The impact of the newly acquired Oyak Bank has not been included in the tables for interest rate risk in the banking books

The total EaR figure as result of an upwards shock of the market rates of 1%, decreased over the course of this year. This was mainly caused by a sharp reduction of the ING Direct EaR figure. ING Direct reduced during 2007 its earnings sensitivity profile in order to increase flexibility in price setting. The EaR figure of ING Wholesale Banking was rather small last year and returned to more normal levels this year mainly due to the strategic interest rate positions maintained in the ALM books.

Net Present Value-at-Risk

The Net Present Value (NPV)-at-Risk figures represent the full value impact (i.e. including convexity) to the banking books resulting from changing interest rates. This full value impact cannot be linked directly to the balance sheet or profit and loss account as the value mutations in the banking books only for a small part are fed directly through the profit and loss account or through equity. The largest part, namely

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

the value mutations of the amortized cost balances, is neither recognized in the balance sheet nor directly in the profit and loss account. The NPV-at-Risk figures in the table below are determined on the basis of an instantaneous upward 1% parallel shock of market rates in line with the EaR calculations. For the ALM books the NPV-at-Risk figures again capture the potential change of value due to the structural mismatch in interest rate positions. For the commercial banking books the NPV-at-Risk calculations capture the convexity resulting from the optionality in the main mortgage portfolios. In these calculations it is assumed that savings and other demand deposits of Retail and Wholesale Banking are perfectly represented via the replicating methods and therefore fully hedged. The NPV-at-Risk of the Corporate Line again only reflects the interest risk profile of the investments of the bank s own funds.

NPV-at-risk (1% instantaneous upward shock to market rates) [(1)]

	2007	2006
By Business Line		
ING Wholesale Banking	**(442)**	(559)
ING Retail Banking	**(222)**	(134)
ING Direct	**(234)**	(377)
ING Bank Corporate Line	**(892)**	(818)
ING Bank Total	**(1,790)**	(1,888)
By Currency		
Euro	**(1,498)**	(1,465)
US dollar	**(439)**	(402)
Pound sterling	**74**	(58)
Other	**73**	37
Total	**(1,790)**	(1,888)

(1) The impact of the newly acquired Oyak Bank has not been included in the tables for interest rate risk in the banking books

The end-of-year overall NPV-at-Risk figure as result of an upwards shock of the market rates of 1% is in line with the prior year. Within ING Direct the NPV-at-Risk figure decreased mainly because of the reduction of the duration of the investments. Within ING Retail Banking this figure increased mainly due to the larger impact of prepayment risk as result of newly produced mortgages with longer repricing tenors.

Basis Point Values

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

BPV S per currency

amounts in thousands of euros	**2007**
Euro	**(15,165)**
US dollar	**(2,055)**
Pound Sterling	**778**
Other	**706**
Total	**(15,736)**

The outright interest rate risk that is represented through the BPV positions in the table above is mainly caused by the investments of the Bank s core capital. Again, under the view that this capital is not sensitive to interest movements. The remaining outright risk is mainly maintained in the Bank s ALM books in which the strategic position is maintained.

Foreign exchange risk in Non-Trading Books

Foreign exchange (FX) exposures in non-trading books result from commercial banking business (business units doing business in other currencies than their base currency), realized non-EUR results and FX translation risk on foreign currency investments. The policy regarding these exposures is briefly explained below.

Commercial banking business

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Realized results

Every unit hedges realized results to the base currency of the unit. On a monthly basis the central Capital Management department hedges the non-EUR results to EUR. ING does not hedge the future EUR value of projected results in non-EUR currency.

FX Translation result

ING s strategy is to protect its Tier 1 ratio against unfavourable currency fluctuations. The protection is largely achieved by the issuance of USD and GBP denominated capital, and furthermore by taking structural foreign currency positions. In general, open positions are deliberately taken in order to achieve protection of the Tier 1 ratio by aligning non-EUR denominated capital with risk weighted assets in these currencies. The US dollar, Pound sterling, Polish zloty, Australian dollar and Canadian dollar are the main currencies in this respect. With the acquisition of the Turkish Oyak Bank, the Turkish lira has been added to the list of main currencies. For other currencies the objective is to substantially mitigate the translation risk.

Overnight exposure ING Bank, for primary non-trading currencies

2007	**Foreign investments**	**Tier-1**	**Gross exposure**	**Hedges**	**Net position**
US dollar	**2,644**	**(3,630)**	**(986)**	**(483)**	**(1,469)**
Pound sterling	**(848)**	**(817)**	**(1,665)**	**1,635**	**(30)**
Polish zloty	**1,076**		**1,076**	**(656)**	**420**
Australian dollar	**1,228**		**1,228**	**(136)**	**1,092**
Canadian dollar	**822**		**822**	**(559)**	**263**
Turkish lira	**1,848**		**1,848**		**1,848**
Other currency	**4,897**		**4,897**	**(3,312)**	**1,585**
Total	**11,667**	**(4,447)**	**7,220**	**(3,511)**	**3,709**

Overnight exposure ING Bank, for primary non-trading currencies

2006	Foreign investments	Tier-1	Gross exposure	Hedges	Net position
US dollar	5,338	(2,883)	2,455	(1,460)	995
Pound sterling	(1,044)	(894)	(1,938)	1,930	(8)
Polish zloty	938		938	(523)	415
South Korean won	1,124		1,124	(1,087)	37
Australian dollar	1,048		1,048	(123)	925
Canadian dollar	974		974	(704)	270
Other currency	1,380		1,380	(1,335)	45
Total	9,758	(3,777)	5,981	(3,302)	2,679

Foreign investments in US dollars decreased substantially due to the repatriation of capital out of the United States. The net position in US dollars decreased in 2007 for two reasons. Firstly due to the issuance of 1,545 million Tier 1 capital denominated in US dollars. Secondly, in anticipation of the lower number of US dollar risk-weighted assets under the Basel II rules (starting January 1st, 2008), the net position was decreased.

The acquisition of the Turkish Oyak Bank was concluded in December 2007. As a result, the number of risk-weighted assets denominated in Turkish lira increased substantially. The net position is maintained to safeguard the Tier 1 ratio against currency fluctuations of the Turkish lira.

The FX risk in the non-trading books is measured by using the Value-at-Risk methodology as explained in the trading risk section. The VaR for FX quantifies with a one-sided confidence interval of 99%, the maximum overnight loss in 99% of the cases that could occur due to changes in foreign exchange rates.

Consolidated non-trading FX VaR: ING Bank

	Low		High		Average		Year end
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
FX VaR	**14**	7	**62**	22	**22**	17	**62**	21

During 2007, the FX VaR increased mainly for two reasons. Firstly, the IPO of the Bank of Beijing in November resulted in a EUR 1.6 billion value increase in exposure to Chinese Yuan, and consequently,

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

a rise in the FX VaR. Secondly, the acquisition of the Turkish Oyak Bank in December resulted in a significant Turkish lira position.

Equity Price Risk in Banking Books

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments of which the price reacts similarly to a particular security, a defined basket of securities, or a securities index. ING Bank maintains a rather stable portfolio with substantial equity exposure in its banking books. This equity exposure mainly consists of the investments in associates of EUR 2,010 million (2006: EUR 1,223 million) and equity securities held in the Available-for-Sale portfolio of EUR 3,627 million (2006: EUR 1,898 million). The value of equity securities held in the Available-for-Sale portfolio is directly linked to equity security prices with increases/decreases being recognized (except in the case of impairment) in the revaluation reserve. During the year ended December 31, 2007 the revaluation reserve relating to equity securities held in the Available-for-Sale portfolio fluctuated between a month-end low amount of EUR 518 million (2006: EUR 463 million) and a high amount of EUR 2,580 million (2006: EUR 641 million). Investments in associates are measured in accordance with the equity method of accounting and the balance sheet value is therefore not directly linked to equity security prices.

Real Estate Price Risk in Banking Books

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

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

Only for this last category, Real Estate price shocks will have a direct impact on reported net profit.

ING BANK LIQUIDITY RISK

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

Definition

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Structural liquidity risk

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

- Maintaining a well diversified mix of funding sources in terms of instrument types, fund providers, geographic markets and currencies;
- Actively managing access to the capital markets by regularly issuing public debt in all material markets and the maintenance of investor relations;
- Holding a broad portfolio of highly marketable assets that can be used to obtain secured funding;
- Maintaining an adequate structural liquidity gap taking into account the asset mix and both the secured and unsecured funding possibilities of ING Bank;
- Maintaining a funds transfer pricing methodology in which ING Bank s cost of liquidity is adequately reflected both under a going concern and a contingency perspective.

Tactical liquidity risk

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

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

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

Contingency liquidity risk

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

ING INSURANCE

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

The responsibility for measurement and management of credit risk and operational risk resides with Corporate Credit Risk Management (CCRM) and Corporate Operational Information and Security Risk Management respectively. Corporate Insurance Risk Management (CIRM) is responsible for insurance (actuarial and underwriting) and market risk measurement and management, business risk measurement, as well as for ensuring that investment mandates adequately address credit portfolio risk.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Risk management governance

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

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

Risk management policies and tools

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

A critical aspect of risk management is that all new products are designed, underwritten and priced appropriately. This is explicitly covered by the Standard of Practice for the Product Approval and Review Process (PARP). This standard includes requirements related to risk profile, traditional and value-oriented pricing metrics and targets and documentation. In addition for insurance and market risks, the requirements also refer to operational risk, legal and compliance risk etc. For these risks, the IRM network works together with the other, relevant risk departments. The PARP also includes requirements to assess sensitivities to changes in financial markets and insurance risk (e.g. mortality and claims development), as well as assessment of the administration and accounting aspects of the product. Other standards prescribe quarterly insurance risk reporting, ALM procedures and reporting, actuarial and economic assumption setting, reserve adequacy testing and embedded value measurement and reporting, amongst others.

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

To further manage risk, ING Insurance has implemented several limit structures. Examples include but are not limited to the following:

- Market Value at Risk (MVaR) limits provide the fundamental framework to manage the market and credit risks resulting from the Insurance operations asset / liability mismatch;

- Credit risk concentration limits;

Mortality concentration limits;

Catastrophe and mortality exposure retention limits for its insurance risk; and

Investment and derivative guidelines.

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Reserve adequacy

CIRM instructs and supervises all ING entities so as to make sure that the total insurance liabilities of ING Insurance (both reserves and capital) are tested for adequacy taking into account the insurance premium rate levels and the uncertainty of future returns on investments. This is done by evaluating insurance liabilities on current best estimate actuarial assumptions plus a risk margin, ensuring that the reserves remain adequate based on current assumptions. ING s policy for reserve adequacy testing is disclosed in the Principles of valuation and determination of results section. As of December 31, 2007 (and December 31, 2006), reserves for ING s life insurance businesses in aggregate are adequate at a 90% confidence level. All business lines are adequate on a stand alone basis at a 90% confidence level. Although the Asia/Pacific business line reserves were adequate as a whole at the end of 2007 at a 90% confidence level, there is a reserve inadequacy in Taiwan at the 90% confidence level. At the end of 2006 the inadequacy in Taiwan caused the reserves of the business line Asia/Pacific to be inadequate by EUR 1.0 billion.

Taiwan

As of December 31, 2007, the inadequacy for Taiwan is EUR 1.5 billion (2006: EUR 2.4 billion) based on a 90% confidence level, on a Taiwan reserve level (net of DAC and VOBA) of EUR 11.1 billion. The inadequacy results from a material exposure to a sustained low interest rate environment in Taiwan. This is due to long term interest rate guarantees of 6 8% embedded in the life and health contracts sold by the business until 2001. These long term interest rate guarantees together with the future anticipated premiums on these contracts (which have a present value of approximately EUR 15 billion) create a liability for the portfolio with an effective duration of approximately 32, compared to an asset duration of approximately 11. ING stopped selling these high guarantees in its Taiwan life insurance products since 2002.

The post 2001 business is adequate at a 90% confidence level, which partially compensates for the inadequacy related to the business sold until 2001. Furthermore, ING has over time strengthened reserves by EUR 828 million (2006: EUR 770 million) for this exposure and increased the internal capital allocation for this business.

The outcome of the reserve adequacy test for Taiwan is inherently uncertain given the use of various assumptions and the long term nature of the liability. The outcome can only be reliably estimated within broad ranges which are bound to vary significantly from period to period. The outcome of the test for Taiwan is especially sensitive to (changes in) interest rate assumptions. The reserve adequacy test at December 31, 2007 is based on the current 10-year swap rate in Taiwan at December 31, 2007 of 2.68% (2006: 2.21%), with the assumption that, in the long term, this swap rate will move to 5.75% (2006: 5.75%).

The Taiwan regulator currently allows mortality profits to be offset against losses from negative interest rate experience, thus eliminating the need to pay mortality dividends, and this practice is reflected in the reserve adequacy test.

ING INSURANCE RISK PROFILE

Economic Capital ING Insurance

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

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

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

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

benefits proportionally allocated to the risk types:

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

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

	2007	2006
Credit risk (including Transfer risk)	**1,021**	1,411
Market risk	**15,258**	14,555
Insurance risk	**3,293**	3,110
Non-financial risk [2]	**3,627**	3,334
Total insurance operations	**23,199**	22,410

(1) The Economic Capital outcomes do not reflect any potential tax benefit resulting from the loss that occurs under the specified circumstances.

(2) Non-financial risk includes operational risk as well as business risk (covering expense risk and lapse risk).

Total diversification across these risk types is 31% for 2007 (31% for 2006).

The overall Economic Capital and risk profile remained stable during 2007. The primary increase came from model corrections/refinements and the acquisition of pension business in Latin America. There were offsetting changes to the risk profile in various businesses, but the overall impact to the ING Insurance risk profile was not large. Credit risk decreased during 2007 primarily due to refinements to the credit risk Economic Capital model. The Economic Capital for ING Insurance is mostly related to market risks, both hedgeable and non-hedgeable.

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

Economic capital break-down by ING Insurance business line

	2007	2006
Insurance Americas	**6,541**	5,987
Insurance Asia/Pacific	**7,033**	7,463
Insurance Europe	**5,890**	5,942

Corporate Line Insurance [1]	**3,735**	3,018
Total insurance operations	**23,199**	22,410

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

While the figures above are shown by business line, the diversification of risks across ING businesses is calculated across business units. Total diversification between ING Insurance s business units and the Corporate Line Insurance is 33% for 2007 (36% in 2006).

The overall split of Economic Capital is roughly similar across all three business lines. Asia/Pacific has the largest Economic Capital due to the significant non-hedgeable interest rate and morbidity risks in Taiwan. Taiwan Economic Capital was in the range 65 75% of the Asia/Pacific total. The Economic Capital in the Americas and Europe is driven primarily by interest rate, credit spread, and equity risk. The corporate line risk relates mostly to foreign exchange translation risk related to the potential loss of market value surplus in non-Euro denominated business units and an internal-only transaction with Taiwan relating to interest rate and foreign exchange risks.

ING INSURANCE MARKET RISKS

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Economic capital insurance market risks

	2007	2006
Interest rate	**6,021**	6,362
Credit Spread	**1,012**	1,098
Equity	**3,357**	2,512
Real Estate	**669**	480
Implied Volatility	**2,091**	2,154
Foreign Exchange	**2,108**	1,949
Total	**15,258**	14,555

Interest rate and equity risks are the largest market risks for ING Insurance. Interest rate risks are most significant in Taiwan, United States, and Europe. In all cases, the primary exposure is to falling interest rates. The equity risk relates to both direct and indirect exposure. Direct exposure relates to the holding of shares and is most significant for ING in the Netherlands. Indirect exposure relates to the potential loss of fee income from unit linked, variable annuity, and pension fund business across all regions. Direct exposure represents approximately 60 70% of the equity risk. The table shows a notable increase in equity risk during 2007, but this is related to improved modelling of risk during 2007 and not in material changes to actual risk taking.

Credit spread risk relates to potential increases in credit spreads from investments in fixed income securities. ING Insurance does not adjust the market value of liabilities for credit spread widening. Real estate risk exists mostly in the Netherlands and relates in a large part to direct real estate investments. Implied volatility risk is the risk that market values of assets or liabilities change due to movements in market option prices. In general, ING is exposed to increases in implied volatility as the guarantees provided to customers become more expensive. Foreign exchange risk is small in the business units accordingly most of the exposure relates to the risk of change in the market value surplus of non-euro businesses.

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

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

CIRM consolidates and monitors the MVaR exposures of the business lines including diversification effects on a quarterly basis. Together with ING Capital Management, MVaR is managed within the limits. In 2007 and 2006 there were no breaches of the overall ING Insurance MVaR limit.

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

Earnings sensitivities are defined based on a shock scenario at the 90% confidence level on pre tax accounting earnings, projected one year forward from the calculation date. Therefore the table below provides earnings

sensitivities to an instantaneous shock at the 90% confidence level projected through to December 31, 2008.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Earnings sensitivities for Insurance market risks

	2007	2006
Interest rate (1% up)	**(161)**	(166)
Interest rate (1% down)	**125**	172
Equity (15% down)	**(613)**	(262)
Real Estate (8% down)	**(570)**	(553)
Foreign Exchange (10% worst case)	**(338)**	(359)

Note:The table above includes similar sensitivities to the 2006 risk management section, but the figures represent different impacts than in 2006.

Specifically, the figures include fully forward looking twelve month sensitivities, have different shock percentages, and are pre-tax. In addition, the interest rate risk sensitivities for 2006 and 2007 reflect the change in accounting policy for evaluating reserve adequacy at the business line level.

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

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

The increase in earnings at risk from a 15% downward equity shock is mostly due to four factors:

Potential impairments of individual direct holdings;

Improved modelling of DAC/VOBA impacts for US business units;

Refined modelling of earnings sensitivities for the Japan SPVA hedging program;

These are offset by the market value change from put options held at the Corporate Line Insurance.

ING INSURANCE INSURANCE RISKS

General

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

Measurement

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

For the main non-life units (in the Benelux, Canada, Mexico) the risk tolerance for property and casualty (P&C) business is generally set at 2.5% of the Group s after-tax earnings. For 2007, this translated into an aggregated (pre-tax) risk tolerance level of EUR 235 million (2006: EUR 190 million). The aggregate risk tolerance limit relating to events was translated into separate risk tolerance levels for Mexico and the Benelux respectively (in 2007 EUR 235 million each). For Canada the pre-tax risk tolerance level is set at EUR 214 million (derived from the above EUR 235 million but allowing for outside interests) (2006: EUR 169 million). For motor business a sub-limit of EUR 10 million is applied (2006: EUR 7.5 million).

In order to determine how much reinsurance protection is required in each of the regions, these risk tolerance limits are compared to the estimated maximum probable loss resulting from catastrophic events with a 1 in 250 return period which is in line with industry practice. the maximum probable loss

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

estimates for Fire business are based on risk assessment models that are widely accepted in the industry.
For the smaller non-life units, the (pre-tax) risk tolerance level for catastrophe related events for 2007 was set at EUR 5 million (2006: EUR 5 million) per event per business unit.
With respect to life business, ING Group s (pre-tax) risk tolerance level for 2007 was set at EUR 22 million (2006: EUR 22 million) per insured life for mortality risk. While life insurance risks are considered to be naturally diversifiable by virtue of each life being a separate risk, group contracts may result in significant exposures. For potential losses, resulting from significant mortality events (e.g. pandemics or events affecting life insurance contracts involving multiple lives), ING applies a separate risk tolerance level which equalled EUR 750 million in 2007 (2006: EUR 750 million). ING continues to model the possible impact of pandemics based on studies published by respected international organizations.
Overall exposures and concentrations are actively managed within limits and risk tolerance levels through the purchase of external reinsurance from approved reinsurers in accordance with ING s reinsurance credit risk policy. Particularly for the property and casualty portfolio, ING purchases protection which substantially mitigates ING s exposure due to natural catastrophes. In addition, ING believes that the credit risks to which it is exposed under reinsurance contracts are minor, with exposures being monitored regularly and limited by a reinsurance credit risk policy.
Regarding catastrophic losses arising from events such as terrorism, ING believes that it is not possible to develop models that support inclusion of such events in underwriting in a reliable manner. The very high uncertainty in both the frequency and severity of these events makes them, in ING s opinion, uninsurable. For the non-life business, losses that result from these events are generally not covered unless required by law. In various countries industry pools have been established to mitigate the terrorism risk to which the individual insurers are nevertheless still exposed. ING participates in such pools.
The following table provides an overview of the Economic Capital for insurance risks, split into mortality risk, morbidity risk and risk related to P&C products:

Economic Capital Insurance risks

	2007	2006
Mortality	**803**	738
Morbidity	**2,141**	2,116
P&C	**349**	256
Total	**3,293**	3,110

The largest exposure is for morbidity risk and is the risk, mostly in Taiwan, of future health claims exceeding current best estimate actuarial assumptions. In Taiwan, ING has a legacy block of guaranteed premium health riders that provide benefits for 30 60 years into the future. The mortality risk relates to the potential for increasing deaths (life risk) or decreasing deaths (longevity risk). This risk relates to a potential mortality catastrophe or to changes in long term mortality rates. As noted, ING manages these risks via limits and external reinsurance. Finally, property and casualty risk exists primarily in Canada, Mexico, and the Benelux. The increase in P&C Economic Capital during 2007 is mostly due to an improvement in the correlation model between P&C risks and not increased risk taking.
Through scenario analyses, ING Insurance measures the sensitivity of pre tax earnings of the insurance operations to an increase/decrease of the insurance risk factors over a one year period. These changes to earnings can relate to realized claims or any other profit item that would be affected by these factors. ING assumes that not all the shifts presented below will happen at the same time.
Earnings sensitivities are defined based on a shock scenario at the 90% confidence level on pre-tax accounting earnings, projected one year forward from the calculation. Therefore the table below provides earnings sensitivities to

an instantaneous shock at the 90% confidence level projected through to December 31, 2008.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Earnings sensitivities for Insurance risks

	2007	2006
Mortality	**(54)**	(60)
Morbidity	**(124)**	(147)
P&C	**(132)**	(107)

The table above presents figures after diversification between insurance risks and diversification across business units of ING Insurance. The largest earnings sensitivity relates to health claims in The Netherlands, Greece, and Asia and P&C claims in the Benelux, Canada, and Mexico. The increase in P&C earnings sensitivities in 2007 is mostly due to an improvement in the correlation model between P&C risks within Canada.

ING INSURANCE CREDIT RISKS

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

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

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

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

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

	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		ING Insurance	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
1 (AAA)	**27.9%**	26.9%	**28.8%**	27.8%	**10.7%**	12.1%	**25.5%**	25.1%
2-4 (AA)	**18.5%**	21.8%	**26.9%**	19.8%	**37.3%**	33.4%	**24.6%**	22.6%
5-7 (A)	**22.3%**	20.0%	**21.7%**	20.5%	**32.8%**	32.4%	**23.8%**	22.0%
8-10 (BBB)	**18.4%**	19.7%	**11.1%**	14.6%	**6.9%**	7.9%	**13.9%**	15.8%
11-13 (BB)	**2.9%**	7.0%	**10.0%**	15.7%	**3.4%**	4.1%	**5.5%**	10.3%
14-16 (B)	**5.0%**	4.6%	**1.0%**	1.2%	**6.1%**	10.1%	**3.7%**	4.0%
17-22 (CCC & Problem Grade)	**5.0%**	0.0%	**0.5%**	0.4%	**2.8%**	0.0%	**3.0%**	0.2%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

The increase in Problem Grade assets and investments at the Insurance operations is a direct result of the change in treatment of investments which have not been internally or externally rated, which is often the case for equity investments, mutual fund investments and reinsurance contracts. Previously, these assets received a rating of 13 (BB). However, in line with the ING Group policy to treat unrated assets similar to ING Bank, they now receive a rating of 17. As a result of the sale of the Nationale Nederlanden Hypotheek Bedrijf (NNHB, residential mortgages) to ING Bank and parts of the Belgian insurance business, there was a corresponding improvement in the rating quality of Insurance Europe investments away from BBB and BB.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Risk concentration: ING Insurance portfolio, by economic sector

	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Construction, infrastructure and Real Estate	**9.3%**	9.9%	**2.3%**	2.4%	**2.5%**	2.2%	**5.7%**	5.6%
Financial Institutions	**63.5%**	61.0%	**28.0%**	25.4%	**33.0%**	29.9%	**45.7%**	41.3%
Private Individuals	**3.5%**	3.4%	**13.9%**	22.1%	**7.8%**	9.1%	**7.9%**	12.1%
Public Administration	**2.5%**	3.4%	**36.8%**	33.4%	**41.3%**	40.0%	**21.2%**	21.4%
Utilities	**4.0%**	4.0%	**1.4%**	1.7%	**2.9%**	3.0%	**2.9%**	2.9%
Food, Beverages and Personal Care	**1.9%**	1.9%	**4.1%**	3.8%	**0.6%**	0.7%	**2.5%**	2.5%
Natural Resources	**3.5%**	3.3%	**1.1%**	0.9%	**1.4%**	0.7%	**2.3%**	1.9%
Other	**11.8%**	13.1%	**12.4%**	10.3%	**10.5%**	14.4%	**11.8%**	12.3%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

The sale of the Nationale Nederlanden Hypotheek Bedrijf (NNHB residential mortgages) to ING Bank is the reason for the reduction in the concentration to Private Individuals in Europe. There were no other significant shifts in the portfolio concentration. All other industries not shown in the table above have less than 2.0% concentrations.

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

	Insurance Americas		Insurance Europe		Insurance Asia/ Pacific		Total ING Insurance	
amounts in billions of euros	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
United States	**56.2**	57.4	**1.7**	2.0	**2.3**	2.3	**60.2**	61.7
Netherlands	**0.7**	0.7	**22.0**	34.2	**0.3**	0.5	**23.0**	35.4
Taiwan					**7.3**	6.9	**7.3**	6.9
Italy	**0.3**	0.3	**6.4**	7.5	**0.2**	0.1	**6.9**	7.9
France	**0.4**	0.4	**5.9**	5.6	**0.5**	0.5	**6.8**	6.5
Germany	**0.3**	0.2	**6.1**	6.6	**0.3**	0.3	**6.7**	7.1
South Korea	**0.1**				**6.6**	5.4	**6.7**	5.4
Canada	**6.0**	6.3	**0.1**	0.3			**6.1**	6.6
United Kingdom	**1.9**	1.6	**3.1**	3.6	**0.4**	0.3	**5.4**	5.5

(1) Only covers total exposures in excess of EUR 5 billion, including intercompany

with ING Bank.

The portfolio in The Netherlands decreased principally due to the sale of Nationale Nederlanden Hypotheek Bedrijf (NNHB residential mortgages) to ING Bank. The decrease in Italy resulted from a reduction of ING s position in government bonds. Exposure to Spain amounted to EUR 5.2 billion in 2006, but decreased below the EUR 5 billion threshold in 2007. There were no other significant shifts in the portfolio concentration.

COMPLIANCE AND OPERATIONAL RISKS

ING believes that good compliance management is in the best interest of its customers, shareholders and staff, and is important for the way ING does business. Complementary to this, effective control and management of operational risks leads to more stable business processes and lower operational risk costs.

Acting with integrity and preserving ING s reputation is of paramount importance. Complying with relevant laws, regulations and ethical and internal standards, in both letter and spirit, is a prerequisite for this. Reputation risk is defined as the current and prospective impact on earnings and capital arising from negative public opinion. This may affect the ability to establish new relationships or services or continue servicing existing relationships. This risk may also expose an institution to litigation, financial loss, or a decline in its customer base. Managing reputation risk is therefore an essential part of ING s business strategy, taking into account all stakeholders, whose perception of ING determines its reputation. Risks or uncertainties, both positive and negative, are carefully managed, as reputation risk does not exist in isolation rather, all risks may impact on reputation.

Within ING everything centres on people and trust. ING s Executive Board and Senior Management share a clear vision of reputation management that goes well beyond the compliance and operational risk functions itself and drives the process of delivering on that vision. ING therefore expects the highest levels of personal conduct and integrity from all its employees and managers in order to safeguard its reputation.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

COMPLIANCE RISK

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

Compliance management is fundamental to driving value. The pursuit of long term business sustainability requires proper conduct of business activities in accordance with the high ethical standards of ING s Business Principles. These principles not only reflect laws and regulations, but are also based on ING s core values: integrity, entrepreneurship, professionalism, responsiveness and teamwork.

Clear and accessible policies and procedures are embedded in ING business processes in all business lines. An infrastructure is in place to enable management to track current and emerging compliance issues and to communicate these to internal and external stakeholders. A comprehensive system of internal controls and audit creates an environment of continuous improvement in managing compliance risk. ING understands that good compliance involves understanding and delivering on the expectations of customers and other stakeholders, thereby improving the quality of key relationships based on honesty, integrity and fairness.

The Scope of the Compliance function

The Compliance function focuses on managing the risks arising from laws, regulations and standards which are specific to the financial services industry and which are issued by legislative and regulatory bodies relevant to ING s businesses, or by ING Group Compliance. The Compliance function actively educates and supports the business in managing areas such as anti-money laundering, counter-terrorist financing, conflicts of interest management, sales and trading conduct and Customer interest and protection.

The following Compliance risk areas have been defined and highlighted for particular attention:

Client related integrity risk; this includes Financial Economic Crime money laundering, terrorist financing, other external crime and fraud. Following Customer and Business Partner Due Diligence processes and monitoring business transactions are key contributors to how this risk is managed;

Personal conduct related integrity risk; this includes market abuse and personal insider trading. Business principles and (local) codes of conduct and specific policies on outside positions by ING officers, inducements, including gifts and entertainment assist with management of these risks;

Financial services conduct related integrity risk; the primary focus of this area of compliance risk is on marketing, sales and trading conduct, conduct of advisory business, transparency of product offerings, customer interest and protection. To assist with management of these risks ING has complaint handling processes, internal standards with respect to new product approval and product review and policies for data protection and privacy;

Organizational conduct related integrity risk covers; conflicts of interest, anti-trust and relationships with third parties and intermediaries. Policies and measures in place to manage this risk include conflicts of interest policies and procedures including Chinese Walls, regulatory registration requirements and outsourcing and Merger and Acquisition policies and due diligence processes.

ING has a Whistleblower Policy and procedure which encourages staff to speak up if they know of or suspect a breach of external regulations or internal policies or business principles. The Whistleblower Policy ensures that staff is protected when raising issues.

ING s global operations include business activities throughout the world, with subsidiaries and branches in many countries. Compliance activities in ING s businesses consequently embrace or relate to various legal and regulatory requirements, as well as a variety of business and commercial needs.

The organization of Compliance

The Chief Compliance Officer (Group Compliance) reports directly to the CRO and is responsible for developing and establishing the company-wide Compliance Policy. The Chief Compliance Officer also establishes and approves the minimum standards for Compliance and assists and supports the Executive Board in managing ING s Compliance risks. The Compliance function is organized along functional reporting lines.

The Group Compliance function comprises Corporate Compliance and Business Line Compliance. Corporate Compliance is responsible for developing and communicating ING s global compliance

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

framework, policies and guidance for key areas of Compliance risk and provides advice to Business Line Compliance staff on Group policy matters.

ING uses a layered functional approach within Business Line Compliance to ensure systematic and consistent implementation of the company-wide Compliance Policy, minimum standards and the Compliance Framework. The local Compliance Officer has the responsibility to assist local management in managing compliance risk within that business unit. The regional or division Compliance Officer has a supervisory role in the compliance risk management process and manages and supervises all functional activities of the Compliance Officers in the respective region or division. The business line Compliance Officers perform this task for each respective business line and also provide leadership and overall direction to the regional or division Compliance Officers.

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

Compliance Management Policies and Tools

The responsibility of the Compliance Function is to proactively:

Identify, assess and monitor the compliance risks faced by ING;

Assist, support and advise management in fulfilling its compliance responsibilities;

Advise any employee or officer with respect to their (personal) compliance obligations.

To ensure robust compliance risk management, Corporate Compliance, in close cooperation with business line Compliance and the business operations, has developed policies, processes and tools to assist with management of compliance risks. This set of compliance risk management processes and tools consists of the following components:

Compliance chart (outlining the local scope of compliance in terms of laws, regulations and standards);

Compliance risk identification and assessment;

Compliance risk mitigation, (including implementation of standards, procedures and guidelines);

Compliance risk monitoring (adherence to the Compliance Policy, its minimum standards and applicable legal and regulatory standards; quarterly reporting);

Incident management;

Training and education;

Action tracking;

Provision of compliance advice;

Compliance governance.

Developments in 2007

Financial institutions continue to experience close scrutiny by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws, regulations, standards and expectations. Bank and Insurance regulators and other supervisory authorities in Europe, the US and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and

conduct business in an efficient, orderly and transparent manner. ING seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinizing account holder information, payment processing and other transactions to support compliance with regulations governing money-laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or perceived failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING s licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING s reputation and financial condition, However, 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, US and other authorities. These discussions prompted ING Bank N.V. 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.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

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. The Netherlands Caribbean Bank, which is now a 100% ING 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.

OPERATIONAL RISKS

Effective operational risk management leads to more stable business processes and lower operational risk costs. The operational risk management function comprises operational, information and security risks.

This is done by raising operational risk awareness, increasing transparency, improving early warning information and allocating risk ownership and responsibilities. It is the responsibility of group and local Operational Information and Security Risk Management (OISRM) to support general management in managing operational information and security risk (hereafter referred to as operational risk).

Risk management governance

ING OISRM is organized along a functional line comprising three levels within the organization: the corporate, business line and business unit levels. The General Manager of COISRM (Corporate OISRM) heads the functional line, reporting to the CRO. Each business unit has an OISRM manager that reports to the business line head of OISRM. This layered, functional approach ensures consistent application of guidelines and procedures, regular reporting and appropriate communication as well as the ongoing support for the business. The governance structure is implemented according to the Basel II requirements. The mandate, roles and responsibilities at different levels are clearly described in the OISRM policy house.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Explanation of risk types

ING has defined operational risk as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss as well as legal risk; whereas strategic risks are not included. The following eight risk categories are recognized:

Control risk is the risk on loss due to non-compliance with business policies or guidelines;

Unauthorized activity risk is the risk on loss caused by unauthorized employee trading, approvals or overstepping of authority;

Processing risk is the risk on loss due to unintentional human error during (transaction) processing;

Employment practice and workplace safety risk is the risk of loss due to acts inconsistent with employment, health or safety laws, or agreements, from payment of personal injury claims, or from diversity /discrimination events;

Personal and physical security risk is the risk of criminal and environmental threats that might endanger the safety of ING personnel within ING locations and ING assets or might have an impact on the ING organization;

IT risk is the risk of loss due to inadequate data or information security of systems;

Crisis management and Business Continuity Planning/Disaster Recovery Planning risk is the risk of loss due to external events (e.g. natural disasters, criminal activity and terrorist attacks) leading to a situation that threatens the safety of people within ING or the continuity of business conducted;

Internal and external fraud risk is the risk of losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations or the law.

During 2007 ING introduced internally the non-financial risk dashboard to provide integrated risk information on compliance, operational, information and security risk using a consistent approach and risk language. Besides the above mentioned risk categories the non-financial risk dashboard distinguishes compliance risk; i.e. the risk that ING does not comply with laws, regulations, standards and expectations, which can result in suspension or revocation of its licenses, cease and desist orders, fines civil penalties or other disciplinary action which could materially harm ING s results of operations and financial condition.

Management

ING has developed a comprehensive framework supporting the process of identifying, measuring and monitoring operational, information and security risks.

Risk Management Processes	Examples of risk management tools
Risk Governance	- Operational Risk Committee - Compliance program - Product Approval process - Risk awareness training
Risk Identification	- Risk and Control Self Assessments - Risk Awareness Programs - Fraud detection
Risk Measurement	- Incidents Reporting and Analysis

	- RAROC - Quality of Control Scorecards
Risk Monitoring	- Audit Findings Action Tracking - Key Risk Indicator Reporting - Operational risk dashboard
Risk Mitigation	- (Information) Security plans and implementation - Crisis management planning - Personal and physical security planning

ING promotes effective management of operational, information and security risk by requiring business units to demonstrate that the appropriate steps have been taken to control operational risk. ING applies scorecards to measure the quality of operational, information and security risk processes within a business. Scoring is based on the ability to demonstrate that the required risk management processes are in place with the business units. The scorecards indicate the level of control with the business units. The scoring results in a decrease or increase of the risk capitals, depending on both the maturity of implemented operational, information and security risk and the control measures taken.
The overall scorecard outcome showed that ING Group satisfies the Basel II requirements in embedding the risk management framework.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Personal and physical security

ING has established policies on Personal and Physical Security. Entities need to ensure that all policy requirements are maintained. The ING Corporate Physical Security policy and minimum determine functional requirements about the areas of physical access security, theft protection, fire protection, cash and valuables protection, utilities and infrastructure protection and supporting security devices. Security plans per location are based on a risk assessment. All (major) ING assets (e.g. premises, information, equipment and valuables) must have a nominated asset-owner, which is accountable for the adequate protection of its entrusted ING asset. Each ING location has to be divided into classified security zones (compartmentalization) to locate classified assets. Each ING entity must have an appointed physical security manager who is accountable for the implementation of physical security within its location(s).

The corporate policy on Personal Security states how ING s employees should be protected against exposure to the risks or the consequences of criminal and environmental threats. The policy includes minimum standards and some guidelines on business travelling (travel, accommodation and lodging), expatriates (e.g. selection process and accommodation), events by ING and projects in order to create and maintain a safe and secure environment for ING staff and visitors within ING locations and the availability, integrity and reliability of ING assets within and outside ING locations.

Crisis Management

Crisis management includes the process to detect, assess, solve and evaluate a crisis. The ING Crisis Management policy provides a cohesive overview of crisis management governance in relation to crisis management officer roles and responsibilities across the whole of ING Group. It does not address roles associated with ING customers or other third parties however.

The policy has prescribed requirements around planning and testing of crisis management organization, crisis communication, building evacuation, emergency actions and business continuity and disaster recovery.

Information security

The OISRM function operates with the mission of ensuring the confidentiality, integrity and availability of information and associated information processing assets through the disciplined used of risk management practices. The OISRM function is comprised of information security specialists within all Business Units and Business Lines, and is coordinated overall at the ING Group level.

The OISRM function has defined a comprehensive suite of policies, standards and guidelines, and compliance is measured and monitored on a regular basis.

The OISRM function actively measures and monitors information risk within the key risk areas noted below. The result of this process is used by ING Business Units to budget, plan, and implement appropriate risk mitigation actions.

Measurement

The operational risk measurement model uses both external and internal loss data (exceeding EUR 1 million) within an actuarial model. The model is adjusted for the scorecard results, taking into account the specific quality of internal control in a business line and the occurrence of large incidents (bonus/malus). This provides an incentive to business unit management to better manage operational risk. The outcome is periodically challenged and benchmarked. The capital calculation model meets industry standards.

ING is member of the Operational Risk data eXchange Association (ORX), the world s leading operational risk loss data consortium for the financial services industry. In order to protect ING against financial consequences of uncertain operational events ING has acquired insurance policies issued by third-party insurers, with world-wide cover for (Computer) Crime, Professional Liability, Directors and Officers Liability, Employment Practices Liability and Fiduciary Liability. The portion of the risks that ING retains is of a similar magnitude to the risk retained for casualty business-related catastrophe exposures.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Developments in 2007:

In 2007 ING obtained DNB s approval to implement the advanced measurement approach for the operational risk capital calculation. ING has applied the AMA calculation as of January 1, 2008. Local implementation of Basel II is supported by the corporate OISRM function;

The adjusted scorecard approach monitors the compliancy with the Compliance and OISRM framework and its controls while taking the maturity of the business units into account;

The Anti-fraud Policy has been further upgraded. Defined measures include anti-fraud training, pre-employment screening, additional organizational controls, automated detection as well as reporting and response procedures. OISRM Policy house has been refreshed and reflects all OISRM policies;

A powersupply issue in one of the datacentres (in the Netherlands) has prompted ING to accelerate an improvement programme for the business continuity and disaster recovery capability and platform security of its datacenters.

The Non-Financial risk dashboard has been introduced and piloted;

The integration of the operational, information and security functions at all levels within ING has lead to an organization which consists of around 900 FTE s at the end of 2007.

MODEL DISCLOSURES

The risk profile of ING Group, as described in the Risk Management Section is captured by three key risk metrics:

Earning at Risk;

Capital at Risk;

Economic Capital.

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

This model disclosure section explains the models applied in deriving these three metrics. The methodology to derive the Earnings at Risk and Capital at Risk metrics, as presented in the ING Group risk dashboard, is described first. Thereafter, the methodologies used to determine Economic Capital for ING Bank, ING Insurance and ING Group are described.

MODEL VALIDATION

In 2007 all risk models used for the Economic Capital Bank calculations and the ING Group risk dashboard have been reviewed and validated by the internal Model Validation department. The review of the models underlying Economic Capital for ING Insurance is planned for 2008.

The ING Bank Economic Capital calculation is also used as part of the Basel II pillar 2 Supervisory Review and Evaluation Process (SREP) that is regularly performed by the Dutch Central Bank.

EARNINGS AND CAPITAL RISK

Earnings at Risk

Earnings at Risk (EaR) measures the potential reduction in accounting earnings over the next year relative to expected accounting earnings. EaR is measured using a 90% confidence level (i.e. 1 in 10 stress scenario). Discretionary Management interventions are not explicitly modelled unless their measurement can be based on historical performance tracking (e.g. regular or planned actions). It should be noted that the 90% confidence level used for EaR

is not an absolute requirement, but regarded as a general guideline. For each major risk types the earnings sensitivities are calculated based on existing best-practice e.g. 1% instantaneous shock to interest rates. To reflect bottom-line accounting earnings as close as possible in EaR measurement the amount is compared to the forecast earnings to determine risk appetite levels, e.g. The ING Bank credit risk component of EaR bank is adjusted for forecast risk costs (addition to Loan Loss Provision).

Capital at Risk

The Capital at Risk (CaR) measures the potential reduction of the net asset value (based on fair values) over the next year relative to expected value. CaR is measured using a 90% confidence level (i.e. 1 in 10 stress scenario). Discretionary Management interventions are not explicitly modelled unless their measurement can be based on historical performance tracking (e.g. regular or planned actions).

Economic value is defined as the marked-to-market net asset value (assets less liabilities). For each major risk type the value sensitivities are calculated based on the existing Economic Capital

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

methodology, applying the 90% confidence level. CaR risk appetite is measured against available financial resources.

Aggregation model risk dashboard

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

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

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

Major risk types distinguished

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

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

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

Principal assumptions of EaR and CaR measurement

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

- Risk dynamics are based on historic observation; historical events are used as a proxy for future risk estimates e.g. price changes, defaults, dependencies of markets;

- Point-in-time risk profile of in-force business is presented; in general risk measurement does not include future volumes and margins;

- Discretionary Management interventions are not explicitly modelled unless their measurement can be based on historical performance tracking (e.g. regular or planned actions);

Correlation factors between risk types used for diversification are based on best estimate assumptions supported by statistical analysis of historical data, ING risk expert judgement, external benchmark study and common logic;

Behavioural assumptions for clients are included in risk measurement where applicable e.g. variable savings, embedded mortgage options or lapse ratios.

Reporting Framework

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

ECONOMIC CAPITAL ING BANK

Economic Capital is defined as the amount of capital that a transaction or business unit requires in order to support the economic risks it originates. In general Economic Capital is measured as the unexpected loss above the expected value or loss at a given confidence level. Specific measurement

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

by risk type is described in greater detail in the separate risk type sections; i.e. credit and transfer and operational risk as well as market and business risk bank.

This Economic Capital definition is in line with the net market value (or surplus) definition. The process of Economic Capital modelling enables ING Bank to allocate Economic Capital to the business units and support risk adjusted performance measurement (RAROC). By comparing Economic Capital figures with ING s available financial resources, adequate capital buffers can be ensured.

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

ING Bank uses a one-sided confidence level of 99.95% consistent with ING s target debt rating (AA) and a one-year time horizon to calculate Economic Capital;

It is assumed that all currently known measurable sources of risk are included;

The best estimate risk assumptions are as objective as possible and based on proper analysis of statistical data. There is one set of best-estimate assumptions for each risk type to be used at ING Bank;

The Economic Capital calculation is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;

The Economic Capital calculations reflect known embedded options and the influence of client behaviour in banking products;

The Economic Capital calculations are on a pre-tax basis and do not consider the effect of regulatory accounting and solvency requirements on capital levels;

The framework does not include any franchise value of the business, discretionary management intervention or future business volumes and margins.

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

Aggregation model

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

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

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

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

Reporting Framework

For each business unit and product line, the gross Economic Capital for each risk type is delivered to MISRAROC the financial data warehouse for RAROC and Economic Capital reporting of ING Bank. The net Economic Capital

figures are calculated by taking the product of the gross Economic Capital with one minus the diversification factor. Total Economic Capital is calculated as the sum of the net Economic Capital for each risk type at all reporting levels.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

with one minus the diversification factor. Total Economic Capital is calculated as the sum of the net Economic Capital for each risk type at all reporting levels.

CREDIT AND TRANSFER RISK

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

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

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

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

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

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

Credit Risk Capital Measurements	Methodology	Location	Confidence level	Inputs	Purpose
Regulatory Capital	Basel II Formula	Vortex Basel Engine (VBE) in the Central Risk Database	99.90%	Basel II model outputs	RWA
Economic Capital	Risk adjusted capital Closed Algebraic	Vortex Risk Engine (VRE) in the Central Risk	99.95%	Basel II model outputs excluding Basel	Pricing, Economic Capital for

	Formula (RAC)	Database		II caps and floors, maturity, repayment schedules, correlation factors, migration matrix. Some inputs come from EC-MC portfolio calculator but with 99.95% confidence level country and industry.	credit at transational level and above
Capital and earnings at risk	Monte Carlo simulation based on aggregate portfolio (EC-MC portfolio calculator)	Stand alone tool using same data from Central Datawarehouse as VRE	90.00%	Basel II model outputs excluding Basel II caps and correlation factors, migration matrix country and industry.	Risk Dashboard at Line of Business Level and above

With regard to methodology, the EC-MC Portfolio calculator provides a sophisticated and consistent framework to measure capital numbers for credit risk. Because of its complexity and required calculation time the EC-MC Portfolio calculator is more suited for portfolio calculation, rather than to be

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

implemented in an environment requiring real time reporting at a transactional level for day-to-day management, pricing of new transactions and limit setting. As a result, Economic Capital figures are based on RAC figures that are derived from the EC-MC Portfolio calculator but are not fully equivalent. The main characteristics are:

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

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

During 2007, the Economic Capital levels for credit and transfer risk were calculated on a weekly basis for most of the Wholesale Bank, for ING Direct investment portfolios and for the SME portfolios within the Retail banking operations. For consumer loans, residential mortgages, credit cards, and the insurance portfolios, the calculations are made on a monthly basis. On a quarterly basis, the Economic Capital for credit risk and transfer risk figures are consolidated with the corresponding Economic Capital components from other disciplines.

Governance of Economic Capital for Credit and Transfer Risk

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

MARKET RISK BANK

General

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

Measurement

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

Real estate price risk includes both the market risks in the investment portfolio and the development risk of ING Real Estate.

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

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

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Economic Capital for market risk for the large non-trading portfolios within ING Retail Banking and ING Wholesale Banking is calculated for embedded option risk (e.g. the prepayment option in mortgages) and model risk. The model risk is calculated by stressing the underlying assumptions in the models for behavioural assets and liabilities. For example, the hedge for savings portfolios is based on assumptions with respect to developments of volumes and client rates. Deviations in these assumptions can lead to (ex-post) incorrect estimation of the interest rate typical maturity of saving deposits. If there is more outflow than initially modelled, the duration of the savings money may be lower than the duration of the investments, which leads to losses if interest rates go up. The Economic Capital model for market risk is based on estimations of the 99% confidence savings duration error, combined with the 99% adverse interest rate movement. The combined probability represents a 99.95% confidence level. The Economic Capital figure for ING Direct currently does not capture the embedded option risk and the model risk resulting from the mortgages maintained within this line of business. This will be implemented in 2008.

For the model applied to mortgage portfolios a similar rationale is employed. The quality of the hedge depends on assumptions with respect to prepayment behaviour. If these assumptions are wrong, the funding may be either too long or too short term. Similar to the above, the Economic Capital model for market risk is based on the estimated 99% confidence prepayment model error and the 99% confidence adverse interest rate change.

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

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

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss, as well as legal risk; whereas strategic risks are not included. The main risk drivers are the quality of control and the volume of cash flows or other operational risk control measures, e.g. legal expenditures. While operational risk can be limited through management controls and insurance, many incidents still have a substantial impact on the profit and loss account of financial institutions. Operational risk is more difficult to quantify than other risk types, because of the far-reaching (mostly low probability high impact) and historic data on business performance is scarce.

The capital model, an actuarial model, consists of a combination of three techniques:

Loss Distribution approach (LDA), which applies statistical analysis to historical loss data;

Scorecard approach, which focuses on the quality of risk control measures within a specific institution;

Bonus/Malus approach, which focuses on the actual operational incidents of a specific institution.

Loss Distribution approach

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

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

Principle 1: If the world gets riskier, the business units need more Economic Capital;

Principle 2: If a business unit s size increases, so does its capital;

Principle 3: If the business of a business unit is more complex, it needs more capital;

Principle 4: If the level of control of a business unit is higher, it needs less capital;

Principle 5: If the business units losses from internal incidents exceed the level of expected loss accounted for in the first four framework principles, it needs more capital.

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Scorecard approach

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

Bonus/Malus approach

Units are assigned additional capital in case losses from internal incidents exceed the level of expected losses that have been accounted for in the LDA. When actual losses are lower than expected, the capital will be decreased. Only internal incidents above one million EUR from the last five years are used. The Bonus/Malus adjustments are capped at + and 20% to prevent large capital fluctuations in total ING capital.

ING BANK BUSINESS RISK CAPITAL

The current calculation method applied within ING Bank defines business risk as the residual risk category that includes all risks that are not covered by the explicitly defined (and managed/measured) credit/transfer, market and operational risk categories. In accordance with the residual risk definition, the measurement of business risk capital is based on a single risk factor; i.e. the volatility of the residual profit and loss figures (for each BU) that are cleansed for the effects of other risk types. As a consequence there is no further gain in insight regarding sub business risks.

The level of the business risk capital is linked to the volatility of (cleansed historical) profit and loss data taking into account observed trends. In practice, this means that more stable earnings over time generally lead to less capital.

Using a T distribution and the level of confidence, the volatility is then capitalized to obtain a business risk capital. The T-distribution is a theoretical probability distribution, is symmetrical, bell-shaped and similar to the standard normal curve. However, the T-distribution has relatively more scores in its tails than the normal distribution.

As relatively short data series are available, a capital floor and cap are included in order to prevent that the business risk capital is under- or overestimated. The minimum (floor: 20%) and maximum (cap: 80%) are specified as a percentage of the operating costs and as such link business risk capital for units that operate at the floor to cost efficiency.

ING INSURANCE ECONOMIC CAPITAL

Economic Capital, EC , is defined by ING as the amount of assets that needs to be held in addition to the market value of liabilities to assure a non-negative surplus at a 99.95% level of confidence on a 1 year time horizon. ING measures Economic Capital by quantifying the impact on the market value surplus (MVS) as a result of adverse events that occur with a specified probability related to the AA rating. Therefore ING s Economic Capital model is based on a Surplus-at-Risk concept. The confidence level consistent with an AA rating has been defined as the 99.95% one-sided confidence level over a one-year horizon. The change in market value surplus (MVS) is the combined effect of changes in market value of assets (MVA) minus market value of liabilities (MVL).

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

The following fundamental principles have been established for the model:

Economic Capital requirements are calculated to achieve a target AA rating for policyholder liabilities;

All sources of risk should be considered;

The best estimate actuarial assumptions should be as objective as possible and based on a proper analysis of economic, industry, and company-specific statistical data. There is one set of best-estimate assumptions per product to be used for all purposes at ING;

Valuation of assets and liabilities is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;

The Economic Capital and valuation calculations should reflect the embedded options in insurance contracts;

The Economic Capital and valuation calculations do not consider the effect of local regulatory accounting and solvency requirements on capital levels. Capital is assumed to be fully transferable between legal entities;

The framework does not include any franchise value of the business. It does, however, include the expense risk associated with the possibility of reduced sales volume in the coming year.

ING quantifies the impact of the following types of risk in its Economic Capital model:

Market risk for ING Insurance is the change in value based on changes in interest rates, equity prices, real estate prices, credit spreads, implied volatilities (interest rate and equity), and foreign exchange rates. It occurs when there is less than perfect matching between assets and liabilities. Market risk may exist in the insurance activities as a result of selling products with guarantees or options (guaranteed crediting rates, surrender options, profit sharing, etc.) that cannot be hedged given the assets available in a certain market. Market risk may also occur when there is an intentional mismatch between asset and liability cash flows even when it is possible to match or hedge the cash flows;

Credit risk is the risk of changes in the credit quality of issuers due to defaults or credit migration of securities (in the investment portfolio), counter parties (e.g. on reinsurance contracts, derivative contracts or deposits given) and intermediaries to whom ING has an exposure. In addition to credit risk, ING includes a calculation of transfer risk for the risk of being unable to repatriate funds when required due to government restrictions;

Business risk is defined as the exposure to the possibility that experience differs from expectations with respect to expenses, the run-off of existing business (persistency) and future premium re-rating;

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk capital is difficult to quantify, since it is driven by infrequent events of high severity, and can be significantly mitigated or exacerbated by the quality of internal controls and guidelines. It may be partially managed through the purchase of insurance;

Life risk relates to deviations in timing and amount of the cash flows (premium payments and benefits) due to the incidence or non-incidence of death. The risk of non-incidence of death is also referred to as longevity risk to distinguish it from the risk associated with death protection products. ING notes risks due to uncertainty of best estimate assumptions concerning level and trend of mortality rates, volatility around best estimates, and potential calamities and recognizes external reinsurance;

Morbidity risk is the risk of variations in claims levels and timing due to fluctuations in policyholder morbidity (sickness or disability) recognizing external reinsurance. A wide variety of policy classes are subject to morbidity risk, including disability, accidental death and disability, accelerated death benefits, workers compensation, medical insurance, and long-term care insurance;

P&C risk comprises the risk of variability of size, frequency and time to payment of future claims, development of outstanding claims and allocated loss adjustment expenses for P&C product lines recognizing external reinsurance.

Liquidity risk and strategic business risk have been excluded from the EC calculations of ING Insurance.

Economic Capital Model

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

Calculate the complete balance sheet (all assets and liabilities) on a Market Value basis;

Generate Monte-Carlo shock scenarios for all of the relevant risk factors (market and non-market);

Recalculate the complete balance sheet (all assets and liabilities) on a Market Value basis for each shock scenario. For practical purposes, the MVM is not recalculated under shock scenarios;

Calculate the 99.95% worst case decrease in the Market Value Surplus over all the shock scenarios. This value will be the EC. Note that the shock scenario causing the Economic Capital will differ by business unit, business line, and at an ING Insurance level.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

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

1. Market Data and Scenario Generation
2. Stochastic Cash flows and Non-market Risk Capital
3. Replicating Portfolio
4. Economic Capital Calculation

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

Actuarial software used to produce the stochastic cash flows by scenario
Business units upload stochastic asset and liability cash flows for optimized replicating portfolio
Non-market risk capitals calculated in accordance with ING Standards of Practice submitted to ECAPS for risk aggregation

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

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

Further details on Economic Capital model

Market Data and Scenario Generation

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

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

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

Risk Neutral Economic Scenario Generator (RN ESG): capable of generating multiple equity indices and exchange rates, consistent with a multi-currency dynamic term structure model. Scenarios are used in the cash flow projection to determine replicating portfolios. RN ESG scenarios are consistent with observed market prices of equity, FX and interest options;

Real World Economic Scenario Generator (RW ESG): capable of jointly simulating all risk types, i.e. all market risks, credit risk, business risk, operational risk, life risk, morbidity risk and P&C risk. Diversification between risks is taken into account through a Gaussian copula, allowing for different marginal probability distributions at the risk driver level. RW ESG scenarios are consistent with historical time series of the market risk drivers using 5 years of weekly data observations. The volatilities are scaled from weekly to quarterly and the weekly correlations are used directly as estimates of quarterly correlations.

Stochastic Cash Flows and Non-Market Risk Capital

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

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

Credit risk;

Business risk;

Operational risk;

Life risk catastrophe;

Life risk non-catastrophe;

Morbidity risk catastrophe;

Morbidity risk non-catastrophe;

P&C risk catastrophe;

P&C risk non-catastrophe.

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

and non-market risks.

Replicating Portfolios

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

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

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Capital. Third, the process of replicating portfolio calculations increases the understanding of the complex nature of insurance liabilities in a market consistent environment.

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

Economic Capital Calculation

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

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

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

ECONOMIC CAPITAL GROUP

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

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

2.2.2. CAPITAL MANAGEMENT

OBJECTIVES

ING Group Capital Management (Capital Management) is responsible for the sufficient capitalization of ING Group entities at all times in order to manage the risk associated with ING s business activities. This involves the management, planning and allocation of capital within ING Group. ING s Corporate Treasury is part of Capital Management. It executes the necessary capital market transactions, term (capital) funding and risk management transactions. Capital Management monitors and plans capital adequacy on a consolidated basis at three levels: ING Group, ING Insurance and ING Bank. The rating objective for these three entities is currently AA/Aa2. Capital Management takes into account the metrics and requirements of regulators (EU Solvency, Tier 1 and BIS ratios and limits for hybrid capital), rating agencies (leverage ratios, Adjusted Equity) and internal risk management models and market value balance sheets (economic capital (EC) and available financial resources (AFR)).

ING applies three main capital definitions:

AFR This is a market value concept, defined as market value of assets less the market value of liabilities on the balance sheet. The liabilities do not include the hybrid capital which is accounted for as equity. In the absence of a full market value balance sheet for ING Bank, AFR Bank is defined as Tier 1 capital plus the revaluation reserve for equity securities, less the difference between expected loss and loan loss provisions. AFR is used as the measure of

available capital in comparison with EC employed. EC or Economic Capital is the amount of capital that is required to absorb unexpected losses in times of severe stress given ING Group s AA target rating.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Adjusted Equity This rating agency concept is defined as shareholders equity adjusted for hybrids, prudential filters and the Value in Force and Deferred Acquisition Cost. See Capital Base disclosures below. This capital definition is applied in comparing available capital to core debt (leverage) for ING Group and ING Insurance.

Tier 1 capital Tier 1 capital and total BIS capital are regulatory concepts applicable to ING Bank. Tier 1 capital is defined as shareholders equity plus hybrid capital less certain prudential filters and deductible items. Tier 1 and BIS capital divided by risk weighted assets equals the Tier 1 and BIS ratio respectively.

Increasingly Capital Management considers AFR and EC employed when managing capital. AFR should exceed EC and for ING Group as a whole there should be a prudent buffer. The target for the buffer at Group level is 20%.

POLICIES

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

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

PROCESSES FOR MANAGING CAPITAL

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

CAPITAL ADEQUACY ASSESSMENT

As at December 31, 2007 and 2006, ING Group, ING Bank and ING Insurance met all major target capital ratios and metrics. As at December 31, 2007 and 2006, ING Group, ING Bank and ING Insurance were adequately capitalized in relation to their risk profile and strategic objectives.

BASEL II

As of January 1, 2008, ING Bank calculates its capital ratios under Basel II. In 2008, ING Bank will publish risk weighted assets (RWA), Tier 1 and BIS capital and the accompanying capital ratios based on Basel II data only. In addition, ING will publish the minimum required capital level according to Basel II and according to the Basel I floor. The Basel I floor is a temporary minimum capital requirement based on 90% of Basel I RWA for 2008 and 80% of Basel I RWA for 2009. The minimum requirements according to Basel II and Basel I will both be compared to total BIS capital according to Basel II.

AVAILABLE FINANCIAL RESOURCES (AFR)

ING Group

AFR ING Group is computed as follows:

Available Financial Resources ING Group

	2007	2006
Total AFR Bank and Insurance	**54,443**	52,984
less Core debt Group [(1)]	**4,728**	4,210
Total ING Group AFR	**49,715**	48,774

(1) Investments in subsidiaries less equity (including hybrid capital) of the Group holding company. This net debt position is provided as equity to ING Insurance and ING Bank.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

ING Insurance

AFR insurance is computed as follows:

Available Financial Resources ING Insurance

	2007	2006
IFRS Equity [1]	**16,835**	21,673
Plus hybrid capital	**2,202**	1,665
Plus Mark-to-Market and tax adjustments	**3,673**	3,862
Total ING Insurance AFR	**22,710**	27,200

[1] IFRS equity excluding goodwill. Goodwill amounted to EUR 1,076 million at December 31, 2007 (2006: EUR 245 million).

ING Bank

Available Financial Resources ING Bank

	2007	2006
Total ING Bank AFR	**31,733**	25,784

Beginning in 2007, the AFR mainly constitutes of Tier-1 capital plus the revaluation reserve for equity securities, less the difference between expected loss and loan loss provisions. Until December 31, 2006 AFR equalled Tier-1 capital. The revaluation reserve for equity securities amounted to EUR 2,952 million at December 31, 2007 (2006: EUR 1,256 million).

AFR/EC RECONCILIATION

AFR should exceed EC and for ING Group as a whole there should be a prudent buffer. The target for the buffer at the Group level is 20%. For details regarding the computation of EC see the section entitled Risk management .

AFR/EC Reconciliation

	2007	2006
ING Group Available Financial Resources [1]	**49,715**	48,774
less Group EC [2]	**35,000**	34,500
less EC Group [3]	**1,000**	1,000
Surplus/(deficit)	**13,715**	13,274

(1) AFR ING Bank, amounting to EUR 31,733 million (2006: EUR 25,784 million) plus AFR ING Insurance, amounting to EUR 22,710 million (2006: EUR 27,200 million) less core debt ING Group, amounting to EUR 4,728 million (2006: EUR 4,210 million).

(2) EC Insurance plus EC Bank less 15% diversification effect (10% in 2006).

(3) EC of the ING Group parent company mainly includes market risk on share based payment plans and market risk on the assets backing ING Bank equity.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Capital base

	Insurance		Bank		Group	
	2007	2006	**2007**	2006	**2007**	2006
Shareholders equity (parent)	**17,911**	21,917	**25,511**	21,298	**37,208**	38,266
Group hybrid capital [1]	**2,202**	1,665	**6,397**	5,726	**8,620**	7,606
Group leverage/core debt [2]					**4,728**	4,210
Total capitalization	**20,113**	23,582	**31,908**	27,024	**50,556**	50,082
Adjustments to equity:						
Revaluation reserves fixed income & other [3]	**(289)**	(2,097)	**(759)**	(1,350)	**(963)**	(3,352)
Revaluation reserves excluded from Tier-1 [4]			**(2,952)**	(1,256)		
Insurance hybrid capital [5]	**2,250**	2,250				
Minorities	**891**	1,770	**1,668**	1,367		
Deductions Tier-1 (as of 2007)			**(93**			
Available regulatory capital	**22,965**	25,505	**29,772**	25,785		
Other qualifying capital [6]			**11,792**	11,445		
DAC/ViF adjustments (50%) [7]	**4,070**	3,618				
Group leverage (core debt)					**(4,728)**	(4,210)
Adjusted Equity (a)	**27,035**	29,123	**41,564**	37,230	**44,865**	42,520
Ratios						
Core debt (b)	**4,267**	4,802			**4,728**	4,210
Debt/Equity ratio (b/(a+b))	**13.63%**	14.15%			**9.53%**	9.01%

(1) Tier-1 instruments issued by ING Group (e.g. perpetual debt securities and preference shares), at nominal value. Group hybrid Tier-1 instruments other than preference shares are provided as hybrid capital to ING Insurance or ING Bank.

(2) Investments in subsidiaries less equity (including hybrid capital) of the Group holding company. This net debt position is provided as equity to ING Insurance and ING Bank.

(3) Includes for ING Group EUR 1,895 million (2006: EUR (1,709) million) of the revaluation reserve relating to fixed income securities (net of the effect of shadow accounting), EUR (438) million (2006: EUR (1,357) million) cash flow hedge and EUR (2,420) million (2006: EUR (286) million) relating to goodwill. The Dutch banking regulator requires this deduction to be made from Tier-1 capital. ING applies this prudent method to ING Bank, ING Insurance and ING Group.

(4) Includes EUR (2,138) million (2006: EUR (579) million) in participations (e.g. Kookmin, Bank of Beijing), EUR (595) million (2006: EUR (386) million) for Real Estate for own use and EUR (220) million (2006: EUR (116) million) relating to ING Bank s investment portfolio. The Dutch banking regulator requires this deduction to

be made from Tier-1 capital. This deduction is added back to Tier-2 capital.

(5) Tier-1 instruments issued by the ING Insurance e.g. perpetual debt securities, at nominal value.

(6) Includes EUR 14,199 million (2006: EUR 12,366 million) Tier-2 capital and nil (2006: EUR 330 million) Tier-3, offset by EUR 2,407 million (2006: EUR 1,251 million) consisting of financial participations and the residual risk remaining after securitizations.

(7) Mainly includes EUR 8,565 million (2006: EUR 7,701 million) representing 50% of the present value of future profits generated by policies in force (Value in Force), offset by EUR 4,494 million (2006: EUR 4,183 million) representing 50% of the non-Dutch deferred acquisition costs.

The capitalization of ING Group remained strong throughout 2007. All leverage ratios were within their targets. The debt /equity ratio of ING Group as at year-end 2007 was at 9.53% (2006: 9.01%). The debt/equity ratio of ING Insurance as at year-end 2007 was at 13.63% (2006: 14.15%). The ING Bank Tier-1 ratio ended at 7.39% a slight decrease from 7.63% at December 2006.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

REGULATORY REQUIREMENTS

ING Bank

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

Capital position of ING Bank

	2007	2006
Shareholders equity (parent)	**25,511**	21,298
Minority interests	**1,514**	1,204
Subordinated loans qualifying as Tier-1 capital [1]	**6,397**	5,726
Goodwill and intangibles deductible from Tier-1	**(1,428)**	(136)
Minority interest Record Bank	**154**	162
Deductions Tier-1 (as of 2007)		**(93)**
Revaluation reserve [2]	**(2,283)**	(2,470)
Core capital Tier-1	**29,772**	25,784
Supplementary capital Tier-2	**14,199**	12,367
Available Tier-3 funds		329
Deductions	**(2,407)**	(1,251)
Qualifying capital	**41,564**	37,229
Risk-weighted assets	**402,727**	337,926
Tier-1	**7.39%**	7.63%
BIS ratio	**10.32%**	11.02%

(1) Subordinated loans qualifying as Tier-1 capital have been placed by ING Groep N.V. with ING Bank N.V.

(2) Revaluation reserve is deducted as it is not part of Tier-1 capital (included in

Tier-2) and includes the cumulative revaluations on real estate investments.

ING Insurance

European Union directives require insurance companies established in member states of the European Union to maintain minimum capital positions. The capital position of ING Insurance has been measured on the basis of this European Union requirement.

Capital position of ING Insurance

	2007	2006
Available capital	**22,965**	25,505
Required capital	**9,405**	9,296
Surplus capital	**13,560**	16,209
Ratio of available versus required capital	**244%**	274%

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

ING Group

According to an agreement between the Dutch Central Bank and the former Pension and Insurance Board regarding the supervision of financial conglomerates, ING Group is required to have an amount of capital, reserves and subordinated loans which are at least equal to the sum of:

the required capital for the banking activities; and

the required capital for the insurance activities

Certain subordinated loans of ING Bank N.V. and ING Verzekeringen N.V. qualifying as capital for regulatory purposes are included in the capital base of ING Group. The financial conglomerates agreement (protocol) is applicable as from January 1, 2007.

Regulatory required capital ING Group

	2007	2006
Shareholders equity (parent)	**37,208**	38,266
Excluding: Revaluation reserves	**1,457**	(3,066)
Preference shares	**21**	215
Preference shares issued by group companies	**1,019**	1,138
Goodwill and intangibles deductible from Tier-1	**(2,420)**	(286)
Subordinated loans	**7,580**	6,253
Capital base ING Group	**44,865**	42,520
Subordinated loans ING Bank N.V. (included in Tier-2)	**11,154**	11,110
Subordinated loans ING Verzekeringen N.V.	**2,250**	2,250
Capital base including subordinated loans	**58,269**	55,880
Required capital banking operations	**32,218**	27,034
Required capital insurance operations	**9,405**	9,296
Surplus capital	**16,646**	19,550

Capital adequacy and ratios

Quantitative disclosures on capital measures and ratios

	Group		Insurance		Bank	
	2007	2006	**2007**	2006	**2007**	2006
Capital						
Available Financial Resources (AFR)	**49,715**	48,774	**22,710**	27,200	**31,733**	25,784
Required Economic Capital (EC)	**36,000**	35,500	**23,199**	22,410	**17,927**	15,876
Ratio EC vs. AFR	**138%**	137%	**98%**	121%	**177%**	162%
Target Ratio EC vs. AFR	**120%**	120%	**100%**	100%	**100%**	100%

Tier-1 ratio (Bank)						
Year-end actual Tier-1 ratio					**7.39**	7.63
Regulatory minimum Tier-1 ratio					**4.00**	4.00
Target Tier-1 ratio					**7.20**	7.20
BIS ratio (Bank)						
Year-end actual BIS ratio					**10.32**	11.02
Regulatory minimum BIS ratio					**8.00**	8.00
Target BIS ratio					**10.80**	10.80
EU Solvency ratio (Insurance)						
Year-end actual EU Solvency ratio			**244**	274		
Regulatory minimum EU Solvency ratio			**100**	100		
Target EU Solvency ratio			**150**	150		
Debt/Equity ratio						
Debt/Equity ratio	**9.53**	9.01	**13.63**	14.15		
Target Debt/Equity ratio	**10.00**	10.00	**15.00**	15.00		

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in millions of euros, unless stated otherwise

Main credit ratings of ING [(1)]

	Standard & Poor s	Moody s	Fitch
ING Group	AA-	Aa2	AA-
ING Insurance			
short term	A-1+	P-1	
long term	AA-	Aa3	AA-
ING Bank			
short term	A-1+	P-1	F1+
long term	AA	Aa1	AA
financial strength		B	

(1) The Standard & Poor s, Moody s and Fitch ratings all have a stable outlook.

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

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

AUTHORIZATION OF ANNUAL ACCOUNTS

Amsterdam, March 17, 2008

THE SUPERVISORY BOARD

Jan H.M. Hommen, c*hairman*
Eric Bourdais de Charbonnière, v*ice-chairman*
Henk W. Breukink
Peter A.F.W. Elverding
Luella Gross Goldberg
Claus Dieter Hoffmann
Piet Hoogendoorn
Piet C. Klaver
Wim Kok
Godfried J.A. van der Lugt
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, c*hairman*
Eric F. Boyer de la Giroday
Dick H. Harryvan

John C.R. Hele, *CFO*
Eli P. Leenaars
Tom J. McInerney
Hans van der Noordaa
Koos (J.V.) Timmermans, *CRO*
Jacques M. de Vaucleroy

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

2.3 SUPPLEMENTAL INFORMATION

The following financial information presents the balance sheets for the years ended December 31, 2007 and 2006, and the profit and loss accounts and statements of cash flows for the years ended December 31, 2007, 2006 and 2005 of (i) ING Groep N.V. (parent company only), (ii) subsidiaries, (iii) the eliminations necessary to arrive at the information for ING on a consolidated basis and (iv) the total for ING Group. See note 2.5.2 for the consolidated reconciliation of shareholders equity and net profit to US GAAP. A further description of the adjustments in the reconciliation from IFRS-EU to US GAAP for the years 2006 and 2005 can be found in note 2.5.1 of the notes to the consolidated financial statements. The principles of valuation and determination of results stated in connection with the consolidated balance sheet and profit and loss account are also applicable to the ING Groep N.V. parent only column. Investments in group companies and investments in associates are initially recognized at cost and subsequently accounted for by the equity method of accounting.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

2.3.1. CONSOLIDATING BALANCE SHEETS
For the year ended December 31, 2007

	ING Groep NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
ASSETS				
Cash and bank balances with central banks	162	12,406	(162)	12,406
Amounts due from banks		48,875		48,875
Financial assets at fair value through profit and loss				
trading assets		193,213		193,213
investments for risk of policyholders		114,827		114,827
non-trading derivatives	40	7,736	(139)	7,637
designated as at fair value through profit and loss		11,453		11,453
other				
Investments				
available-for-sale		275,897		275,897
held-to-maturity		16,753		16,753
Loans and advances to customers		553,019	(55)	552,964
Reinsurance contracts		5,874		5,874
Investments in associates	52,253	5,014	(52,253)	5,014
Real estate investments		4,829		4,829
Property and equipment		6,237		6,237
Intangible assets		5,740		5,740
Deferred acquisition costs		10,692		10,692
Other assets	112	40,106	(119)	40,099
Total assets	52,567	1,312,671	(52,728)	1,312,510
EQUITY				
Shareholders equity (parent)	37,208	41,864	(41,864)	37,208
Minority interest		2,323		2,323
Total equity	37,208	44,187	(41,864)	39,531
LIABILITIES				
Preference shares	21			21
Subordinated loans	8,339		(1,014)	7,325
Debt securities in issue	6,370	60,625		66,995
Other borrowed funds		36,488	(9,430)	27,058
Insurance and investment contracts		265,712		265,712
Amounts due to banks		166,972		166,972

Customer deposits and other funds on deposit		525,378	(162)	525,216
Financial liabilities as at fair value through profit and loss				
trading liabilities		148,988		148,988
non-trading liabilities	98	6,992	(139)	6,951
designated as at fair value through profit and loss		13,882		13,882
Other liabilities	531	43,447	(119)	43,859
Total liabilities	15,359	1,268,484	(10,864)	1,272,979
Total equity and liabilities	**52,567**	**1,312,671**	**(52,728)**	**1,312,510**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated
For the year ended December 31, 2006

	ING Groep NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
ASSETS				
Cash and bank balances with central banks	103	14,326	(103)	14,326
Amounts due from banks		39,868		39,868
Financial assets at fair value through profit and loss				
trading assets		193,977		193,977
investments for risk of policyholders		110,547		110,547
non-trading derivatives	28	6,521	(28)	6,521
designated as at fair value through profit and loss		6,425		6,425
Investments				
available-for-sale		293,921		293,921
held-to-maturity		17,660		17,660
Loans and advances to customers		474,437		474,437
Reinsurance contracts		6,529		6,529
Investments in associates	51,304	4,343	(51,304)	4,343
Real estate investments		6,974		6,974
Property and equipment		6,031		6,031
Intangible assets		3,522		3,522
Deferred acquisition costs		10,163		10,163
Other assets	70	30,993		31,063
Total assets	**51,505**	**1,226,237**	**(51,435)**	**1,226,307**
EQUITY				
Shareholders equity (parent)	38,266	42,607	(42,607)	38,266
Minority interest		2,949		2,949
Total equity	**38,266**	**45,556**	**(42,607)**	**41,215**
LIABILITIES				
Preference shares	215			215
Subordinated loans	7,146		(1,132)	6,014
Debt securities in issue	5,230	72,903		78,133
Other borrowed funds	35	37,180	(7,576)	29,639
Insurance and investment contracts		268,683		268,683
Amounts due to banks		120,839		120,839
Customer deposits and other funds on deposit		496,680		496,680
Financial liabilities as at fair value through profit and loss				

trading liabilities		127,975		127,975
non-trading liabilities	120	4,934	(120)	4,934
designated as at fair value through profit and loss		13,702		13,702
Other liabilities	493	37,785		38,278
Total liabilities	**13,239**	**1,180,681**	**(8,828)**	**1,185,092**
Total equity and liabilities	**51,505**	**1,226,237**	**(51,435)**	**1,226,307**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

2.3.2. CONSOLIDATING INCOME STATEMENTS
For the year ended December 31, 2007

	ING Groep NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
INCOME				
Interest income banking operations		76,749		76,749
Interest expense banking operations		(67,773)		(67,773)
Interest result banking operations		**8,976**		**8,976**
Gross premium income		46,818		46,818
Investment income		13,352		13,352
Net gains/losses on disposals of group companies		430		430
Gross commission income		7,693		7,693
Commission expense		(2,866)		(2,866)
Commission income		**4,827**		**4,827**
Valuation results from non-trading derivatives		(561)		(561)
Net trading income		1,119		1,119
Share of profit from associates	9,299	740	(9,299)	740
Other income	(78)	963		885
Total income	9,221	76,664	(9,299)	76,586
EXPENSES				
Gross underwriting expenditure		51,818		51,818
Investment income for risk of policyholders		(1,079)		(1,079)
Reinsurance recoveries		(1,906)		(1,906)
Underwriting expenditure		48,833		48,833
Additions to the provision for loan losses		125		125
Other impairments		(3)		(3)
Staff expenses		8,261		8,261
Other interest expenses		1,102		1,102
Operation expenses		7,225		7,225
Total expenditure		**65,543**		**65,543**
Profit before tax	**9,221**	**11,121**	**(9,299)**	**11,043**

Taxation	(20)	1,555		1,535
Profit before the period (before minority interests)	9,241	9,566	(9,299)	9,508
Attributable:				
Shareholders of the parent				**9,241**
Minority interest				**267**
Profit for the period				**9,508**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated
For the year ended December 31, 2006

	ING Groep NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
INCOME				
Interest income banking operations		59,170		59,170
Interest expense banking operations		(49,978)		(49,978)
Interest result banking operations		**9,192**		**9,192**
Gross premium income		46,835		46,835
Investment income		10,907		10,907
Net gains/losses on disposals of group companies		1		1
Gross commission income		6,867		6,867
Commission expense		(2,551)		(2,551)
Commission income		**4,316**		**4,316**
Valuation results from non-trading derivatives		89		89
Net trading income		1,172		1,172
Share of profit from associates	7,704	638	(7,704)	638
Other income	(17)	488		471
Total income	**7,687**	**73,638**	**(7,704)**	**73,621**
EXPENSES				
Gross underwriting expenditure		53,065		53,065
Investment income for risk of policyholders		(2,702)		(2,702)
Reinsurance recoveries		**(2,175)**		**(2,175)**
Underwriting expenditure		48,188		48,188
Additions to the provision for loan losses		103		103
Other impairments		27		27
Staff expenses		7,918		7,918
Other interest expenses		1,016		1,016
Operation expenses		6,429		6,429
Total expenditure		**63,681**		**63,681**

Profit before tax	**7,687**	**9,957**	**(7,704)**	**9,940**
Taxation	(5)	1,912		1,907
Profit before the period (before minority interests)	**7,692**	**8,045**	**(7,704)**	**8,033**
Attributable:				
Shareholders of the parent				7,692
Minority interest				341
Profit for the period				**8,033**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated
For the year ended December 31, 2005

	ING Groep NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
INCOME				
Interest income banking operations		48,176		48,176
Interest expense banking operations		(39,109)		(39,109)
Interest result banking operations		**9,067**		**9,067**
Gross premium income		45,758		45,758
Investment income		10,434		10,434
Net gains/losses on disposals of group companies		390		390
Gross commission income		5,845		5,845
Commission expense		(2,098)		(2,098)
Commission income		**3,747**		**3,747**
Valuation results from non-trading derivatives		47		47
Net trading income		426		426
Share of profit from associates	7,194	541	(7,194)	541
Other income	23	687		710
Total income	**7,217**	**71,097**	**(7,194)**	**71,120**
EXPENSES				
Gross underwriting expenditure		54,594		54,594
Investment income for risk of policyholders		(5,074)		(5,074)
Reinsurance recoveries		(2,400)		(2,400)
Underwriting expenditure		**47,120**		**47,120**
Additions to loan loss provision		88		88
Other impairments		76		76
Staff expenses		7,646		7,646
Other interest expenses		969		969
Operation expenses		6,327		6,327
Total expenditure		**62,226**		**62,226**
Profit before tax	**7,217**	**8,871**	**(7,194)**	**8,894**

Taxation	7	1,372		1,379
Profit before the period (before minority interests)	**7,210**	**7,499**	**(7,194)**	**7,515**
Attributable:				
Shareholders of the parent				7,210
Minority interest				305
Profit for the period				**7,515**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

2.3.3. CONSOLIDATING STATEMENT OF CASH FLOWS
For the year ended December 31, 2007

	ING Groep NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
Profit before tax	**9,221**	**11,121**	**(9,299)**	**11,043**
Adjusted for				
depreciation		1,382		1,382
amortization of deferred acquisition costs and VOBA		(1,338)		(1,338)
increase in provision for insurance and investment contracts		26,494		26,494
additions to the provision for loan losses		125		125
other	(8,527)	(3,246)	7,876	(3,897)
Taxation paid	(254)	(1,093)		(1,347)
Changes in				
amounts due from banks, not available on demand		(8,690)		(8,690)
trading assets		1,714	1,283	2,997
non-trading derivatives	18	259	(16)	261
other financial assets as at fair value through profit and loss		(4,878)		(4,878)
loans and advances to customers	(5,353)	(74,323)	4,175	(75,501)
other assets	110	(6,892)	248	(6,534)
amounts due to banks, not payable on demand		15,414		15,414
customer deposits and other funds on deposit		32,748	(4,108)	28,640
trading liabilities		20,916		20,916
other financial liabilities at fair value through profit and loss		87	(43)	44
other liabilities	253	6,344	(20)	6,577
Net cash flow from operating activities	**(4,532)**	**16,144**	**96**	**11,708**
Investments and advances				
group companies		(5,470)	2,255	(3,215)
associates		(1,221)		(1,221)
available-for-sale investments	(314)	(283,692)		(284,006)
held-to-maturity investments				
real estate investments		(876)		(876)
property and equipment		(575)		(575)
assets subject to operating leases		(1,393)		(1,393)
investments for risk of policyholders		(54,438)		(54,438)
other investments		(316)		(316)
Disposals and redemptions				

group companies		1,067	(55)	1,012
associates		1,049		1,049
available-for-sale investments	25	281,173		281,198
held-to-maturity investments		822		822
real estate investments		309		309
property and equipment		151		151
assets subject to operating leases		417		417
investments for risk of policyholders		47,136		47,136
other investments		13		13
Net cash flow from investing activities	**(289)**	**(15,844)**	**2,200**	**(13,933)**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

	ING Groep NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
Proceeds from issuance of subordinated loans	1,764	3,329	(3,329)	1,764
Repayments of subordinated loans		(1,028)	1,028	
Proceeds from borrowed funds and debt securities	7,032	458,688	(10,091)	455,629
Repayment from borrowed funds and debt securities	(5,897)	(472,595)	13,510	(464,982)
Issuance of ordinary shares	397	2,200	(2,200)	397
Issuance of preference shares Payments to acquire treasury shares	(3,446)	(29)	29	(3,446)
Sales of treasury shares	2,129	24	(1,307)	846
Dividends paid	2,901	(5,940)		(3,039)
Net cash flow from financing activities	**4,880**	**(15,351)**	**(2,360)**	**(12,831)**
Net cash flow	**59**	**(15,051)**	**(64)**	**(15,056)**
Cash and cash equivalents at beginning of year	103	(1,333)	(565)	(1,795)
Effect of exchange-rate changes on cash and cash equivalents		40		40
Cash and cash equivalents at end of year	**162**	**(16,344)**	**(629)**	**(16,811)**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated
For the year ended December 31, 2006

	ING Groep NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
Profit before tax	**7,687**	**9,957**	**(7,704)**	**9,940**
Adjusted for				
depreciation		1,298		1,298
amortization of deferred acquisition costs and VOBA		(1,317)		(1,317)
increase in provision for insurance and investment contracts		17,689		17,689
additions to the provision for loan losses		103		103
other	(8,148)	(3,761)	7,131	(4,778)
Taxation paid	48	(1,787)		(1,739)
Changes in				
amounts due from banks, not available on demand		3,117		3,117
trading assets		(48,168)		(48,168)
non-trading derivatives		(179)		(179)
other financial assets as at fair value through profit and loss		3,930		3,930
loans and advances to customers	(1,142)	(59,292)	634	(59,800)
other assets	41	1,292	(115)	1,218
amounts due to banks, not payable on demand		1,925		1,925
customer deposits and other funds on deposit		47,521		47,521
trading liabilities		38,821		38,821
other financial liabilities at fair value through profit and loss		2,405		2,405
other liabilities	592	(2,981)	(27)	(2,416)
Net cash flow from operating activities	**(922)**	**10,573**	**(81)**	**9,570**
Investments and advances				
group companies	607	(2,965)		(2,358)
associates		(449)		(449)
available-for-sale investments		(295,086)		(295,086)
real estate investments		(1,588)		(1,588)
property and equipment		(568)		(568)
assets subject to operating leases		(1,164)		(1,164)
investments for risk of policyholders		(44,116)		(44,116)
other investments		(250)		(250)
Disposals and redemptions				
group companies		490		490
associates		459		459
available-for-sale investments		271,983		271,983

held-to-maturity investments		1,343	1,343
real estate investments		1,294	1,294
property and equipment		292	292
assets subject to operating leases		402	402
investments for risk of policyholders		37,945	37,945
other investments		51	51
Net cash flow from investing activities	**607**	**(31,927)**	**(31,320)**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

	ING Groep NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
Proceeds from issuance of subordinated loans	865	7,226	(7,226)	865
Repayments of subordinated loans	(600)	(5,075)	5,075	(600)
Proceeds from borrowed funds and debt securities	2,488	301,740		304,228
Repayment from borrowed funds and debt securities	(1,956)	(283,983)	2,211	(283,728)
Issuance of ordinary shares	5			5
Payments to acquire treasury shares	(1,399)	(23)		(1,422)
Sales of treasury shares	241	132		373
Dividends paid	769	(3,485)		(2,716)
Net cash flow from financing activities	**413**	**16,532**	**60**	**17,005**
Net cash flow	**98**	**(4,822)**	**(21)**	**(4,745)**
Cash and cash equivalents at beginning of year	5	3,811	(481)	3,335
Effect of exchange-rate changes on cash and cash equivalents		(322)	(63)	(385)
Cash and cash equivalents at end of year	**103**	**(1,333)**	**(565)**	**(1,795)**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated
For the year ended December 31, 2005

	ING Groep NV Parent company	Subsidiaries	Consolidating entries	ING Group consolidated
Profit before tax	**7,217**	**8,871**	**(7,194)**	**8,894**
Adjusted for				
depreciation		1,278		1,278
amortization of deferred acquisition costs and VOBA		(1,141)		(1,141)
increase in provision for insurance and investment contracts		21,250		21,250
additions to the provision for loan losses		88		88
other	(6,303)	(3,510)	8,531	(1,282)
Taxation paid		(1,398)		(1,398)
Changes in				
amounts due from banks, not available on demand		(720)		(720)
trading assets		(29,925)		(29,925)
non-trading derivatives		2,596		2,596
other financial assets as at fair value through profit and loss		(2,193)		(2,193)
loans and advances to customers	(1,183)	(60,388)	(1,138)	(62,709)
other assets	(170)	(7,231)	(150)	(7,551)
amounts due to banks, not payable on demand		19,405		19,405
customer deposits and other funds on deposit		60,418	1,671	62,089
trading liabilities		13,442		13,442
other financial liabilities at fair value through profit and loss		8,398		8,398
other liabilities	(14)	6,029	(2,447)	3,568
Net cash flow from operating activities	**(453)**	**35,269**	**(727)**	**34,089**
Investments and advances				
group companies		(250)		(250)
associates		(858)		(858)
available-for-sale investments		(260,769)		(260,769)
held-to-maturity investments		(1,030)		(1,030)
real estate investments		(1,156)		(1,156)
property and equipment		(540)		(540)
assets subject to operating leases		(991)		(991)
investments for risk of policyholders		(41,781)		(41,781)
other investments		(164)		(164)
Disposals and redemptions				
group companies	3	700		703

associates		1,058		1,058
available-for-sale investments		218,847		218,847
held-to-maturity investments		245		245
real estate investments		1,030		1,030
property and equipment		483		483
assets subject to operating leases		391		391
investments for risk of policyholders		34,464		34,464
other investments		13		13
Net cash flow from investing activities	**3**	**(50,308)**		**(50,305)**
Proceeds from issuance of subordinated loans	1,901			1,901
Repayments of subordinated loans	(177)			(177)
Proceeds from borrowed funds and debt securities	400	236,940		237,340
Repayment from borrowed funds and debt securities	(1,438)	(229,210)	1,150	(229,498)
Issuance of ordinary shares	9	105		114
Payments to acquire treasury shares			(303)	(303)
Sales of treasury shares			55	55
Dividends paid	(165)	(2,296)		(2,461)
Net cash flow from financing activities	**530**	**5,539**	**902**	**6,971**
Net cash flow		**(9,498)**	**253**	**(9,245)**
Cash and cash equivalents at beginning of year	5	12,317	(734)	11,588
Implementation IAS 32/39		692		692
Effect of exchange-rate changes on cash and cash equivalents		300		300
Cash and cash equivalents at end of year	**5**	**3,811**	**(481)**	**3,335**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

2.3.4. NOTES TO THE SUPPLEMENTAL INFORMATION

ASSETS

INVESTMENT IN WHOLLY OWNED SUBSIDIAIRIES

Investment in wholly owned subsidiaries

	Owner-ship (%)	Balance sheet value 2007	Owner-ship (%)	Balance sheet value 2006
Name of investee:				
ING Bank N.V.	100	24,038	100	20,868
ING Verzekeringen N.V.	100	17,900	100	21,902
Other		(74)		(163)
		41,864		**42,607**

Movement in investment in wholly owned subsidiaries:

	2007	2006
Opening balance	42,607	41,488
Repayments to group companies	2,227	24
Disposal of group companies		(587)
Revaluations	(5,364)	(2,994)
Result of the group companies	9,299	7,704
Dividend	(5,900)	(3,450)
	42,869	**42,185**
Changes in ING Groep N.V. shares held by group companies	(1,005)	422
Closing balance	**41,864**	**42,607**
Receivables from group companies	10,389	8,697
Total	**52,253**	**51,304**

SUBORDINATED LOANS

See Note 14 to the consolidated financial statements.

Interest rate	Year of issue	Due date	Balance sheet value 2007	2006
7,375%	2007	Perpetual	988	
6,375%	2007	Perpetual	690	

5.140%	2006	Perpetual	810	885
5.775%	2005	Perpetual	674	752
6.125%	2005	Perpetual	462	515
4.176%	2005	Perpetual	497	497
Variable	2004	Perpetual	937	926
6.200%	2003	Perpetual	330	368
Variable	2003	Perpetual	682	669
7.200%	2002	Perpetual	726	811
7.050%	2002	Perpetual	529	591
8.439%	2000	December 31, 2030	1,014	1,132
			8,339	**7,146**

EUR 6,180 million (2006: EUR 5,506 million) of these loans has been subsequently provided as subordinated loans by ING Groep N.V. to ING Bank N.V. under the same conditions as the original bonds.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

EUR 2,159 million (2006: EUR 1,640 million) of these loans has been subsequently provided as subordinated loans by ING Groep N.V. to ING Verzekeringen N.V. under the same conditions as the original bonds.
Unsecured subordinated loans from group companies to ING Groep N.V., which may be renewable at their due dates at the then prevailing market rates, are included in subordinated loans.

DEBT SECURITIES IN ISSUE

			Balance sheet value	
Interest rate	Year of issue	Due date	2007	2006
4,699%	2007	June 1, 2035	117	
4,750%	2007	May 31, 2017	1,761	
Variable	2006	June 28, 2011	744	746
Variable	2006	April 11, 2016	1,009	995
4.125%	2006	April 11, 2017	744	746
6.125%	2000	January 4, 2011	998	997
6.000%	2000	August 1, 2007		750
5.500%	1999	September 14, 2009	997	996
			6,370	**5,230**

The number of debentures held by group companies as at December 31, 2007 was 34,892 with a balance sheet value of EUR 34 million (2006: 29,288 with a balance sheet value of EUR 29 million).
Amounts owed to group companies by remaining term:

	2007	2006
up to one year	174	33
one year to five years		2
	174	**35**

2.4 SHAREHOLDERS EQUITY AND NET PROFIT ON THE BASIS OF IFRS-IASB

All references to IFRS-EU below refer to International Financial Reporting Standards as adopted by the EU, including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU.
The consolidated financial statements of ING Group are prepared in accordance with IFRS-EU. IFRS-EU differs from International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement .
ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU carve out version of IAS 39. Under the EU IAS 39 carve-out , hedge accounting may be applied, in respect of fair value macro hedges, to core deposits and hedge ineffectiveness is only recognised when the revised estimate of the amount of cash flows in scheduled time buckets falls below the original designated amount of that bucket and is not recognised when the revised amount of cash flows in scheduled time buckets is more than the original designated amount. Under IFRS-IASB, hedge accounting for fair value macro hedges can not be applied to core deposits and ineffectiveness arises whenever the revised estimate of the amount of cash flows in scheduled time buckets is either more or less than the original designated amount of that bucket.

Effective March 4, 2008, amendments to Form 20-F permit Foreign Private Issuers to include financial statements prepared in accordance with IFRS-IASB without reconciliation to US GAAP. The amendments also include a two-year transition provision to accommodate issuers, such as ING Group that apply the EU IAS 39 hedge accounting carve-out and provide a reconciliation of profit and equity under IFRS-EU to IFRS-IASB. This reconciliation is included in sections 2.4.1 and 2.4.2. A

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

reconciliation of profit under IFRS-EU to US GAAP for the comparative years ending December 31, 2006 and December 31, 2005 and of equity under IFRS-EU to US GAAP for the year ending December 31, 2006, is provided in section 2.5.

2.4.1 RECONCILIATION OF SHAREHOLDERS EQUITY AND NET PROFIT TO IFRS-IASB (2007)

	Shareholders equity 2007	Net profit 2007
In accordance with IFRS-EU	37,208	9,241
Adjustment of the EU IAS 39 carve out	694	511
Tax effect of the adjustment	(184)	(130)
Effect of adjustment after tax	**510**	**381**
In accordance with IFRS-IASB	**37,718**	**9,622**

The above reconciling items between IFRS-EU and IFRS-IASB relate to the Valuation results on non-trading derivatives and Taxation line items in the consolidated profit and loss account and the Loans and advances to customers , Other Liabilities (deferred tax payable) and Share holders equity parent line items in the consolidated balance sheet.

The Shareholders equity and net profit amounts in accordance with IFRS-IASB disclosed above are determined by reversing the hedge accounting impacts that are applied under the EU carve out version of IAS 39. The reconciliation to IFRS-IASB accordingly does not take account of the fact that had ING Group applied IFRS-IASB as its primary accounting framework it may have applied alternative hedge strategies where those alternative hedge strategies could have qualified for IFRS-IASB compliant hedge accounting, which could have resulted in different Shareholders equity and net profit amounts compared to those disclosed above.

2.4.2 NET PROFIT PER SHARE

	2007
Net profit determined in accordance with IFRS-EU	9,241
Reconciling adjustments to net profit IFRS-IASB	381
Net profit determined in accordance with IFRS-IASB	**9,622**
Weighted average ordinary shares outstanding	2,141.1
Basic earnings per share:	
IFRS-EU	4.32
IFRS-IASB	4.49
Diluted earnings per share:	
IFRS-EU	4.28
IFRS-IASB	4.46

2.5. SHAREHOLDERS EQUITY AND NET PROFIT ON THE BASIS OF US GAAP (2006 AND 2005)

The consolidated financial statements of ING Group are presented in accordance with IFRS-EU. IFRS-EU differs in certain respects from accounting principles generally accepted in the United States of America (US GAAP). The following information includes a summary of the significant differences between the two frameworks and additional disclosures required under US GAAP.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

2.5.1 VALUATION AND INCOME RECOGNITION DIFFERENCES BETWEEN IFRS-EU AND US GAAP (2006 AND 2005)

Goodwill

Under IFRS-EU, goodwill is capitalized on acquisitions after January 1, 2004; goodwill on acquisitions prior to January 1, 2004 was charged directly to equity. Under US GAAP, goodwill is capitalized on all acquisitions, when the purchase price exceeds the fair value of the identified assets. When a reporting unit or a business is to be disposed of, goodwill associated with that reporting unit or business is included in the carrying amount of the reporting unit or business in determining the gain or loss on disposal. The transition difference as at January 1, 2004 may therefore result in differences in results on disposal in subsequent periods. In addition, the transition difference may result in differences in impairments in future years. The amount of transition difference changes due to foreign currency translation effect.

The timing of the recognition of certain aspects of goodwill may be different under IFRS-EU and US GAAP since IFRS-EU requires that contingent consideration be recorded at the date of acquisition, with subsequent adjustments to contingent consideration reflected in goodwill. Under US GAAP, contingent consideration is only recorded when the contingency is resolved and the consideration is issued or becomes issuable.

This item includes intangible assets and related amortization related to acquisitions before January 1, 2004, which under IFRS-EU were charged directly to equity as part of goodwill.

Real estate

Investment property

Under IFRS-EU, investment property is measured at fair value, with changes in fair value recognized in the profit and loss account. No depreciation is recorded. Under US GAAP, investment property is measured at cost less depreciation and impairment. Depreciation is charged to the profit and loss account. Realized results on disposal are reported in the profit and loss account.

Property in own use

Under IFRS-EU, property in own use is measured at fair value with changes in fair value recognized in equity. Negative revaluation reserves on a property-by-property basis are charged to the profit and loss account. Subsequent recoveries are recognized as income up to the original cost. Depreciation over the fair value is charged to the profit and loss account. On disposal any revaluation reserve remains in equity and any difference between the carrying amount of the property and the sales price is reported in the profit and loss account. Under US GAAP, property in own use is measured at cost less depreciation and impairment. Depreciation over the cost basis is charged to the profit and loss account. Realized results on disposal are reported in the profit and loss account. Impairments are an adjustment to the cost basis and are not reversed on subsequent recovery.

Sale and leaseback

Under IFRS-EU the gains and losses arising from a sale and operating leaseback transaction are recognized immediately, provided the transaction has been concluded at fair value. Under US GAAP, gains on a sale and operating leaseback transaction are generally amortized over the future period of the lease.

Debt securities

Held to maturity investments

Under IFRS-EU, assets designated as held-to-maturity at the date of implementing IFRS-EU (January 1, 2005) were recorded at the amortized cost value as at that date. Under US GAAP, these assets were transferred to held-to-maturity from available-for-sale at the January 1, 2005 fair value. The difference between fair value and amortized cost at January 1, 2005 is amortized over the remaining life. For assets designated as held-to-maturity after January 1, 2005 there is no difference between IFRS-EU and US GAAP.

Effective interest on prepayment sensitive assets

Under IFRS-EU, in applying the effective yield method to determine amortized cost of prepayment sensitive assets, the original effective yield is maintained and any recognized adjustment, based on changes in future cash flow estimates, is made to the carrying amount of the asset (cumulative catch-up method). Under US GAAP, for

investments in highly-leveraged beneficial interests, the prospective

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

method is used to calculate a new yield. The prospective method discounts projected cashflows to the current carrying amount and utilizes the new yield in future periods. For other prepayment sensitive assets the new yield is calculated using the retrospective method. Under the retrospective method, actual plus projected cash flows are discounted to the original purchase price and the new yield is used to calculate a revised current carrying amount of the asset, with any difference recorded in current period earnings.

Foreign currency translation

Under IFRS-EU, foreign currency translation results on translating the amortized cost of available-for-sale debt securities is included in the profit and loss account. The difference between fair value and amortized cost as translated into the functional currency is included in the revaluation reserve in equity. Under US GAAP all foreign currency translation results on available-for-sale debt securities are recognized in shareholders equity as part of the fair value adjustment (revaluation reserve).

Impairments

Under IFRS-EU interest related unrealized losses on available-for-sale debt securities, which are fully related to fluctuations in risk free market interest rates, do not result in an impairment loss. Under US GAAP, interest related impairment losses are recognized based on certain factors including the intent and ability to hold the security to recovery.

Reversals of impairments

Under IFRS-EU, prior impairments on debt securities may be reversed if there is an increase in fair value that can be objectively related to a new event. Under US GAAP, impairments on debt securities are not reversed.

Derivatives and hedge accounting

Under IFRS-EU, hedge accounting is applied where possible. Accordingly, under IFRS-EU gains and losses on derivatives are deferred in equity when hedging relationships are designated as cash flow hedges. Adjustments are made to hedged items when hedging relationships are designated as fair value hedges. Under US GAAP, the Group has opted to not apply hedge accounting subject to items specifically designated as a hedge under US GAAP (including certain hedges of net investments in foreign operations). Accordingly, under US GAAP all derivatives other than those designated as hedges are marked-to-market through the income statement and no adjustments to hedged items are recognized.

Fair value option

Under IFRS-EU, certain financial instruments are designated as at fair value through profit and loss . For US GAAP, these financial instruments are reported as either available-for-sale instruments with movements in fair value recognized in shareholders equity or as loans and receivables which are carried at amortized cost.

Deferred acquisition costs

Under IFRS-EU, acquisition costs of certain life insurance business involving the receipt of regular premiums are recognized and amortized to the profit and loss account in proportion to future premiums. Under US GAAP, deferred acquisition costs of traditional insurance contracts are likewise amortized in proportion to future premiums. For universal-life type contracts, investment contracts and for participating individual life insurance contracts, deferred acquisition costs are amortized at a constant rate based on the present value of the estimated gross profit margins expected to be realized over the life of the book of contracts. Changes in estimated gross profits result in a retroactive adjustment recorded in the period the estimate of future gross profits change. Both under IFRS-EU and US GAAP deferred acquisition costs are adjusted, where applicable, (through equity) to reflect changes that would have been necessary if unrealized investment gains and losses related to available-for-sale securities had been realized. However, the amounts may be different due to differences in underlying accounting principles.

Provision for insurance liabilities

Under IFRS-EU the provision for life policy liabilities is calculated on the basis of a prudent prospective actuarial method, having regard to the conditions of current insurance contracts. Under IFRS-EU specific methodologies may differ between business units as they may reflect local regulatory requirements and local practices. The differences between IFRS-EU and US GAAP mainly relates to reserve adequacy and the treatment of initial expenses and the

assumptions which are made in calculating the provisions with regard to the yield on the investments.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

Reserve adequacy

Adequacy testing of the provisions for life policy liabilities, net of unamortized policy acquisition costs and value of business acquired, is performed similarly under both IFRS-EU and US GAAP. A reserve inadequacy (under US GAAP: a premium deficiency) exists if the life policy liabilities plus the present value of expected future gross premiums are insufficient to provide for expected future policy benefits and expenses and to recover any unamortized policy acquisition costs and value of business acquired. Reserve strengthening is recognised as an additional provision for insurance liabilities under IFRS-EU. Premium deficiencies are recognised under US GAAP as a reduction of the unamortized value of business acquired or deferred acquisition costs, as applicable, and then as an increase in the provision for life policy liabilities. Based on the differences in the life policy liabilities under IFRS-EU and US GAAP and the different confidence levels used in testing reserve adequacy, a premium deficiency may be recognised differently under US GAAP.

Furthermore, a shadow premium deficiency may arise under US GAAP when unrealised investment gains related to available-for-sale securities are included in the US GAAP adequacy testing as if the gains had been realised. This approach results in an adjustment to equity for any shadow premium deficiency calculated and an adjustment to the current year s value of business acquired, deferred acquisition costs, or provision for life policy liabilities as above. This adjustment is recorded under US GAAP but is not recorded for IFRS-EU purposes.

Treatment of initial expenses and assumptions with regard to yield on investments

Several differences exist between IFRS-EU and US GAAP in the treatment of initial expenses and the assumptions which are made in calculating the provisions with regard to the yield on investments. The most significant are as follows:

- some business units use a statutory interest rate in calculating the insurance provision under IFRS-EU, whereas under US GAAP a best estimate investment yield less a provision for adverse deviation is used; and
- some business units defer a lower or higher amount of initial expenses to future periods under IFRS-EU compared to US GAAP; which also produces a partially offsetting reconciling item for DAC.

Deferred profit sharing

Under IFRS-EU, a deferred policyholder profit sharing liability is established for the realized and unrealized investment results allocated to insurance contracts with discretionary participation or with a legal/constructive obligation to share investment results with policyholders. Under US GAAP, such deferred liability is only recognized for legal obligations.

Employee benefits (2006)

Unrecognized actuarial gains and losses

Under IFRS-EU, all previously unrecognized actuarial gains and losses were charged to equity at January 1, 2004. Under US GAAP, no reset of actuarial gains and losses was applied at January 1, 2004. However, as from December 31, 2006 all previously unrecognized actuarial gains and losses have been recognized on the balance sheet as explained below.

Funded status

Under US GAAP, the funded status of defined pension plans is fully recognized in the balance sheet. That amount is measured as the difference between the fair value of plan assets and the projected benefit obligation. Actuarial gains and losses and prior service cost or credits that have not yet been recognized through earnings as net periodic pension cost are recognized in shareholders equity until they are amortized. IFRS-EU does not require that all gains or losses are recognized in the balance sheet.

Employee benefits (2005)

Unrecognized actuarial gains and losses

Under IFRS-EU, all previously unrecognized actuarial gains and losses were charged to equity at January 1, 2004. Under US GAAP, no reset of actuarial gains and losses was applied at January 1, 2004.

Accumulated benefit obligation in excess of the fair value of the plan assets

Under US GAAP, an additional liability is recognized immediately in a situation where the accumulated benefit obligation exceeds the fair value of the plan assets and that exceeds the amount of the recorded unfunded accrued pension cost. The accumulated benefit obligation differs from the projected benefit

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

obligation in that it does not take into account future salary increases. Under IFRS-EU, such additional liability is not recognized.

Equity instruments

Under IFRS-EU, instruments with the legal form of equity but with fixed or determinable repayments or dividends are classified as liabilities . Under US GAAP, these instruments are classified as equity .

Provision for restructuring

Under IFRS-EU, certain restructuring costs relating to employee terminations are recognized when a restructuring plan has been announced. Under US GAAP, liabilities related to termination benefits are recognized when incurred. Employee termination costs are generally considered to be incurred when certain criteria have been met and the plan has been communicated to employees (communication date). Liabilities are recognized on the communication date unless further service (beyond a minimum retention period) is required from the employee in which case costs are recognized as benefits are earned.

Associates and other equity investments

Differences arise between US GAAP and IFRS-EU for associates for which equity accounting is applied due to underlying differences between IFRS-EU and US GAAP in the associates equity and profit and loss. These mainly relate to underlying differences in the accounting treatment for real estate.

Loan loss provisioning

Under IFRS-EU, loan loss provisions are determined under a revised methodology based on a narrow interpretation of an incurred loss model. The application of the IFRS-EU methodology has reduced the amount of the unallocated provision for loan losses that ING Group provided in prior years to adequately capture various subjective and judgmental aspects of credit risk assessment which were not considered on an individual basis. Accordingly, the alignment of US GAAP reporting with the change in estimation process on adoption of IFRS-EU in 2005 has resulted in a release of EUR 623 million (before tax) of the provision through the 2005 US GAAP profit.

Taxation

The impact of changes in tax rates result from fluctuations in certain tax jurisdictions tax rates, as well as from changes in organizational structure, which result in changes in tax regimes with different tax rates. Under IFRS-EU, the impact of changes in tax rates which are applied to temporary differences which were initially established through the revaluation reserve are also reflected through the revaluation reserve. Under US GAAP, the effect of changes in tax rates is reported in net income.

A tax difference arises between IFRS-EU and US GAAP from the tax effect of the IFRS-EU and US GAAP reconciling adjustments.

Other

Other includes the effect of certain other differences between IFRS-EU and US GAAP, which both individually and in aggregate have no significant effect on shareholders equity and net profit for the period.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

2.5.2 RECONCILIATION OF SHAREHOLDERS EQUITY AND NET PROFIT TO US GAAP (2006 AND 2005)

Amounts in accordance with IFRS-EU

	Shareholders equity	Net profit	
	2006	2006	2005
Group equity / Profit for the period	41,215	8,033	7,515
Third-party interests	(2,949)	(341)	(305)
Equity / Net profit attributable to equity holders of the Company	**38,266**	**7,692**	**7,210**
Adjustments in respect of Goodwill	3,641	(62)	(445)
Real estate	(2,004)	(12)	(76)
Debt securities	328	208	(405)
Valuation of equity securities			
Derivatives and hedge accounting	237	(1,074)	794
Fair value option	107	(37)	29
Deferred acquisition costs and value of business acquired	272	454	(329)
Provision for insurance liabilities	81	(161)	151
Deferred profit sharing	1,427	(29)	11
Employee benefits	1,711	(153)	(120)
Equity instruments	215	9	14
Provision for restructuring	93	(19)	60
Associates and other equity investments	(1,717)	(447)	(424)
Loan loss provisioning			623
Other	(6)	7	(28)
Subtotal	**4,385**	**(1,316)**	**(145)**
Tax effect of the adjustments	434	(464)	188
Third-party interests in adjustments (after tax)	233	(13)	99
Total adjustments after tax	**4,184**	**(865)**	**(234)**
Amounts in accordance with US GAAP (excluding effects of changes in accounting principles)	**42,450**	**6,827**	**6,976**
Cumulative effect of changes in accounting principles[1]	(1,803)		
Amounts in accordance with US GAAP	**40,647**	**6,827**	**6,976**

(1) The cumulative effect of changes in accounting

principles in
2006 is EUR
1,803 (after tax)
as explained in
note 2.5.8 (e).

2.5.3 NET PROFIT PER SHARE (2006 AND 2005)

	2006	2005
Net profit determined in accordance with IFRS-EU	7,692	7,210
Reconciling adjustments to net profit US GAAP	(865)	(234)
Net profit/(loss) determined in accordance with US GAAP	**6,827**	**6,976**
Weighted average ordinary shares outstanding	2,155.0	2,169.5
Basic earnings/(loss) per share:		
IFRS-EU	3.57	3.32
US GAAP	3.17	3.21
Diluted earnings/(loss) per share:		
IFRS-EU	3.53	3.32
US GAAP	3.14	3.21

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

2.5.4 PRESENTATION DIFFERENCES BETWEEN IFRS-EU AND US GAAP (2006 AND 2005)

In addition to the differences in valuation and income recognition principles, other differences, essentially related to presentation, exist between IFRS-EU and US GAAP. Although these differences do not cause differences between IFRS-EU and US GAAP reported net profit and/or shareholders equity, it may be useful to understand them to better interpret the financial statements presented in accordance with IFRS-EU. The following is a summary of significant classification differences that pertain to the basic financial statements.

a. Certain financial assets and liabilities are designated as assets/liabilities at fair value through profit and loss. Under US GAAP, the assets/liabilities at fair value through profit and loss designation do not exist and accordingly those assets/liabilities designated at fair value through profit and loss under IFRS-EU are classified based on their underlying characteristics.
b. Funds received in financing transactions that involve the issuance of preferred shares (whether or not in conjunction with common shares) to banks are presented as Amounts due to Banks. Under US GAAP, such funds are presented as minority interest as the legal definition of equity is met.
c. Premium income of the non-life operations is presented on a written basis, with the change in unearned premiums reported as an underwriting expenditure. Under US GAAP, non-life premium income is presented on an as earned basis.
d. Premiums collected on universal-life type contracts and insurance contracts that are not classified as investment contracts under IFRS-EU are reported as premium income and the allocation of these premiums to the provision for life policy benefits as an underwriting expense. Under US GAAP, premiums collected on these types of products are not reported as revenue in the profit and loss accounts; revenues from these products are the amounts assessed against policyholders and are reported in the period that the amounts are assessed unless evidence indicates that the amounts are designed to compensate for services provided over more than one period.
e. Death and surrender benefits paid on universal-life type contracts and the corresponding release of the provision for life policy benefits are reported separately as underwriting expenses in the profit and loss accounts. Under US GAAP, these items are not reported separately; the amount of expense reported for these products is the amounts paid in excess of the related release of the provision for life policy benefits.
f. Special Purpose Entities (SPEs) are consolidated when it is determined that an entity is controlled by ING Group. Determination of whether ING controls an SPE depends on substance and is based on a consideration of such factors as voting interests, risks and rewards and benefits and the sponsor of the SPE. Under US GAAP, the approach to identifying whether an entity should consolidate a special purpose entity is different and is focused on which party, if any, holds interests that expose that party to a majority of the potential variability in expected losses or expected residual returns.
g. Investments for the risk of policyholders, interest in investment pools and deposits with reinsurers are included in Investments. Under US GAAP, investments for the risk of policyholders that meets the definition of separate accounts and the corresponding liabilities are reported as such. Interests in investment pools and deposits with reinsurers are included in Other assets.
h. Short-term and long-term borrowings are included in the following captions: funds entrusted to and debt securities of the banking operations and other liabilities. Under US GAAP, short-term borrowings are presented separately from long-term borrowings.

2.5.5 CONDENSED CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH US GAAP (2006)

The following is a condensed consolidated balance sheet of ING Group under US GAAP and IFRS-EU, for the year ended December 31, 2006 , restated to reflect the impacts of the valuation and income

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

recognition differences as discussed in note 2.5.1 and presentation differences as discussed in note 2.5.4.

	2006 US GAAP	2006 IFRS-EU
Assets		
Cash and balances with central banks	14,326	14,326
Amounts due from banks	39,868	39,868
Trading account assets	193,977	193,977
Investments for risk of policyholders	44,248	110,547
Separate accounts assets	66,299	
Total investments	311,909	311,581
Loans and advances to customers	474,472	474,437
Reinsurance contracts	6,529	6,529
Goodwill	4,146	504
Deferred policy acquisition costs	13,076	12,804
Property and equipment	11,001	13,005
Participating interests	2,529	4,343
Other assets/receivables	46,053	44,386
Total assets	**1,228,433**	**1,226,307**
Liabilities		
Short-term borrowings and current maturities of long term debt	63,038	
Long-term borrowings, excluding current maturities	50,745	
Deposits	496,680	496,680
Future policy benefits, claims reserves, other policyholder funds and unearned premiums	200,876	268,683
Amounts due to Banks	120,839	120,839
Trading account liabilities	127,975	127,975
Separate accounts liabilities	66,299	
Other liabilities	57,401	170,915
Total liabilities	**1,183,853**	**1,185,092**
Shareholders equity (parent)	40,647	38,266
Minority interests	3,933	2,949
Group equity	**44,580**	**41,215**
Total equity and liabilities	**1,228,433**	**1,226,307**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

2.5.6 CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT IN ACCORDANCE WITH US GAAP (2006 AND 2005)

The following is a condensed consolidated income statement of ING Group, for the years ended December 31, 2006 and 2005, restated to reflect the impacts of the valuation and income recognition differences as discussed in note 2.5.1 and presentation differences as discussed in note 2.5.4.

	2006 US GAAP	2006 IFRS-EU	2005 US GAAP	2005 IFRS-EU
Income				
Premium income	22,145	46,835	22,670	45,758
Investment income	10,787	10,907	10,311	10,434
Interest result banking operations	9,192	9,192	9,067	9,067
Commission income	4,316	4,316	3,747	3,747
Other income	1,148	2,371	2,1144	2,1145
Total income	**47,588**	**73,621**	**47,939**	**71,120**
Expenses				
Underwriting expenditure [1)]	23,234	48,188	24,199	47,120
Other interest expenses	1,016	1,016	969	969
Operating expenses	14,522	14,347	14,036	13,973
Impairments/additions to the provision for loan losses	192	130	(14)	164
Total expenditure	**38,964**	**63,681**	**39,190**	**62,226**
Profit before tax	**8,624**	**9,940**	**8,749**	**8,894**
Taxation	1,443	1,907	1,567	1,379
Third-party interest	354	341	206	305
Net profit	**6,827**	**7,692**	**6,976**	**7,210**

(1) The main differences between IFRS-EU and the US-GAAP in Premium income and Underwriting expenditure relates to

universal-life
type contracts as
explained under
2.5.4 and 2.5.4e.

2.5.7 ADDITIONAL INFORMATION REQUIRED UNDER US GAAP

The following information represents additional disclosures required under US GAAP. The information has been prepared in accordance with IFRS-EU unless it specifically states that it is based on US GAAP.

(a) Investments

The following tables show the (amortized) cost, the gross unrealized gains and losses and fair value of ING s investments in marketable securities aggregated by type of security for the year ended December 31, 2006 . The debt and equity securities consist of investments with various issuers over several industry and geographical sectors. Debt securities include fixed-interest securities, with the exception of mortgage loans and policy loans.

Amounts in millions of euros	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2006				
Debt securities held-to-maturity	17,660	71	237	17,494
Debt securities available-for-sale:				
- Dutch Government	7,382	251	40	7,593
- Foreign Government	89,272	3,476	563	92,185
- Corporate debt securities	78,910	1,015	792	79,133
- Asset-backed securities	87,763	397	878	87,282
- Other	9,420	173	90	9,503
Sub-total debt securities available-for-sale	**272,747**	**5,312**	**2,363**	**275,696**
Equity securities	12,067	6,257	99	18,225
Total	**302,474**	**11,640**	**2,699**	**311,415**

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

The following table shows the duration of unrealized losses that are not deemed to be other-than-temporarily impaired for the year ended December 31, 2006 broken down by type of security and by the period of time for which the fair value was below cost price:

Amounts in millions of euros	Less than 6 months below cost	Between 6 and 12 months below cost	More than 12 months below cost	Total
December 31, 2006				
Debt securities held-to-maturity	**17**	**212**	**8**	**237**
Debt securities available-for-sale:				
- Dutch Government	1	41	(2)	40
- Foreign Government	149	246	168	563
- Corporate debt securities	136	277	379	792
- Asset-backed securities	113	62	703	878
- Other	7	9	74	90
Sub-total debt securities available-for-sale	**406**	**635**	**1,322**	**2,363**
Equity securities	**44**	**30**	**25**	**99**
Total	**467**	**877**	**1,355**	**2,699**

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. The impairment review focuses on issuer specific developments regarding the financial condition of the issuer, taking into account the Group s intent and ability to hold the securities with unrealized losses as at year-end until anticipated full recovery. Other factors considered in determining whether the assets are impaired include the evaluation of the level and trends of interest rates, trends and level of volatility in stock markets, financial condition of the issuer or counterparty, economic developments and expectations in the business segment in which the issuer or counterparty operates. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

In accordance with Group policy, an impairment of EUR 42 million and EUR 91 million, for December 31, 2006 and 2005 respectively, for both IFRS-EU and US GAAP was recognized for unrealized losses related to equity securities classified as available-for-sale that had a significant or prolonged decline in fair value below cost.

Further for US GAAP an additional impairment of EUR 133 million was recognized relating to available-for-sale debt securities with unrealized losses for which it was determined that the Group as at December 31, 2006 did not have the intent to hold the securities until anticipated full recovery.

The Group has determined that the remaining unrealized losses on the company s investments in debt securities and equity securities at December 31, 2006, are temporary in nature.

The Group does not consider the securities with unrealized losses for over 12 months as of December 31, 2006 to be impaired, due to one, or a combination, of the following factors:

the market values securities are insignificantly lower than the cost price

the unrealized loss arose due to changes interest rates, however this has not effected the expected future cash flows and the Group has the intent and ability to hold these securities to anticipated full recovery, or

the issuers of debt securities are not considered to be in financial difficulty, despite the fact that their credit rating has been lowered, reducing the market value of their securities.

Under IFRS, if, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit and loss account. Under US GAAP impairments may not be reversed in future periods.

Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account under both IFRS and US GAAP.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

Contractual maturities of the investments in debt securities:

	Available-for-sale debt securities Fair value	Held-to-maturity debt securities Amortized cost
December 31, 2006		
Within one year	21,341	779
After 1 year through 5 years	64,823	7,384
After 5 years through 10 years	63,223	8,347
After 10 years	38,852	100
Without maturity	175	
Mortgage-backed securities	87,282	1,050
Total	**275,696**	**17,660**

(b) Loans and advances to customers

Refer to Additional Information page 127 of the Selection statistical information on banking operations for the summary of ING Group s investments in impaired loans prepared in accordance with SFAS 114, Accounting by Creditors for Impairment of a Loan . This disclosure is incorporated by reference into these consolidated financial statements.

(c) Goodwill

Goodwill capitalized net of impairment for US GAAP purposes in 2006 and 2005 amounted to EUR 4,146 million and EUR 4,099 million, respectively.

ING Group performs the goodwill impairment test if any events or a change in circumstances indicate that impairment may have taken place, or at a minimum on an annual basis. Evaluating whether or not the indication of impairment is significant enough to require an impairment test to be performed involves significant judgment. ING Group performs the annual goodwill impairment test in the fourth quarter for all segments. In the first half-year ING Group evaluated the reporting units within the reporting segments and determined that Taiwan within the Insurance Asia/Pacific Greater China segment, which was previously aggregated will be classified as a separate reporting unit. The change has not affected the outcome of the goodwill impairment review as at December 31, 2006.

The difference as at January 1, 2004 as disclosed in note 2.5.1 on page F 166 may result in differences in impairments under IFRS-EU and US GAAP in future years.

The annual goodwill impairment test is performed in two steps:

In Step 1, ING Group determines the fair value of each reporting unit and compares this fair value to the carrying amount of the reporting unit. If that carrying amount exceeds the calculated fair value, ING Group is required to perform Step 2 of the goodwill impairment test.

In Step 2, the fair value of the reporting unit is allocated to all of the assets and liabilities of that reporting unit in a manner similar to a purchase price allocation, in accordance with FAS 141, Business Combinations. The residual fair value after this allocation is the implied fair value of the reporting unit s goodwill that is compared to the carrying value of goodwill. Goodwill impairment is recorded to the extent that carrying value of goodwill exceeds the calculated implied fair value of goodwill.

There is no indication that goodwill is impaired for the year ended December 31, 2006. The outcome of the goodwill impairment test for the year ended December 31, 2005 is discussed below.

The goodwill for the reporting unit Latin America primarily relates to SulAmérica. The 49% interest in SulAmérica was acquired in 2002 and is accounted for under the equity method under IFRS-EU. In 2005, a valuation was performed on the business to determine the extent of future capital requirements of the Brazilian joint venture. The valuation incorporates continued deterioration of the health business and further worsening of the claims payment experience. Based on this study, the valuation was below the carrying value, supporting an impairment of EUR 311 million in 2005 to write-off all remaining

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

goodwill for SulAmérica.The impairment charge had no impact on net income under IFRS since the goodwill relates to an acquisition prior to January 1, 2004 and was therefore not capitalized under IFRS.
The following tables show the carrying amount of goodwill recognized under US GAAP for the year ended December 31, 2006:

	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Whole-sale Banking	Retail Banking	ING Direct	Total
Balance as of December 31, 2005	381	268	927	892	549	684	3,701
Additions	35	28	41	59			163
Impairments			(43)				(43)
Changes in the composition of the Group	(17)		(56)	9	44		(20)
Exchange differences	(7)	(29)	(75)	5	(4)		(110)
Disposals							
Balance as of December 31, 2006	**392**	**267**	**794**	**965**	**589**	**684**	**3,691**

Goodwill capitalized net of impairments for US GAAP purposes in 2006 includes intangible assets of EUR 455 million which are amortized over twenty years under US GAAP. Gross amount of intangible assets recognized under US GAAP is EUR 732 million, the accumulated amortization is EUR 157 million as of December 31, 2006. The accumulated exchange differences amount to EUR (120) million as of December 31, 2006.
The changes in the carrying amount of intangible assets for the years ended December 31, 2006 is as follows:

	2006
Opening balance	398
Additions	59
Amortization	(27)
Impairments	
Changes in the composition of the Group	61
Exchange differences	(36)
Disposals	
Closing balance	**455**

(d) Other borrowed funds preference shares of Group companies
In December 2000, ING Capital Funding Trust III (the Trust III), a wholly owned company of ING Group in the United States issued 1.5 million 8.439% non-cumulative guaranteed trust preference shares (the 8.439% trust preference shares), with a liquidation preference of USD 1,000 per share, plus any accrued interest and unpaid dividend. The proceeds from the sale of the trust preference shares were invested in preference shares (company preference shares) of ING Capital Funding III LLC (LLC III), a limited liability company in the United States and a wholly owned company of ING Group. The LLC III has used the proceeds from the sale of its company preference shares to purchase subordinated notes of ING Group.

Trust III may redeem the trust preference shares for cash after December 31, 2010 or if certain special events occur. The company preference shares have substantially the same terms as the trust preference shares. ING Group has issued subordinated guarantees for the payment of the redemption price and the liquidation distribution on the trust preference shares and the company preference shares.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

(e) Pension liabilities and other staff-related liabilities

Projected and accumulated benefit obligation in excess of the fair value of the plan assets

The projected benefit obligation for all defined benefit pension plans was EUR 16,242 million at December 31, 2006. The accumulated benefit obligation for all defined benefit pension plans was EUR 14,081 million at December 31, 2006.

The following table includes the information for those defined benefit pension plans with a projected benefit obligation in excess of the fair value of plan assets:

	2006
Projected benefit obligations	14,978
Fair value of the plan assets	12,800

The following table includes the information for those defined benefit pension plans with an accumulated benefit obligation in excess of the fair value of plan assets:

	2006
Accumulated benefit obligations	2,747
Fair value of the plan assets	2,118

The accumulated postretirement benefit obligation exceeds plan assets for all of ING s other postretirement plans since they are unfunded.

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

Incremental effect of applying FAS 158 (2006)

The reconciling item between IFRS and US GAAP is analysed as follows:

31 December 2006	Before application of FAS 158	After application of FAS 158
DBO(IFRS)/PBO(US GAAP)	16,243	16,243
Fair value of plan assets	14,361	14,361
Shortage	(1,882)	(1,882)
Items not yet recognised as a component of net periodic pension cost:		
Unrecognised past service costs	163	
Unrecognised actuarial loss	2,570	
	2,733	
Surplus	851	
Additional Minimum Liability	(349)	
Intangible assets	5	
	(344)	
Pension liability / balance sheet US GAAP	507	(1,882)
Pension liability / balance sheet IFRS	(1,204)	(1,204)
Reconciling item	1,711	(678)
of which regular recurring reconciling item		(1,711)
		2,389
Tax		586
of which presented as cumulative change in accounting principles		1,803

Incremental effect of applying FAS 158 on individual line items in the condensed consolidated balance sheet in accordance with US GAAP as presented in note 2.5.5:

Line item	Before application of FAS 158	Adjustments	After application of FAS 158
Assets			

Other assets	46,189	(136)	46,053
Total assets	1,228,569	(136)	1,228,433
Liabilities			
Other liabilities	55,734	1,667	57,401
Total liabilities	1,186,119	1,667	1,187,786
Group equity			
Shareholders equity (parent)	42,450	(1,803)	40,647

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Supervisory Board and Executive Board of ING Bank N.V.

We have audited the consolidated balance sheets of ING Bank N.V. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated profit and loss accounts, consolidated statements of cash flows and consolidated statements of changes in equity for each of the years in the three year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We serve as principal auditor of ING Bank N.V. In our position, we did not audit total assets constituting 19% in 2007 and 22% in 2006, and total net profit constituting 25% in 2007, 23% in 2006 and 22% in 2005 of the related consolidated totals of ING Bank N.V. These data were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the parts not audited by us, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ING Bank N.V. and subsidiaries as of December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the years in the three year period ended December 31, 2007, in conformity with International Financial Reporting Standards as adopted by the European Union.

Amsterdam, The Netherlands
March 17, 2008
KPMG ACCOUNTANTS N.V.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM TO THE GENERAL MEETING OF SHAREHOLDERS OF ING BELGIUM NV/SA ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements as well as the required additional comments.

Unqualified opinion on the consolidated financial statements

We have audited the consolidated balance sheets of ING Belgium NV/SA and its subsidiaries (collectively referred to as the Group) as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended December 31, 2007, as well as the summary of significant accounting policies and other explanatory notes. These consolidated financial statements (not presented separately herein) are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Responsibility of the board of directors for the preparation and fair presentation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (*Institut des Reviseurs d Entreprises/Instituut van de Bedrijfsrevisoren)* and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group s internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the board of directors and the Group s officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the Group s financial position as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007 in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM TO THE GENERAL MEETING OF SHAREHOLDERS OF ING BELGIUM NV/SA ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

Additional comments

The preparation and the assessment of the information that should be included in the directors report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the consolidated financial statements:

The directors report on the consolidated financial statements deals with the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the entities included in the consolidation are facing, and on their financial situation, their foreseeable evolution or the significant influence of certain facts on their future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, March 10, 2008

Ernst & Young Reviseurs d Entreprises SCCRL

Statutory auditor

represented by

Marc Van Steenvoort
Partner

Pierre Anciaux
Partner

Table of Contents

GLOSSARY

ACTUARIAL AND UNDERWRITING RISKS

Emerge from the pricing and acceptance of insurance contracts. Actuaries play a key role in determining insurance premium rate levels and in ensuring that insurance companies have set aside enough provisions to pay claims. Actuarial risk is the risk that assumptions that actuaries input into a model to determine premium rate levels and provisions may turn out somewhat inaccurate. Underwriting risk is the risk that an issuer will receive a claim under an insurance policy it issues/underwrites. Maximum underwriting exposures are limited through exclusions, cover limits and reinsurance.

ALT-A MORTGAGE

A type of US residential mortgage which is considered riskier than prime and less risky than sub-prime mortgages. Parameters generally taken into account are borrower credit scores, residential property values and loan-to-value ratios. Alt-A mortgages are further characterized by a limited degree of income and / or asset verification.

AMORTIZED COST

The amount at which the financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

ASSET AND LIABILITY COMMITTEE (ALCO)

Manages the balance sheet of ING, especially with regard to strategic non-trading risk. These risks comprise interest rate exposures, equity risk, real estate risk, liquidity, solvency and foreign exchange risk and fluctuations.

ASSET LIABILITY MANAGEMENT (ALM)

The practice of managing a business such that decisions on assets and liabilities are coordinated. It involves the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities.

ASSET BACKED SECURITIES (ABS)

A type of bond or note that is based on pools of assets, or collateralized by the cash flows from a specified pool of underlying assets.

ASSOCIATE

An entity over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights, and that is not a subsidiary not a joint venture.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit and loss.

BASEL I

Basel I is the first Basel Accord, which includes recommendations on banking regulations issued by the Basel Committee on Banking Supervision. These are, for ING, superseded by Basel II from 2008 onwards.

BASEL II

Basel II is the second Basel Accord. Basel II is an international standard for how much capital banks need to put aside for the financial and operational risks they face. Basel II introduced the possibility for banks to measure those risks based on their own internal models.

BASIS POINT VALUE (BPV)

The change in the Net Present Value of a cash flow or a pool of cash flows due to a one basis point change of the yield curve.

BASIS RISK

Arises from imperfect correlation in the adjustment of the rates earned and paid on different financial instruments. Examples of products in which these risks are inherent are demand deposits, saving accounts and mortgages with prepayment options.

BIS

An international organization which fosters international monetary and financial co-operation and serves as a bank for central banks. BIS has set a minimum for the solvency ratio reflecting the relationship between capital and risk weighted assets. The ratio should at least be 8%.

Table of Contents

GLOSSARY

CAPITAL AT RISK (CAR)
The maximum negative impact on ING Group s economic surplus over a one year forward looking horizon under normal market conditions. CaR is calculated at a 90% confidence interval.

CERTIFICATES OF DEPOSIT
Short-term negotiable bearer debt instruments issued by banks.

CLAIM
A demand for payment of a policy benefit because of the occurrence of an insured event, such as the death or disability of the insured or the maturity of an endowment, the incurrence of hospital or medical bills, the destruction or damage of property and related deaths or injuries, defects in, liens on, or challenges to the title to real estate, or the occurrence of a surety loss.

CLAIMS RATIO
Claims, including claims handling expenses, expressed as a percentage of net earned premiums.

COLLATERALIZED DEBT OBLIGATION (CDO)
A type of asset-backed security which provide investors exposure to the credit risk of a pool of fixed income assets.

COLLATERALIZED LOAN OBLIGATION
A type of CDO which are backed primarily by leveraged bank loans.

COMBINED RATIO
The sum of the claims ratio and the cost ratio for a non-life insurance company or a reinsurance company. A combined ratio of more than 100% does not necessarily mean that there is a loss on non-life insurance policies, because the result also includes the allocated investment income.

COMPLIANCE RISK
The risk of impairment of ING Group s integrity, leading to damage to ING s reputation, legal or regulatory sanctions, or financial loss, as a result of a failure (or perceived failure) to comply with applicable laws, regulations and standards.

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 Group s total exposure.

CONTINGENT LIABILITIES
Possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

CONTROL
The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

CONVERTIBLE DEBENTURES
Debentures with embedded options issued by corporations. The holder has the right to exchange a convertible debenture for equity in the issuing company at certain times in the future according to a certain exchange ratio. Very often, the conversion is callable. This means that it can be repurchased by the issuer at a certain price at certain times in the future. Once the debentures have been called, the holder can always choose to convert prior to repurchase.

CONVEXITY
The non-linear relationship between changes in the interest rates and changes in bond prices and their NPV. It is a very important measure for portfolios containing (embedded) options.

COST RATIO
Underwriting costs expressed as a percentage of premiums written.

COUNTRY RISK

The risk that a foreign government will not fulfil its obligations or obstructs the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (e.g. political risk).

Table of Contents

GLOSSARY

CREDIT INSTITUTIONS
All institutions which are subject to banking supervision by public authorities, including mortgage banks, capital market institutions, multilateral development banks and the International Monetary Fund (IMF).

CREDIT RISK
The risk of loss from the default by borrowers (including bond issuers) or counterparties. Credit risks arise in ING s lending, pre-settlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

DEFERRED TAX LIABILITIES
The amounts of income tax payable in future periods in respect of taxable temporary differences between carrying amounts of assets or liabilities in the balance sheet and tax base, based on tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled.

DEFINED BENEFIT PLAN
Post-employment benefit plans other than defined contribution plans.

DEFINED CONTRIBUTION PLAN
Post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DELTA HEDGE
Minimizes the exposure of the employee option scheme by holding an appropriate number of (depository receipts for) ordinary shares. The exposure is reassessed every quarter and, if necessary, ordinary shares are bought from the market (or employees).

DEPOSITORY RECEIPT
For ordinary and preference shares, issued by the Trust, in exchange for ordinary and preference shares issued by ING Group.

DERIVATIVES
Financial instruments, which include forwards, futures, options and swaps, whose value is based on an underlying asset, index or reference rate.

DISCOUNTED BILLS
Bills that are sold under deduction of interest giving the owner the right to receive an amount of money on a given date.

DISCRETIONARY PARTICIPATION FEATURE
A contractual right to receive, as a supplement to guaranteed benefits, additional benefits that: are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the insurer, that are contractually based on the performance of a specified pool or type of contract, (un)realized investment returns on a specified pool of assets held by the insurer, or the profit of the company, fund, or other entity that issues the contract.

EARNINGS AT RISK (EAR)
Measures the impact on IFRS earnings resulting from changes in market rates over a one year horizon.

ECONOMIC CAPITAL
The minimum amount of capital that is required to absorb unexpected losses in times of severe stress. Given ING Group s AA target rating, ING calculates economic capital requirements at a 99.95% level of confidence. This confidence level is derived from the historical default frequency of AA-rated companies (probability of default in 2000 years or 0.05%).

EFFECTIVE INTEREST METHOD
A method of calculating amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period.

Table of Contents

GLOSSARY

ELIMINATION
A process by which intercompany transactions are matched with each other and deducted, so that the assets, liabilities, income and expenses are not inflated.

EMPLOYEE BENEFITS
All forms of consideration given by a company in exchange for service rendered by (former) employees.

FAIR VALUE
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm s length transaction.

FINANCE LEASE
A lease that transfers substantially all the risks and rewards associated with ownership of an asset to the lessee. Title may or may not eventually be transferred.

FINANCIAL ASSET
Any asset that is:
cash

an equity instrument of another company.

a contractual right to:
receive cash or another financial asset from another company; or

exchange financial instruments with another company under conditions that are potentially favourable; or
certain contract that will or may be settled in ING s own equity instruments.

FINANCIAL INSTRUMENTS
Contracts that give rise to both a financial asset for one company and a financial liability or equity instrument for another company.

FINANCIAL LIABILITY
Any liability that is a contractual obligation:
to deliver cash or another financial asset to another company; or

to exchange financial instruments with another company under conditions that are potentially unfavourable; or

certain contracts that will or may be settled in ING s own equity instruments.

FORWARD CONTRACTS
Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates.

FUTURE CONTRACTS
Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates. Exchanges act as intermediaries and require daily cash settlement and collateral deposits.

GROSS PREMIUMS WRITTEN
Total premiums (whether or not earned) for insurance contracts written or assumed (including deposits for investment contracts with limited or no life contingencies written) during a specific period, without deduction for premiums ceded.

HELD-TO-MATURITY INVESTMENTS
Non-derivative financial assets with fixed or determinable payments and fixed maturity that ING Group has the positive intention and ability to hold to maturity other than:
a. those that ING Group upon initial recognition designates as at fair value through profit and loss;

b. those that ING Group designates as available for sale; and

c. those that meet the definition of loans and receivables.

HISTORICAL SIMULATION

A model to calculate Value at Risk, assuming that future changes in risk factors will have the same distribution as they had in the past taking into account the non-linear behaviour of financial products.

IMPAIRMENT LOSS

The amount by which the carrying amount of an asset exceeds its recoverable amount.

INTEREST BEARING INSTRUMENT

A financial asset or a liability for which a time-proportionate compensation is paid or received, in relation to a notional amount.

INTEREST-RATE REBATES

Profit sharing for group life insurance business. A rebate granted to policyholders based on the discounted value of the difference between the interest rate used for calculating the premiums and the expected yield on investment. The profit sharing is granted by means of a premium discount related to the yield on government bonds.

IN THE MONEY

A call option is said to be in the money if the exercise price is lower than the price of the underlying value; a put option is said to be in the money if the exercise price is higher than the price of the underlying value.

Table of Contents

GLOSSARY

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 cover the insurance provisions and to manage interest rate, capital and liquidity risks.

IRREVOCABLE FACILITIES
Mainly constitute unused portions of irrevocable credit facilities granted to corporate clients and commitments made to purchase securities to be issued by governments and private issuers.

IRREVOCABLE LETTERS OF CREDIT
Concerns an obligation on behalf of a client to, within certain conditions, pay an amount of money under submission of a specific document or to accept a bill of exchange. An irrevocable letter of credit cannot be cancelled or adjusted by the bank that has granted it during the duration of the agreement unless all those concerned agree.

JOINT VENTURE
A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

LIQUIDITY RISK
The risk that ING Group or one of its subsidiaries cannot meet its financial liabilities when they fall due, at reasonable costs and in a timely manner.

MARKET VALUE AT RISK (MVAR)
A calculation method which measures the decrease in the market value surplus caused by movements in financial markets, at a 99.95% confidence level over a 1 year horizon.

MARKET RISK
The potential loss (value or earnings) due to adverse movements in market rates, including equity prices, interest rates and foreign exchange rates.

MINORITY INTERESTS
That part of the profit or loss and net assets of a subsidiary attributable to an interest which is not owned, directly or indirectly, by the parent.

MONETARY ASSETS AND LIABILITIES
Assets and liabilities whose amounts are fixed in terms of units of currency by contract or otherwise. Examples are cash, short or long-term accounts, notes receivable in cash and notes payable in cash.

MONTE CARLO SIMULATION
A model to calculate Value at Risk, assuming that changes in risk factors are (jointly) normally distributed taking into account non-linear behaviour of financial products.

MORTGAGE BACKED SECURITIES (MBS)
A security whose cash flows are backed by typically the principal and/ or interest payments of a pool of mortgages.

NET ASSET VALUE
Used in the equity method of accounting. The initial net asset value of the investment is determined by the fair value of the assets and liabilities of the investee. After the initial valuation of assets and liabilities of the investee at fair value, the assets and liabilities of the investee are valued in accordance with the accounting policies of the investor. The profit and loss account reflects the investor s share in the results of operations of the investee.

NET PREMIUMS WRITTEN
Gross premiums written for a given period less premiums ceded to retrocessionaires during such period.

NET PRESENT VALUE AT RISK (NPV-AT-RISK)
Establishes what the value of future cash flows is in terms of today s monetary value. NPV-at-Risk establishes the change in value of future cash flows as a result of interest rate changes in terms of today s monetary value.

NOTIONAL AMOUNTS
Represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets. They do not reflect, however, the credit risks assumed by entering into derivative transactions.

OPERATING LEASE
A lease other than a finance lease.

OPERATIONAL RISK

The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Table of Contents

GLOSSARY

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 are subject 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.

ORDINARY SHARE
An equity instrument that is subordinate to all other classes of equity instruments. Ordinary shares participate in the net profit for the financial year after other types of shares such as preference shares.

OUT OF THE MONEY
A call option is said to be out of the money if the exercise price is higher than the price of the underlying value; a put option is said to be out of the money if the exercise price is lower than the price of the underlying value.

OVER-THE-COUNTER INSTRUMENT
Non-standardized financial instrument not traded on a stock exchange but directly between market participants.

PLAN ASSETS
Comprise assets held by a long-term employee benefit fund and qualifying insurance policies. Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting enterprise) that:

- are held by an entity (a fund) that is legally separate from the reporting enterprise and exists solely to pay or fund employee benefits; and
- are available to be used only to pay or fund employee benefits, are not available to the reporting enterprise s own creditors (even in bankruptcy), and cannot be returned to the reporting enterprise, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting enterprise or the assets are returned to the reporting enterprise to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting enterprise, if the proceeds of the policy:

- can be used only to pay or fund employee benefits under a defined benefit plan; and
- are not available to the reporting enterprise s own creditors (even in bankruptcy) and cannot be paid to the reporting enterprise, unless either the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations or the proceeds are returned to the reporting enterprise to reimburse it for employee benefits already paid.

POST-EMPLOYMENT BENEFIT PLANS
Formal or informal arrangements under which a company provides post-employment benefits for one or more employees. Post-employment benefits are employee benefits other than termination benefits and equity compensation benefits, which are payable after the completion of employment.

PREFERENCE SHARE
Similar to an ordinary share but carries certain preferential rights. These rights usually concern the guarantee of a fixed (cumulative) return to the shareholder or a guaranteed return on the investment.

PREMIUMS EARNED
That portion of net premiums written in current and past periods which applies to the expired portion of the policy period, calculated by subtracting movements in unearned premium reserves from net premiums.

PRIVATE LOAN
Loans to governments, other public bodies, public utilities, corporations, other institutions or individuals with a loan agreement as the only instrument of title.

PRIVATE PLACEMENT
A placement where newly issued shares or debentures come into possession of a limited group of subscribers who are prepared to buy the new securities.

PROJECTED UNIT CREDIT METHOD

An actuarial valuation method that considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

QUALIFYING ASSET (WITHIN THE MEANING OF BORROWING COSTS)

An asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Table of Contents

GLOSSARY

RECOGNITION
The process of incorporating in the balance sheet or profit and loss account an item that meets the definition of an element and satisfies the following criteria for recognition:
it is probable that any future economic benefit associated with the item will flow to or from the enterprise; and

the item has a cost or value that can be measured reliably.

RECOVERABLE AMOUNT
The higher of an asset s net selling price and its value in use.

REDEMPTION VALUE
With respect to investments in fixed-interest securities, the amount payable on the maturity date.

REINSURANCE
The practice whereby one party, called the reinsurer, in consideration for a premium paid to him, agrees to indemnify another party, called the reinsured or ceding company, for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued. The reinsured may also be referred to as the original or primary insurer, the direct writing company, or the ceding company.

RISK ADJUSTED RETURN ON CAPITAL (RAROC)
An advanced business performance measurement tool that enables management to view its revenues in the perspective of the risks that had to be taken to obtain that revenue. RAROC is calculated by dividing the risk-adjusted-return by economic capital.

SETTLEMENT RISK
Arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates or times and receipt is not verified or expected until ING has paid or delivered its side of the trade. The risk is that ING delivers, but does not receive delivery from the counterparty.

SIGNIFICANT INFLUENCE
The power to participate in the financial and operating policy decisions of an entity, but not control over these policies.
Significant influence may be gained by share ownership, statute or agreement.

SUB-PRIME MORTGAGES
Mortgage loans made to borrowers who cannot get a regular mortgage because they have a bad credit history or limited income.

SUBSIDIARY
An entity that is controlled by another entity.

SURRENDER
The termination of a life or retirement contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, on the contract.

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

TIER-1 CAPITAL
Also referred to as the core capital of ING Bank. It comprises paid up share capital, reserves excluding revaluation reserves, fund for general banking risks, retained earnings, minority interests.

TIER-1 RATIO
Reflecting the tier-1 capital of ING Bank as a percentage of its total risk weighted assets. The minimum set by the Dutch central bank is 4%.

TRADING PORTFOLIO
Comprises those financial instruments which are held to obtain short-term transaction results, to facilitate transactions on behalf of clients or to hedge other positions in the trading portfolio.

TREASURY BILLS

Generally short-term debt certificates issued by a central government. Dutch Treasury Certificates are regarded as Dutch Treasury bills.

TREASURY SHARES

An entity s own equity instruments, held by the entity or other members of the consolidated group.

VALUE AT RISK (VAR)

Quantifies, with a one-sided confidence level of at least 99%, the maximum overnight loss in Net Present Value that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remain unchanged for a time interval of one day.

Table of Contents

GLOSSARY

VALUE IN USE
The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

VARIANCE-COVARIANCE
A model to calculate Value at Risk, assuming that changes in risk factors are (jointly) normally distributed and that the change in portfolio value is linearly dependent on all risk factor changes.

WARRANT
A financial instrument that gives the holder the right to purchase ordinary shares.

Table of Contents

SCHEDULE I SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES
Amounts are in millions of euros

Column A Type of investment	Column B Cost	Column C Fair value	Column D Amount at which shown in the balance sheet
DEBT SECURITIES			
Debt securities held to maturity	16,753	16,354	16,753
Debentures/available-for-sale			
Dutch governments	6,260	6,295	6,295
Foreign governments	80,464	80,612	80,612
Public utilities	5,836	5,765	5,765
Asset-backed securities	85,316	83,170	83,170
Redeemable preference shares/sinking fund	415	391	391
All other corporate bonds	80,861	79,717	79,717
SHARES AND CONVERTIBLE DEBENTURES			
Ordinary shares			
Public utilities	356	392	392
Banks, trusts and insurance companies	4,214	6,617	6,617
Industrial and all others	8,134	11,589	11,589
Preference shares	1,362	1,349	1,349
Total investments	**289,971**	**292,251**	**292,650**

Table of Contents

SCHEDULE III SUPPLEMENTARY INSURANCE INFORMATION
Amounts are in millions of euros

Column A Segment	Column B Deferred policy acquisition costs	Column C Future policy benefits, losses, claims, and loss expenses	Column D Unearned premiums	Column E Other policy and claims benefits payable	Column F Premium revenue	Column G Net investment income (including other income and other expenses) allocated to underwriting accounts	Column H Benefits, claims, losses and settlement expenses	Column I Amortization of deferred policy acquisition costs	Column J Other operating expenses	Column K Premiums written
2007										
Life	10,284	249,199		1,601	38,764	12,813	40,546	1,278	4,357	38,764
Non-life	408	6,172	2,564	302	5,701	1,276	3,430	274	2,054	5,780
Total	**10,692**	**255,371**	**2,564**	**1,903**	**44,465**	**14,089**	**43,976**	**1,552**	**6,411**	**44,544**
2006										
Life	9,728	249,740		2,956	38,498	10,743	40,090	1,189	4,577	38,498
Non-life	435	6,651	2,631	176	5,929	857	3,184	255	1,775	5,994
Total	**10,163**	**256,391**	**2,631**	**3,132**	**44,427**	**11,600**	**43,274**	**1,444**	**6,352**	**44,492**

Table of Contents

SCHEDULE IV REINSURANCE
Amounts are in millions of euros

Column A	Column B Gross amount	Column C Ceded to other companies	Column D Assumed from other companies	Column E Net amount	Column F Percentage of amount assumed to net
2007 Premiums					
Life	39,170	1,968	1,562	38,764	4.0%
Non-life	6,062	306	24	5,780	.4%
Total Premiums	**45,232**	**2,274**	**1,586**	**44,544**	**3.6%**
Life insurance in force	1,015,999	258,304	139,155	896,850	15.5%
2006 Premiums					
Life	38,838	2,004	1,664	38,498	4.3%
Non-life	6,279	339	54	5,994	0.9%
Total Premiums	**45,117**	**2,343**	**1,718**	**44,492**	**3.9%**
Life insurance in force	1,054,179	282,936	152,659	923,902	16.5%
2005 Premiums					
Life	37,644	2,031	1,501	37,114	4.0%
Non-life	6,556	526	57	6,087	0.9%
Total Premiums	**44,200**	**2,557**	**1,558**	**43,201**	**3.6%**

Table of Contents

SCHEDULE VI SUPPLEMENTAL INFORMATION CONCERNING NON-LIFE INSURANCE OPERATIONS
Amounts are in millions of euros

Column A Affiliation with the registrant	Column B Deferred policy acquisition costs	Column C Reserves for unpaid claims & claims adjustment expenses	Column D Discount, if any, deducted in Column C	Column E Unearned premiums	Column F Earned premiums	Column G Net investment income (including other income and other expenses) allocated to non-life operations	Column H Claims and claims adjustment expenses incurred related to Current	Column H Claims and claims adjustment expenses incurred related to prior	Column I Amortization of DPAC(1)	Column J Paid claims & claims adjustment expenses	Column K Premiums written
2007 **Consolidated** Non-life entities	408	6,172	229	2,564	5,701	1,276	3,356	(250)	274	3,432	5,780
2006 **Consolidated** Non-life entities	435	6,651	273	2,631	5,929	857	3,261	(471)	255	3,378	5,994

(1) DPAC: Deferred policy acquisition costs