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2006

ING Group

Annual Report

Building on the momentum of profitable growth

ING

Contents

Management

COMPOSITION OF THE BOARDS
on 31 December 2006

EXECUTIVE BOARD
Michel J. Tilmant (54), chairman
Cees Maas(1) (59), vice-chairman and CFO
Eric F. Boyer de la Giroday (54)
Dick H. Harryvan (53)
Eli P. Leenaars (45)
Tom J. McInerney (50)
Hans van der Noordaa (45)
Jacques M. de Vaucleroy (45)

SUPERVISORY BOARD
Cor A.J. Herkströter (69), chairman
Eric Bourdais de Charbonnière (67), vice-chairman
Luella Gross Goldberg (69)
Paul F. van der Heijden(1) (57)
Claus Dieter Hoffmann(2) (64)
Jan H.M. Hommen (63)
Piet C. Klaver (61)
Wim Kok(2) (68)
Godfried J.A. van der Lugt (66)
Karel Vuursteen (65)

(1) Retirement as of 24 April 2007
(2) Nominated for reappointment as of 24 April 2007

Audit Committee
Jan H.M. Hommen, chairman
Claus Dieter Hoffmann
Wim Kok (as of May 2006)
Godfried J.A. van der Lugt

Remuneration and Nomination Committee
Cor A.J. Herkströter, chairman
Eric Bourdais de Charbonnière
Luella Gross Goldberg
Paul F. van der Heijden

Corporate Governance Committee
Cor A.J. Herkströter, chairman
Eric Bourdais de Charbonnière
Luella Gross Goldberg
Paul F. van der Heijden

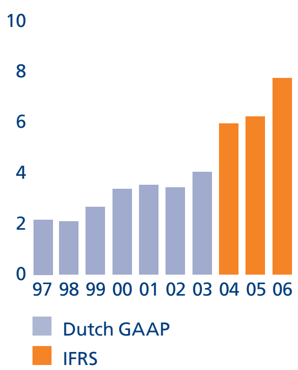
John Hele and Koos Timmermans are nominated for appointment to the Executive Board as of 24 April 2007. Henk Breukink, Peter Elverding and Piet Hoogendoorn are nominated for appointment to the Supervisory Board. The Shareholders' Meeting will decide on these nominations on 24 April 2007.

You can find more information on the members of the Executive Board on pages 63–64 and on the members of the Supervisory Board on pages 66–67, including the nominated members.

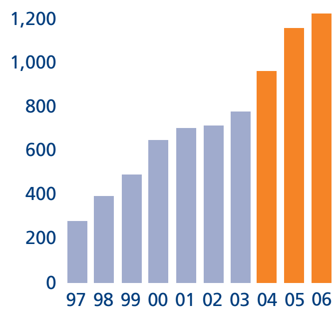
Highlights

- ING's record profit demonstrates its solid and diversified earnings capacity from high-quality franchises
- ING manages capital actively to redeploy in many growth opportunities across the Group
- Strong business momentum continues in growth engines, supported by good growth in several mature markets
- Execution remains paramount with strong focus on cost efficiency and risk management

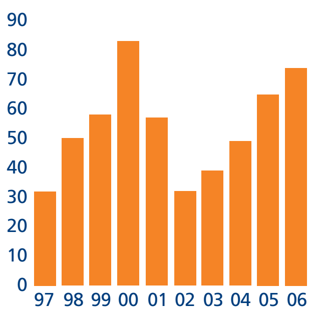
Operating/underlying net profit
in EUR billion



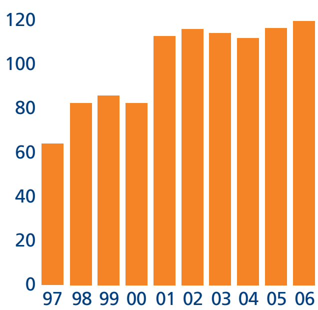
Total assets
in EUR billion



Market capitalisation
in EUR billion



Employees
year-end FTEs, in thousands



Key figures

Five years key figures

	2006	2005	2004	2003[1]	2002[1]
Income (in EUR million)					
Insurance operations	**59,642**	57,403	55,614	53,223	59,729
Banking operations	**14,195**	13,848	12,678	11,680	11,201
Total income[2]	**73,621**	71,120	68,171	64,736	70,913
Operating expenses (in EUR million)					
Insurance operations	**5,275**	5,195	4,746	4,897	5,203
Banking operations[3]	**9,087**	8,844	8,795	8,184	8,298
Total operating expenses	**14,362**	14,039	13,541	13,081	13,501
Impairments/additions to the provision for loan losses (in EUR million)	**114**	99	487	1,288	2,099
Profit before tax (in EUR million)					
Insurance profit before tax	**4,935**	3,978	4,322	3,506	4,453
Banking profit before tax	**5,005**	4,916	3,418	2,371	1,468
Total profit before tax	**9,940**	8,894	7,740	5,877	5,921
Taxation	**1,907**	1,379	1,709	1,490	1,089
Third-party interests	**341**	305	276	344	332
Net profit	**7,692**	7,210	5,755	4,043	4,500
Divestments/special items	**–58**	976	796	–10	1,067
Underlying net profit	**7,750**	6,234	4,959	4,053	3,433
Figures per ordinary share (in EUR)					
Net profit	**3.57**	3.32	2.71	2.00	2.32
Distributable net profit	**3.57**	3.32	2.71	2.00	2.20
Dividend	**1.32**	1.18	1.07	0.97	0.97
Shareholders' equity (in parent)	**17.78**	16.96	12.95	10.08	9.14
Balance sheet (in EUR billion)					
Total assets	**1,226**	1,159	964	779	716
Capital and reserves	**38**	37	28	21	18
Capital ratios					
ING Group debt/equity ratio	**9.0%**	9.4%	10.2%	14.4%	19.9%
Insurance capital coverage ratio	**274%**	255%	204%	180%	169%
Insurance debt/equity ratio	**14.2%**	13.4%	14.3%	19.8%	22.8%
Bank Tier-1 ratio	**7.63%**	7.32%	6.92%	7.59%	7.31%
Market capitalisation (in EUR billion)	**74**	65	49	39	32
Key performance Indicators					
Return on equity	**23.5%**	26.6%	25.4%	21.5%	17.4%
Net profit growth	**7%**	25%	n.a.	–10%	–2%
Insurance					
Value of new life business (in EUR million)	**807**	805	632	440	519
Internal rate of return (life)	**13.3%**	13.2%	12.1%	10.9%	11.5%
Combined ratio (non-life)	**91%**	95%	94%	98%	102%
Banking					
Cost/income ratio (total)	**64.0%**	63.9%	69.4%	70.1%	74.1%
Risk-adjusted return on capital after tax (total)	**19.7%**	22.6%	14.5%		
Assets under management (in EUR billion)	**600**	547	492	463	449
Employees (FTEs year-end)	**119,801**	116,614	112,195	114,335	116,200

[1] Figures according to Dutch GAAP.
[2] Including inter-company eliminations.
[3] Including other impairments.

ING at a glance

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 provides a broad range of insurance, banking and asset management services and is a top-15 global financial institution (based on market capitalisation). We serve more than 60 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, small businesses, large corporations, institutions and governments.

Our strategy

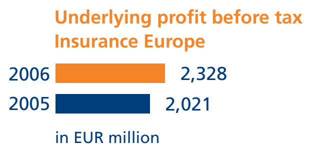
ING's overall ambition is to create value for its shareholders: to give them a higher total return than the average of that of our peers over the longer term. To achieve that, we steer our business towards value creation through growth and return and aim to keep improving the execution of our business fundamentals. We want to excel at what we do and focus on delivering outstanding service to our customers and on firmly managing costs, risks and reputation. We invest in growth, and to this end ensure we are in businesses and markets with good long-

INSURANCE – BANKING – ASSET MANAGEMENT

ING has six business lines. A clear client focus and strong business logic are the key elements in this structure.

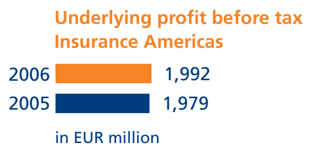
Insurance Europe

Operates the insurance and asset management activities in Europe. Main insurance activities are in the Netherlands, Belgium, Spain, Greece and Central Europe. Here we offer life insurance with a particular focus on pensions. In the Netherlands and Belgium we also offer non-life insurance.



Insurance Americas

Provides insurance, investment, retirement and asset management products and services in the region. In the United States, ING is a top-10 provider of retirement services, based on sales. In Canada, we are the leading property and casualty insurer, based on gross premiums. We are also active in Mexico, Chile, Peru and Brazil.



Insurance Asia/Pacific

Conducts life insurance and asset/wealth management activities in the region. We are well-established in Australia, Hong Kong, Japan, Malaysia, New Zealand, South Korea and Taiwan. Our activities in China, India and Thailand are key future growth engines.

term growth potential. Retirement services, ING Direct, and our life insurance activities in developing markets are all good examples of this. In many cases we are also able to outgrow the competition in mature markets by focusing on selective product and client segments.

Our stakeholders

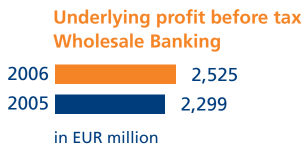
ING conducts business on the basis of clearly defined business principles. In all our activities, we carefully weigh the interests of our various stakeholders: customers, shareholders, employees, business partners and society at large. ING strives to be a good corporate citizen.

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.

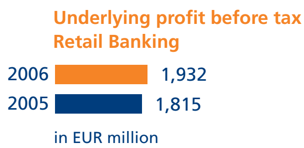
Wholesale Banking

Conducts global wholesale banking operations. The primary focus is on the Netherlands and Belgium, where we offer a full range of products to companies and other institutions. Elsewhere we take a more selective approach with regard to our clients and products. Wholesale Banking also manages ING Real Estate, the world's largest real estate investment manager based on the value of its assets under management.



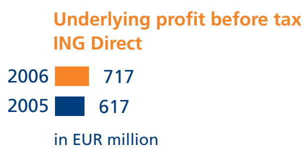
Retail Banking

Offers retail banking services in the mature markets of the Netherlands and Belgium, and in the developing markets of Poland, Romania, India and China. Private banking is offered in the Netherlands, Belgium, Luxembourg, Switzerland and various countries in Asia, Latin America and Central and Eastern Europe.



ING Direct

Operates direct retail banking activities for customers in Australia, Canada, France, Germany and Austria, Italy, Spain, the United Kingdom and the United States. The main products offered are savings accounts and mortgages.



Chairman's statement

Building on the momentum of profitable growth

Dear stakeholder,

ING performed very well in 2006. I am particularly pleased that we have been able to further enlarge our business franchise. We attracted more and increasingly satisfied clients, launched new products and expanded our distribution capacity.

In 2006, our underlying business performance remained strong, helping us sustain our growth momentum. We managed to raise net profit by 6.7% to EUR 7,692 million and realised a good return on capital. Our underlying net profit – total net profit without the impact of divestments and special items – increased by 24.3%. This was accomplished in an increasingly challenging environment, with growing competition and, in the second half of the year, a decline in long-term interest rates and a substantial flattening of yield curves. At the same time, our businesses have also benefited in the current market environment, for instance from rallying equity and real estate markets.

ING continues to offer a solid increase in shareholder return. Amongst our peer group of 20 global financial organisations, we rank second in terms of Total Shareholder Return over the three-year period since 2004. This exceeds our financial objective to offer our shareholders a higher total return than the average of that of our peers over the longer term.

The results in 2006 clearly illustrate that our people are very committed and motivated to make our strategy a success. Talent management and developing our future leaders are crucial for the future of our company. That is why we launched our first International Graduate Programme, a talent development programme for recently hired graduates with leadership potential.

Being successful throughout the economic cycle requires sound business fundamentals. Over the past few years we have taken difficult but necessary steps to rebalance our business portfolio, better allocate capital and improve on execution. One of ING's distinguishing features is our ability to reallocate the capital that we generate in our mature businesses to the most value-adding areas within the company, including our growth engines. In line with ING's entrepreneurial tradition, we continue to invest in new initiatives that expand growth organically, in both the mature and developing markets in which we operate.

Improving our execution of the business fundamentals is another cornerstone of our strategy. In 2006, we further improved the efficiency of our operations. Customers are the central driving force of our operations, and all ING businesses now measure customer satisfaction and develop concrete action plans to improve their customer focus. These efforts are already paying off. We have been able to increase our customer base, and expand our product offering. We are also expanding our distribution capacity, making optimal use of direct channels and the bancassurance possibilities that ING offers.

The brand name ING stands for quality in financial services. ING is in the Interbrand top-100 global brands for the third consecutive year, rising to 85 in 2006 from 87 in 2005. In order to raise our brand profile and bring our brand awareness more in line with our global client reach, we decided to further invest in our brand. For the next three years ING will be the official title sponsor of the ING Renault Formula One team, giving us the strongest platform for increasing our brand awareness globally.

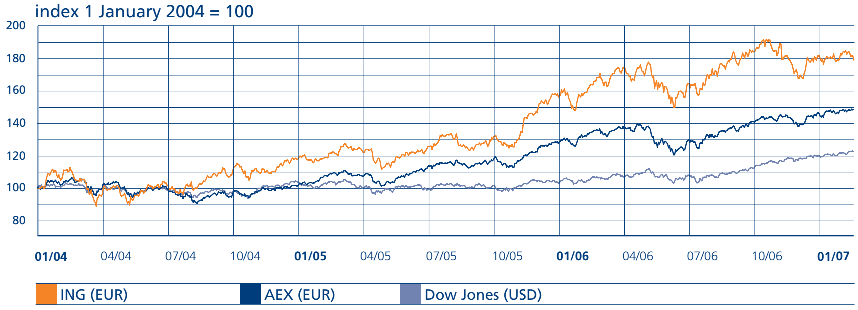
We are faced with a growing emphasis on compliance, additional regulation and increased complexity in accounting and reporting. Our commitment to fully comply with all rules and regulations in the jurisdictions in which we operate stands firm. Complying with regulations is our licence to operate. It is a responsibility that all our employees share, regardless of their position within the company. Knowing, understanding and operating by the rules is a natural part of every employee's mindset, and we continuously strive to improve compliance awareness within the organisation.

During the Shareholders' Meeting on 24 April 2007 we will say goodbye to Cees Maas, vice-chairman and CFO of the Executive Board. It will be proposed to the Shareholders' Meeting that he will be succeeded by John Hele as Chief Financial Officer and Koos Timmermans as Chief Risk Officer. Paul van der Heijden will retire from the Supervisory Board. Also on behalf of my Executive Board colleagues, I would like to thank Cees Maas for his tremendous contribution to ING and Paul van der Heijden for his commitment as Supervisory Board member. We are pleased that Cees Maas will continue to serve ING as advisor to the Executive Board.

Michel Tilmant
chairman Executive Board

Information for shareholders

Three-year price development ING depositary receipts for shares
index 1 January 2004 = 100



€ 33.59

ING share price year-end 2006

€ 1.32

Proposed dividend per share up 12%

109%

Total shareholder return 2004 – 2006

AA–

S&P rating of ING Group

24 April 2007

Annual General Meeting of Shareholders

SHARE PRICE PERFORMANCE

In 2006, ING's share price increased 14.6% to EUR 33.59 at year-end. Over the full year, ING outperformed the AEX by 1.2%-points. In the 3-year period 2004 – 2006 ING's share price rose 79.1% and outperformed the AEX by 34.6%-points.

DIVIDEND

On 15 February 2007, ING Group proposed a total dividend for 2006 of EUR 1.32 per (depositary receipt for an) ordinary share. The dividend, to be approved at the Annual General Meeting of Shareholders on 24 April 2007, represents an increase of 12% from EUR 1.18 over 2005. Taking into account the interim dividend of EUR 0.59 made payable in August 2006, the proposed final dividend amounts to EUR 0.73 per (depositary receipt for an) ordinary share, to be paid fully in cash. The ING share will be quoted ex-dividend as of 26 April 2007 and the final dividend will be made payable on 3 May 2007 on Euronext Amsterdam. On the NYSE these dates are 23 April 2007 and 10 May 2007, respectively.

TOTAL SHAREHOLDER RETURN

ING's financial objective is to offer our shareholders a higher total return than the average of that of our peers over the longer term. Amongst our peer group of 20 global financial organisations, ING ranks second with a Total Shareholder Return of 109% over the three-year period since 2004.

RATINGS

Credit ratings are indicators for the likelihood of timely and complete repayment of interest and instalments of fixed-income securities as assigned by rating agencies.

Main credit ratings of ING[1]

	Standard & Poor's	Moody's	Fitch
ING GROUP	AA–	Aa2	
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	Aaa	AA
– financial strength		B	

[1] The Standard & Poor's, Moody's and Fitch ratings all have a stable outlook.

Information for shareholders continued

PROFIT RETENTION AND DISTRIBUTION POLICY

ING Group's profit retention and distribution policy is dictated by its internal financing requirements and its growth opportunities on the one hand and the capital providers' dividend expectations on the other. ING Group's internal funding needs are determined partly by statutory solvency requirements and capital ratios, compliance with which is essential to its existence. No less important to ING Group are its credit ratings, which directly affect its financing costs and hence its profitability. For their part, the capital providers expect a dividend which reflects ING Group's financial results and is relatively predictable.

Each year, after publication of the financial results for the first six months of the year, an interim dividend is distributed by way of an advance against the final dividend, being half of the total dividend over the preceding year.

In February 2005, ING defined its dividend policy as follows: ING intends to pay dividends in relation to the longer term underlying development of cash earnings following the introduction of International Financial Reporting Standards (IFRS), which are expected to increase volatility in net profit. Furthermore, it was decided in the beginning of 2005 to change its dividend policy to a full cash dividend starting with the 2004 final dividend (paid in May 2005). This change was very much welcomed by investors and analysts. ING has no intention to change its dividend policy.

LISTINGS

The (depositary receipts for) ordinary shares ING Group are listed on the exchanges of Amsterdam, Brussels, Frankfurt, Paris, New York (NYSE) and the Swiss exchanges. The (depositary receipts for) preference shares and warrants B are listed on the Euronext Amsterdam Stock Market. Warrants B are also listed on the exchange of Brussels. Options on (depositary receipts for) ordinary shares ING Group are traded at the Euronext Amsterdam Derivative Markets and the Chicago Board Options Exchange.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

On 24 April 2007 the Annual General Meeting of Shareholders will take place in Amsterdam, in the Factory Theatre, located in the Czaar Peterstraat 213. The meeting will be webcast. The meeting documents will be available on the ING Group internet site www.ing.com as of 20 March 2007. Printed versions of the meeting documents can be obtained free of charge at ING Group N.V., Amstelveenseweg 500, 1081 KL Amsterdam as of 28 March 2007.

Dividend history

in EUR	**2006**	2005	2004
Interim dividend	**0.59**	0.54	0.49
Final dividend	**0.73***	0.64	0.58
Total	**1.32***	1.18	1.07

* Proposed

Prices depositary receipts for ordinary shares

Euronext Amsterdam Stock Exchange in EUR	**2006**	2005	2004
Price – high	**35.95**	29.75	22.28
Price – low	**27.82**	20.99	16.73
Price – year-end	**33.59**	29.30	22.26
Price/earnings ratio*	**9.4**	8.8	8.8

* Based on the share price at year-end and underlying net profit per ordinary share for the financial year.

Shares and warrants in issue

in millions	**Year-end 2006**	Year-end 2005
(Depositary receipts for) ordinary shares of EUR 0.24 nominal value	**2,205.1**	2,204.7
(Depositary receipts for) preference shares of EUR 1.20 nominal value	**63.0**	87.1
Warrants B	**17.2**	17.2
(Depositary receipts for) own ordinary shares held by ING Group and its subsidiaries	**53.8**	38.7

Authorised and issued capital

in millions	**Year-end 2006**	Year-end 2005
Ordinary shares		
– authorised	**720**	720
– issued	**530**	530
Preference shares		
– authorised	**360**	360
– issued	**76**	104
Cumulative preference shares		
– authorised	**1,080**	1,080
– issued	**–**	–

GEOGRAPHICAL DISTRIBUTION OF ING SHARES*
In percentages

United Kingdom	33
Netherlands	18
Belgium	13
United States and Canada	12
Luxembourg	8
Switzerland	5
Germany	1
Other	10
Total	100

* 2006 figures, based on information provided by several large custodians.

SHAREHOLDERS WITH STAKES OF 5% OR MORE

Under the Dutch Act on the Disclosure of Significant Interests, two holders of depositary receipts with an interest or potential interest of between 5% and 10% in ING Group were known as at 31 December 2006. These were ABN AMRO and Fortis.

On 25 April 2006, the AGM approved the buyback of (depositary receipts for) preference A shares from Aegon, as announced on 21 March 2006. It also authorised the purchase of (depositary receipts for) preference A shares in the company's own capital at more flexible levels, and the cancellation of all preference A shares purchased by ING Groep N.V.

INVESTOR RELATIONS

In addition to financial press releases, ING also publishes the magazine *ING Shareholder*. You can subscribe to the magazine through our Investor Relations section at www.ing.com. To be kept informed of press releases and other ING news, you can subscribe to the email service through our Investor Relations section at www.ing.com.

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Telephone: +31 20 5415460
Fax: +31 20 5418551
Email: investor.relations@ing.com

IMPORTANT DATES IN 2007 AND 2008*

ING share quotation ex final dividend 2006
Monday, 23 April 2007 (NYSE)

Annual General Meeting of Shareholders
Tuesday, 24 April 2007, 10.30 a.m.

Record date for dividend entitlement
Wednesday, 25 April 2007 (NYSE)

ING share quotation ex final dividend 2006
Thursday, 26 April 2007 (Euronext)

Payment date final dividend 2006
Thursday, 3 May 2007 (Euronext)
Thursday, 10 May 2007 (NYSE)

Publication results Q1 2007
Wednesday, 16 May 2007, 7.30 a.m.

Publication results Q2 2007
Wednesday, 8 August 2007, 7.30 a.m.

ING share quotation ex interim dividend 2007
Thursday, 9 August 2007 (Euronext and NYSE)

Payment date interim dividend 2007
Thursday, 16 August 2007 (Euronext)
Thursday, 23 August 2007 (NYSE)

Publication results Q3 2007
Wednesday, 7 November 2007, 7.30 a.m.

Publication results Q4 2007/annual results 2007
Wednesday, 20 February 2008, 7.30 a.m.

Annual General Meeting of Shareholders
Thursday, 24 April 2008, 10.30 a.m.

ING share quotation ex final dividend 2007
Monday, 28 April 2008 (Euronext and NYSE)

Payment date final dividend 2007
Monday, 5 May 2008 (Euronext)
Monday, 12 May 2008 (NYSE)

* All dates shown are provisional.

Strategy

Consistent implementation of strategy is paying off

Key points

- Solid increase in Total Shareholder Return
- Diversification enables active capital allocation across businesses to generate high growth and return
- Profitable growth across businesses
- Improving execution of business fundamentals

In 2006, ING created value by focusing on profitable growth and excellence in execution, which are the cornerstones of our strategy. The consistent implementation of our strategy has led to good financial results and a substantially higher Total Shareholder Return than the average of that of our peers over the past three years.

To create shareholder value, ING focuses on increasing economic profit by managing our business in such a way that we generate returns higher than the cost of capital. To achieve this, we implemented a 'Managing for Value' framework company-wide. This means that we keep investing in the skills of our managers at all levels in the company to identify and improve those drivers that have the biggest impact on value creation. Based on our strong financial position – thanks to focused portfolio management over the past three years – this enables us to allocate our capital across businesses and client segments in such a way that it generates the highest growth and return.

Our strong and diversified earnings capacity and returns at satisfying level in all business lines show that the consistent implementation of our strategy is paying off. ING continues to offer a solid increase in Total Shareholder Return (TSR). Amongst the peer group of 20 global financial organisations, ING ranks second with a TSR of 109% over a three-year period since 2004. This exceeds our financial objective to offer our shareholders a higher total return than the average of that of our peers over the longer term.

BENEFITS OF A BALANCED BUSINESS PORTFOLIO

We believe that ING is well positioned in the financial sector with banking, insurance and asset management activities. All these activities are strong and successful in their own right. In addition, we leverage value from the combination of these activities in two ways. First, there is an increasing convergence between the banking, insurance and asset management industries in terms of saving and pension products. ING capitalises on this convergence through product development and diverse sales expertise, thereby focusing on customer needs and offering them the products they need to manage their financial futures.

Second, the Group offers risk diversification as we manage risk at the global level across banking and insurance. Increased risk diversification brings capital benefits because a lower requirement for risk-based solvency capital translates into a higher return on equity. On top of that ING centralised its capital management in 2006 in order to better balance the requirements of shareholders, rating agencies and regulators. Centralised risk management and centralised capital management is essential for allocating capital across ING on the basis of economic profit criteria. This allows for greater strategic flexibility and provides the freedom to invest capital in places where it generates the highest return.

PROFITABLE GROWTH ACROSS BUSINESSES

We believe ING's financial results demonstrate that our underlying performance in all business lines remains strong. We were able to build on the momentum of profitable growth in 2006, both in mature and in developing markets. Examples of good performance in mature markets are our retail banking businesses in the Netherlands, with healthy growth in savings and mortgages. Also the Wholesale banking businesses performed well in areas such as structured finance and lease, and ING Real Estate experienced another year of strong growth, both in profits and assets under management.

We believe that ING is well positioned to capitalise on three fundamental trends that are globally reshaping financial services and the competition to be leaders in our industry, namely ageing, technological development and a shift of economic power from West to East. We are using these trends to drive our three growth engines: retirement services, ING Direct and our life insurance operations in developing markets.

The 2006 results show that our growth engines continued to be on solid footing. Our retirement services business in the US had a good year which is also reflected in our market rankings. US Retirement Services maintained its number one position in the K-12 market as measured by sales and participants. It also maintained its number two position in the small corporate market.

ING Direct was able to increase profits in a very challenging interest rate environment. Our residential mortgage portfolio reached EUR 69 billion, and in terms of profit, mortgage business approached break-even in 2006. Although, there is increased competition in some markets, ING Direct continues to attract many new customers. ING Direct now accounts for 7% of ING's total underlying profit, compared with 3% in 2003. Our life insurance business in Asia/Pacific posted a 13.2% rise in the value of new business. For some years now, this business line contributes around 50% of ING Group's total value of new business – a clear reflection of how economic growth is shifting from West to East. In Central Europe, VNB was up 13.8%.

For long-term growth, we do not only expand existing businesses, we also invest in future organic growth opportunities, such as life insurance activities in Bulgaria and Russia in 2006.

On top of the above, increased returns and profitable growth are also very much related to the proper execution of business fundamentals. This means offering exemplary customer service, as well as focusing on managing costs, risks and reputation, and on embedding a performance culture within ING.

OFFERING EXEMPLARY CUSTOMER SERVICE

Growth can be achieved in any market as long as we put our customers first, know exactly what their preferences are and how we can best serve them. What differentiates companies is their ability to do their basic business with excellence. Satisfied customers provide a good platform to further expand product offerings and attract new customers. Over the past two years, ING has launched a number of initiatives, especially in its mature markets, to improve customer centricity. To check our progress, we continually monitor customer satisfaction.

In 2006, increasing brand awareness was a key priority. After thorough research and based on a sound business case, ING signed a three-year sponsorship agreement with Renault Formula One. We have chosen Renault for its track record as a top, high-performing team. We believe that teaming up with them fosters our objectives of instilling a performance culture, encouraging teamwork and achieving permanent progress. This sponsorship and the first-ever global marketing campaign is expected to increase ING's visibility and thus to raise our brand awareness.

We want to position ourselves as a company that sets the standard in helping our customers manage their financial future. When customers consider doing business with ING, they should know exactly what they will get. They should know that ING is easy to deal with, that we treat our customers fairly and that we deliver on our promises.

MANAGING COSTS

Cost control, particularly in mature markets, is an important means of maintaining a competitive position over the long run. In 2006, we improved the cost/income ratio of our banking operations and maintained the solid efficiency ratios of our life insurance business. Our efficiency programmes in the Netherlands and Belgium are on track: three major agreements to outsource part of our Operations & IT organisation were finalised.

MANAGING RISKS

Important progress has been made in 2006 in improving risk modelling and measurement techniques. At Group level, we are developing risk metrics that capture bank and insurance risk into a single view. We significantly improved the quantification and our understanding of the credit risk in our banking book in line with Basel II, and on the insurance side, we have introduced a market consistent framework which enables more accurate pricing of complex products.

Strategy continued

ING strengthened the risk management organisation and centralised the risk function by means of creating the position of (deputy) Chief Risk Officer (CRO) who is responsible for managing and controlling risk on a consolidated level. These improvements further enhance the full integration of risk management in our daily business activities and strategic planning (a number of other changes are explained in the separate chapter on Risk Management).

MANAGING REPUTATION

Reputation and integrity are two important assets for financial services providers. Over the past few years, the amount of regulation has increased and enforcement has become more vigorous. More generally, the cost of being in the financial services industry continues to grow. At ING we have strengthened our compliance organisation accordingly. A Group-wide compliancy policy has been adopted that allows us to approach compliance in a uniform and consistent way throughout ING. Regulatory compliance is essential for us, not just from a regulator's point of view, but also because ING's relationships with its clients depend on integrity and fairness. Compliance is more than just adhering to a set of rules. It also reflects the way we want to treat our clients and our shareholders – fairly and with excellent performance.

EMBEDDING A PERFORMANCE CULTURE

However great a strategy may be, it cannot be implemented without the right attitude and the right people at the company. At ING, investing in people to develop a high performance workforce with a common vision is very important. In 2006, we continued to put a lot of effort into embedding a performance culture at all business levels. We have rolled out a number of global projects to actively engage people to drive operational excellence from the top down as well as from the work floor up.

CONCLUSIONS AND AMBITIONS

ING is satisfied with the progress made with the strategic direction we embarked on in 2004. By keeping a constant and persistent course, we have created value for our shareholders. We have seen good steps forward on all fronts in 2006. We have been able to achieve further profitable growth in our existing businesses, to continue to invest in new growth opportunities and to further improve the execution of our business fundamentals. One of ING's distinguishing features is our ability to reallocate the capital that we generate in our mature businesses to the most value-adding areas within the company, including our growth engines.

We will continue with our strategic course in 2007. Our first priority is to build on the momentum of profitable growth. We will continue to analyse where we are creating value and where we need to deploy resources for improved growth and return. In those businesses where returns have stabilised at satisfying levels, we want to put more emphasis on growing our activities. On top of that, we will continue to invest in promising new business opportunities, thus planting the seeds for future growth.

Growth can be achieved in any market as long as we succeed in further enhancing the execution of our business fundamentals. We want to do so by improving customer satisfaction, including tightening up compliance at all levels. We will keep tight control over costs, and ensure risks are properly measured, managed and priced. Execution is an ongoing process. By improving every day, we want to drive our performance to the next level.

As such, ING keeps focusing on creating value for its shareholders in order to be able to reward them with a better total return on investment than the average of that of our peers in the financial sector over the longer term.

Financial highlights

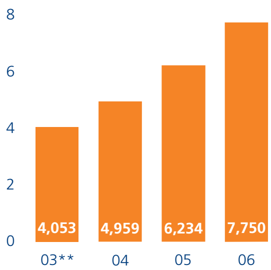
Results show solid and diversified earnings capacity

ING again posted strong results in 2006, driven by solid top-line growth, improved returns, sustained business momentum at our growth engines and good performance in the mature markets in which we operate. Costs remained under control while we invested in new growth opportunities. ING proposes to increase total dividend by 12% to EUR 1.32 per share, to be paid fully in cash.

GROUP RESULTS

In 2006, ING again posted a solid increase in profit. Total net profit rose by 6.7% to EUR 7,692 million. Underlying net profit, which is defined as total net profit excluding the impact of divestments and special items, rose by 24.3% to EUR 7,750 million. This is the third consecutive year with a growth in underlying net profit of more than 20%. Earnings per share rose to EUR 3.57 from EUR 3.32.

Underlying net profit*
in EUR million



* Underlying net profit is defined as net profit excluding divestments and special items.
** Dutch GAAP

Growth

ING's three key growth engines continued to show strong business momentum, supported by profitable growth segments in mature markets. The life insurance business in developing markets showed strong sales, reflected in a rise of 14.4% in the value of new business and of 31.5% in underlying pre-tax profit, compared with 2005. Sales of US retirement services accumulation products rose 35.2% and variable annuities were up 9.8% as the US business continues to focus on meeting the needs of baby boomers as they reach retirement. ING Direct increased its underlying profit before tax by 16.2% to EUR 717 million and showed a good operational performance in 2006. It attracted almost three million new customers and total own originated mortgages and funds entrusted rose with EUR 20 billion and EUR 14 billion, respectively. Both figures exclude currency effects and the divestment of Degussa Bank. Growth in mature markets is shown in our retail banking businesses, where underlying profit before tax rose by 6.4%, especially in the Netherlands and Belgium, as well as at ING Real Estate, where profit before tax rose by 81%.

Returns

Margins remained strong as ING focuses on balancing growth and returns to maximise value creation. Continued attention for capital allocation and pricing discipline led to a further increase in returns at the banking operations. The underlying after-tax Risk-Adjusted Return On Capital improved to 20.4% from 19.1%, driven by a strong improvement at Wholesale Banking. Underlying economic capital increased by EUR 1.0 billion to EUR 15.9 billion due to model refinements as well as continued growth at ING Direct and Retail Banking. The internal rate of return on new life insurance sales improved slightly to 13.3%.

Financial highlights continued

Execution
Improving the execution of the business fundamentals is a priority for ING. Operating expenses remained under control, despite continued investments in new growth initiatives. Recurring expenses for the Group were up 2.4% in 2006, excluding one-off items, currency effects and expenses at the growth businesses of ING Direct, ING Real Estate and Insurance Asia/Pacific. The underlying cost/income ratio within the bank improved to 63.6% from 65.1% in 2005, showing the strong cost containment. On the insurance side, expenses to life premiums improved slightly to 13.26% from 13.28% in 2005, while expenses to assets under management improved to 0.75% from 0.82%.

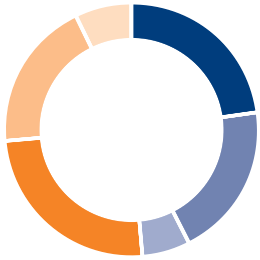
Dividend
At the Annual General Meeting of Shareholders on 24 April 2007, ING will propose a total dividend for 2006 of EUR 1.32 per (depositary receipt for an) ordinary share, up 12% from EUR 1.18 per (depositary receipt for an) ordinary share in 2005. Taking into account the interim dividend of EUR 0.59 made payable in August 2006, the final dividend will amount to EUR 0.73 per (depositary receipt for an) ordinary share to be paid fully in cash. ING's shares on Euronext will be quoted ex-dividend as of 26 April 2007 and the dividend will be made payable on 3 May 2007 (on the NYSE these dates are 23 April 2007 and 10 May 2007, respectively).

Taxes and net profit
The effective tax rate increased to 19.2% from 15.5% in 2005, when total profit included large tax-exempt gains on divestments of Group companies. The effective tax rate on underlying profit decreased to 18.8% from 23.4%.

Capital ratios
The debt/equity ratio of ING Group improved to 9.0% compared with 9.4% at 1 January 2006, supported by growth in capital and reserves. The capital-coverage ratio for ING Verzekeringen N.V. increased to 274% of EU regulatory requirements at the end of December, compared with 255% at 1 January 2006. The Tier-1 ratio of ING Bank N.V. stood at 7.63% at the end of 2006, up from 7.32% at 1 January 2006, as growth in capital was only partially offset by growth in risk-weighted assets. The solvency ratio (BIS ratio) for the bank improved to 11.02% at the end of December 2006 from 10.86% at 1 January 2006. Total risk-weighted assets of the banking operations increased by EUR 18.3 billion, or 5.7%, to EUR 337.9 billion at the end of December 2006. More detailed information is available in the chapter on Capital management.

CONTRIBUTION BUSINESS LINE TO 2006 UNDERLYING PROFIT BEFORE TAX*
Percentage

Insurance Europe	23
Insurance Americas	20
Insurance Asia/Pacific	6
Wholesale Banking	25
Retail Banking	19
ING Direct	7
Total	100



* Excludes component 'Other' in Banking and Insurance.

Divestments and special items
Divestments resulted in a loss after tax of EUR 85 million in 2006 compared with a gain of EUR 414 million in 2005. Divested units contributed EUR 27 million to profit after tax in 2006, up from a loss of EUR 21 million a year earlier. Special items 2005 of EUR 583 million consisted of tax provision releases and the establishment of deferred tax assets. Excluding the impact of divestments and special items, underlying net profit increased 24.3% to EUR 7,750 million.

INSURANCE OPERATIONS

ING's insurance operations continued to benefit from strong growth in retirement services and life insurance in developing markets, higher investment results and a favourable claims environment for the non-life insurance businesses. Underlying profit before tax from insurance rose 22.9% to EUR 4,886 million.

Underlying profit before tax from life insurance increased by 23.0%. The life-insurance activities in the Netherlands, Latin America and Asia showed strong profit growth, supported by increased sales, growth in assets under management and investment gains. The underlying profit before tax from non-life insurance went up 22.7%, driven by higher results in the Netherlands and benefiting from a favourable underwriting cycle. Canada showed lower but still good results, due to less favourable developments in prior-year reserves and lower investment related gains.

Underlying premium income increased 2.5% to EUR 46,834 million. Life premiums of total insurance increased 2.3%, or 3.3% excluding currency effects, mainly driven by strong growth of life premiums in Central and Rest of Europe, the US, Latin America and Australia. In the Netherlands and Belgium life premiums declined, while in Asia, growth in life premiums in all countries, especially Korea and Taiwan, was more than offset by Japan, which showed a significant drop in premiums. Non-life premiums increased 3.8%, or 1.1% excluding currency effects, as lower premiums in the Netherlands were more than offset by higher premiums in all other regions, especially in Canada and Latin America.

Operating expenses from the insurance operations increased 2.0% to EUR 5,275 million. Recurring expenses increased with 6.1% to EUR 5,252 million, as the non-recurring part of the expenses was much higher in 2005 (IT expenses, reorganisation costs, SOX implementation and other projects). The recurring expense growth was mainly caused by costs to support the ongoing growth of the business, particularly in Asia.

Embedded value and value of new business

The embedded value of ING's life insurance businesses increased 7.7% to EUR 29,714 million in 2006. Taking into account EUR 1,996 million in net dividends that were paid to ING Group, the year-end embedded value was EUR 27,718 million. Embedded value profit, an important measure of value creation, decreased 12.1% to EUR 1,981 million as improved financial performance was more than offset by lower operational performance variances and negative assumption changes. The value of new business increased slightly with 0.2% to EUR 807 million as it was negatively impacted by an increase of the discount rate to reflect higher interest rates.

The insurance activities in Central and Rest of Europe and in Asia/Pacific both generated particularly strong growth in 2006, indicating the strong future earnings potential of the businesses in both regions. New sales, measured in annual premium equivalent, rose 2.9% to EUR 6,495 million, while the internal rate of return increased to 13.3% from 13.2% in 2005. The internal rate of return in developing markets increased to 17.7% up from 17.4% as business units benefited from increased scale. New sales in developing markets rose 11.7%.

BANKING OPERATIONS

ING's banking activities continued to show strong growth in savings and mortgages, which helped offset the impact of flattening yield curves. Operating expenses were under control, while risk costs remained very low, although the fourth quarter of 2006 showed an increase as releases from old provisions diminish. Underlying profit before tax rose 11.4% to EUR 5,072 million, driven by a 7.3% increase in income, notably from ING Real Estate and ING Direct. Interest income rose 2.6% as strong volume growth was largely offset by the impact of flattening yield curves. Loans and advances to customers increased by EUR 34.7 billion, or 8.6%, to EUR 437.8 billion, despite the divestments of Deutsche Hypothekenbank and Degussa Bank in 2006. Growth was driven mainly by residential mortgage lending at ING Direct and the retail banking activities in the Netherlands. The total interest margin narrowed to 1.06% from 1.17% in 2005. Commission income rose 15.5%, driven by higher management fees, mainly from the investment management activities at ING Real Estate, and increased fees from the securities business, brokerage & advisory and insurance broking. Investment income was up 4.1%, while other income rose 26.8%, mainly caused by a strong increase in net trading income.

Underlying operating expenses were up 4.9% to EUR 9,032 million, including EUR 164 million in additional compliance-related costs in 2006. ING Direct contributed 2.3%-points to the expense growth of the bank activities. Although the underlying addition to the provision for loan losses increased to EUR 100 million from EUR 69 million in 2005, risk costs were only three basis points of average credit-risk-weighted assets, which is well below the normalised level of 25–30 basis points.

ASSET MANAGEMENT

Assets under management increased 9.6% to EUR 600 billion in 2006. Compared with 2005, growth was mainly offset by the negative impact of exchange rates of EUR 31.8 billion, while developments on stock markets contributed EUR 33.7 billion to growth. The net inflow of EUR 43.8 billion was mainly realised by Insurance Asia/Pacific (EUR 11.2 billion), ING Real Estate (EUR 13.5 billion) and Insurance Americas (EUR 6.8 billion). Growth was achieved for the greater part in third-party assets, which increased by 14.7% to EUR 404.5 billion by year-end 2006. Proprietary assets increased 0.4% to EUR 195.5 billion.

LOOKING AHEAD

Our strong profit growth in 2006 demonstrates the solid earnings capacity of ING's well-balanced portfolio of businesses. While the interest rate environment in 2006 was challenging, particularly for our banking business, we have benefited from rallying equity and real estate markets, a benign credit environment, a favourable underwriting cycle in non-life insurance and lower taxes. Looking forward, risk costs and non life claims will trend gradually to more normalised levels, however we do not anticipate a significant shift in the market environment over the coming period.

Capital management

Contributing to efficient allocation and distribution of capital

The main task of the capital management function is to monitor and manage capital adequacy for ING Bank, ING Insurance and ING Group and to execute all related capital markets transactions. The benefits of a centralised capital management function for ING Group are that it balances the different requirements of regulators, rating agencies and shareholders and that at the same time maximum financial flexibility is created to meet strategic objectives and to withstand stress in financial markets. It contributes to an efficient allocation and distribution of capital within the Group.

Capital base: ING Groep N.V.

in EUR million	**31 December 2006**	31 December 2005
Shareholders' equity (in parent)	**38,266**	36,736
+ Group hybrid capital	**7,606**	7,883
+ Group leverage (core debt)	**4,210**	3,969
Total capitalisation (Bank + Insurance)	**50,082**	48,588
–/– Revaluation reserves fixed income and other	**3,352**	6,477
–/– Group leverage (core debt) (d)	**4,210**	3,969
Adjusted equity (e)	**42,520**	38,142
Debt/equity ratio (d/(d+e))	**9.01%**	9.43%

STRONGER CAPITAL POSITION

The capital position of ING was further enhanced during 2006, thanks to continued strong profitability of the business. Also, financings in the market throughout the year raised further hybrid Tier-1 and core debt for ING Group, lower Tier-2 for ING Bank and core debt for ING Insurance. Hybrid Tier-1 debt raised for ING Group is on-lent to either ING Bank or ING Insurance under the same conditions as the original instruments. Core debt is debt that is on-lent as equity to subsidiaries. ING stayed well within its key target capital ratios: a maximum of 10% core debt for ING Group, a maximum of 15% core debt Insurance and at least a 7.2% Tier-1 ratio for Bank. For ING Bank we have also set a maximum hybrid Tier-1 ratio of 25% of total Tier-1 capital. ING's objective is to have AA ratings for ING Group, ING Bank and ING Insurance (for ING's current ratings see the chapter Information for shareholders).

RISK-WEIGHTED ASSETS REDUCED THROUGH SECURITISATION

Risk-weighted assets grew moderately within the Bank from EUR 320 billion to EUR 338 billion (5.7%). This modest growth was made possible through the execution of an ambitious securitisation plan that released a further EUR 8.1 billion of risk-weighted assets from the balance sheet during the year. The underlying growth of assets produced by the business was therefore much higher.

IMPLEMENTATION OF BASEL II

Much attention was paid during 2006 to the implementation of Basel II (the Revised International Capital Framework). The Basel II framework has three pillars. Pillar 1 calculates the minimum capital requirement. Pillar 2 is an overall review by the regulator of capital adequacy. Pillar 3 concerns the external reporting. Capital Management at ING is responsible for Pillar 2.

The centre piece of ING's capital adequacy assessment process, the second pillar of Basel II, is the so called Capital Letter, which was first produced in June 2006. It contains an analysis of the capital positions of ING Group, ING Bank and ING Insurance from multiple viewpoints: the regulatory viewpoint, the rating agencies' perspectives and the internal economic capital methodology. It analyses whether solvency targets need to be adjusted due to/in light of economic circumstances, changes in requirements from

Capital base: ING Verzekeringen N.V. (Insurance)

in EUR million	31 December 2006	31 December 2005
Adjusted equity (e)	**29,123**	27,044
Core debt (d)	**4,802**	4,170
Debt/equity ratio (d/(d+e))	**14.15%**	13.36%
Available regulatory capital (a)	**25,505**	22,541
E.U. required regulatory capital (b)	**9,296**	8,851
Capital coverage ratio (a/b)	**274%**	255%
Buffer for equities & real estate (c)	**7,101**	5,304
Internal capital coverage ratio (a/b+c)	**156%**	159%

Capital base: ING Bank N.V.

in EUR million	31 December 2006	31 December 2005
Core Tier-1	**20,058**	17,643
Hybrid Tier-1	**5,726**	5,764
Total Tier-1 capital	**25,784**	23,407
Other capital	**11,445**	11,318
BIS capital	**37,229**	34,725
Risk-weighted assets	**337,926**	319,653
Tier-1 ratio	**7.63%**	7.32%
BIS ratio	**11.02%**	10.86%

rating agencies or regulators, stress tests and developments at peers. It describes the available financial instruments for capital management. Also included are a contingency plan (for good and bad circumstances) and a best estimate forecast.

Going forward the Capital Letter will be produced every year in June with an update in December to enhance the medium-term planning process. This document is not public information, but it is shared with regulators as part of the review of ING's internal capital adequacy assessment process.

MANAGING ING INSURANCE'S FREE SURPLUS

Capital management invested significant effort during 2006 to enhance the management of the free surplus of ING Insurance. Free surplus is a concept in the economic capital context. Free surplus is that part of available financial resources (capital) that exceeds the economic capital employed. Many insurance entities need to hold more capital than economic capital due to regulatory and/or rating agency constraints. However, to the extent free surplus is not constrained, it is free to be employed elsewhere to further organic growth. One of the guiding principles of Capital management is that capital should flow up (as internal dividends) as well as down (as capital contributions to growing businesses).

GOOD HOUSEKEEPING

Capital management is to a large extent good housekeeping with the establishment of policies, procedures and routines. At the beginning of each year, a Funding Plan and Securitisation Plan are prepared describing all funding transactions. In 2006, the Delta Hedge Policy for employee options was renewed to take into account the changing regulatory and tax landscape. Not only to comply with regulations but also to make internal processes more transparent and efficient for business units, procedures were written for capital contributions into the business and also for pension funds. The target maturity profile and interest rate profile of the core debt, both for ING Group and ING Insurance, are being written into policy.

Another aspect of capital management and good housekeeping is the continuous streamlining of the organisation, by tidying up the corporate structure and through divestments and acquisitions. 2006 was again a very active year with many divestments (some of which will be formally finalised in 2007): Piraeus, Williams de Broë, Deutsche Hypothekenbank, Nationale Borg, Degussa Bank and ING Trust. On the other hand, ING bought a mutual fund manager in Taiwan and the pension administrator AZL in the Netherlands.

CAPITAL MANAGEMENT TRANSACTIONS IN 2006

In 2006, Capital Management has executed the following funding transactions:

For ING Groep N.V.
- GBP 600 million hybrid Tier-1 capital in the U.K. institutional market
- EUR 1.75 billion in 10-year fixed rate and floating rate senior bonds due 2016
- EUR 750 million in 5-year floating rate senior bonds due 2011

For ING Bank N.V.
- EUR 1 billion lower Tier-2 capital
- USD 1.25 billion floating rate lower Tier-2 capital into the eurodollar market
- CAD 320 million lower Tier-2 capital
- EUR 1 billion in 5-year floating rate senior bonds due 2011

For ING Verzekeringen N.V.
- EUR 2 billion in 10-year fixed rate and floating rate senior bonds due 2016
- USD 1 billion in 5-year and 1-month extendible floating rate notes.

Risk management

Strengthening the risk organisation, compliance and risk measurement

In 2006, ING strengthened risk management across all risk functions. The Executive Board decided to appoint a deputy Chief Risk Officer and, as a consequence, to reorganise the Group Risk Function. The change emphasises our commitment to risk management and our drive towards a more efficient risk management process.

Economic capital break-down by risk category ING Bank

in EUR billions	2006	2005
Credit risk (including Transfer risk)	**7.6**	7.0
Market risk	**4.8**	3.9
Operational risk	**1.7**	1.7
Business Risk	**1.8**	2.3
Total banking operations*	**15.9**	14.9

* Economic capital excludes divestments and special items.
Note: Figures based on 2006 economic capital models; enhancement programme expected to be implemented in 2007. Preliminary calculations show that this could increase economic capital up to 10%. All risks are subject to an independent control process; presented economic capital numbers are non-audited.

Risk classes bank and insurance portfolios*

	2006		2005	
as % of total outstandings	Bank	Insurance	Bank	Insurance
1 (AAA)	**13.6%**	**25.1%**	13.8%	26.3%
2–4 (AA)	**20.6%**	**22.6%**	22.1%	23.0%
4–7 (A)	**10.9%**	**22.0%**	9.5%	32.8%
8–10 (BBB)	**21.3%**	**15.8%**	21.6%	14.3%
11–13 (BB)	**27.6%**	**10.3%**	27.6%	2.5%
14–17 (B)	**4.1%**	**4.0%**	4.0%	0.8%
18–22 (Watch/Problem grade)	**1.9%**	**0.2%**	1.4%	0.3%
	100%	**100%**	100%	100%

* The table reflects probabilities of default and does not take collateral into consideration.

Interest rate and equity sensitivity ING Insurance

in EUR millions	Impact on ING Insurance 2006		Impact on ING Insurance 2005	
Interest rate sensitivity	Net profit	Shareholders' equity	Net Profit	Shareholders' equity
Increase interest rates by 1%	**8**	**–3,185**	–68	–2,814
Decrease interest rates by 1%	**–1,600**	**1,880**	–1,743	1,255
Equity sensitivity				
Increase of equity by 10%	**120**	**1,325**	59	1,072
Decrease of equity by 10%	**–150**	**–1,347**	–80	–1,094

REORGANISING THE GROUP RISK FUNCTION

The overall Group risk profile is measured and reported to the Executive Board and Supervisory Board by means of a quarterly 'risk dashboard'. The dashboard includes the risks in all bank and insurance lines of business and provides insights into earnings at risk (EaR) and capital at risk (CaR) measuring the potential impact on our IFRS earnings and economic value for a one-in-ten-year event. This integrated approach has been embedded into the strategic planning process and enables the Executive Board to better balance risk with short-term profit incentives and long-term value objectives. The overall Group EaR profile is dominated by banking activities and is mainly interest rate risk and credit risk. The Group CaR profile is balanced between insurance and banking activities and is characterised by interest rate risk and equity risk. Of equal importance is improving awareness of compliance with legal, regulatory and other requirements to ensure that ING and its clients meet the highest standards of compliance and business ethics.

We made a significant move forward with the integrated risk management approach in 2006, which was marked by a reorganisation of the Group Risk Function. A deputy Chief Risk Officer (CRO) was appointed, who is responsible for risk management and control on a consolidated level. The deputy CRO reports to the Chief Financial Officer (CFO) who continues to bear primary responsibility in the Executive Board for the Group Risk Function. It is the intention that the CRO function will be a full Executive Board function in 2007. The Operational, Information and Security risk functions have been merged into one function, the head of which reports directly to the deputy CRO. The Compliance function has been transferred fr om the Legal department to the Group Risk Function to further improve the visibility and effectiveness of Compliance. Other risk functions that report to the deputy CRO are Corporate Credit Risk Management (CCRM), Corporate Market Risk Management (CMRM) and Corporate Insurance Risk Management (CIRM). In 2006 the Model Validation Unit has been established. This unit validates risk models and reports to the deputy CRO.

CORPORATE COMPLIANCE

Financial institutions in general are coming under closer scrutiny by society to ensure they comply with laws, regulations, standards and expectations. Bank regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinise 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-corruption measures. Regulators and other authorities have the power to bring administrative or judicial proceedings against ING, which could result, amongst other things, in suspension or revocation of ING's licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm ING's results of operations and financial condition.

ING Bank N.V. has been in discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the United States and other authorities. These discussions prompted

ING Bank N.V. to engage in a review regarding transactions involving sanctioned parties. In connection with this review, which is ongoing, ING Bank N.V. has been reporting to DNB and it is not possible to predict at this time the outcome thereof. ING Bank N.V. is committed to proactively addressing any issues raised by the review.

On 28 July 2006, The Office of Foreign Asset Controls (OFAC) of the U.S. Department of Treasury added the Netherlands Caribbean Bank (NCB), a bank chartered in the Netherlands Antilles that is jointly owned by ING and by two entities that are Cuban nationals, to its list of Specially Designated Nationals as a Cuban national. Such designation prohibits US persons and non-US subsidiaries of US companies from dealing with NCB.

A priority during 2006 has been to increase compliance awareness Group-wide and to implement the ING Group Compliance Policy. The implementation of the ING Group Compliance Policy has been a key performance target for all senior managers. Further embedding in procedures and processes Group-wide has high priority to be completed in 2007.

Another initiative ING undertook during 2006 to increase compliance awareness was the allocation of 130 extra full-time equivalents (FTEs) employees to Compliance, increasing the number of dedicated compliance FTEs to around 700. As well Compliance and Operational Risk Management have an established governance structure in which the Audit Committee is informed regularly about any incidents with a major financial and compliance impact. The incident reporting process provides information on financial and compliance incidents on a timely basis. The Executive Board continued to emphasise the importance of compliance in internal conferences and interviews. Additional 2006 compliance initiatives included a mandatory compliance e-learning course for all Netherlands employees, regional compliance conferences and in the United States a Compliance Awareness Week program.

In 2006, in the context of changing legislation, regulation and regulatory scrutiny ING revised, amongst other policies, its Financial Economic Crime Policy to comply with the third EU Anti-Money Laundering directive. As a result of the revision of the Financial Economic Crime Policy, a review of all customer files, to assist ING to prevent its businesses and systems from being used to launder money or finance terrorist activities, is in progress. An additional benefit of reviewing customer files is that increased knowledge of its customers enables ING to provide services that are better tailored to customer needs.

Within the Retail Banking segment compliance-related costs were EUR 85 million. In order to comply with legal requirements the Dutch Retail Banking entities alone spent approximately EUR 50 million of the total amount on the identification of (existing) customers, improving the customer identification process and establishing risk profiles of existing and new customers. As well as operational changes training programs were developed and ongoing implementation programmes commenced.

Expenses in the Wholesale Banking segment were adversely impacted in 2006 by compliance-related costs of EUR 79 million. These expenses are related to investments in and improvements to compliance and customer identification process and systems, including the ongoing review ING has undertaken following the discussions with DNB concerning transactions involving countries subject to sanctions.

QUANTIFYING RISK

One of the key risk metrics across the organisation is 'economic capital', which assesses our internal capital requirements. It describes the minimum level of capital that is required to absorb unexpected losses in times of severe stress given our AA target rating. Economic capital is also used for calculating our Risk Adjusted Return on Capital (RAROC) and economic profit to assess business performance for bank operations.

Currently, we only disclose economic capital for ING Bank. For ING Insurance we internally implemented economic capital to cover all risks including insurance risk in 2005. Simultaneously Market Value-at-Risk limits were introduced to manage market and credit risks for the insurance activities globally. In addition we introduced market consistent pricing.

During 2006 we continued refining our capital models by means of an enhancement and integration programme. The implementation of Basel II (Advanced Internal Rating Based approach), and at a later stage Solvency II support our internal models. Economic capital models have been updated with advanced concentration modelling, independent model validation and dynamics of client behaviour. The implementation of these refinements is expected to increase economic capital for the bank. Preliminary impact calculations showed a potential increase up to 10%. It should be noted that the difference between available bank Tier-1 capital (EUR 25.8 billion) and required bank economic capital (EUR 15.9 billion) is more than sufficient to cover this expected increase. The completion of the full enhancement and integration programme, including insurance metrics and ensuring reporting processes are efficient, controllable and auditable, is planned for 2007.

Figures shown by risk category in the first table on page 18 reflect all diversification effects, including risk reduction between the risk categories. Diversification effects that arise as a result of combining bank and insurance activities are not taken into account. Business risk is included to cover unexpected losses that may arise as a result of changes in volumes, margins and costs.

The increase of economic capital in 2006 versus 2005 was mainly driven by an increase in Credit and Market risk. This was for the most due to the expansion of activities at ING Direct and Retail Banking. In addition, part of the risk related to real estate activities has been shifted from Business Risk to Market Risk (functional reporting line has been established).

CREDIT RISK

In 2006 Corporate Credit Risk Management introduced a signatory system for credit approvals in Wholesale Banking, which replaced the credit committees, with the exception of the highest Group Credit Committee. The latter part of 2006 saw a significant roll-out of, and communication effort on the Basel II implementation

Risk management continued

programme and Credit Risk economic capital inclusive of pricing tools. As a result of the work on Basel II and a revised method for calculating Credit Risk economic capital, ING made significant progress in 2006 in quantifying credit risk in the Bank and is now planning to perform a similar exercise with respect to the investment portfolio of ING's insurance operations.

Our aim is to maintain an internationally diversified loan, bond and investment portfolio and to avoid large credit risk concentrations. This is supported by a system of risk limits which corresponds with the risk appetite of the Executive Board. Limits are set for countries, individual borrowers, issuers, counterparties, borrower groups and reinsurers which cascade down to all levels of the organisation. The breakdown of our portfolio in terms of credit risk ratings, expressed in S&P rating equivalents is given in the second table on page 18. Due to the different nature of the insurance and banking business the credit quality of the insurance portfolio is generally higher than that of the Bank.

During 2006, ING banking units have continued to implement and improve risk rating models in preparation for new regulatory requirements. This has generally led to reported improvements in the average credit quality in all lines of business in 2006. However, within Retail Banking there was a small shift downward from BBB to BB related to the introduction of improved rating models in the Benelux. The downward shift in risk ratings within Insurance Europe is the result of a re-rating exercise performed on the Dutch mortgage portfolios aligning them with the rating methodology within the Dutch banking operations. Hence, the movement in both the banking and insurance risk classes mainly represent a reclassification between risk rating classes and not a deterioration of the underlying credit risk profile.

MARKET RISK BANK

The overall market risk position of ING Bank can be characterised by:

- a sound liquidity profile since a large liquidity buffer is maintained against unexpected negative market developments;
- a modest trading risk profile compared with total earnings and capitalisation;
- longer term investment of savings and demand deposit money taking into account client behaviour and the interest rate nature of this money;
- significant sensitivity to EUR and USD interest rate changes due to the strategic interest rate mismatch in the non-trading book and basis risk in our retail banking activities.

Market risk arises from our trading and non-trading activities. Our aim is to measure, control and manage our exposure to market risk in line with the Executive Board's risk appetite.

Trading risk

For our trading activities our primary market risk measure is Value-at-Risk (VaR) on which limits are based. VaR quantifies, with a one-sided confidence level of at least 99%, the maximum overnight loss that could occur due to changes in risk factors if positions remain unchanged for one day. Average consolidated VaR for ING Wholesale Banking was EUR 31 million (2005: EUR 28 million).

Trading positions with interest rate exposures provided the largest contribution to the trading VaR and were the main driver of the EUR 3 million increase.

In addition to VaR, ING performs stress testing to monitor market risk under extreme market movements. This risk is measured weekly for the ING Wholesale Banking trading activity whereby exposures are shown per risk activity and per risk category and is restricted to a limit that is set by ING's management.

Non-trading risk

ING Bank has a significant sensitivity to EUR and USD interest rate changes. This is a result of both the strategic interest rate risk mismatch in its non-trading books and the basis risk – the imperfect correlation in the adjustment of rates earned and paid – in our retail banking activities. To measure interest rate risk, ING Bank applies Earnings-at-Risk (EaR), Net Present Value at Risk (NPV) and VaR.

EaR measures the loss of earnings over a period of one year resulting from amongst others an instantaneous increase of 1% in market interest rates. For 2006 the EaR measure was EUR –364 million. As compared to the EaR calculations presented in the 2005 Annual Report, the size of the applied shock to the interest rates has been reduced from to 2% to 1%. This has been done as the 1% scenario is more likely to occur in the current low interest rate environment than the 2% scenario. Applying the 2% instantaneous upward parallel shock to the year-end 2006 figures results in an EaR figure of EUR –640 million (2005: EUR –733 million). The reduction of the EaR figure in 2006 is mainly due to the fact that the EaR calculations have been changed this year in order to better align with the profit & loss recognition under IFRS. The 2006 figures furthermore capture the convexity resulting from the embedded prepayment and offered rate options of the large Dutch mortgage portfolios.

NPV-at-Risk measures the full value impact to the banking books resulting from changing interest rates. For 2006 NPV-at-Risk was EUR –1,888 million. In line with the EaR calculations the interest rate scenario was also changed for the NPV-at-Risk calculations to a 1% move. Applying a 2% instantaneous upward shock to interest rates resulted in a NPV-at-Risk of EUR –4,261 million (2005: EUR –3,203 million). The considerable increase is mainly caused by ING Direct USA, which has an increasingly convex interest rate risk position. In addition, diversification effects between ING Direct Canada and other portfolios decreased, further increasing ING Direct's NPV-at-Risk. In practice, the portfolio will be rebalanced in case of an upward interest rate move, significantly mitigating NPV losses.

To quantify the foreign exchange (FX) risk in the non-trading book ING Bank applies FX VaR. The average consolidated FX VaR for 2006 was EUR 17 million (2005: EUR 7 million). This VaR is mainly caused by open FX positions that are deliberately taken to protect the Tier-1 ratio by aligning non-EUR denominated capital with risk-weighted assets in these currencies. The increased average FX VaR was due to the increased activities of ING Direct in Australia and Canada. Consequently, open FX positions were held in the Australian and Canadian dollar to protect the Tier-1 ratio against movements in these currencies.

Liquidity risk

The Corporate Market Risk Management function also monitors and manages the bank's liquidity position, ensuring that ING can meet its payment obligations when they come due. The main objective of ING's liquidity strategy is to maintain sufficient liquidity in order to ensure safe and sound operations. This is achieved by spreading the day-to-day funding requirements (in tenor, currency and region), maintaining an adequate mix of funding sources and by holding a broad portfolio of highly marketable assets that can be easily used to bear disruptions. Another important component in ING's liquidity strategy is to have adequate and up-to-date contingency funding plans in place throughout the organisation.

INSURANCE RISK

Significant progress has been made in improving systems and reporting processes to assess the risk profile on a market consistent basis, as well as to align credit risk methods and processes with the bank.

Actuarial and underwriting risk

ING Insurance is engaged in selling life and non-life insurance products. Actuarial and underwriting risks are the risks resulting from the pricing and acceptance of insurance contracts. These risks are primarily managed through standard underwriting policies, product design requirements as set by ING's Insurance Risk Management function, independent Product Review Processes and risk limitation related to insurance policy terms and conditions with the client. Profit and loss volatility stemming from adverse claims in ING's insurance portfolios is managed by setting insurance risk tolerance levels, which are reviewed annually by the Executive Board. In the case of life insurance products, these include maximum sums assured per life for mortality risk. For non-life insurance, risk tolerance levels are set by line of business (in terms of maximum sums insured per individual risk) and for fire business also in terms of probable maximum loss limits. The losses considered to measure this probable maximum loss are those which are attributable to specific events (e.g. natural perils such as storms, earthquakes and floods). The probable maximum loss risk tolerance levels are set at a 1-in-250 return period for Canada, Mexico and the Netherlands-Belgium combined. Overall exposures and concentrations are actively managed through the purchase of external reinsurance from high creditworthy reinsurers within the credit risk policy of ING.

Market risk insurance

ING Insurance is exposed to the risk that changes in interest rates, equity prices, foreign exchange rates and real estate prices affect its present and future earnings as well as shareholders' equity. The most significant risks are interest rate risk and equity risk. The impact on earnings is measured by an Earnings-at-Risk (EaR) measure. The impact on shareholders' equity is measured under a scenario in which an instantaneous increase/decrease in equity markets and interest rates occurs (see the third table on page 18). These risks are managed through asset-and-liability management policies and procedures with a committee structure established at both business line and business unit levels.

The most significant interest rate risk within ING's insurance businesses exists in Taiwan where ING has material exposure to a sustained low interest rate environment in combination with long-term interest rate guarantees of 6-8% embedded in the life and health contracts sold by the business until 2001. The largest exposures to equity movements are in the ING business units in the Netherlands, United States, Canada and Belgium.

OPERATIONAL, INFORMATION AND SECURITY RISK

ING has developed a sophisticated framework for assessing, monitoring and managing operational, information and security risk. This framework was improved in 2006 with the further implementation of ING Group operational, information and security risk management policies.

Operational risk arises from direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. ING has developed a sophisticated model which calculates the required operational risk capital for ING Bank and ING Insurance.

The quality of risk management activities is measured by a scorecard method. The scorecards indicate the level of control within the business lines. Overall scorecard outcome showed good progress in 2006. The operational, information and security risk as well as compliance requirements were integrated in the scorecard.

The risk framework was improved by better coverage of the risk assessments in the business units. In 2006 the operational risk management framework was extended to cover all ING entities. In addition, operational risk management systems for action tracking, incident management and scorecard evidencing were extended to all business units. The Audit Committee has been actively involved in the assessment of the risk reporting and receives regular updates on the company's risk exposures, including Incident reporting.

For further information, please see the Risk Management section within the Annual Accounts on pages 185 to 208.

Insurance Europe

Improving efficiency while investing in growth

Key points

- Insurance Europe is a solid profit contributor to ING Group
- Efficiency programmes in the Netherlands are progressing
- Strong value creation in Central Europe
- Investing in growth through product development and setting up of new greenfield operations

Profit and loss account (underlying)

in EUR million	2006	2005	change
Premium income	**10,552**	10,702	–1.4%
Operating expenses	**1,805**	1,869	–3.4%
Underlying profit before tax	**2,328**	2,021	15.2%
Total profit before tax*	**2,362**	2,031	16.3%

* Total profit before tax is defined as profit before tax including divestments and special items.

Key figures

	2006	2005
Value of new life business (EUR million)	**219**	226
Internal rate of return	**14.9%**	14.6%
Embedded value of life business (EUR million)	**16,103**	14,929

UNDERLYING PROFIT BEFORE TAX
in EUR million

Insurance Europe	23%	2,328
Rest	77%	7,630

GEOGRAPHICAL BREAKDOWN OF PREMIUM INCOME
in EUR million

Insurance Europe		
Netherlands	65%	6,836
Belgium	17%	1,763
Central and Rest of Europe*	18%	1,953
Total	100%	10,552

* Bulgaria, the Czech Republic, Greece, Hungary, Poland, Romania, Russia, the Slovak Republic and Spain.

With continued profit growth in 2006, driven by the Netherlands and Central Europe, Insurance Europe remains a solid profit contributor to ING Group. In the Netherlands, efficiency programmes are progressing, while customer satisfaction ratings improved again. Robust sales of single-premium products led to strong value creation in Central Europe. Meanwhile, Insurance Europe continues to invest in growth through product development and the setting up of new greenfield operations.

FINANCIAL DEVELOPMENTS

Underlying profit before tax increased by 15.2% to EUR 2,328 million in 2006, mainly due to favourable life and non-life results in the Netherlands, favourable non-life results in Belgium and continued strong growth in Central and Rest of Europe. Underlying profit before tax from life insurance increased by 7.1% to EUR 1,710 million, while non-life results increased by 45.8% to EUR 618 million. Total profit before tax increased by 16.3% to EUR 2,362 million.

Underlying premium income decreased slightly by 1.4% to EUR 10,552 million. Higher life premiums in Central and Rest of Europe were offset by lower life premiums in Belgium, due to lower sales of single-premium investment products through the bank channel, and lower premiums in the Netherlands. The latter was caused by lower group life premiums and non-life premiums after legislative changes in income & accident insurance.

Underlying operating expenses declined by 3.4%, caused by a 7% drop in the Netherlands due to higher one-off releases of employee benefit and pension provisions, lower restructuring expenses and staff reductions. Expenses in Belgium and Central and Rest of Europe increased, in the former case due to a release of provisions in 2005 and in the latter case due to investments to support new business initiatives.

The value of new business (VNB) decreased by 3.1% to EUR 219 million, caused by declines in the Netherlands (–21%) and Belgium (–47%), as a result of margin pressure, higher discount rates and the new commission agreement with ING Bank Belgium. This decline was largely offset by strong value creation in Central and Rest of Europe (+32%) due to higher sales, especially in Poland, Hungary and Spain. The internal rate of return (IRR) increased to 14.9% from 14.6%, entirely driven by Central and Rest of Europe after strong sales at significantly higher IRRs.

The embedded value of the life insurance activities of Insurance Europe increased 7.9% to EUR 16,103 million, driven by EUR 219 million in new business production as well as favourable equity returns and pension performance.

Country developments
Underlying profit before tax in the Netherlands increased by 20% to EUR 1,911 million, due to lower expenses and favourable investment results combined with a favourable non-life claims experience as well as higher provision releases.

In Belgium, underlying profit before tax fell by 21% to EUR 137 million, as higher non-life results were more than offset by a decline in life results mainly caused by the change in the commission structure in Belgium.

Central and Rest of Europe's underlying profit before tax increased 9% to EUR 280 million, mainly due to higher assets under management in the Polish pension fund, and strong sales in Hungary, Greece and Spain. This was partly offset by higher expenses for greenfield operations in Bulgaria and Russia.

HIGHLIGHTS

ING Insurance Europe employs some 15,000 people in mature and developing markets throughout the region in life and non-life insurance and pension provision. Strong market positions have been attained. In the Netherlands, ING is the leading life insurer and third-largest non-life insurer; and in Belgium it is the sixth and ninth-largest, respectively (all figures based on gross-premium income). In Central Europe, ING is the market leader for pensions and life insurance combined, based on gross-premium income and pension inflows.

Insurance Europe has three key priorities. First, continued profitable growth and efficient allocation of capital across business units in the region. Second, to concentrate on wealth management and retirement services to meet the needs of an increasingly ageing population. Third, to continue improving efficiency and risk management.

Within this general strategic direction, the specific strategies of individual insurance companies have been tailored to the maturity of the markets in which they operate. So in the mature markets of for instance the Netherlands, with moderate growth, the emphasis lies on improving efficiency and optimising distribution channels. Whereas in the fast-growing markets of Central Europe, the focus is on accelerating growth, primarily by growing the existing business while simultaneously investing in future growth by setting up new greenfield operations.

The Netherlands: advancing the business
In 2006, Nationale-Nederlanden (NN) concentrated on increasing customer satisfaction, reducing costs, selling more profitable products, and improving compliance and risk management.

The independent annual Dutch Insurance Performance Survey showed improvements in customer satisfaction in 2006 in every segment in which NN operates. After two years of significant increases, the growth rate in 2006 was less pronounced, which can be attributed to the continuous need to renew NN's operational systems to prepare for future growth. One important reason for the improvement was the removal of administrative backlogs (except for pensions, where regulatory changes require policy adaptations). New functionalities and products were also added to NN's broker extranet, contributing to a doubling of the number of online transactions compared with 2005.

As for cost reductions, actions to reduce the headcount at NN by 1,000 by year-end 2007 were ahead of plan, with a reduction of 900 at year-end 2006 compared with year-end 2004. Cost savings from that programme are progressing. However, additional investments are being made, due in part to new regulations which came into effect in 2007. The rationale behind these efficiency programmes is not just to reduce costs, but to improve the quality of customer service, by creating faster and more automated administrative processes.

An essential element is the concept of Straight Through Processing (STP), under which a policy request by an intermediary is processed automatically and immediately, without human interference. STP was introduced for NN's new car insurance in 2005 and in July 2006 extended to the Private Insurance Package covering personal, property and casualty insurance. At the end of 2006, 82% of all policy requests within the Package were processed automatically. The remaining 18% were still dealt with by employees, but even here, time-savings due to STP were huge.

NN continued to focus on product profitability in 2006. While NN maintained pricing discipline and further rationalised its product range, increased competition in certain product segments put pressure on margins. NN also makes increasing use of bancassurance distribution to enhance new sales, and in 2006 intensified sales of insurance products through ING Bank. Finally, NN further improved its compliance organisation in 2006, increasing the number of compliance officers and raising compliance awareness throughout the organisation.

Insurance Europe continued

As for the other insurance businesses in the Netherlands, RVS managed to create value in a mature and competitive market, reflected in an increase in VNB and in IRR. Strong sales in both insurance and mortgages resulted in growing market shares. These results were underpinned by the introduction of a restyled RVS logo, a new advertising campaign and continued commercial co-operation with Postbank and ING Bank. RVS also started 'employers' distribution' in 2006. Offering personal financial advice to employees of corporate clients of NN and ING Bank, the concept shows high sales potential. Postbank Insurance had a solid financial performance, and is preparing for further growth in the years to come through an extension of its non-life product range.

The Dutch life insurance sector is faced with complaints of policy holders concerning the cost and transparency of unit-linked life insurance products. Further details are included in the annual accounts on page 154.

Belgium: focusing on execution
In 2006, profits, premiums and value creation at ING Insurance Belgium decreased, mainly due to one-off factors, as mentioned earlier in this chapter. ING Insurance Belgium performed well in the pension market, also compared with competitors, reflected in double-digit growth in sales of retirement products through brokers and direct distribution. ING Insurance Belgium continued its focus on execution. Recurring costs have remained almost flat for three years in a row. Meanwhile, the quality of customer service increased, evidenced by continued increased client satisfaction ratings for all key processes.

Ongoing growth initiatives in Central Europe
In Central Europe, ING made considerable progress in 2006 by implementing its strategy of growing its existing business while developing new initiatives. The result was visible in a sharp increase in VNB as well as double-digit growth in both life premium income and pension fund inflows. Across the region, there is a shift in the insurance markets from regular to single-premium products, and ING captured its share of this growth in single-premium business.

ING reinforced its position as the leading pension provider in the region. In particular, the Polish pension fund – a consistent high achiever in terms of investment performance – enhanced its client base significantly. The add-on pension fund acquisitions in the Slovak Republic in 2005 were successfully integrated in the ING organisation in 2006. Pensions are an important growth area as the countries of Central Europe are reforming their pension systems. The growth is especially manifest in the market for mandatory pension funds. With its good track record in investment management, ING is well-placed in this market.

The insurance businesses in Central and Rest of Europe devoted significant efforts to broadening product ranges and distribution capacity. The number of new product launches more than tripled from 8 in 2005 to 30 in 2006. In the Czech Republic, cooperation with independent brokers led to a large increase in production. Spain has developed a franchise concept to attract and retain the best tied agents that will be used by other businesses in the region. In Greece, ING strengthened its bancassurance partnership with Piraeus Bank.

Improved efficiency was another priority in 2006. Almost all data centres within Central Europe have been consolidated in Katowice, Poland, and several projects were undertaken to start standardising work processes and systems. In Bulgaria, a new life company was launched, based on the experience of its sister company ING Hungary, supplying expertise in fields such as product development, distribution, systems and administrative support.

ING Investment Management Europe
ING Investment Management Europe (ING IM) showed solid developments, especially due to the performance of its specialty products. At the end of 2006, 61% of the ranked assets at ING IM had a top-half ranking in peer group performance comparisons by Standard and Poor's. Of ING IM's total ranked assets, 35% had a Standard and Poor's four or five-Star ranking. ING IM is discussed in more detail in the Asset management chapter on page 46.

CONCLUSIONS AND AMBITIONS

In 2006, ING Insurance Europe continued its solid performance in terms of both profit and value creation. In the Netherlands, NN aims to confirm its position as number one financial services provider for the intermediary by focusing in particular on enhancing customer satisfaction and realising net growth. Further efforts will be made to enhance sales through ING's banking channels. The process of increasing efficiency through expense reduction and streamlining the organisation through renewed systems and rationalised product offerings will continue. Ongoing regulatory changes in the life insurance and pension markets will require additional investments and a continued focus on compliance, but will also create opportunities for NN, as these regulations make individuals more aware of their financial situation after retirement.

In Belgium, ING aims to further strengthen its distribution capacity through bancassurance. After a strategic review of the insurance business in Belgium, in January 2007 ING decided to concentrate its life and non-life insurance activities in two new entities which will exclusively distribute through the retail banking channels of ING in Belgium. As a result, ING intends to divest its non-strategic insurance activities.

Accelerating growth in Central Europe is the central theme for the years ahead. Key to this will be optimising the tied agency channel, while moving to multi-channel distribution and focusing more on the mid-income market segment. ING has applied for a licence for a life insurance company in Russia and expects to sell its first products by mid-2007. It will also enter the voluntary pension market in Romania in 2007, when the market is expected to open. In Central Europe, ING will remain alert to opportunities to participate in pension reforms, to start more greenfield operations and to the possibilities for new add-on acquisitions and partnerships.

Insurance Americas

Growth achieved in challenging conditions

Key points

- Record profit in the Americas for the fourth consecutive year
- Underlying profit stronger in the United States and Latin America but Canadian profit impacted by weaker underwriting results
- Key customer-focused initiatives gaining traction
- Meeting needs of ageing baby boomers key to long-term growth in the US

Profit and loss account (underlying)

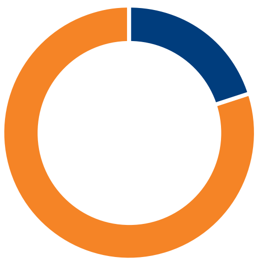
in EUR million	2006	2005	change
Premium income	**24,118**	22,693	6.3%
Operating expenses	**2,490**	2,380	4.6%
Underlying profit before tax	**1,992**	1,979	0.7%
Total profit before tax*	**1,992**	1,941	2.6%

* Total profit before tax is defined as profit before tax including divestments and special items.

Key figures

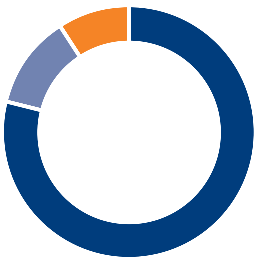
	2006	2005
Value of new life business (in EUR million)	**167**	207
Internal rate of return	**10.3%**	11.1%
Embedded value of life business (in EUR million)	**10,272**	10,858

UNDERLYING PROFIT BEFORE TAX
in EUR million



Insurance Americas	20%	1,992
Rest	80%	7,966

GEOGRAPHICAL BREAKDOWN OF PREMIUM INCOME
in EUR million



Insurance Americas		
US	79%	19,130
Canada	12%	2,806
Latin America	9%	2,182
– Mexico		1,503
– South America*		679
Total	100%	24,118

* Chile and Peru; not including ING's joint venture in Brazil because it is a minority interest.

Insurance Americas' profit before tax rose slightly, assisted by a 6.4% increase in total underlying income. Higher interest rates dampened overall profit. US Retirement Services and Annuities continued to make a major contribution to the result. Latin America recorded a solid increase in profit on the back of a strong increase in life premiums.

FINANCIAL DEVELOPMENTS

Underlying profit before tax of Insurance Americas increased 0.7% to EUR 1,992 million in a rising interest rate environment, which resulted in investment-related losses on fixed-income investments as bonds were traded to reposition the portfolio. Insurance Americas posted record underlying profit in each of the past four years. Excluding investment-related losses, 2006 underlying profit before tax of Insurance Americas increased 7.8%, led by strong results in the United States, Mexico and South America. Underlying profit before tax in Canada declined 10.0%. Premium income grew 6.3%, to EUR 24,118 million, with higher life and non-life premiums across all countries. Operating expenses increased 4.6% to EUR 2,490 million, primarily due to normal business growth and increased sales agents in the competitive pension market in Mexico. Excluding currency impacts, premium income grew 6.0% and operating expenses rose 3.6%.

Premium income at Insurance Americas showed continued growth in 2006, as life premium increased 6.2% to EUR 19,816 million whilst non-life premium increased 6.5% to EUR 4,302 million. Premium income in the United States grew by 5.8%, driven by fixed and variable annuities and retirement services but partially offset by lower premium income from individual life. Life premium in Latin America grew 21.0%, following strong production in group contracts in Mexico and Chile, partly offset by lower annuity sales in Chile. Premium income in Canada grew 8.5% primarily due to the strengthening of the Canadian dollar and an increase in the number of insured risks, partially offset by lower average premium rates. Non-life premium in Latin America grew 2.9% through higher auto and health sales in Mexico and higher health premium in Chile.

Life insurance
Life underlying profit before tax rose 5.9% to EUR 1,322 million or 6.5% excluding currency impacts. In the United States, underlying profit before tax increased EUR 57 million, or 5.0%, to EUR 1,204 million despite investment-related losses resulting largely from the rising interest rate environment. Excluding investment-related 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 favourable equity-related deferred acquisition cost unlocking in 2006. Sales of annuities rose, as did retirement services products, partially helped by the sale of a number of large cases. Premium income grew by 5.8% to EUR 19,130 million. Operating expenses were virtually flat despite the sales and portfolio growth.

Life underlying profit before tax in Latin America increased 16.8% to EUR 118 million as higher results in Chile were partly offset by lower results in Mexico as the transfer war in the pension market continued in 2006. Premium income rose 21.0% to EUR 686 million. Latin America operating expenses rose 16.7% to EUR 196 million, stemming in part from an increase in sales agents and higher acquisition costs in the competitive pension business in Mexico.

The embedded value of the life insurance business in the Americas declined 5.4%, to EUR 10,272 million in 2006. Embedded value profit tripled to EUR 546 million, substantially aided by a strong investment performance as equity markets continued to rally. The value of new business declined by 19.3% to EUR 167 million reflecting the impact of an increase in the discount rate and assumption changes, mainly in Mexico, reflecting the pension transfer war in 2006. It was also impacted by the requirement to hold non-economic regulatory reserves in the United States individual life business.

The internal rate of return (IRR) was impacted by the United States individual life business and decreased to 10.3% for both the Americas and the United States. Excluding the results of the individual life business, the IRR for the US businesses was 12.0%, or 12.8% in US dollars.

Non-life insurance

Non-life underlying profit before tax fell 8.3% to EUR 670 million or 13.4% excluding currency impacts in 2006, as the decline in the Canadian results more than offset higher results in Mexico and Chile. In Canada, underlying profit before tax was EUR 604 million, 10.0% lower than record 2005 levels, due to a less favourable development in prior-year reserves and lower investment-related gains. Underlying profit before tax in Latin America rose 10.0% to EUR 66 million compared to EUR 60 million in 2005, when earnings were affected by three hurricanes in Mexico. Premium income rose 6.5% to EUR 4,302 million or 2.3% excluding currency impacts, largely on the back of a strengthening Canadian dollar and an increase in the number of insured risks that was partially offset by lower average premium rates in Canada. Operating expenses were EUR 812 million or 9% higher, largely because of higher brokerage, premium taxes, advertising and salary and benefits costs in Canada.

HIGHLIGHTS

Insurance Americas remained focused on value creation by delivering top-line growth and higher profits as competitive conditions prevailed. The businesses continued to pursue the growth opportunities arising from the growing number of ageing baby boomers requiring products and services that meet their retirement needs. In order to maximise this opportunity, Insurance Americas announced a major strategic realignment of its US Financial Services businesses into two major divisions of complementary businesses: US Wealth Management and US Insurance. US Wealth Management includes ING's Retirement Services and Annuity businesses and the Advisors Network, one of the country's largest independent broker dealers. US Insurance combines the Individual Life, Group Insurance and Reinsurance businesses, opening opportunities for collaboration in areas such as product development and risk management.

The Retirement Services and Annuity businesses, the core of US Wealth Management, continued to record strong growth, by serving the retirement savings and income needs of Americans, particularly the 77 million baby boomers. Underlying profit before tax for these two businesses, excluding investment-related gains and currency impacts, rose 23.8% to EUR 744 million. However, it has been a challenging year for some of Insurance Americas' other businesses. Fierce competition in Mexico's pension business continued. The Canadian operations experienced lower profits compared to a strong 2005, because of a less favourable development in prior-year reserves and significantly lower investment-related gains. In the United States, lower sales of individual life and the continued requirement to hold non-economic regulatory reserves had a negative impact on overall earnings and the value of new business. Increased regulation in the United States has and will continue to have an effect on the US businesses. However, the push towards enhanced transparency brings opportunities to make ING a forerunner in improved disclosure and an easier financial services company to deal with, a key brand attribute of the company. Insurance Americas will continue to build its businesses by seeking out sound long-term growth opportunities to meet customers' financial needs.

Insurance Americas continued

Growth in the US and Canada

The United States businesses, which accounted for 61% of Insurance Americas underlying profit before tax, recorded a higher result as strong sales of retirement services accumulation products and annuities were aided by good equity markets which together drove an increase in assets under management. US Wealth Management is one of the top-10 providers of retirement services and annuity products in the United States with strong top-10 positions in variable and fixed annuities and a top-5 rank in retirement services sales. Retirement Services focuses on three growth markets: small/medium corporate plans, education plans, particularly those for kindergarten-through-twelfth-grade teachers and staff, and the rollover market which is becoming increasingly important as ageing baby boomers begin to shift from a savings focus to an emphasis on retirement income generation and protection. Retirement Services is also a leader in higher education, healthcare, and government retirement plan segments, and has a well regarded and very experienced management team. As such, the business has a strong competitive advantage. Retirement Services was one of the businesses in the United States that drove growth and value creation in 2006. The business recorded strong sales growth, aided by several large plans that were won during the year, such as the State of Missouri, Houston's Methodist Hospital, and the City of San Jose in California. These sales translated into solid growth in assets under management – a key driver of income. Similarly, the Annuity business posted good sales growth from new products, strong equity markets and consumers' growing preference for products that provide equity market upside along with downside protection.

ING Canada remains the number one property & casualty insurer in Canada, and its scale and core competencies in pricing, underwriting and claims management have enabled it to continue delivering solid underwriting results, despite lower average premium rates and modest industry growth. During 2006, the number of risks insured by ING Canada continued to increase as the company's broad distribution model allowed it to access more customers across all channels. The company also introduced a number of new products including a new accident forgiveness product, a zero deductible product as well as a customer loyalty programme offering airline reward points.

ING Investment Management Americas

ING Investment Management continued to deliver strong relative investment returns across core United States fixed-income strategies, such as Core and Core Plus and Stable Value strategies. This performance in fixed-income strategies resulted in EUR 8.8 billion of sales to institutional and retail clients for the year. Several new products were successfully launched in 2006 including the Diversified International Fund. This retail fund, which utilises ING IM's global investment and asset allocation capabilities, had solid first year sales of EUR 214 million. The ING Risk Managed Natural Resources Fund, a well-received closed-end fund raised EUR 400 million from retail investors. This unique energy and materials fund was designed by ING Investment Management to seek total return in the sector with reduced volatility and an attractive distribution yield. Over the past 18 months, ING has developed a significant and differentiated brand in Senior Bank Loan products resulting in EUR 2.7 billion sales in 2006. This high quality/low volatility investment style has been successfully packaged in United States retail funds, European funds for retail and institutional clients, and in the Collateralized Loan Obligation (CLO) marketplace in the United States. ING IM is discussed in more detail in the Asset Management chapter on page 46.

Customer centricity

ING's mission is setting the standard in helping our customers manage their financial future. In early 2006, the United States business unveiled its new brand message – 'Your future. Made easier.'– in response to extensive consumer research, which showed Americans wanted the process of managing their money to be made easier. This customer centric focus was reflected in several major initiatives undertaken during the year. For example, US Retirement Services nearly doubled the number of transition counsellors to help retirees and younger people who leave their jobs. Transition counselling is a service provided to employers who select ING as their retirement services provider. The job of the counsellors is to help answer questions and provide guidance in retirement savings.

The Annuity business continued to streamline its product portfolio to make its products easier to understand. Improved customer service in the administration of US Mutual Funds has dramatically improved distributor satisfaction.

Execution/operational efficiency
The US completed its first full year using Six Sigma methodology to better meet customer needs and improve efficiency. During the year, projects were completed that streamlined work processes, substantially reduced turnaround times and lifted performance levels. In the US, client account statements were redesigned and there has been further focus on improving disclosure and transparency. Mexico began its Six Sigma efforts in 2006 and has already seen improvement in its claims processing.

CONCLUSIONS AND AMBITIONS

The first of the United States baby boomer generation – the 77 million Americans born between 1946 and 1964 – turned 60 in 2006, setting in motion more than USD 1 trillion of assets annually from maturing retirement plans. By 2020, about half of the baby boomers will have transitioned into retirement and will control two-thirds of all investable assets in the year. This will provide an unprecedented opportunity for companies like ING that have the products, services and expertise to grow retirement assets and to provide guaranteed lifetime incomes. This market has enormous potential, but it is also fiercely competitive.

To remain a top-tier player in this market, ING is committed to allocating resources to areas that provide the best return. We are further investing in distribution in Wealth Management businesses by hiring additional wholesalers in Annuities and Retirement Services to help boost value producing sales. We are investing in operations and IT to improve capabilities, efficiency and customer service. The US individual life business will continue its successful re-entry into the term life business – a product that meets a market need and provides a solid source of growth.

The passage in the United States of the Pension Protection Act of 2006 will encourage increased retirement savings and provides critical guidance to retirement services providers, employers and employees. We believe that over the long term, this legislation provides a great opportunity for ING to help people achieve secure financial futures in retirement. ING's strength in wealth management, risk management and asset management products and services, positions us well to provide the products and services people need to manage their financial futures. As a result, United States Retirement Services and Retail Annuity businesses will continue to produce the greatest growth and value creation.

Insurance Asia/Pacific

Growing and leveraging the existing core

Key points

- Continues to be a solid growth engine for ING
- Accounts for almost half of the Group's total value of new business
- Present in the right markets to secure profitable long-term growth
- Focus on strategic priorities will continue, leading to growth acceleration

Profit and loss account (underlying)

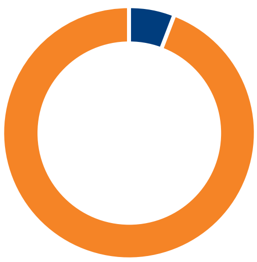
in EUR million	2006	2005	change
Premium income	**12,136**	12,286	-1.2%
Operating expenses	**965**	864	11.7%
Underlying profit before tax	**621**	447	38.9%
Total profit before tax*	**636**	478	33.0%

* Total profit before tax is defined as profit before tax including divestments and special items.

Key figures

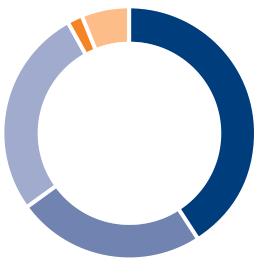
	2006	2005
Value of new life business (EUR million)	**421**	372
Internal rate of return	**16.8%**	15.0%
Embedded value of life business (EUR million)	**1,343**	1,799

UNDERLYING PROFIT BEFORE TAX
in EUR million



Insurance Asia/Pacific	6%	621
Rest	94%	9,337

GEOGRAPHICAL BREAKDOWN OF PREMIUM INCOME
in EUR million



Insurance Asia/Pacific		
Japan	41%	4,940
Taiwan	24%	2,870
South Korea	27%	3,224
Australia/New Zealand	2%	230
Rest of Asia*	6%	872
Total	100%	12,136

* India, China, Hong Kong, Thailand and Malaysia

Insurance Asia/Pacific once again delivered strong results in 2006 as profits and assets under management grew. ING continues to pursue profitable growth in its existing markets in the region by strengthening multiple distribution channels, introducing more profitable new product offerings, expanding organisational capabilities, increasing operational efficiency, enhancing brand awareness and achieving scale in asset management operations.

FINANCIAL DEVELOPMENTS

Underlying profit before tax from Insurance Asia/Pacific increased 38.9% to EUR 621 million, driven by South Korea (+44.5%) and Japan (+110.8%). Total profit before tax increased 33% to EUR 636 million. During the year, Insurance Asia/Pacific continued to invest in the new and high-growth markets of China, India and Thailand.

On the income side, total underlying premiums decreased slightly to EUR 12,136 million, as higher income in Australia, South Korea and Taiwan was offset by lower single-premium variable annuity (SPVA) sales in Japan. Double-digit growth rates in premium income were recorded in local currency terms in most of Insurance Asia/Pacific's other markets. Assets under management increased by 21.2%, reaching EUR 84.2 billion by year-end 2006. In December 2006, ING completed the acquisition of ABN AMRO's local asset management business in Taiwan, adding EUR 2.6 billion to total assets under management and making ING the number one asset manager in the local mutual funds industry.

Underlying operating expenses increased 11.7% to EUR 965 million, reflecting the increase of business volumes, the focus on building organisational capabilities, and the investments in greenfield operations.

The value of new business (VNB) written by Insurance Asia/Pacific was EUR 421 million, up 13.2% compared with 2005, driven by higher-margin sales. Taiwan, South Korea, Japan and Australia were the largest contributors to VNB. The internal rate of return increased to 16.8% from 15.0% last year, despite more competition.

Despite mostly favourable VNB developments and positive financial variances, the embedded value of the life business decreased to EUR 1,343 million at the end of 2006 from EUR 1,799 million in 2005. A change in the economic assumptions of Taiwan, where interest rate forecasts have been adjusted downwards, was the main cause for this deterioration.

Country developments

In Australia and New Zealand, underlying profit before tax decreased 5.8% to EUR 161 million, mainly due to repatriated capital causing lower investment earnings on loans. Premium income growth was driven by the success of the 'OneCare' product launched in the fourth quarter of 2005. Operating expenses decreased 4.0%.

In Japan, underlying profit before tax increased 110.8% to EUR 156 million largely due to hedging gains. SPVA sales momentum was dampened after an exceptional 2005 as the SPVA market slowed down and domestic competition increased. Meanwhile assets under management continued strong growth with a 12% increase in 2006. Growth in the corporate-owned life insurance (COLI) market also slowed down. However, sales were up in the more protection driven COLI products.

In South Korea, underlying profit before tax increased 44.5% to EUR 263 million reflecting continued strong sales. Premium income rose 41.5%, driven by sales of variable and universal life products as well as continued high persistency on existing contracts.

As in 2005, ING recorded zero profit for Taiwan in 2006 due to further measures taken to strengthen reserves in what continues to be a low interest rate environment. A total charge of EUR 182 million was taken in 2006 to strengthen reserves, compared with EUR 220 million in 2005. VNB increased by 44.9% to EUR 155 million from EUR 107 million in the previous year due to sales of higher-margin products in 2006.

In the rest of Asia, underlying profit before tax increased to EUR 41 million from EUR 20 million in 2005, driven by Malaysia and Hong Kong. The greenfields in China, India and Thailand recorded losses as ING continues to invest for future growth and profitability. Nonetheless, sales in Thailand outperformed in a flat market. In China, ING's joint venture ING Capital Life Insurance Company set up branch operations in Shandong Province and opened up sales and marketing offices in both Liaoning and Shandong Provinces. The company also received approval from Chinese regulators to begin the set-up of branch operations in Henan Province. In India, 13 new branch offices were set up in 2006, taking the total number of branches to 90.

HIGHLIGHTS

Real economic growth in Asia continues to outpace the other regions, with increasing amounts of wealth being created. Growth in life insurance in Asia is similarly expected to outperform the rest of the world over the next 10 years. At the same time, almost all the Asian and Pacific markets are facing the challenge of ensuring a secure financial future for their ageing populations. National regulators have introduced or are introducing regulation to deal with this challenge. These developments are driving rapid growth in retirement savings and diversification from traditional bank deposits. As ING already enjoys leading positions in the current big markets and is well-placed in the future big markets, it is well-positioned to secure long-term growth in the region.

ING is currently the second-largest foreign life insurer in Asia/Pacific, based on annual premium equivalent (APE), which is the sum of regular annual premiums from new business plus 10% of single premiums on new business written during the year. Based on assets under management, ING is the third-largest retail asset manager in Asia excluding Japan. Over the past few years, Insurance Asia/Pacific has gained market share in most markets and the region has been ING's key contributor in terms of VNB, confirming that our strategy of being in the right markets is paying off.

Insurance Asia/Pacific is one of ING's key growth engines. At present, it has life insurance operations in 10 markets and asset management activities in 12 markets in the region. ING commands leading positions in the mature and larger markets of Australia and New Zealand, Japan, Hong Kong, South Korea and Taiwan, and is well positioned for future growth in the large and medium-sized developing markets of China, India, Malaysia and Thailand. As a sign of ING's commitment to the Asia/Pacific region, capital generated from the region is reinvested into further growth opportunities there.

Insurance Asia/Pacific is focused on growing and leveraging its core in order to accelerate growth. The shift in the market from guaranteed (fixed-income) products to investment-linked (unit-linked) products and the significant increase in distribution via banks present various opportunities for ING. In line with these developments, ING's strategic priorities are geared towards strengthening multiple distribution channels, introducing more profitable new product offerings, expanding organisational capabilities, increasing operational efficiency, enhancing brand awareness and achieving scale in the asset management operations.

Insurance Asia/Pacific continued

Strengthening multiple distribution channels
ING sells its life insurance products in the Asia/Pacific region via tied agents, banks, securities houses and alternative channels. Tied agents contribute the majority of the life insurance sales. ING continually works on broadening its distribution methods and increasing the efficiency of existing channels.

In Hong Kong, Korea, Malaysia and Taiwan, ING sells mainly through tied agents. ING Life Korea is the leading tied agency model in the region, where its success is based on selective recruiting, excellent training and support, and continuous performance monitoring. The South Korean model is now being used in other markets with the aim of achieving higher agent productivity, higher agent retention and better policy persistency. In China, for example, ING Capital Life has started several pilots based on the successful ING Life Korea agency model. In India, the tied-agent channel is gaining ground, the number of tied agents increased by more than 40% to over 26,000 in 2006.

In recent years, distribution via banks has grown rapidly compared with other channels. In a number of markets where banks are ING's key distribution partners, VNB shows strong growth. ING offers a total solution approach to its bank partners, including marketing and organisational support. One of our greatest strengths is our good understanding of both the banking and insurance businesses, and how the two can augment each other.

ING has sizeable equity interests in two banks – Bank of Beijing in China and ING Vysya Bank in India – and has developed joint ventures and partnerships with a large number of other banks and securities houses in the region. For example, the joint venture with Kookmin Bank in South Korea and the partnership with ANZ in Australia and New Zealand have both been very successful. In Japan, the second-largest life insurance market in the world, ING works together with over 30 banks and securities houses. The current number of ING's bank partners in the region has increased to over 125, with a total distribution network of over 11,400 branches.

Alongside bank distribution and tied agents, ING continues to explore innovative alternative channels. In South Korea, for example, selling insurance via a television programme on a home shopping channel has proved to be successful and in Australia, direct online sales of simple life insurance products has also shown positive results.

Introducing more profitable new product offerings
Most markets are showing a shift to investment-linked life insurance products. In Japan, the SPVA market had grown over the past years but has also become more competitive. Meanwhile South Korea and Taiwan, for example, showed increased sales of investment-linked products.

In line with customers' preferences, the design of products is also shifting towards simpler and channel-specific products. For example, in 2006, ING Australia became number one in new retail life risk sales because of the popular 'OneCare' risk product. 'OneCare' is a simple and flexible retail risk product which allows clients to tailor insurance for all family members and businesses under a single policy. The product's success led to a 70% increase in sales compared with 2005.

Expanding organisational capabilities
Building and improving organisational capabilities has been an absolute priority in 2006, with a particular focus on recruitment, management development and training. Along with the tremendous economic growth in Asia, the demand for talent is huge. Human resources is another priority, and ING is investing in developing a pool of talented managers and improving and broadening long-term incentive programmes to retain talent.

Increasing operational efficiency
On an operational level, ING aims to reap the benefits of scale through greater standardisation in key processes and systems. Regional roll-outs of straight-through processes have started, along with a large number of efficiency projects. In line with Group risk and cost management, Insurance Asia/Pacific continues to improve operational risk management and cost management in the region. Implementing compliance policies also continues to be a high priority.

Enhancing brand awareness
As a major international brand, ING is well established in several Asia/Pacific markets, especially Australia, Hong Kong, South Korea, Malaysia, New Zealand and Taiwan. Elsewhere, more marketing and branding activities are needed to increase brand awareness. ING has developed a more consistent branding strategy in this region with more aligned brand spending to support sales. The sponsorships of the Asian Football Confederation's Asian Cup 2007 and the ING Renault Formula One team, with accompanying on-track hoardings for the races in the region, are expected to enhance brand awareness for ING.

Achieving scale in asset management operations

ING has a strong franchise for asset management in the region and is not just a manager of proprietary life portfolios. Over the past two years, it has increased market share in asset management services markedly, achieving faster growth over a wider geographical footprint than its major rivals. Growth was accelerated in 2006 by the acquisition of ABN AMRO's local asset management business in Taiwan. Fund performance was also on-track: over a one-year period to December 2006, 56% of ING's mutual funds outperformed their respective benchmarks on an asset weighted basis. Asset management services in Asia/Pacific are discussed in more detail in the Asset management chapter on page 46.

CONCLUSIONS AND AMBITIONS

Insurance Asia/Pacific once again delivered strong results in 2006, with 38.9% growth in underlying profit before tax, driven by positive performance in Japan and South Korea. While competition in the region is increasing, ING is prepared to take the business of Insurance Asia/Pacific to the next level by growing and leveraging its existing core and by accelerating its priorities. These include further strengthening of multiple distribution channels, introducing more profitable new product offerings, expanding organisational capabilities, increasing operational efficiency, enhancing brand awareness and achieving scale in the asset management operations. Continued emphasis will be placed on instilling a performance culture among employees to enhance operational efficiency and optimise risk management.

Wholesale Banking

Client focus ensures continued growth

Key points

- Focus on clients' interests, cross-selling and managing for greater value
- Rapid expansion of ING Real Estate
- Selective investments in growth opportunities
- Landmark deals reflect geographic reach

Profit and loss account* (underlying)

in EUR million	2006	2005	change
Total income	**5,804**	5,406	7.4%
Operating expenses	**3,400**	3,234	5.1%
Additions to loan-loss provisions	**–121**	–127	
Underlying profit before tax	**2,525**	2,299	9.8%
Total profit before tax**	**2,481**	2,599	–4.5%

* These numbers include the result from ING Real Estate which reports to Wholesale Banking. ING Real Estate is discussed in detail in the chapter on Asset management together with ING Investment Management.
** Total profit before tax is defined as profit before tax including divestments and special items.

Key figures

	2006	2005
Underlying after-tax RAROC	**20.6%**	17.3%
Underlying economic capital (EUR billion)	**8.1**	8.3

UNDERLYING PROFIT BEFORE TAX
in EUR million

Wholesale Banking	25%	2,525
Rest	75%	7,433

Breakdown of underlying profit before tax

in EUR million	2006
Netherlands	**760**
Belgium	**553**
Rest of world	**607**
Other Wholesale Banking	**–26**
ING Real Estate	**631**
Total	**2,525**

In 2006, Wholesale Banking did well in a challenging business climate by focusing on clients' interests, capitalising on cross-selling opportunities and managing for greater value. The organisation continued to invest selectively to ensure future growth through expansion of its existing capabilities in higher value-added products. Wholesale Banking was able to focus on its core businesses by optimising the allocation of capital and through the sale of Williams de Broë and Deutsche Hypothekenbank. ING also sought out opportunities for profitable growth and closed landmark deals that met the Group's overall risk appetite.

FINANCIAL DEVELOPMENTS

Wholesale Banking achieved good results in 2006 with value-added businesses delivering profitable growth despite a difficult business climate. Underlying profit grew, as strong income growth more than offset higher expenses. The organisation services its mid-corporate, corporate and financial institution clients through six units: General Lending and Payments and Cash Management; Structured Finance; Leasing and Factoring; Financial Markets; Other Wholesale Products, such as Corporate Finance and Equity Markets; and ING Real Estate.

The focus has been on delivering growth in Financial Markets, Structured Finance, Payments and Cash Management, and Leasing and Factoring. Financial Markets showed a decline in profit that was to a large extent caused by flat yield curves, low absolute levels of interest rates, market volatility at historic lows, a difficult market environment, particularly in the emerging markets component, as well as a lower revaluation of derivatives for which hedge accounting is not applied. General Lending continues to face pressure on credit margins due to generally excessive liquidity. ING Real Estate has continued to capitalise on strong investor demand for property funds and saw a strong improvement in its development business.

Underlying profit before tax from Wholesale Banking increased 9.8% to EUR 2,525 million, driven by higher profits in General Lending and Payments and Cash Management, Leasing and Factoring, as well as in ING Real Estate. Structured Finance continued to perform strongly. Underlying profit before tax from Financial Markets declined to EUR 509 million from a very strong EUR 665 million in 2005. Despite the decline in profit, Financial Markets remains one of the biggest generators of profit within the Wholesale Banking line of business.

In 2006, ING sold Williams de Broë and Deutsche Hypothekenbank in order to focus on its core business. Including the impact of divestments in both years, total profit before tax declined 4.5% to EUR 2,481 million.

Total underlying income rose 7.4% to EUR 5,804 million driven by a 40.2% increase at ING Real Estate. Underlying operating expenses remained under control, rising 5.1% to EUR 3,400 million, due to non-recurring costs items such as compliance. The underlying cost/income ratio improved to 58.6% from 59.8% in 2005.

The net release for the provision for loan losses was somewhat lower on EUR 121 million from a net release of EUR 127 million in 2005. The quality of the credit portfolio remains strong, although the fourth quarter of 2006 resulted in a net addition of EUR 20 million after seven quarters of net releases, as releases from old provisions diminish. The net release in 2006 equalled seven basis points of average credit-risk-weighted assets, unchanged compared to the net release in 2005.

The underlying after-tax Risk-Adjusted Return On Capital (RAROC) from Wholesale Banking improved to 20.6% from 17.3% in 2005, supported by higher returns from ING Real Estate and a EUR 184 million reduction in economic capital to EUR 8.1 billion. The underlying pre-tax RAROC of wholesale-banking activities in the Netherlands declined to 17.7% due to lower Financial Markets returns, while the return in Belgium improved to 28.0%. The pre-tax RAROC in Rest of the World improved to 16.7% from 14.5%.

The value of the portfolio of ING Real Estate, the world's largest real estate investment manager by assets under management, increased by 29.8% to EUR 90.7 billion, driven by strong investor demand for property funds as well as the takeover of Summit Real Estate Investment Trust in Canada. Underlying profit before tax from ING Real Estate rose 81% to EUR 631 million. Development turned to a profit of EUR 112 million from a loss of EUR 124 million in the previous year, in part due to gains on the sale of development projects in the Netherlands, US and Spain. Profit before tax of the Investment Management activities rose by 57.5% to EUR 137 million. The pre-tax RAROC of ING Real Estate rose sharply to 58.6% from 27.5% in 2005. ING Real Estate activities are discussed in greater detail in the chapter on Asset management on page 46.

HIGHLIGHTS

ING offers wholesale banking services through an international network spanning more than 40 countries. In the Netherlands and Belgium, ING makes available a full range of products, from cash management to acquisition finance for companies and institutions. There is also a strong client base in other countries across Europe, especially in Poland and Romania. ING has a more selective and focused client and product approach in the other countries in which it operates.

In 2006, Wholesale Banking continued its efforts to strengthen client relationships, contain costs and optimise capital allocation, helping increase returns in a highly competitive market. The focus has been on delivering profitable growth from value-added businesses such as Structured Finance, Financial Markets, Leasing and Factoring, Payments and Cash Management, as well as ING Real Estate, while limiting the growth of risk-weighted assets, particularly General Lending, where margins are under pressure.

Intensifying client relationships

2006 saw further developments in the shift to the new client coverage model, launched two years ago. The focus has been on solution selling, i.e. structured finance and other high value products. Improved ratings in annual client satisfaction surveys show that the change in emphasis has been well received by clients.

Client coverage was further improved and simplified after a number of top corporate clients were identified as priority clients and then allocated additional resources, including a streamlined team of highly experienced bankers. A global event finance team was also established to advise clients on and coordinate transformational transactions. Mid-sized companies also remain very important to us and we continue to maintain strong relationships with them through the networks ING has built up across the Netherlands and Belgium, as well as in Romania and Poland. In Romania, for example, where we were the first foreign bank to open a full-service branch, we now service three-fourths of the multinationals operating there.

To help build and sustain our business, Wholesale Banking continued to make strides towards looking and acting as a single brand differentiated by its core brand attributes of leading with knowledge, acting as a trusted adviser and flawless execution. The rolling-out of a single ING brand globally is another important means by which to build and maintain strong client relationships.

Wholesale Banking continued

Landmark deals
ING completed a number of top deals in 2006 that underscore our wide array of banking products and geographical reach. Wholesale Banking helped provide a consortium of private equity investors with financial advisory services and the financing of their offer for all outstanding shares of VNU, a global information and media company. ING and other financial institutions together facilitated a EUR 4.1 billion term loan, a EUR 540 million revolving credit facility and EUR 1.3 billion worth of bonds that were oversubscribed during the syndication process. The total value of the transaction, amounting to approximately EUR 9 billion, makes this the largest public to private offer in the Netherlands.

ING also advised InBev SA, the world's largest producer of beer by volume, on its 100% acquisition of Fujian Sedrin Brewery Company, one of China's most profitable brewers. The Leuven, Belgium-based brewer chose ING as its sole financial adviser for its offer of RMB 5,886 million (EUR 614 million). The transaction reaffirms ING's M&A advisory capabilities and cements the strong relationship with InBev, marking InBev's fifth deal in China in three years, all of which were advised and bridge-financed by ING.

ING also advised private equity firms Cinven and Warburg Pincus when they set out to create the largest cable operator in the Netherlands. This included not only arranging for EUR 4.35 billion in financing but also helping the consortium acquire Casema and Essent Kabelcom in almost simultaneous competitive auctions. Separately, ING advised a consortium led by Telegraaf Media Groep NV on its EUR 190 million acquisition of Sky Radio Ltd., a broadcaster with stations in the Netherlands and Germany, from News Corporation. ING also provided equity funding and acted as the sole underwriter. These transactions underscore the success of our cross-selling strategy.

Investing for growth
ING has been reallocating capital and investing selectively in order to secure and grow the revenue base. Capital was freed up from a number of underperforming business units.

Wholesale Banking has also continued to invest in existing core products and in new products that meet the needs of our clients and will contribute to future growth. In the area of Structured Finance, a number of initiatives were introduced to better position our most value-creating businesses. Wholesale Banking has brought together under one global organisation, Trade Financial Services, all of the activities in documentary payments, credit, collections and trade facilities.

ING also launched a secondary loan trading activity that focuses on trading and making markets in transactions that ING helped bring to the market, either through the syndications market or joined in another senior capacity. We continued to be a leading player in leveraged finance, whereby companies take on additional debt, with a focus on originate to distribute and maintaining quality risk monitoring.

Investments in payments and cash management have continued ahead of the January 1, 2008 launch of the Single Euro Payments Area, which will create one standard across Europe and offers a new market opportunity. ING has been making crucial investments to standardise its payment structure, training employees and actively informing clients ahead of the launch. We want to remain a major player in the European funds market.

ING Lease has boosted its European presence this year by acquiring Appleyard Vehicle Contracts in the UK and Autoplan in France. As a result the car lease business ranks among the top five of manufacturer-independent vehicle leasing companies in Europe. ING has begun providing factoring solutions in Poland and Romania as part of its Central Europe growth strategy.

ING Real Estate
ING Real Estate has had another good year of rapid expansion, in large part due to inflows of third-party money and a sharp improvement in the development business. The organisation topped global rankings for real estate investment managers for the third year in a row. The biggest deal was the acquisition of Summit Real Estate Investment Trust in Canada, adding EUR 2.4 billion to the assets under management. Wholesale Banking and ING Real Estate also formed ING Real Estate Capital Advisors to offer our institutional and corporate clients a range of banking services related to real estate. Please turn to the chapter on Asset management on page 46 for more details and further developments.

Regulation and compliance
ING capitalises on changes in the regulatory environment. Wholesale Banking made good progress in implementing the Group compliance policy in all regions.

We have increased our investments in compliance to ensure we remain competitive and demonstrate to our clients that we have the highest possible compliance standards. We have focused on preparation for Basel II (the Revised International Capital Framework) and MiFID (the Markets in Financial Instruments Directive) and completed the customer due diligence programme, to help ensure that we apply the highest standards across all of our businesses and that we maintain an excellent reputation.

Another priority has been to integrate finance and risk data. Through the combined efforts of risk management, finance and information technology we have been able to free up significant economic capital. We also sought to drive down costs by creating efficiencies in operations and information technologies, including the successful outsourcing of the UK equity clearing and settlement business. These initiatives reduce both development and maintenance costs.

Maximising value creation

ING is committed to creating value for its shareholders by focusing on execution and through profitable growth. The Managing-for-Value (MfV) initiative aims to create and measure value across all business lines. Within Wholesale Banking, the Target Operating Model (TOM) was launched in 2004 as one of our key tools to achieve value as it combines hitting targets with future growth, while optimising capital and improving efficiency. This has resulted in a turnaround in the performance of our international network of activities and a refocusing of many business units in the pursuit of more profitable growth.

CONCLUSIONS AND AMBITIONS

Although business conditions remain challenging, Wholesale Banking has had another profitable year, in large part due to putting the focus squarely on clients. We will continue developing a truly relationship-driven business, identifying and executing cross-selling opportunities and remaining vigilant in keeping costs under control. This strategy has moved the focus of the business onto new, more profitable priorities and has succeeded in generating good financial results. ING Real Estate also continues to benefit from rapid expansion.

Priorities have been further identified that will help the development and growth of ING to retain and gain competitive edges in an increasingly competitive market. The focus on client relationships will be further increased to ensure that our resources and attention are dedicated to the most relevant products, services and deals that will generate the best returns. We will also seek to invest for profitable growth, to continually improve our business support functions, especially compliance and risk management, and to strive to find new ways to maximise value creation.

Retail Banking

Maintaining a leading position

Key points

- Focus on simplicity, customer centricity and cost leadership pays off
- Meeting customers' needs with new products and services
- ING Private Banking builds on success, especially in Belgium and Asia
- Compliance organisation is strengthened

Profit and loss account (underlying)

in EUR million	2006	2005	change
Total income	**6,002**	5,734	4.7%
Operating expenses	**3,930**	3,829	2.6%
Additions to loan-loss provisions	**140**	90	
Underlying profit before tax	**1,932**	1,815	6.4%
Total profit before tax*	**1,932**	1,877	2.9%

* Total profit before tax is defined as profit before tax including divestments and special items.

Key figures

	2006	2005
Underlying after-tax RAROC	**32.5%**	34.1%
Underlying economic capital (EUR billion)	**4.1**	3.4

UNDERLYING PROFIT BEFORE TAX
in EUR million

Retail Banking	19%	1,932
Rest	81%	8,026

Breakdown of underlying profit before tax

in EUR million	2006
Netherlands	**1,410**
Belgium	**478**
Poland	**49**
Business units in other countries*	**–5**
Total	**1,932**

* Mainly ING Vysya Bank, Private Banking rest of the world, and the Kookmin Bank and Bank of Beijing.

In 2006, ING's retail business performed well, despite flattening yield curves and lower interest rates, thanks to initiatives in product development, direct distribution, cost control and process improvement. ING Retail Banking has a leading position in the attractive wealth accumulation market of the Benelux and is well positioned in the key developing markets of Central Europe and Asia, where it is using its skills and talent to support investments in growth. The focus areas are simplicity, customer satisfaction and cost leadership, because these are crucial for sustainable profitable growth.

FINANCIAL DEVELOPMENTS

Underlying profit before tax from Retail Banking rose 6.4% to EUR 1,932 million, driven by strong growth in most products, though partly offset by the impact of flattening yield curves. The increase in total profit before tax was 2.9%, as total profit in 2005 included EUR 62 million from the gain on the sale of a 12.8% stake in ING Bank Slaski in Poland.

Underlying income was 4.7% higher 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 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 commissions paid.

Expenses were well under control in 2006. Underlying operating expenses increased 2.6% to EUR 3,930 million in spite of EUR 85 million in compliance related costs and continued investments in Poland, India and Romania. The underlying cost/income ratio improved from 66.8% to 65.5%.

The addition to the provision for loan losses rose from EUR 90 million in 2005 to EUR 140 million in 2006, due to lower releases outside the Netherlands and a revision of parameters for provisions on non-performing loans. The addition rose to 15 basis points of average credit-risk-weighted assets from 11 basis points in 2005.

The underlying after-tax Risk-Adjusted Return On Capital (RAROC) from Retail Banking decreased slightly from 34.1% in 2005 to 32.5% in 2006 mainly due to model refinements. The underlying pre-tax RAROCs of the Netherlands and Belgium continued to be strong on 65.9% and 60.5% respectively, while Poland jumped to 22.5% from 6.7% as economic returns increased. The pre-tax RAROC of the other countries declined to –2.3% from 3.0% due to a litigation provision and investments to support expansion at ING Vysya Bank, combined with an increase in economic capital.

Country developments

Underlying profit before tax from Retail Banking in the Netherlands rose 1.7% to EUR 1,410 million 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 1.3% as EUR 85 million in compliance costs and the effect of releases from employee benefit provisions in both years was largely offset by lower pension costs and the reclassification of payment expenses to commissions paid. Risk costs declined slightly from 18 basis points of average credit-risk-weighted assets to 17 basis points.

In Belgium, underlying profit before tax rose 41.8% to EUR 478 million, driven by 9.7% higher income and 2.6% lower expenses, partly offset by EUR 26 million higher risk costs due to lower releases. The increase in income was – next to a EUR 44 million capital gain on Banksys – mainly driven by higher volumes and increased fees from securities brokerage, insurance broking and asset management, mitigated by a flattening of the yield curve and higher client rates on savings. Operating expenses declined 2.6%, due to the reclassification of payment expenses and some small divestments in 2005. Risk costs increased from a net release of eight basis points of average credit-risk-weighted assets in 2005 to a net addition of eight basis points in 2006.

In 2006, ING Bank Slaski achieved growth in local-currency mortgages, savings and current accounts. There was also strong growth in mutual funds sales. Total underlying income rose 20.4%, partly offset by 12.7% higher expenses, including investments in the branch network, and lower releases from the loan-loss provisions.

The other retail banking activities posted an underlying loss before tax of EUR 5 million compared with a profit of EUR 50 million in 2005, due to the creation of a litigation provision in 2006, higher start-up losses in Romania and lower results in India, partly offset by higher results from ING Private Banking in Asia.

ING Private Banking continued to grow rapidly in 2006, benefiting from continued private wealth creation worldwide and the consequent increase in demand for private banking services. Assets under management increased 16.8% to EUR 59.2 billion, while underlying profit before tax, which is included in the regional results, grew by 15.8% to EUR 242 million. The strong growth in 2006 came mainly from Belgium and Asia.

HIGHLIGHTS

The Benelux is ING's attractive wealth accumulation home market. Here we focus on selective growth while maintaining high returns and containing costs. Our leading position in the region's retail financial services market – with a 20% market share in savings, mutual funds and mortgages combined – has been attained by a combination of simplicity in products and processes, customer satisfaction and cost leadership.

Simplifying processes and meeting customer needs in home market

The Netherlands

In the Netherlands, Postbank exemplifies a drive to simplifying processes and meeting customer needs. Underpinning this approach is the internet. With 2.7 million online customers and almost one million page views a day, Postbank is the country's leading internet bank and fourth most visited site in the Netherlands. In 2006, internet sales increased by 30%. Internet accounted for nearly 50% of Postbank sales (excluding mortgages).

The introduction of various innovative products has further enhanced customer service. One of these is 'Voordeelhypotheek': a simplified mortgage at very competitive rates, largely responsible for Postbank maintaining return requirements and attracting new customers in the highly competitive mortgage market.

Postbank has further improved customer service with the start of the Postbank Shop formula. The first shop opened in November 2006. Here customers can get personal support and advice or do their banking online. Over the coming years, there are plans for more Postbank Shops in major cities with long opening hours.

A real customer-centric initiative is the introduction of Loyalty Points – a savings programme that gives discounts on articles in its online shop. This initiative helped to increase Postbank's market share in the savings market. Postbank also launched a legal valuation and estate agency service, which offers customers one-stop shopping when buying a house, helping them to get the best price. In December 2006, Postbank introduced Samen Beleggen, an innovative investment product which offers monthly online professional investment advice.

All these efforts paid off: Postbank has, yet again, the highest customer satisfaction levels in the Dutch market and another major survey of TNS NIPO, a market research company in the Benelux, found Postbank the best Dutch bank in terms of trustworthiness and delivering quality. Among Postbank's many awards were the Nationale Thuiswinkel (best homeshop) Award for the second year running and an award for its original advertising campaigns.

Retail Banking continued

ING Bank has also been focusing on improving customer satisfaction. Examples include the launch of a call centre for private banking customers that offers personal financial assistance. In 2006, ING Bank further expanded its branch network with new franchise offices where specialists give customers personal advice and can also visit clients at home. We also improved customer centricity in the small and medium-sized enterprise (SME) segment with services such as Startersscan, which offers tailored advice and products to small and medium-sized enterprises based on their stage of development.

Sales effectiveness has been improved by introducing Small Business Facilities (SBF). This simplified credit approval process – a model Postbank also uses and which is to be launched in Belgium – speeds up approvals and thus improves sales effectiveness. Thanks to SBF, Postbank credit balances for small businesses increased six-fold in three years to EUR 765 million at the end of 2006. ING Bank has succeeded in strengthening customer loyalty with the Plusprogramme – a programme that rewards customers when they buy more ING Bank products.

In 2006, ING started a review of the strategic positioning of ING's retail banking business in the Netherlands. This is expected to be completed in the course of 2007.

Belgium
In Belgium, ING is amongst the key players with ING Belgium and Record Bank. In 2006, Record Bank further integrated Eural Bank, which was acquired in 2005. Record Bank now is the third largest savings bank in Belgium. ING has once again been very successful in attracting new customers in Belgium, with more than 50,000 new private clients and professional customers added to the client base of ING Belgium.

The users of on-line Home'Bank, continued to increase substantially. Currently, 50% of the customers in Belgium use the internet banking service. The automated branch network, Self'Bank, continued its gradual installation of cash-in/cash-out machines, allowing euro banknotes to be deposited, counted and immediately credited to the account.

The efforts in the field of simplification of products, processes and sales paid off leading to further control of costs. Other cost control initiatives are the further roll-out of small flexible offices and reducing the number of branches with a cash desk. As in the Netherlands, improving customer satisfaction is one of the priorities. Customer satisfaction is pro-actively measured and followed-up by telephone interviews with our customers regarding their experience with the quality and service we provide to them.

Improving cost efficiency and quality
In 2006, ING signed three key outsourcing agreements with a number of different companies to outsource several activities in the Netherlands, Belgium and Poland. The contracts have a combined value of EUR 1.3 billion and there are around 1,500 employees involved. The outsourcing activities concern delivering IT maintenance and testing activities, processing of banking and insurance documents and the provision, maintenance and support of employee PCs and telephones.

The outsourcing agreements are part of ING's Operations and IT efficiency programme as announced in November 2005. Besides improving cost efficiency, ING also outsources activities if other companies can do the job at a qualitatively higher standard. The efficiency programme is expected to produce annual savings of about EUR 230 million, mainly related to Retail Banking, as of 2008.

Compliance
Before the end of 2006 ING had to identify and register 80% of its private customers of ING Bank and Postbank in order to comply with the DNB (Dutch central bank) agreement regarding the WID law (Wet Identificatie Dienstverlening: Law concerning Identification in Services). This compliance project involves about 7.8 million individual customers of ING Bank and Postbank. As a special service for its elderly and disabled customers, ING had 25 mobile teams to visit customers at home.

By the end of 2006, 85% of ING Bank's and 80% of Postbank's private customers had registered. Proxies and legal representatives and an important part of commercial clients will be registered in 2007.

Well positioned in developing markets
With our presence in the key Central European markets of Romania and Poland, and the key Asian markets of China and India, ING is well positioned to capture growth. We focus on these markets since these are the largest in the respective regions.

In Poland, ING Bank Slaski is investing in growth by increasing its marketing efforts and expanding and modernising its distribution network. For instance, in 2006 Self'Bank franchise outlets were opened, which are self-service units where customers can carry out all their day-to-day banking.

In 2006, ING Bank Slaski had a market share of 8.9% in household deposits (making it number three in the Polish market), 1.9% in retail credits and 5.7% in funds and 10.6% in securities. The low market share in retail credits is a consequence of our very prudent approach towards hard-currency mortgages. ING Bank Slaski's customer-centric approach has been recognised with various awards. Forbes Magazine in Poland has declared ING Bank Slaski 'Best bank for individual clients'. The daily newspaper Gazeta Wyborcza rated the ING Bank Slaski's Gold VISA card Poland's best prestige credit card. In addition, ING Bank Slaski won prestigious advertising and marketing awards for both creative ideas and promotional campaigns.

The concept of self-service banking introduced in Romania in 2004 is increasingly successful and by the end of 2006 ING Romania had a 5% market share for retail deposits and a retail banking branch network of 110 Self'Bank outlets serving 274,000 clients.

In India, our 44% stake in ING Vysya Bank is a good starting position in a market with enormous growth potential. The ING Vysya Bank branch network expanded in 2006 with five new branches and the upgrading of 16 extension counters to full branch status. Retail customers reached 1.5 million. ING Vysya Bank pioneered self-service banking in India, opening 11 Self'Banks in 2006 as part of a new network of 28 offsite ATMs.

ING has a 19.9% stake in the Bank of Beijing (BoB), China's second-largest city commercial bank. As part of this strategic alliance, ING is committed to supporting the developments of BoB's corporate governance, risk management and retail business. The partnership is strongly developing. ING has two seats on the executive board of BoB and in December 2006, a BoB delegation, led by its chairman, visited ING in Amsterdam to share our banking business practices.

ING PRIVATE BANKING

ING Private Banking continued to grow rapidly in 2006, benefiting from continued private wealth creation worldwide and the consequent increase in demand for private banking services.

Assets under management increased 16.8% to EUR 59.2 billion, while profit before tax grew by 15.8% to EUR 242 million. The strong growth in 2006 came mainly from Belgium and Asia. According to a recent survey of private banking by McKinsey, between 2003 and 2005 the Belgian private-banking market grew strongly, compared to the rest of Europe. In Belgium, ING Private Banking assets increased by EUR 1.5 billion to EUR 13.0 billion. In Asia, assets increased by EUR 2.0 billion to EUR 10.1 billion.

Europe remains ING's largest private banking market with assets concentrated in the Netherlands, Belgium, Luxembourg and Switzerland. In both the Netherlands and Belgium, ING Private Banking has further capitalised on ING's retail and wholesale distribution channels to enhance cross-selling capabilities and achieve relatively strong growth in otherwise mature markets.

ING Private Banking is the second-biggest private bank in Belgium. Belgium successfully captured market share from competitors during the Belgian tax amnesty. ING's Swiss operations showed strong resilience and continued to expand into Russia, Central and Eastern Europe, the Middle East, and in Latin America, where the private bank is focusing on Mexico and Brazil. Return on assets in Luxembourg continued to improve, as did profitability.

Private Banking in Asia has been growing its assets under management by 34% year on year over the last five years. ING Private Banking has a strong track record in advisory services in Asia and the business is well positioned to benefit from further opportunities in the region. A wealth management survey conducted by Asiamoney in 2006 rated ING Asia Private Banking a top-five player in the USD 5–10 million range.

CONCLUSIONS AND AMBITIONS

Important trends in the field of retail banking are simplicity, transparency and value for money. In 2006, ING Retail Banking addressed these trends very well and succeeded in simplifying products, services and channels and in containing costs. Retail Banking has a very strong position in the Netherlands and a good position in Belgium. In Eastern Europe, Retail Banking operates in Poland and Romania, and in Asia, Retail Banking is rapidly growing its franchise thanks to ING's stake in ING Vysya Bank (India) and our stake in the Bank of Beijing (China).

Our strategy has been successful in 2006 and we will continue focusing on simplicity, customer centricity and cost leadership in our mature home markets, and leveraging value from our successful business models in mature markets by applying them to developing markets.

The ambition for 2007 is to continue with sustainable and profitable growth in mature markets, and to expand market share and profit in developing markets. A lot of attention was paid to compliance, but further efforts to embed the new compliance policy fully into the organisation will be needed in 2007.

The private banking network is growing strongly. ING Private Banking plans to increase capacity over the next three years by recruiting up to 250 new client advisers around the world, with the focus on new and developing markets. In India and China, ING Private Banking will build onshore private banking operations in co-operation with ING Vysya Bank and Bank of Beijing.

ING Direct

Leading the transformation of direct banking

Key points

- Robust profit performance in challenging interest rate environment
- Almost three million new customers, totalling 17.5 million worldwide
- Record own originated mortgage production of EUR 20 billion
- Further increase in brand awareness and customer satisfaction

Profit and loss account* (underlying)

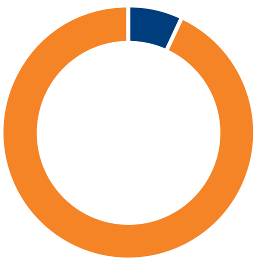
in EUR million	2006	2005	change
Total income	2,396	2,119	13.1%
Operating expenses	1,598	1,396	14.5%
Additions to loan-loss provisions	81	106	
Underlying profit before tax	717	617	16.2%
Total profit before tax**	694	617	12.5%

* Including ING Card
** Total profit before tax is defined as profit before tax including divestments and special items.

Key figures

	2006	2005
Underlying after-tax RAROC	11.6%	14.9%
Underlying economic capital (EUR billion)	3.4	3.1

UNDERLYING PROFIT BEFORE TAX
in EUR million



ING Direct	7%	717
Rest	93%	9,241

Underlying profit before tax (including ING Card)

in EUR million	2006	2005	change
Canada (1997)	62	73	–15.1%
Spain (1999)	55	50	10.0%
Australia (1999)	86	80	7.5%
France (2000)	34	25	36.0%
United States (2000)	85	156	–45.5%
Italy (2001)	43	29	48.3%
Germany*(2002)	339	254	33.5%
United Kingdom (2003)	19	–34	
Subtotal ING Direct	723	633	14.2%
ING Card	–6	–16	
Total	717	617	16.2%

* Including Austria

In 2006, ING Direct achieved continued growth in residential mortgage lending, number of customers, funds entrusted and profit. It maintained high levels of customer satisfaction and achieved a further increase in brand awareness – two key value drivers. These results were reached in a challenging environment, with rising short-term interest rates, a flattening yield curve in each of the currency zones in which ING Direct operates, and increased competition. ING Direct continued to create value for customers by offering a focused range of simple and transparent banking products, alongside excellent service delivered through direct channels.

FINANCIAL DEVELOPMENTS

ING Direct showed a strong growth in underlying profit before tax in 2006 of 16.2% to EUR 717 million, compared with EUR 617 million in 2005. Despite the challenge of interest rate increases in all countries and a flattening yield curve, ING Direct managed to maintain a satisfactory interest margin and preserve solid commercial growth. Including the EUR 23 million accounting loss on the sale of Degussa Bank at year-end 2006, total profit before tax in 2006 rose 12.5% to EUR 694 million.

Total underlying income rose 13.1% in 2006, to EUR 2,396 million, mainly driven by a 12.5% increase in interest results, due to continued strong growth in client funds entrusted and mortgage portfolios. The total interest margin in 2006 narrowed to 0.89% from 0.93%, mainly due to a flattening of the yield curve and the strategic decision to maintain competitive rates offered to clients across all markets.

Total operating expenses increased by 14.5% to EUR 1,598 million, reflecting investments to support long-term value creation of the business. The underlying cost/income ratio increased from 65.9% in 2005 to 66.7% in 2006, mainly as a result of a relatively lower income margin and additional staff being hired to keep pace with commercial growth, particularly in mortgages. The operational cost base (excluding marketing expenses) was 0.41% of total assets, compared with 0.40% in 2005, mainly due to investments in mortgages. The number of full-time staff increased to 7,638 from 6,964 a year earlier, to keep pace with strong commercial growth.

Marketing expenditure remained strong, with an increase of 16% to support the strong growth in both savings and mortgages.

The addition to the provision for loan losses declined to EUR 81 million, 23.6% less than in 2005, equivalent to 10 basis points of average credit-risk-weighted assets, down from 17 basis points in 2005.

The underlying after-tax Risk-Adjusted Return On Capital (RAROC) declined to 11.6%, from 14.9% in 2005, partly due to higher effective tax rate charges. Total economic capital increased to EUR 3.4 billion, from EUR 3.1 billion in 2005, reflecting the continued strong growth of the business. With the exception of ING Direct UK, ING Direct US and ING Card, all ING Direct units are performing above ING's hurdle for RAROC.

In 2006, ING Card developed in line with expectations. The business unit has been transferred as from 1 January 2007 to the ING Retail Banking business line to better align its activities with its customers.

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 rate fell 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 net loss of EUR 23 million resulting from the divestment of Degussa Bank, ING DiBa's underlying profit before tax increased to EUR 339 million from EUR 254 million in 2005. In the US, underlying profit before tax declined to EUR 85 million from EUR 156 million in 2005, and in Canada to EUR 62 million from EUR 73 million last year, in both cases due to an environment of strong increases in the interest rates for our clients, inverse yield-curve developments and increased competition.

HIGHLIGHTS

Strong commercial performance

ING Direct is the world's leading direct bank and the leading direct bank in all nine countries in which it operates. In eight of those countries, except for the US, it is also a top-10 bank overall, measured by retail funds entrusted, demonstrating how direct banking is a mass market business gaining substantial scale.

In its 10 years of business, ING Direct has been leading the growth of direct banking into a mass market business of substantial scale. Each consecutive year since its establishment in 1997, ING Direct has shown exemplary growth through the delivery of its effective formula: selling a limited number of simple banking products at very low costs – primarily via the internet, telephone and direct mail – to retail customers in nine major developed markets. Total funds entrusted grew to EUR 195.9 billion from EUR 188 billion a year earlier. Two core products are savings and mortgages. The strong growth in the mortgage business in 2006 further strengthened the business. At year-end 2006, 35% of savings were used to fund residential mortgages, and the ambition of 40% of savings entrusted to be used for residential mortgage lending by the end of 2008 remains well on track.

With just a few products in a limited range of product categories, ING Direct sells large volumes of each, which creates operational efficiency and profitability. In addition to the focused product range, the low cost base is maintained by the use of standardised, state-of-the art IT systems and the absence of a branch network.

Achievements

ING Direct celebrated several key achievements in 2006. The UK added mortgages to its product offering and in the US, Chicago and Atlanta were added to the ING Direct footprint. In the US, a new payment account was successfully launched. ING-DiBa became Germany's biggest new mortgage provider. In November, Spain expanded its product offering with the launch of five new pension plans.

Growth based on four principles

A major factor contributing to its strong commercial performance is the four principles that differentiate ING Direct from other banks: the customer experience, the simplicity and transparency offered to customers, the low-cost operating model, and the 'fleet of companies' concept.

The customer experience

ING Direct aims to provide excellent customer service and satisfaction and research shows that, on average, 94% of customers would recommend ING Direct to others. These results are underpinned by the many awards ING Direct won in 2006 for excellent customer service. Because excellent customer satisfaction is a prerequisite of future growth and value creation, each business unit is in complete control of the customer experience. The customer channels are at the heart of ING Direct's business. Customers get quick feedback from highly committed staff, who are at the centre of ING Direct's success. Employee satisfaction is considered key to customer satisfaction.

The ING Direct brand and brand attributes are guiding principles. Significant marketing efforts were made to strengthen the brand position, which has also contributed to increased brand recognition of ING Group. Brand awareness remained strong in all countries.

Simplicity and transparency

This principle applies across the range of products offered. The focus is on developing transparent products designed to work very simply for consumers. After savings and mortgages, this principle is now being applied to more products in order to gradually meet a broader range of customer needs. An example is the introduction of payment accounts in Spain in 2005 and the US in 2006.

ING Direct continued

Low-cost operating model
This is ING Direct's single most important sustainable competitive advantage, achieved mainly by focusing on a limited, simple product range, standardised state-of-the art IT systems and the absence of a branch network. With a growing number of consumers relying on technology such as internet and automatic voice-response systems to conduct banking transactions, ING Direct is well positioned to benefit from a trend to the increasing use of cost-efficient direct channels. 2006 witnessed a further increase of the use of automated channels by customers in all countries. Over 80% of customer transactions are through automated channels.

Fleet of companies concept
This final principle allows ING Direct to 'think global' and 'act local'. Each company is free to determine the order of product introduction based on its own particular market circumstances. The role of the lean head office is mainly to keep strategic focus, to ensure risk is managed and to stimulate synergies between business units. Also in 2006, staff was exchanged at all levels between the business units.

Number of clients, total funds entrusted, residential mortgage portfolio

Clients in thousands, funds entrusted in EUR billion, residential mortgage portfolio in EUR billion and market rankings at year-end*

	Clients		Funds entrusted		Residential mortgage portfolio		Market rankings
	2006	2005	**2006**	2005	**2006**	2005	**2006*****
Canada	**1,491**	1,309	**12.3**	12.6	**9.5**	7.5	**7th**
Spain	**1,455**	1,249	**13.0**	12.8	**4.8**	3.6	**6th**
Australia	**1,414**	1,240	**11.2**	10.4	**15.4**	12.5	**6th**
France	**626**	501	**12.3**	10.8	**–**	–	**9th**
United States	**4,629**	3,382	**36.0**	34.0	**12.5**	10.9	**21st**
Italy	**792**	632	**14.0**	13.3	**1.8**	0.8	**7th**
Germany**	**6,005**	5,390	**60.6**	58.4	**25.0**	17.7	**6th**
United Kingdom	**1,099**	1,003	**36.3**	35.7	**0.1**	–	**8th**
Total	**17,511**	14,706	**195.9**	188.0	**69.0**	53.0	

* The sale of Degussa Bank had a negative impact of EUR 2.0 billion in funds entrusted, EUR 2.2 billion on mortgages and 141,000 on the number of clients, which are reflected in the year-end figures of Germany and Austria.
** Including Austria.
*** Market ranking in retail funds entrusted in local banking market.

CONCLUSIONS AND AMBITIONS

Despite a challenging year, ING Direct produced strong results in 2006, fuelled by the acquisition of three million new customers and growth in both client funds entrusted and mortgages. ING Direct's ambition going forward is to continue leading the transformation of direct banking.

ING Direct will continue to create value for its customers by ensuring simplicity in all its products, processes, services and systems. In so doing, it is well positioned to capture further growth in the direct banking sector. Future growth will come from three sources: first, from increased savings growth in countries where the business is already active; second, from geographic expansion; and third, by serving a broader range of customer needs. ING Direct's four principles will continue to be applied, so that at maturity the business will have a narrow range of simple products within each product category, with substantial scale, efficiency and profitability.

Asset management

Expansion in products and markets

Key points

- Total assets under management grew 9.6% to EUR 600 billion
- ING Investment Management benefited from increased cooperation between the regions
- Rapid expansion for ING Real Estate
- ING Private Banking profited from increased demand for private banking services

ASSETS UNDER MANAGEMENT BY BUSINESS LINE
in EUR billion

Insurance Europe	26%	157.9
Insurance Americas	34%	202.5
Insurance Asia/Pacific	14%	84.2
Wholesale Banking	10%	60.8
Retail Banking	15%	87.5
ING Direct	1%	7.1
Total	100%	600.0

ASSETS UNDER MANAGEMENT BY CLIENT CATEGORY
in EUR billion

Insurance policy holders	21%	127.1
Institutional clients	20%	118.3
Retail clients	17%	99.9
Private banking clients	10%	59.2
Proprietary	32%	195.5
Total	100%	600.0

The asset management industry is changing, leading to new sources of growth. The restructuring of pension systems, the ageing population and new client needs are driving the demand for outcome-oriented products – products specifically tailored to client needs. Investments in marketing, client service and brand are expected to have considerable influence on net inflows. ING's asset managers are responding well to these trends. ING Investment Management increased the quality of its product range and captured retirement opportunities with its Life Cycle Funds. ING Real Estate attracted more investors thanks to higher investor appetite for property and ING Private Banking profited from increased demand for private banking services.

FINANCIAL DEVELOPMENTS

Assets under management increased 9.6% to EUR 600 billion in 2006. Compared with 2005, growth was mainly offset by the negative impact of exchange rates of EUR 31.8 billion, while developments on stock markets contributed EUR 33.7 billion to growth. The net inflow of EUR 43.8 billion was mainly realised by Insurance Asia/Pacific (EUR 11.2 billion), ING Real Estate (EUR 13.5 billion) and Insurance Americas (EUR 6.8 billion). Growth was achieved for the greater part in third-party assets, which increased by 14.7% to EUR 404.5 billion by year-end 2006. Proprietary assets increased 0.4% to EUR 195.5 billion.

ING INVESTMENT MANAGEMENT

ING Investment Management (ING IM) is the principal asset manager of ING Group and with EUR 369 billion in assets under management at the end of 2006, one of the world's top-25 asset managers. ING IM delivered a sound investment performance in 2006. 67% of the mutual funds assets performed above the benchmark on a three-year horizon. Compared with peer groups, 63% of ranked assets under management ended up in the first or second quartile on a three-year basis. Rating agencies have assigned the highest five-star rating to 13 funds and 28 funds have four stars, representing EUR 18.4 billion or 31% of rated assets. In addition, several benchmarking studies have shown ING IM to be cost-efficient in its operations.

ING IM's global strategy is to leverage its strong global investment capabilities into regional opportunities to provide customer-centric solutions. ING IM Europe's strong sales of EUR 1.1 billion of the US senior bank loan capability in 2006 demonstrates the success of this strategy. ING IM's regional organisation, designed to ensure a closer relationship with local customers, has resulted in a good product offering that better serves customers' needs. At the same time, ING IM has benefited from closer cooperation between the three regions – Americas, Europe and Asia/Pacific – especially in product development and investment performance. Each region is a centre of investment expertise that seeks to leverage its capabilities across ING's global distribution.

ING IM also profited from its strong global proprietary business, which provides scale and growth opportunities to leverage into third-party business. The trend towards open architectures has created more opportunities and has resulted in ING IM entering into a growing number of strategic partnerships with other financial institutions for the distribution of products around the world.

ING IM continues to develop its Alternative Assets business. It is being recognised for its capabilities in private equity and continues to build its hedge funds and funds of hedge funds businesses organically, which recently exceeded EUR 1.1 billion in assets under management. In addition, ING IM has partnered with ING Real Estate to include real-estate products as part of a full alternative product offering. ING is leveraging ING IM's alternative asset-management capabilities in the US for general account investment programmes, which include private equity and funds of hedge funds. ING IM's private equity capabilities, through Pomona Capital, manages almost EUR 3.0 billion in commitments. Pomona's primary funds of funds business continued to grow in 2006 with the addition of investment programmes for ING IM US and ING IM Asia Pacific.

Europe

ING IM Europe's strategy is three-fold: to continue being an asset-management portal for our affiliate clients; to increase our mutual fund sales through third-party distribution channels; and to continue to show our strength in institutional business. To succeed, we focus on investment performance, broader distribution beyond affiliated channels, best-in-class products and services, and increased visibility worldwide. This focus and our increased third-party efforts resulted in solid growth in our international fund range, based in Luxembourg, in 2006. In Europe, our strength in equities is particularly noticeable in our speciality product offerings, with the global distribution of our high-dividend strategies being a clear example. Specifically, our enhanced ties with ING Direct Italy resulted in clear sales successes of these products in Italy.

The performance in fixed income was good, particularly in products such as Emerging Market Debt strategies which delivered strong inflows of EUR 1.5 billion. Our distribution network was further expanded by opening an office in Frankfurt to bring ING IM's investment solutions to the German market. ING IM is very committed to our Central Europe presence with offices in Warsaw, Prague and Budapest. This extensive cooperation resulted in good sales growth in the region with Poland accounting for sales of EUR 1.2 billion of ING IM product, with the bulk coming from the distribution of retail funds by our affiliated channels (like ING Bank Slaski). Besides strong results from our offices in Central Europe we also increased our sales in the region through third parties. In the Dutch institutional market, ING IM launched the Fiducional Investments and Services offering: a one-stop shop with a customised full-service offering to institutional clients. Mijnpensioen.ingim.nl, a user-friendly flexible Dutch internet platform incorporating our lifecycle fund proposition, was successfully launched to capture the opportunities in the retirement market.

Americas

ING IM America's strategy is to leverage our capabilities in traditional products with increased focus on client centric Structures and Solutions. These products involve multiple investment strategies and are distributed through multiple channels to meet client needs and deliver investment, client and business performance. The priorities are delivering strong sustainable investment performance, expanding investment management and retail funds distribution capabilities and on a global scale leveraging ING's worldwide client access.

In the US, the fixed income strategies performed well, resulting in the sale of EUR 8.8 billion in 2006 through both institutional and retail channels. The US institutional sales force has been rebuilt with an emphasis on derivatives or capital markets expertise to enable ING to compete in the increasingly complex pensions market.

ING Solution Portfolios, a suite of lifecycle funds, has grown to EUR 953 million, an increase of 218% since 2005. Approximately 70% of new plan sponsors in ING's US Retirement Services 401K business are adopting lifecycle funds as an investment option for their plan participants. As a result, 30% of their total plan assets are held in lifecycle funds indicating solid participant utilisation.

Asia/Pacific

In Asia, the focus is on increasing ING's presence in existing markets, which include the fast growing markets of China and India. ING IM aims to achieve growth through product expansion, including alternative assets and similar high margin products; and by deepening distribution relationships and developing alternative channels.

ING IM Asia/Pacific showed strong local fund performance across all asset classes. Global and regional strategies and products were leveraged for multi-country roll-out and distribution. Examples were the Asia High Dividend strategy in Taiwan, generating inflows of EUR 381 million, the setting up of the Cayman-based ING China A-Share Fund distributed through Asian private banks, taking in over EUR 200 million, and the launch of ING's Global Real Estate Fund in Malaysia which has raised over EUR 50 million.

Major wins were recorded in the institutional markets of Japan, Taiwan, South Korea, Thailand, the Philippines and Singapore. ING IM established a 100%-owned investment-management business in South Korea, in addition to ING's 20%-holding in KB Asset Management. In Taiwan, ING acquired the local mutual fund operations of ABN AMRO (EUR 2.4 billion assets under management), putting ING IM at the top of the Taiwanese asset-management industry, in terms of total assets under management and mutual fund asset size. In Australia, while ING Australia (the retail joint venture between ING and ANZ Banking Group) remains at the core of its distribution strategy, ING IM has gained the legal and regulatory status to develop independently and launch mutual funds through other intermediaries in Australia.

Asset management continued

Successful launches
The Diversified International Fund, which was launched in the US utilising ING IM's global investment and asset-allocation capabilities, had solid first year sales of EUR 214 million. The senior bank loan sales include EUR 0.9 billion from three Collateralized Loan Obligation (CLO) transactions launched in 2006, demonstrating our commitment to providing structured solutions for clients. The ING Risk Managed Natural Resources Fund, a well-received closed-end fund, raised EUR 400 million from retail investors. This unique energy and materials fund was designed by ING IM to seek total return in the sector with reduced volatility and an attractive distribution yield.

In 2006, ING IM Europe made the most successful fund introduction in the Dutch market with the ING (L) Opportunity Obligatie Fonds of EUR 305 million. This introduction marked the strong distribution capabilities within our affiliated channels (ING Bank) and our successful strategic partnership with third-party distributors. In Asia, ING successfully launched the Asia High Dividend Fund as well as the China A-Share Fund with combined net inflows of EUR 581 million.

ING IM received several awards and prizes. The Euro High Dividend fund was awarded "Best Fund over Five Years 2006 – Equity Eurozone" by rating agency Lipper. In the Netherlands, ING IM became "Best provider of investments funds year 2006" by S&P/Cash Readers.

Ambitions
Our global ambition is to be a top-tier global asset manager, leveraging our regional investment manufacturing strengths across our global distribution channels. Initiatives in 2007 will be focused on delivering sustainable continued investment performance, enhancing distribution power and introducing innovative products and service concepts to meet client needs.

ING REAL ESTATE

ING Real Estate saw another year of strong growth. The total portfolio, including the finance portfolio, increased 29.8% to EUR 90.7 billion, driven mainly by inflows of third-party money. Profit before tax rose by 80.8% to EUR 631 million. For the third consecutive year, ING Real Estate topped the global ranking of real estate investment managers. It opened new offices in Stockholm, Tokyo and Los Angeles which will help to grow the business further and strengthen the company's unique global platform.

ING Real Estate Investment Management
The objective of the Investment Management division is to maintain superior investment performance and to continue the growth of assets under management while capturing growth opportunities in Asia and Europe.

The Investment Management division benefited from the unremitting appetite for property funds among investors. Thanks to its global platform, it is able to harness the growing demand for cross-border products.

The global real estate securities business doubled from EUR 7.5 billion to EUR 15 billion assets under management.

With merger and acquisition activities in real estate rapidly increasing, ING Real Estate played a prominent role when it put in a bid to take over Summit Real Estate Investment Trust, Canada's largest listed owner of industrial assets. The acquisition added EUR 2.3 billion to assets under management. Several new funds for the institutional market were launched in Europe, targeting a total investment volume of EUR 4.3 billion.
The launch of the ING Real Estate China Opportunity Fund attracted both institutional investors as well as high net worth individuals from the US, Europe and Asia. In the US, a hotel investment team was established in response to improving fundamentals in the hotel industry. The new team took over the management of a EUR 1.4 billion portfolio in December.

ING Real Estate Investment Management and the corporate finance business of ING Wholesale Banking formed a joint venture called ING Real Estate Capital Advisors to capitalise on the growing demand for specialised real estate investment banking services.

ING Real Estate Finance
The objective of the Finance division is to grow steadily and further diversify, both product-wise and geographically.

The ING Real Estate Finance Division made substantial progress in its international diversification strategy, while maintaining market leadership in its home market of the Netherlands. The share of non-Dutch lending rose from 30% to 35%. The division made a strong debut in the securitisation market and increased its activity in the syndication market, in association with ING Wholesale Banking. The Finance division also closed its first lending transactions in Asia.

ING Real Estate Development
The Development division prioritises controlled expansion in Europe as a multi-disciplinary developer with strong capabilities in area redevelopment.

The Development division returned to profit on the back of a string of project sales, of which the 52-storey New York Times Tower project in New York was the largest. Several shopping centres in Spain, Germany and the UK were completed. The division received several prestigious industry awards, including the 'European Retail Developer of the Year' award.

Ambitions
We can look to the future with confidence. The real estate investment market is globalising, evidenced by the high level of cross-border investment. Just as local investor clients, cross-border investors are served by strong and experienced teams in all key markets. We develop investment products in partnership with our clients as well as build and manage their portfolios.

ING PRIVATE BANKING

ING Private Banking continued to grow rapidly in 2006 despite fierce competition, benefiting from continued private wealth creation worldwide and the consequent increased demand for private banking services. Assets under management increased 16.8% to EUR 59.2 billion, while profit before tax grew by 15.8% to EUR 242 million.

ING Private Banking is currently a top-40 player in terms of assets under management. The company's ambition is to become a top-20 private bank measured by assets under management, with growth expected to come from investment in new regions, and by launching innovative products, and the training, development, and recruitment of talented bankers and support staff.

For more information on Private Banking see the Retail Banking chapter on page 38.

Human resources

Initiatives on track and producing solid results

Key points

- Chairman meets employees around the world
- ING Global Employer Brand rolled out
- First ING International Graduate Programme
- Enhanced international mobility

ING set out a new strategy in 2004, since when many human resources initiatives have been launched across the organisation. These initiatives have taken root and results so far have been positive. We continue to invest in human capital to realise fully the potential of employees and to enhance corporate performance. If we want to remain successful as a business we have to continue creating value for customers and shareholders. It is our employees who make this happen. They are our single most valuable commodity driving the business forward.

SHARED DIRECTION

Shared direction is about creating a common understanding among employees of ING's objectives. Communication plays a major role here. During the year, major emphasis was placed on stepping up the dialogue with employees. A series of 'town hall' meetings were held between the chairman, business lines' senior management and employees. To create an additional platform for dialogue with employees, a CEO site has been launched. The site explains ING's key strategic objectives and has a Q&A forum where employees can ask questions. The most frequently asked questions were to do with strategy, HR policies and benefits and performance culture. The chairman also continued with his quarterly e-mails to all employees, covering ING's results and specific issues. ING held another series of dialogue sessions between Executive Board members and a select group of global talent – individuals with high potential. *Live* ING, an interactive learning programme which explains the strategic priorities and organisational structure, continued and will be delivered at the local level in 2007: ING's six business lines are now implementing *Live* ING within their induction programmes.

PERFORMANCE EXECUTION

ING continued with its strategy of enabling staff to drive business performance. We also synchronised the human resources agenda with the business agenda and business lines take responsibility for implementing human resources practices that directly contribute to achieving business goals. Human Resources plays a key role in measuring performance and engagement levels throughout the company and is helping the different business units follow up with several change and improvement programmes.

Practices for distinguishing between high and low performers are spreading rapidly throughout the different businesses and regions. Based on best practices from several business lines, global performance management principles have been developed. Those principles are aimed to raise the bar on how we set and measure our performance objectives and provide feedback. Moreover they increase the emphasis on variable compensation for senior executives, through long and short-term incentives. While our compensation package remains in line with the market, these principles allow us to be more flexible and transparent in how we link performance to compensation.

In order to maintain our position in increasingly competitive local and global markets, we continued to focus on efficiency and service. Specific efficiency programmes resulted in a workforce reduction due to the streamlining of activities (960 FTEs since

2005) and outsourcing (1,480 employees in 2006). The overall number of employees rose to 119,801 owing to the increasing growth of our business. ING does its utmost to support those affected by efficiency programmes. In said cases either severance pay schemes or collective labour agreements apply and we observe local laws and regulations. In the case of outsourcing, for example in the Benelux countries, ING ensures a smooth transfer for staff changing employment from ING to the outsourcing company.

HUMAN CAPITAL MANAGEMENT

Recruitment

We introduced and rolled out the ING Global Employer Brand. This aims to give the company a stronger brand image in the international talent market and explains what leaders we need in the future and the benefits of working for ING. We also enhanced our graduate recruitment strategies, intensifying contacts with universities and graduates worldwide; our short-term focus here is on India, the US, Poland, Belgium and the Netherlands.

Talent management

Reinforcing ING's management and building strong leaders at all business levels is a focal area of ING. We enhanced our leadership by raising the bar on compliance and the ability to energise, decide and execute; criteria against which we screen and evaluate senior leaders.

ING launched its first International Graduate Programme – a talent development programme for young, recently hired graduates with leadership potential. The aim is to build a network and pool of future leaders. This network will be monitored, coached and supported by the ING Leadership Pipeline programme, a series of programmes from the ING Business School (IBS) to build better leaders at all levels across the globe. Moreover, they are included in Action Learning Groups, in which they form task teams to focus on concrete business projects and come up with meaningful business solutions.

Talent management is one of the drivers of 'right person, right job, right time'. We continued our annual talent review cycle and implemented succession planning for our top-200 positions. This involves regular reviews of our leaders by the Executive Board. Throughout the company leaders are increasingly moving across regions and business lines, accelerating the sharing and distribution of best practices.

Growth and value creation are key elements of ING's strategy. IBS continued the Managing for Value workshop, which will remain part of the curriculum in 2007. The goal of maximising long-term value and growth rather than short-term profit has been embedded as a target for senior management in ING's business lines. Customer centricity, one of our key objectives, is addressed by the Lean/Six Sigma workshop, which provides management with tools for increasing quality and service. Following a pilot in the first half of 2006, it is now a fixed curriculum component. In order to meet the learning needs of high-value specialists at the various business units, IBS has developed a custom-built programme underlining the importance we give to them in executing our value creation strategy. Seven programmes were run and this initiative will be continued in 2007.

All staff in the Netherlands completed a mandatory e-learning compliance course, a formula now being adopted in Poland, Russia and India.

Diversity

ING has a broad customer base worldwide. To understand their needs, we need to reflect their diversity, as we believe that encouraging diversity is not only our social responsibility but also a long-term business advantage.

The Diversity Mentoring Programme, which will be extended to 100 mentors in 2007, is a cross-business-line programme that supports the mentoring of talented staff by Executive Board and top-200 members with a different background from the person they mentor. Different internal staff minority networks are increasingly active and effective in promoting the recruitment and development of people from diverse backgrounds. ING is also involved in employee exchange programmes with other companies. Graduates from top Indian universities will also participate in a special talent programme at ING.

ING's efforts on diversity are paying off: ING has won the 2006 Diversity Award in the Netherlands because of its pioneering role, persistence and consistency in policy.

We aim to enhance international mobility among our staff. We now have an assignment policy in place to better match the needs of the business and employees and reduce related cost, for example by increasing the number of short-term assignments. This has proven especially effective in Insurance Asia/Pacific and Central Europe.

CONCLUSIONS AND AMBITIONS

ING has continued to roll out initiatives to enhance employee performance and the results have been very positive. We will continue to strengthen our human resources initiatives and focus even more sharply on performance. All initiatives must closely align to business needs and all short-term achievements contribute to long-term strategy. Improving our performance culture is very much the focus in managing our human resources.

Number of employees by business line

Year-end FTEs	2006	
Insurance Europe	**15,126**	13%
Insurance Americas	**28,778**	24%
Insurance Asia/Pacific	**10,487**	9%
Wholesale Banking	**20,605**	17%
Retail Banking	**37,113**	31%
ING Direct	**7,638**	6%
Other	**54**	
Total	**119,801**	100%

Branding

Raising brand awareness, communicating brand values, meeting brand expectations

Key points

- Performance against brand attributes embedded in business planning cycle
- Process of streamlining brand architecture continues
- ING launches first-ever global brand campaign with Formula One sponsorship

Brand awareness and the understanding of ING's brand values continue to rise. ING is now a truly global brand as measured by Interbrand global 100, which ranks ING 85th among the top 100 worldwide brands. Nevertheless, we aim to bring brand awareness in line with ING's business profile as the world's 13th largest company (Fortune 500, 2006) with a client base of 60 million people in over 50 countries. This is one of the reasons why ING decided to make a major investment in the ING brand with the three year sponsorship of the Renault Formula One (F1) team.

BRAND IS A COMPETITIVE STRENGTH

As ING brand awareness rises, so too does the brand expectations of customers and other stakeholders. It is therefore crucial that alongside increasing brand awareness, performance of the businesses against ING's core brand attributes also continues to improve. It is very important that any gap which exists between brand promises and the customer's actual experience is minimised.

To this end, in 2006 branding was built into ING's formal planning cycle. The Executive Board and each of the business lines first reviews its performance over the previous year against the brand attributes and then develops its own 'customer-centric' action plan, designed to adapt business processes and practices to further improve performance in the upcoming year. To monitor progress, central tracking of the performance of each business line against core brand attributes has been introduced, using independent market research.

TOWARDS ONE BRAND

A process of streamlining the brand architecture, so that all ING businesses around the world increasingly come under the single ING brand, has been underway for some years. Marketing and advertising campaigns will continue to be developed by individual business lines at the local level. As well, ING will commence rolling out a global branding campaign, a first for the company.

This streamlining process will also involve business units adopting a more consistent visual identity that features the ING lion logo.

Furthermore, the objective of campaigns is to not simply raise brand awareness, but to increase people's understanding of what ING does and what the ING brand stands for.

FORMULA ONE SPONSORSHIP: A KEY BRAND BUILDING BLOCK

Extensive research showed F1 to be ING's best platform for a global brand campaign. F1 has huge reach, with high quality, year-long global viewing figures exceeding 850 million live viewers. Grand Prix races take place in 17 countries, of which ING is active in 15. The sponsorship will strengthen ING's presence in key markets, and help the company reach new ones.

With the F1 campaign, ING is taking the next step in developing its global brand. The global F1 campaign is intended to be a key element both in the process of bringing ING increasingly under a single brand and in the on-going effort to increase brand awareness and understanding.

Corporate responsibility

Embedding responsibility in the business

Key points

- ING Human Rights Statement
- Launch of revised Equator Principles
- ING to become climate neutral
- ING Chances for Children raises targets

ING wants to pursue profit on the basis of sound business ethics and respect for its stakeholders. Corporate responsibility (CR) is therefore a fundamental part of ING's strategy: ethical, social and environmental factors play an integral role in our business decisions. Our stakeholders, including employees, expect ING to act ethically. To this end, ING continued its dialogue with stakeholders – including non-governmental organisations (NGOs) and CR experts – with the aim of further embedding CR principles in ING's business.

As a follow-up to this stakeholder dialogue, ING has adopted the requirements of the core conventions of the International Labour Organisation (ILO). The support of the 1948 Universal Declaration of Human Rights (UDHR) was already implemented in one of our core Business Principles. Following that, ING issued a Human Rights Statement which is an elaboration of our existing Principle on the labour rights of our employees. The ING Business Principles guide us in all we do.

In December 2006, ING committed itself to the ten principles of the UN Global Compact – an initiative that brings companies together with UN agencies, labour and civil society to support universal environmental and social principles.

ING wishes to build long-term customer relationships. Long-term financial commitments require us to provide customers with thorough information about financial choices in insurance, banking and asset management. Our business lines are increasingly taking responsibility for further embedding corporate responsibility practices in their daily activities, as illustrated below.

RESPONSIBLE INSURANCE

Customers' trust is important to ING's legitimacy. Many of our financial products and services, such as mortgages and life insurance, cover a long period of time. To earn that trust, our information needs to be thorough, accurate and easy to understand.

We aim to provide our customers with correct information, and we take responsibility when we make mistakes. The Dutch life-insurance sector is faced with complaints of policy holders concerning the cost and transparency of unit-linked life-insurance products. Further details are included in the annual accounts on page 154.

'Pick Ur Advisor' – a web site that allows customers in India to choose their preferred adviser – is an example of how we provide user-friendly information. Customers can also communicate with their adviser by setting up their own private blog (web log). This initiative is part of our efforts to enhance financial literacy, particularly important with increased access to our products in developing countries.

Corporate responsibility continued

RVS, a Dutch-based ING insurance label, organises pension meetings for women in the comfort of their home. Many Dutch women lack proper pensions. They depend on their partner and misjudge the impact of part-time work or divorce on their financial future. During the meeting the RVS advisor gives a crash course on pensions.

ING is also committed to sustainable retirement solutions, an issue increasingly important worldwide. We advise several governments on pension reform and help them develop their pension systems. We also seek co-operation within the financial industry to share expertise and promote initiatives that increase private pension provision, such as our research partnership with the World Bank and OECD on privatised pension systems in developing and transitional economies. The results of the partnership's first project, 'Financial performance of private pension funds', are expected to be published late 2007.

RESPONSIBLE BANKING

Financial services providers are increasingly held accountable for the actions of their corporate clients. We use Environmental and Social Risk Policies (formerly known as CSR Statements) in wholesale banking to ensure that companies that request financing are not involved in areas incompatible with ING's environmental, social or ethical values.

ING screens, for example, credit proposals to ensure financing is compatible with our Business Principles. A key part of our policies is the revised Equator Principles, a financial industry benchmark for managing environmental and social risk in project finance. The Equator Principles now apply to all project financings over USD 10 million (previous threshold USD 50 million).

Wholesale Banking stimulates environmentally friendly projects. ING closed a contract to finance the construction and operation of a carbon emissions distribution network from a Dutch refinery to Dutch greenhouses, requiring a total investment of EUR 70 million. Greenhouses need carbon dioxide to stimulate the growth of the crops and the refinery could thus realise a substantial reduction in carbon emissions of 170,000 tonnes.

ING's Green Finance department financed a solar power project in Mali that provides 40,000 people with electricity and a project in the Dominican Republic that ensures the sustainable replacement of buses. Green Finance arranges around EUR 100 million worth of business loans per year for Postbank Green, a Postbank subsidiary that focuses on environmentally friendly savings and investments.

ING takes customer information protection seriously and we continue to strengthen security measures in all of our activities. At our US operations, for example, extremely sophisticated security encryption has been installed on all portable devices, and our direct banking operation, ING Direct, has continuous security upgrades of technical systems to meet customer needs, as customers rely increasingly on technology to conduct their banking affairs.

Our banking operations are strongly committed to enhancing financial literacy. In the US, ING Direct launched its Planet Orange web site, helping children, parents and teachers explore basic financial topics like earning and saving.

ING wants to improve access to financial products and services for small businesses and private individuals. And we feel a special responsibility towards people in developing countries. Microfinance enables people to build up a business and provide better care for their families. ING has a great deal of expertise in the development and marketing of financial and insurance services and is happy to share this expertise. Through our partners, microfinance institutions can turn to us for technical and management support. Microfinance also offers new market opportunities with respect to investment, wholesale and retail banking. ING Green Finance issues loans to microfinance institutions. In India, ING Vysya's rural offices issue credit and savings products to women and provide wholesale credit to microfinance institutions. At year-end 2006, some 112,000 customers had received loans with a total value of EUR 56,6 million.

RESPONSIBLE ASSET MANAGEMENT

ING has EUR 600 billion in assets under management that it invests around the globe, of which EUR 195.5 billion are proprietary assets. We have a duty to invest these assets in a responsible manner. We want to ensure that we are able to meet our promises to policyholders in the future, but we also want to avoid investing proprietary assets in companies that engage in activities incompatible with our defence policy or Business Principles.

ING's global voting policy governs how ING exercises all its voting rights at shareholders' meetings for third-party and proprietary assets worldwide. The policy outlines key principles and is intended to provide a framework for ING's individual asset management units to draw up more detailed voting procedures that conform with the regulations and standards of the countries in which they operate.

Following ING Investment Management's 2005 policy regarding the defence industry, the annual screening was carried out again in 2006 of companies directly involved in controversial weapons, resulting in several companies being removed from ING IM's proprietary portfolio.

ING offers investors Sustainable Equity Investment products in several countries and provides investors with tailor-made information on the social, ethical and environmental performance of companies. It also allows clients to exclude activities and behaviour that do nog meet predefined sustainable criteria, such as tobacco industry, child-labour.

COMMUNITY DEVELOPMENT

ING Chances for Children is a company-wide programme aimed at giving children in Brazil, Ethiopia and India access to primary education. In 2006, we raised enough funds for some 52,000 children's education for one year. As a result of this success, ING decided to raise the target to 115,000 children at 2007 year-end and is encouraging each employee to sponsor one child financially.

ING believes that engaging employees in community development improves our corporate culture and performance. Several business units have set up foundations for employee engagement in community development. In the centre of Manila (the Philippines), ING Wholesale Banking Staff helped to build the ING Village. ING staff privately financed the 140 houses for 700 people and personally built them in co-operation with Habitat for Humanity.

In Chile, ING staff launched the Support for the Community project, which provides financial assistance for children from low-income families and support for a home for mentally handicapped orphan girls.

The arts enrich society. It connects people and reflects the values and aspiration of communities. ING supports the arts through sponsoring and partnerships.

A special element of the art & culture programme is the ING Collection. In 2006, ING published a new catalogue, *Art in the Office*, featuring a selection of the 20,000 works of art in the ING Collection, displayed in 1,200 offices worldwide. ING also feels it is important to show its social and cultural involvement through exhibitions in national and international museums. In 2006, we organised an international exhibition in Poland and plans for 2007 and 2008 include exhibitions in Belgium, the Netherlands, Italy, France and the Philippines.

ENVIRONMENT

ING focuses on the three areas – energy, paper and business travel – that have the greatest impact on the environment. Business units are encouraged to take responsibility at the local level. For example, from 2007, ING Netherlands will purchase 100% green electricity.

In 2007, ING plans to go 'carbon neutral' – meaning that ING will bring its net carbon emissions to zero at the end of each year – by purchasing green energy and extending our current offset programme. This programme supports the planting and rehabilitation of 300 hectares of degraded tropical rainforest in Malaysia. In 2006, ING met its target to reduce carbon emission levels by 30% compared with 2005 levels.

In the Dutch business units, new company cars must meet the category A, B, or C energy restrictions. ING Car Lease offers customers a similar three-step energy label plan for company car fleets.

ING encourages its business units to purchase paper that is not bleached and comes from renewable sources. Some business units already have their own programmes in place. Others, like ING Malaysia, for example, will work to reduce its paper usage by 20% through a green ING campaign in 2007.

ING was again listed a 'best in class' company in the Carbon Disclosure Project's Climate Leadership Index (for more, see www.cdproject.net). ING remains a member of the Global Round Table on Climate Change.

CONCLUSIONS AND AMBITIONS

ING will continue to further strengthen the corporate responsibility strategy, for example, through presentations about CR at the ING Business School and the Wholesale Banking induction programme for new recruits, and in 2007 internal communications will also be enhanced. We will seek to expand an international network of colleagues involved in CR or community development. We remain focused on responsible business practices, facilitating the further embedding of CR within business units, and the environmental impact of our business operations. We will promote the roll-out of advanced community development programmes and further strengthening of stakeholder engagement.

Amsterdam, 12 March 2007
The Executive Board

Report of the Supervisory Board

In 2006, there was again intensive contact between the Supervisory Board and the Executive Board through regular meetings. In the Supervisory Board meetings all important issues were discussed during the year. Committees of the Supervisory Board discussed a range of subjects on which to advise the full Supervisory Board, the main ones being the quarterly results, human resources and governance.

GENERAL

The Supervisory Board met eight times during the year. All members attended at least seven of the eight meetings, most of them attended all meetings. Attendance at the committee meetings was at the same high level. The Audit Committee held six meetings, while the Remuneration and Nomination Committee met three times and the Corporate Governance Committee twice.

In January, the first ING Knowledge Day was held, a full day of presentations and discussions around important ING subjects. The aim is to give Supervisory Board members in-depth knowledge about the business lines and regulatory, risk, compliance and other issues. Risk Management gave an extensive presentation, managing for value was discussed and ING Direct presented its business model in detail.

Supervisory Board meetings

The Supervisory Board started the year with its annual full-day meeting in January on ING's strategy and medium-term plan. This meeting included feedback on the way investors and analysts look at ING. The medium-term plan was discussed in detail and approved by the Supervisory Board. It addresses the plans of the business lines and the financial targets for each of them and for the Group as a whole. The Supervisory Board discussed ING's ambition to be a strong global financial institution and how this position can be retained in an always changing environment. The discussion focused on the importance of autonomous growth, but also on the need to be alert on developments in the financial services industry that could have an impact on ING's global position.

In February, the annual figures were discussed, including the related audit reports of the external auditors. ING Wholesale Banking gave a presentation on its positioning and activities in the financial markets. The draft agenda of the Annual General Meeting of Shareholders was discussed and approved.

In May, the figures for the first quarter were discussed. Leadership development was discussed on the basis of a report by Group Human Resources. There is a strong focus on leadership development, from young talents to potential candidates for the Executive Board. ING Real Estate gave a presentation on its successful business model, also addressing its main challenges. The AGM was evaluated. The Supervisory Board wants to improve the level of the discussions, focusing on important themes for ING, such as its strategy, business performance, risk management, corporate governance and corporate responsibility.

The six-month results were discussed in the August meeting, also based on the verbal report on the discussions in the preceding Audit Committee meeting, as in every meeting. The management team of United States Financial Services gave a presentation about developments in life insurance and retirement services in the US, one of the most important markets for ING. Also several regulatory developments and matters in the US were discussed. The October meeting was used for presentations and discussions on Operations/IT and Private Banking, while in November the nine-month figures were discussed and further discussions took place on the strategy. The charters of the Executive Board and Supervisory Board and its committees were reviewed and updated where necessary. In October, the Supervisory Board visited India to learn more about ING's position in this rapidly developing market.

In all meetings during the year, the Executive Board updated the Supervisory Board on topical issues, such as acquisitions and new business initiatives. During internal meetings of the Supervisory Board, the Supervisory Board decided on candidates for the Executive Board and the Supervisory Board as well as on remuneration topics and the new retirement policy for the Executive Board members.

During the annual internal meeting of the Supervisory Board the functioning of the Supervisory Board, its committees and its individual members were discussed. This was done in the light of the Supervisory Board profile. Furthermore, the functioning of the Executive Board and the performance of the individual Executive Board members were discussed.

Audit Committee meetings
The Audit Committee discussed the annual and quarterly results in four meetings and the annual and semi-annual US GAAP results in two meetings. An important subject in 2006 was the implementation of ING's internal controls and underlying documentation in line with the requirements of the US Sarbanes-Oxley Act by year-end 2006. Other topics were risk governance, capital management and compliance. Management letters of the internal and external auditors on internal control were discussed. The redesign of Corporate Audit Services and the restructuring of some of the risk management departments were also discussed. Presentations were given by Corporate Audit Services on the new working methodologies and the adjusted structure, by Nationale-Nederlanden on the accounting processes, and by Corporate Operational and Information Services on IT risk governance. The independence and the quality of service of the external auditors were evaluated. The Audit Committee came to the conclusion that it would be more efficient to assign the financial audit of ING Groep N.V. and its subsidiaries to one single audit firm, instead of being shared between two firms. Accordingly, both Ernst & Young and KPMG will be invited to tender for the financial auditing of ING Groep N.V. and all of its subsidiaries in 2007. It is the intention to shift to one external auditor in 2008, to be appointed by the Annual General Meeting of Shareholders in 2008.

Remuneration and Nomination Committee meetings
The Remuneration and Nomination Committee discussed the future composition of the Supervisory Board, given the upcoming vacancies. On the basis of a shortlist of candidates, three new candidates for appointment to the Supervisory Board were selected.

Given the retirement of Mr. Maas as vice-chairman and CFO of the Executive Board after the AGM of 2007 at the age of 60, a proposal for his succession was discussed. Early in 2006 the candidacy of four new Executive Board members was confirmed. Their compensation packages were discussed and submitted to the Supervisory Board for approval.

The 2005 performance regarding the short-term and long-term incentives of the Executive Board members was discussed on the basis of the group performance criteria and the individual targets. The proposal to the full Supervisory Board regarding the variable remuneration for 2005 was approved. The Executive Board compensation structure for 2006 was discussed. According to the intended gradual move to market competitive levels, the variable components at target increased from 75% to 100% of base salary. The new retirement policy for the Executive Board members was discussed in the light of new legislation. The proposal to change from a defined-benefit system to a defined-contribution scheme was supported and decided upon by the full Supervisory Board within the framework approved by the AGM.

Corporate Governance Committee meetings
The Corporate Governance Committee discussed the agenda for the Annual General Meeting of Shareholders. It reviewed an updated version of the ING Insider Regulation and discussed the updated versions of the Executive Board Charter and the Supervisory Board Charter, including updated charters for the Supervisory Board committees. There were only small changes to keep the charters aligned with international legislation and regulations. The updated charters have been published on ING's website. The committee also discussed a report of the Dutch Authority Financial Markets (AFM) about ING's compliance culture in the Netherlands. The Committee endorsed the conclusions of the Executive Board regarding further improvement.

Composition of the Executive Board
In April 2006, Fred Hubbell, Alexander Rinnooy Kan and Hans Verkoren retired from the Executive Board. The newly appointed members were Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy. These changes in the Executive Board were reported in the 2005 Annual Report. In 2007, Mr. Maas – vice-chairman and Chief Financial Officer – will reach the contractual retirement age of 60. His role as CFO includes responsibility for the finance and risk management functions. In the light of the strong developments in these fields, it will be proposed to the 2007 AGM to appoint a new CFO, responsible for the finance function, and a CRO, chief risk officer, responsible for risk management. John Hele (Canadian, 1958) and Koos Timmermans (Dutch, 1960) will be proposed for appointment to CFO and CRO, respectively. Mr. Hele was appointed deputy CFO on 1 May 2006. He joined ING in 2003. Mr. Timmermans has been working for ING since 1996. He was appointed deputy CRO also on 1 May 2006.

Information on the members of the Executive Board and the nominated members is provided on page 63–64.

Report of the Supervisory Board continued

Retirement of Cees Maas
Following the General Meeting of Shareholders, Cees Maas will retire from the Executive Board, reaching the age of 60 in 2007. Cees Maas joined the ING Group Executive Board in 1992, one year after the merger of Nationale-Nederlanden and NMB Postbank Group. He was already involved in the merger process as a very committed member of the Supervisory Board of NMB Postbank Group. He was appointed Chief Financial Officer in 1996 and became vice-chairman in 2004. During his 15 years on the Board, Cees Maas paid a tremendous contribution to the development of ING, playing a key role in the large acquisitions through the years. As being responsible for the finance and risk functions and as the first ING CFO, he brought ING's financial reporting as well as ING's risk management to a much higher level, which are now considered as among the best in the industry. Cees Maas is a very energetic personality with a strong drive to get the ING story told, both from a financial perspective and in the light of ING's strategy. Through the years and during his previous position as Treasurer-General of the Dutch Ministry of Finance he built a truly global network of business contacts. ING benefited strongly from his communication and network talent. Given his experience and knowledge of both the insurance and banking business, we are very happy that he will stay connected to ING as an advisor to the Executive Board

Composition of the Supervisory Board
Aad Jacobs and Paul de Meester retired after the General Meeting of Shareholders in April 2006. In the same meeting Cor Herkströter and Karel Vuursteen were reappointed as members of the Supervisory Board. Piet Klaver was appointed as a new member. All these changes were already reported in the 2005 Annual Report. Aad Jacobs was chairman of the Audit Committee. He was succeeded by Jan Hommen, who was already a member of the Audit Committee. Wim Kok was appointed as a new member of the Audit Committee. Godfried van der Lugt already succeeded Paul de Meester as a member of the Audit Committee in November 2005.

Paul van der Heijden will retire after the Shareholders Meeting on 24 April 2007, having reached the maximum period of three terms of four years. Cor Herkströter and Luella Gross Goldberg would retire from the Supervisory Board reaching the age of 70 in 2007. Both agreed to stay one more year to ensure a balanced composition of the Board. Claus Dieter Hoffmann and Wim Kok will be nominated for reappointment.

The Supervisory Board nominates three candidates for appointment: Mr. Henk Breukink (1950, Dutch nationality, as per 24 April 2007), Mr. Peter Elverding (1948, Dutch nationality, as per 1 August 2007) and Mr. Piet Hoogendoorn (1945, Dutch nationality, as per 1 June 2007) The proposed appointments were approved by the Dutch Central Bank.

Information on the members of the Supervisory Board and the nominated members is provided on page 66–67.

There are currently no Supervisory Board members who qualify as 'non-independent' as defined in best-practice provision III.2.2 of the Dutch Corporate Governance Code. From the candidates for appointment, Mr. Hoogendoorn is considered to be not independent, because of his position with Deloitte Touche Tohmatsu until 1 June 2007 and considering the important relationship of Deloitte Touche Tohmatsu with ING. After the appointment of Mr. Hoogenboom ING is still in compliance with best-practice provision III.2.1.

Retirement of Paul van der Heijden
Paul van der Heijden was appointed in 1995 following the nomination by the Dutch Central Works Council. As a professor in labour law, he added specific know-how to the Supervisory Board. He was an important liaison with the Central Works Council. He had a critical but balanced attitude in the Remuneration and Nomination Committee, having a good feel for comments in the Dutch market about the remuneration levels of the Executive Board members. He was very helpful in the discussions with the Central Works Council about the Executive Board remuneration. Both the Supervisory Board and the Executive Board would like to thank Mr. Van der Heijden for his commitment to ING during the past 12 years and the way he performed his role on the Supervisory Board.

Annual Accounts and dividend
The Executive Board has prepared the annual accounts and discussed these with the Supervisory Board. The annual accounts will be submitted for adoption to the General Meeting of Shareholders as part of the Annual Report. The proposed dividend for 2006 is EUR 1.32 per (depositary receipt for an) ordinary share. Taking into account the interim dividend of EUR 0.59, the proposed final dividend amounts to EUR 0.73, payable in cash.

Appreciation for the Executive Board and the ING employees
Finally, the Supervisory Board would like to thank the Executive Board for the way it led the company in another year of good results, in an even more challenging economic environment in the second half of the year. With four new members out of eight, the Executive Board showed its ongoing strong focus on growth and return, cost efficiency and portfolio management. The Supervisory Board would also like to thank the 120,000 employees of ING for their daily commitment to ING, ultimately always in the interests of the customers, shareholders and other stakeholders.

The Supervisory Board,
Amsterdam, 12 March 2007

Corporate governance

This chapter discusses the application by ING Groep N.V. ('ING Group') of the Dutch Corporate Governance Code (the 'Tabaksblat Code') and provides information on capital and control, the Executive Board, the Supervisory Board and the external auditors.

RECENT DEVELOPMENTS

New legislation

During 2006, ING worked on new provisions arising from legislative changes, which will give investors a greater opportunity to participate in shareholders' meetings. Under the new legislation, it will now be possible to set the record date for shareholders' meetings thirty days (rather than seven days as used to be the case) before the meeting. This enables companies to be better prepared for the meeting and clarifies for shareholders at an earlier date the number of shares they can vote with. ING will apply the new ruling for the 2007 General Meeting of Shareholders.

In addition, new legislation will enable shareholders to participate in meetings via videoconferencing. Under the new legislation shareholders' meetings will become more accessible, particularly for institutional investors abroad, who can access video-conferencing facilities. Companies will also be able to notify shareholders of meetings via their website or by e-mail instead of by newspaper advertisements. Both of these changes are subject to amendment of the articles of association. Such an amendment of the articles of association is being proposed to the 2007 General Meeting of Shareholders.

Dialogue with shareholders

And finally, ING Group will create the opportunity for investors to ask questions on matters on the agenda for the 2007 General Meeting of Shareholders. Shareholders and holders of depositary receipts can visit the website of ING Group (www.ing.com) to submit their questions. Questions pertaining to the Shareholders' meeting will be answered on that same website.

CORPORATE GOVERNANCE CODES

In compliance with the Dutch Corporate Governance Code

In its corporate governance structure and its corporate governance practices, ING Group uses the Dutch Corporate Governance Code (Tabaksblat Code) as reference. The ING Group corporate governance structure described in the document, entitled '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 26 April 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 extended with an update of ING's implementation of the Tabaksblat Code since 2005.

The following deviations from the Tabaksblat Code are to be reported for 2006:

– not in the 2005 annual report, but for the first time in the 2006 annual report, ING will report in accordance to SOX 404 for the internal risk management and control systems related to financial reporting; for other risks a description will be made of the risk management and control systems and any material shortcomings that were discovered, including the improvements made or scheduled to be made (best-practice provision II.1.4);

Corporate governance continued

- the two Executive Board members appointed before 1 January 2004 remain appointed for an indefinite period of time and retain their agreed exit arrangements, which exceed 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 are 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 member may exceed the maximum of 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), in order to avoid that the total wage tax to be withheld in the month of vesting exceeds the gross salary payment of that month;
- performance criteria for variable remuneration are being disclosed only to the extent that this information is not stock-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 would not meet the independence criteria of the Code, the Supervisory Board can make a reasoned decision that such member is still considered to be independent in order to take into account specific circumstances, such as the differences in duration, intensity and geographical distance in family and employment relations (best-practice provision III.2.2), in order 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 General Meeting of Shareholders as a Supervisory Board member, has more than five positions as a supervisory board member with other Dutch-listed companies (best-practice provision III.3.4). He will meet the Tabaksblat requirement as of May 2007, when he will retire from the Supervisory Board of Ahold N.V.;
- under special circumstances the Supervisory Board may deviate from the general rule that a member of the Supervisory Board cannot be re-appointed for more than two subsequent 4-year terms (best-practice provision III.3.5);
- ING Group installed 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 in an early stage;
- in 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 marriage, especially if that marriage ended in conflict (best-practice provision III.6.1), in order to allow for situations in which the family relationship is not material (anymore);
- 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, stock-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;
- 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.

Deviations from the Tabaksblat Code by the ING Trust Office are reported in its own annual report (see page 69–70).

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).

CAPITAL AND SHARES

Capital structure, shares
The authorised capital of ING Group consists of ordinary shares, preference A shares, five series of preference B shares and cumulative preference shares. When we refer to shares, 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 cumulative preference shares has been granted to the ING Continuity Foundation (see page 71). Of the issued share capital 97% consists of ordinary shares and 3% of preference A shares.
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. The shares, which are all registered shares, are not listed on a stock exchange.

Depositary receipts
Over 99% of the issued ordinary and preference A shares are held by the ING Trust Office or 'Trust Office'. The Trust Office issues bearer depositary receipts in exchange for these shares. The depositary receipts are listed (see page 8 for an overview of the listings). The depositary receipts can be exchanged, without any restrictions, for the underlying shares. An administrative fee may be charged for this.

The board of the Trust Office comprises five members who are independent of ING Group. No ING Group employees or Supervisory Board members are on the board of the Trust Office. The board of the Trust Office appoints its own members, without any requirement for approval by ING Group.

The board of the Trust Office reports on its activities through an annual report, which has been included on pages 69–70 of this annual report.

Issue of shares
The company's authorised 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 authorised 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 is asked to delegate authority to the Executive Board to issue new shares or to grant rights to take up new shares, both with and without a right of first refusal for existing shareholders. 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: (1) 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; (2) preference B shares may be issued up to a maximum which is equal to the total number of preference B shares that is necessary to convert all outstanding ING Perpetual Securities III issued in 2004 in the amount of EUR 1 billion euros (and similar instruments that are or may be issued) into preference shares if and when required pursuant to the conditions thereof;
- as regards the issue price of the preference B shares: the issue price must at least be equal to the stock price of the ordinary shares at the Amsterdam Stock Exchange;
- 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.

Transfer of shares and depositary receipts and transfer restrictions
Shares are transferred by means of a deed of transfer between the transferor and the transferee. In order to become effective, ING Group has to acknowledge the transfer, unless ING Group itself is a party to the transfer. Pursuant to the articles of association, there are no restrictions for the transfer of ordinary shares, preference A shares and preference B shares, whereas transfer of cumulative preference shares is subject to prior approval of the Executive Board.

There are no restrictions for the transfer of depositary receipts pursuant to the articles of association or the conditions of administration.

ING Group is not aware of the existence of any agreement under which transfer of ordinary shares or preference A shares, or depositary receipts for such shares is restricted.

Repurchase of shares
The company may repurchase shares outstanding and depositary receipts for such shares. Although the power to repurchase shares and depositary receipts is vested in the Executive Board subject to Supervisory Board approval, prior authorisation from the General Meeting of Shareholders is required for these repurchases. By Dutch law, this authorisation lapses after eighteen months. Each year, the General Meeting of Shareholders is asked to approve the Executive Board's authority to repurchase shares. When repurchasing shares the Executive Board is to observe the price ranges prescribed in the authorisation:
- for the ordinary shares not lower than one eurocent and not higher than the highest stock price on the Euronext Amsterdam Stock Market on the date of the repurchase contract or the preceding day on which this stock market is open;
- for the preference A shares not less than one eurocent and not higher than 130 percent of the amount, including share premium, that is paid on such a share, or 130 percent of the highest stock price on the Euronext Amsterdam Stock Market on the date of the purchase contract or the preceding day on which this stock market is open.

Shareholders' structure
Details of investors who have reported their interest in ING Group pursuant to the Dutch Financial Supervision Act (or the predecessor of this legislation) are shown on page 8. As at 31 December 2006, ING Group subsidiaries held an interest of 11.55% in the capital of ABN AMRO, mainly in preference shares. The interest held in the capital of Fortis was below 1%. These interests are held as investments. There are no shareholders' or other agreements between ING Group and ABN AMRO or Fortis on the exercising of voting rights. ING Group is not aware of investors with an interest of 10% or more in ING Group.

Corporate governance continued

VOTING ON SHARES AND DEPOSITARY RECEIPTS

Voting rights on shares

Each 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. This means that by law, each ordinary share (and, when issued, each preference B), having a nominal value of EUR 0.24, gives the right to one vote, while each preference A share (and, when issued, each cumulative preference share), having a nominal value of EUR 1.20, gives the right to five votes. On the other hand, the Tabaksblat Code (section IV.1.4) seems to imply that, if such shares are issued, the voting rights on preference shares issued for financing purposes should be proportional to their stock price. At year-end 2006, the market prices for the ordinary shares and the preference A shares were EUR 33.59 and EUR 3.26, respectively.

ING Group is not in a position to reduce the voting rights on the preference A shares unilaterally and awaits forthcoming legislation.

Pursuant to the articles of association, no restrictions with respect to voting rights on any class of shares of ING Group exist. ING Group is not aware of any contract under which voting rights on any class of its shares is restricted.

Voting on depositary receipts

Although the depositary receipts do not formally have any voting rights, holders of depositary receipts, in practice, rank equally with shareholders with regard to voting. The Trust Office will, subject to certain restrictions, grant a proxy to a holder of depositary receipts for ordinary shares or preference shares, respectively, to the effect that such holder may, in the name of the Trust Office, exercise the voting rights attached to the number of its shares of the relevant category that corresponds to the number of depositary receipts of the relevant category held by such holder of depositary receipts. Holders of depositary receipts may vote as they see fit. Holders of depositary receipts not attending a meeting can also issue binding voting instructions to the Trust Office. The Trust Office has made it easier for votes to be cast in this way by putting arrangements in place for proxy voting and e-voting.

The restrictions under which the Trust Office will grant a voting proxy to holders of bearer receipts are:

- the relevant holder of depositary receipts must have announced his or her intention to attend the General Meeting of Shareholders observing the provisions laid down in the articles of association of ING Group;
- the relevant holder of depositary receipts may delegate the powers conferred upon him by means of the voting proxy, provided that the relevant holder of depositary receipts has announced his intention to do so to the Trust Office observing a term before the commencement of the General Meeting of Shareholders, which term will be determined by the Trust Office.

The Trust Office 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 Conditions of Trust the Trust Office 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.

The depositary receipts and the Trust Office structure outlined above would prevent a small minority of shareholders, which coincidentally may form the majority in the meeting, from taking decisions purely to suit themselves in the absence of other parties at the General Meeting of Shareholders.

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 at a General Meeting of Shareholders (GMS) is at least 35% of the total votes that may be cast for three consecutive years. In 2005, 26% of total votes were cast, which figure increased to 28% in 2006. 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.

Special rights of control

No special rights of control referred to in article 10 of the EU Directive on takeover bids are attached to any share.

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 0.1 percent 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 period 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.

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 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 organisation, 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
Details of the remuneration of members of the Executive Board, including shares and/or option rights granted to them, together with information behind such decisions, are provided in the Remuneration Report, starting on page 74. 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).

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 Brothers & Co in Belgium. Mr. De Vaucleroy 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 (see page 82). In all these cases, the company complies with the best-practice provisions of the Tabaksblat Code.

INFORMATION ON MEMBERS OF THE EXECUTIVE BOARD

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 as of May 2000. He was appointed chairman in April 2004. Four Group staff departments report directly to Michel Tilmant: Corporate Human Resources, Corporate Development, Corporate Communications & Affairs and Corporate Audit Services.

Cees Maas, vice-chairman and CFO
(Born 1947, Dutch nationality, male; appointed in 1992, retirement following the 2007 General Meeting of Shareholders)
After completing his degree in engineering physics and economics at the Erasmus University of Rotterdam in 1976, Cees Maas joined the Ministry of Finance of the Netherlands. From 1986 to 1992 he was Treasurer-General. In July 1992, he joined ING Group and became a member of the Executive Board. In July 1996, he was appointed Chief Financial Officer. He was appointed vice-chairman of the Executive Board in April 2004. The following departments directly or indirectly report to Cees Maas: Corporate Control & Finance, Capital Management, Corporate Tax, Investor Relations, Risk Management and Corporate Legal. After the 2007 General Meeting of Shareholders, he will retire from the Executive Board in accordance with the contractual retirement age of 60 years.

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 USA, 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.

Corporate governance continued

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.

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. Before his appointment to the Executive Board in 2006, he has been CEO of ING's insurance activities in the US, 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.

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.

Changes in the Executive Board composition
Cees Maas will retire from the Executive Board as of the Annual General Meeting of Shareholders on 24 April 2007.

The Supervisory Board will propose appointing two new members to the Executive Board as of the Annual General Meeting of Shareholders on 24 April 2007:

John C.R. Hele (born 1958, Canadian nationality) joined ING in 2003. He 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.

Koos (J.V.) Timmermans (born 1960, Dutch nationality) joined ING in 1996. Since March 2006 he has been Deputy Chief Risk Officer of ING Group, responsible for Risk Management including credit, insurance, market and operational risks. Prior to this he was Head of Corporate Market Risk Management in ING and responsible for market risk management of the banking activities.

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 organisation, 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 programmes 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 thereon in the Annual Report and to the Annual 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 member 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.

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 seventy 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 periods of four years, based on a proposal from the Supervisory Board to the Shareholders' Meeting.

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 (see page 86).

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 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. Details of the remuneration are provided in the Remuneration Report as of page 85.

Members of the Supervisory Board are permitted to hold shares and depositary receipts for shares in the company for long-term investment purposes. Details are given on page 86. 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).

Corporate governance continued

INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD

Cor A.J. Herkströter, chairman
(Born 1937, Dutch nationality, male; appointed in 1998, term expires in 2009)
Chairman of the Remuneration and Nomination Committee and the Corporate Governance Committee. 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.

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 and Chief Financial Officer of Michelin. Other business activities: chairman of the Supervisory Board of Michelin and member of the Supervisory Board of Thomson (listed companies).

Luella Gross Goldberg
(Born 1937, American nationality, female; appointed in 2001, last term expires in 2009)
Member of the Remuneration and Nomination Committee and the Corporate Governance Committee. 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.

Paul F. van der Heijden
(Born 1949, Dutch nationality, male; appointed in 1995, last term expires in 2007)
Appointment also on the recommendation of the Central Works Council. Member of the Remuneration & Nomination Committee and the Corporate Governance Committee. Rector Magnificus and President of the Executive Board of Leiden University, the Netherlands. Professor of International Law. Other business activities: Member of the Supervisory Board of NUON N.V. and Buhrmann Nederland B.V. Crown-appointed member of the Social and Economic Council of the Netherlands. President of the ILO Governing Body, Committee on Freedom of Association (United Nations).

Claus Dieter Hoffmann
(Born 1942, German nationality, male; appointed in 2003, term expires in 2007)
Member of the Audit Committee. 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 each of Bauerfeind AG and Jowat AG. Chairman of the Charlottenklinik Foundation (hospital). Chairman of the Board of Trustees (Vereinigung der Freunde) of Stuttgart University.

Jan H.M. Hommen
(Born 1943, Dutch nationality, male; appointed in 2005, term expires in 2009)
Chairman of the Audit Committee. 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., member of the Supervisory Board of Royal Ahold N.V. (until May 2007) (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.

Piet Klaver
(Born 1945, Dutch nationality, male; appointed in 2006, term expires in 2010)
Former chairman of the Executive Board of SHV Holdings N.V. Other business activities: Member of the Supervisory Board of SHV Holdings N.V. Member of the Supervisory Board of Jaarbeurs Holding B.V. Member of the Board of Stichting Maatschappij en Onderneming (SMO). Chairman of the African Parks Foundation. Chairman of the Utrecht School of the Arts.

Wim Kok
(Born 1938, Dutch nationality, male; appointed in 2003, term expires in 2007)
Member of the Audit Committee. 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 Stork N.V. and 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 Dutch National Ballet. 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.

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)
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. 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.

Changes in the composition

Paul van der Heijden will retire after the 2007 Shareholders' Meeting as he reached the end of the third and last term of four years. Claus Dieter Hoffmann and Wim Kok will be nominated for reappointment to the Supervisory Board in the Shareholders' meeting on 24 April 2007 after their first term of four years. Mr. Kok will reach the age of 70 in 2008.

At the 2007 Shareholders' meeting three new candidates will be proposed for appointment: Henk W. Breukink (born 1950, Dutch nationality, male), Peter A.F.W. Elverding (born 1948, Dutch nationality, male) and Piet Hoogendoorn (born 1945, Dutch nationality, male).

The proposed appointment of Henk Breukink per 24 April 2007 is based on his broad international experience in both finance and human resources.

The proposed appointment of Peter Elverding per 1 August 2007 is based on his broad experience as chairman of an international, listed company and his extensive knowledge of human resources.

The proposed appointment of Piet Hoogendoorn per 1 June 2007 is based on his broad international experience and knowledge of audit, tax, consultancy and financial advisory services.

From the candidates for appointment, Mr. Hoogendoorn is considered to be not independent, because of his position with Deloitte Touche Tohmatsu until 1 June 2007 and considering the important relationship of Deloitte Touche Tohmatsu with ING.

Cor Herkströter and Luella Gross Goldberg would retire from the Supervisory Board reaching the age of 70 in 2007. Both agreed to stay one more year to ensure a balanced composition of the Board.

CHANGE OF CONTROL PROVISIONS

Legal provisions

Under the terms of the Dutch Act on Financial Supervision a declaration of no objection from the Dutch Minister of Finance is 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.

Change of control clauses in important contracts

ING Group is not a party to any material agreement, which becomes effective, or is being amended or terminated subject to the condition of a change of control of ING Group following a public bid defined in section 5:70 of the Financial Supervision Act.

ING Groep N.V. subsidiaries have customary change of control arrangements in contracts related to various business activities, such contracts including joint-venture agreements, letters of credit and other credit facilities, reinsurance contracts and futures and option trading contracts. Following a change of control of ING Groep N.V. (whether or not as result of a public bid), such contracts may be amended or terminated, leading to e.g. an obligatory transfer of the interest in the joint-venture, early repayment of amounts due, loss of credit facilities or reinsurance cover and liquidation of outstanding futures and option trading positions.

Severance payments to Executive Board members

The employment contracts with the members of the Executive Board provide for severance payments, which are to become due in case of termination of the contract in connection with a public bid defined in section 5:70 of the Dutch Financial Supervision Act. With respect to the amounts due, there is no difference whether termination of the contract would be in connection with a public bid or not.

AMENDMENT OF ARTICLES OF ASSOCIATION

The articles of association of ING Group may be amended pursuant to a resolution of the General Meeting of Shareholders, adopted with a majority of two thirds of the votes cast in a meeting in which two thirds of the issued share capital is present or represented. The resolution of the General Meeting of Shareholders is to be made on a proposal of the Executive Board to that effect, which proposal needs approval from the Supervisory Board.

EXTERNAL AUDITORS

Ernst & Young Accountants (Ernst & Young) and KPMG Accountants N.V. (KPMG) are the appointed auditors of ING Group. Ernst & Young is responsible for auditing the financial statements of ING Groep N.V. and ING Verzekeringen N.V., while KPMG is responsible for the audit of the financial statements of ING Bank N.V. The external auditors, Ernst & Young and KPMG, both attend the meetings of the Audit Committee.

Corporate governance continued

At the General Meeting of Shareholders on 27 April 2004, Ernst & Young was appointed to audit the financial statements of ING Group for the financial years 2004 to 2007 inclusive, to report about the outcome of these audits to the Executive Board and the Supervisory Board and to give a statement about the truth and fairness of the financial statements of ING Group. Furthermore, Ernst & Young has also to audit and report on management's assessment of the effectiveness of internal control over financial reporting as of 31 December 2006.

The Supervisory Board evaluates the performance of the external auditors on an annual basis, in particular, their independence based on the findings of the Executive Board and the Audit Committee. In addition to the annual evaluation, the Audit Committee and Supervisory Board will review the auditors' performance in 2007, prior to a proposal to the General Meeting of Shareholders in 2008 for the next auditor's appointment. The proposal will include the main conclusions of the assessment of the functioning of the external auditor.

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 Groep N.V. and its subsidiaries is being assigned to one single audit firm, instead of being shared between two firms. Accordingly, both Ernst & Young and KPMG will be invited to tender for the financial auditing of ING Groep N.V. and all of its subsidiaries in 2007. It is the intention to shift to one external auditor as of 2008, this auditor to be appointed by the Annual General Meeting of Shareholders in 2008.

After a maximum period of 5 years of performing audit services to ING Groep N.V. 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 makes recommendations to the Supervisory Board regarding these replacements, among others, based on an annual evaluation of the provided services. In line with this agreement, the lead audit partner of KPMG has been succeeded in 2005. The lead audit partner of Ernst & Young will be succeeded after the year-end audit 2006. The rotation of other partners of Ernst & Young and KPMG 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 statements on the truth and fairness of 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 permission of the Audit Committee. The Audit Committee has generally pre-approved certain types of audit, audit-related 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 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 such pre-approved services. Throughout the year the external audit firms and Corporate Audit Services monitor the amounts paid versus the pre-approved amounts. The external auditors provide 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.

More details on ING's policy regarding external auditor's independence are available on the website of ING Group (www.ing.com).

In 2006 and 2005, the following amounts were paid to Ernst & Young and KPMG for audit services and non-audit services:

Fees Ernst & Young and KPMG

in EUR million	**2006**	2005
Audit fees	**63**	43
Audit-related fees	**4**	13
Tax fees	**4**	3
All other fees	**3**	3
Total	**74**	62

Report of ING Trust Office

The following report is issued in compliance with the provisions in article 15 of the Conditions of Trust for registered shares in ING Groep N.V.

Pursuant to its Constitution, the object of the Stichting ING Aandelen (ING Trust Office) is:

a. to foster the interests of the holders of depositary receipts for shares in the capital of ING Groep N.V., while having regard for the interests of (i) the company itself, (ii) the enterprises carried on by the company and companies associated with it in a group and (iii) all other stakeholders in the company, such that all those interests are balanced and safeguarded as effectively as possible;
b. to acquire and administer registered ordinary and preference shares for which bearer depositary receipts have been issued;
c. to foster the exchange of information between the company on the one hand and the depositary receipt holders and shareholders in the company on the other;
d. to promote and organise the solicitation of proxies of shareholders other than the Stichting itself and of specific proxies and/or voting instructions of depositary receipt holders.

During the 2006 reporting year the Board held four meetings.

On 3 April 2006 the Board met to discuss the 2005 annual report and to prepare the Annual General Meeting of Shareholders on 25 April 2006. Prior to this Board meeting the Executive Board and Supervisory Board of ING Groep N.V discussed with the Trust Office the company's activities and performance over 2005 on the basis of the press release of 16 February 2006 on the 2005 figures.

On 25 April 2006 the Board convened before the Annual General Meeting to discuss the proxy voting results and to decide on the initial position of the Board vis-à-vis the items on the agenda.

A third meeting was held on 26 October 2006. Important agenda items were the composition of the Board, the proposal to review the Board's remuneration and the periodic review of the profile of board members.

The last meeting was on 4 December 2006. In this meeting attention was paid again to the composition of the Board and the current state of affairs regarding proxy voting, this included ING's proxy solicitation efforts. Furthermore new developments in the area of corporate governance were discussed and ING's Annual General Meeting was reviewed.

Prior to its meeting on 4 December 2006 the Executive Board and Supervisory Board of ING discussed with the Trust Office the company's activities and performance over the first nine months of 2006 on the basis of the press release as published on 9 November 2006.

The Trust Office organises the solicitation of proxies of shareholders other than the Trust Office itself and of specific proxies and/or voting instructions of depositary receipt holders. The Board encourages the greatest possible participation of depositary receipt holders and shareholders. Holders of depositary receipts in the Netherlands, the United Kingdom and the United States are able to vote by proxy. For the 2006 Annual General Meeting votes were cast for 39% of the total number of outstanding ordinary and preference shares and depositary receipts (28% excluding preference shares). The Board of the Trust Office voted for the remaining depositary receipts.

Report of ING Trust Office continued

The Trust Office takes the position that abandoning depositary receipts will be considered when the turnout at the shareholders' meeting reaches a level of at least 35% of the votes that can be cast on ordinary shares (excluding the multiple voting rights of preference shares) during three consecutive years.

According to its Constitution the Trust Office has to vote in the interest of all depositary receipt holders, including the majority of depositary receipt holders that has not given voting instructions, while taking into account the interests of ING and other stakeholders. By doing so the Trust Office promotes the execution of voting rights in a transparent way and prevents at the same time that a minority of shareholders could use a chance majority of votes to the disadvantage of those investors not present or not represented. The Board, as is customary, attended the Annual General Meeting and answered various questions. The Trust Office voted in favour of all agenda items for the shares for which it had received no voting instructions.

On 31 December 2006 the nominal value of administered ordinary shares amounted to EUR 529,056,076.56 for which 2.204.400.319 depositary receipts of EUR 0.24 each were issued. During the reporting year, the net number of depositary receipts issued for ordinary shares ran to 312.293.

The increase came about as follows:

Add:	from exercise of warrants	63,326
	from conversion of shares into depositary receipts	289,667
Less:	from conversion of depositary receipts into shares	40,700

On 31 December 2006, preference A shares representing a nominal amount of EUR 75,632,449.20 were entered into the administration, for which 63.027.041 depositary receipts with a nominal value of EUR 1.20 were issued. The preference A shares initially held by Aegon were withdrawn in July 2006.

On 10 April 2006 the articles of association of the Trust Office were amended so board members will be appointed for a term of four years. They will be eligible for immediate reappointment, but no member may be reappointed more than twice.

Huib Blaisse was reappointed as Board member from 1 September 2006. In accordance with the provisions of article 7, section 3.8 of the Constitution, the Trust Office disclosed the proposed reappointments by publication in NRC Handelsblad and the Officiële Prijscourant (AEX Official List). In 2007 Jan Veraart and Paul Frentrop are due to retire by rotation. They are both eligible for reappointment. The intention to reappoint them will be published in due course. In December 2006 Ton Risseeuw resigned as Chairman and board member because he reached the statutory age limit. Jan Veraart succeeded him as Chairman. The Board has consisted of four members since Mr Risseeuw's resignation. We propose to appoint Mr. C.J. van den Driest to the Board. Mr. Van den Driest is a member of several supervisory boards and former chairman of the Executive Board of Koninklijke Vopak N.V. He will bring valuable expertise to ING's Trust Office.

The Board will publish this proposed appointment in accordance with its Constitution and invites depositary receipt holders to provide the board with their comments.

The Board of the Trust Office currently consists of:
Jan Veraart (former chairman of the Executive Board of HBG (Dutch Construction Company), several supervisory directorships and additional offices). Huib Blaisse (lawyer and partner at Blaisse, several other advisory offices); Paul Frentrop (Director Deminor Nederland B.V., in that capacity advisor of Dutch and foreign institutional investors with regard to corporate governance issues); Tom Regtuijt (former Executive Board Member of Nederlandse Spoorwegen (Netherlands Railways), several supervisory and advice offices);

An overview of additional relevant offices held by Board members can be found on the website of the Trust Office: www.ingtrustoffice.com.

The annual remuneration for all Board members is EUR 7,800. With effect from 1 January 2007 the annual remuneration is set at EUR 25.000 for the Chairman and EUR 20.000 for other members.

Underlying this decision are two main considerations: (i) the more demanding tasks of the board members as a consequence of the developments in corporate governance and (ii) the necessity to offer a competitive remuneration to be able to attract board members with the relevant experience.

The costs of proxy voting amounted to EUR 104,741.80

The Trust Office may consult depositary receipt holders in a separate meeting. This possibility was not made use of, also given the fact that holders of depositary receipts can attend the General Meeting of Shareholders and look after their own interests.

The activities involved in the administration of shares are performed by the Algemeen Administratie- en Trustkantoor BV, Amsterdam.

The contact details of Stichting ING Aandelen (ING Trust Office) are:
Coco C.M. van Hulten
Telephone + 31 20 5418864
E-mail: coco.van.hulten@ing.com

Amsterdam, 12 March 2007
Board of Stichting ING Aandelen

Report of ING Continuity Foundation

Stichting Continuïteit ING, established in Amsterdam, was founded on 22 January 1991. By amendment of the Articles of Association on 23 June 2003, the former name 'Stichting Cumulatief Preferente Aandelen ING Groep' was changed to Stichting Continuïteit ING ('ING Continuity Foundation').

A call-option agreement concluded between the Stichting and ING Groep N.V. vests the Stichting with the right to acquire cumulative preference shares in the capital of ING Groep N.V. up to a maximum of 900 million cumulative preference shares. The acquisition of cumulative preference shares by the Stichting 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. If new shares other than cumulative preference shares are subsequently issued, the Stichting may again exercise its right, subject to the provisions of the preceding sentence. On acquisition of cumulative preference shares, at least 25% of the nominal value must be paid up on said shares.

In 2006 the Board of the Stichting met three times, namely on 30 January, 3 April and 4 December. The composition of the Board is currently as follows: Ad Timmermans (Chairman), Allard Metzelaar, Sebastian Kortmann and Wim van Vonno, who was reappointed as of 1 July 2006.

Amsterdam, 12 March 2007
Board of Stichting Continuïteit ING

Statement of independence
The Board of Stichting Continuïteit ING is of the opinion, just as the Executive Board of ING Groep N.V., that the requirements concerning the independence of the members of the Board of Stichting Continuïteit ING contained in Book II (04) of the Listing and Issuing Rules of Euronext Amsterdam N.V., Amsterdam, have been complied with.

Board of Stichting Continuïteit ING
Executive Board ING Groep N.V.

Section 404 Sarbanes-Oxley Act

EFFECTIVE INTERNAL CONTROL OVER FINANCIAL REPORTING

Due to the listing of ING shares on the New York Stock Exchange, ING Group is required to comply with the SEC regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act, or SOX 404. These regulations require that the CEO (the chairman of the Executive Board) and the CFO of ING Group report and certify on an annual basis, starting over 2006, on the effectiveness of ING Group's internal controls over financial reporting, and that the external auditors provide an attestation report on the management's assessment.

Internal controls over financial reporting already existed before the adoption of SOX 404. However, SOX 404 regulations require management to demonstrate the effectiveness of such controls. This implies a more formalised approach in executing our tasks. ING Group has long-established Business Principles and a strong internal-control culture, which all staff must adhere to. SOX 404 activities are organised along the lines of the governance structure, and involve the participation of senior management across ING.

Following the SOX 404 process, ING is in the position to publish an unqualified statement which denotes that the company's internal control over financial reporting is effective as of 31 December 2006. The SOX 404 statement by the Executive Board is included below, followed by the report of the external auditor.

Report of the Executive Board on Internal Control Over Financial Reporting

The Executive Board 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 authorisations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised 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.

The Executive Board assessed the effectiveness of our internal control over financial reporting as of 31 December 2006. In making this assessment, the Executive Board performed tests based on the criteria of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on the Executive Board's assessment and those criteria, the Executive Board concluded that the company's internal control over financial reporting is effective as of 31 December 2006.

Our independent registered public accounting firm has audited and issued their report on the Executive Board's assessment of ING's internal control over financial reporting, which appears below and which expresses an unqualified opinion on the Executive Board's assessment and on the effectiveness of our internal control over financial reporting as of 31 December 2006.

Amsterdam, 12 March 2007

Michel Tilmant,
Chairman Executive Board

Cees Maas,
Chief Financial Officer

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 management's assessment, included in the accompanying Report of the Executive Board on Internal Control Over Financial Reporting, that ING Groep N.V. maintained effective internal control over financial reporting as of 31 December 2006, 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. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, 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 authorisations 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, management's assessment that ING Groep N.V. maintained effective internal control over financial reporting as of 31 December 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, ING Groep N.V. maintained, in all material respects, effective internal control over financial reporting as of 31 December 2006, 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 sheet of ING Groep N.V. as of 31 December 2006, the consolidated profit and loss account, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended. Our report dated 12 March 2007 expressed an unqualified opinion thereon.

Amsterdam, 12 March 2007

Ernst & Young Accountants

Remuneration Report

This chapter sets out the remuneration for the Executive Board and the Supervisory Board. The remuneration policy was adopted by the Annual General Meeting of Shareholders (AGM) on 27 April 2004. In 2006, the Executive Board pension scheme was revised in alignment with the approved AGM amendment to the remuneration policy. The revised Executive Board pension scheme is described further on page 76. There were no other changes to this policy in 2006 and therefore, the approval of the AGM still applies for 2006. The chapter starts with the general policy for senior-management remuneration, followed by the Executive Board compensation for 2006 and the compensation structure for 2007. In addition, information is included on loans and advances to the Executive 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 across 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.
- 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, compensates for performance measured over multiple years and is forward-looking.

In addition to the base salary and incentive plan participation, Executive Board members enjoy benefits similar to most other employees of ING Group. These include benefits such as private medical insurance, the use of company cars 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, CFO and the other 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 2006 STIP for the members of the Executive Board and top senior management across the organisation (the top-200 executives) to measure performance at Group level. These financial parameters are: operating net profit, total operating expenses and return on economic capital. The quantitative elements of the targets are considered stock-price sensitive and competition-sensitive; accordingly these are not disclosed.

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	15% of total bonus	85% 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 27 April 2004.

The ING stock options have a total term of ten years and a vesting period of three years. After three years, the options will only vest if the option holder is still employed by ING (or retired). The exercise price of the stock options is equal to the Euronext Amsterdam opening price of the ING depository receipts on 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 3-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 a substantial free float.

On the basis of these criteria the performance peer group is composed as follows:

– Citigroup, Fortis, Lloyds TSB (bank/insurance companies);
– ABN Amro, Bank of America, BNP Paribas, BSCH, Credit Suisse, Deutsche Bank, HSBC (banks);
– Aegon, AIG, Allianz, Aviva, AXA, Prudential UK, Hartford Financial Services, Munich Re (insurance companies);
– Amvescap PLC (asset manager).

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

ING ranking	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.

Remuneration Report continued

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 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 vested 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.

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 European/Dutch 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 25 April 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 Cees Maas and Tom McInerney. The revised pension plan does not apply to Cees Maas, who was born before 1 January 1950, thus he continues to participate in the previous Executive Board defined-benefit pension scheme and Tom McInerney as he participates 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 are 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 June 1 of the year that the individual has reached or will reach the age of 65. The retirement age has been changed from previous years (age 60) as a result of the change in the Dutch tax reform.

Employment contract for newly appointed Board members
The contract of employment for Executive Board members appointed after 1 January 2004 provides for an appointment for a period of four years (the appointment period) and allows for re-appointment 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 2006

Executive Board Base salary 2006
The base salary of the Executive Board members has been frozen for 2006, as was the case in 2004 and 2005. The Executive Board received a 7.5% increase in their base salary in 2003. Prior to 2003, the EB members' base salary had been effectively frozen since 1999. Michel Tilmant and Cees Maas received a standard promotional increase in their base salary as of 28 April 2004 as a result of their appointment as chairman and vice-chairman of the Executive Board, respectively.

Executive Board Short-term incentive plan 2006
The target STI payout over 2006 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 operating net profit, total operating expenses and return on economic capital, 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 2007, the Remuneration and Nomination Committee reviewed the actual results of ING against the 2006 targets. Over 2006, ING exceeded on average the three Group financial targets set, resulting in a score of 169% of target on this component. The individual performance of the Executive Board members was on average 171%. ING's external auditor has reviewed to which extent the objectives, both the group and the individual, have been met. The Audit Committee was involved in the review of the underlying financial data.

Executive Board Long-term incentive plan 2006

Under the long-term incentive plan (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 2006 LTIP was set at 100% of base salary for each EB 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 2006 was 169%, the resulting LTIP award is 134.5% of target. The number of options and performance shares is determined based on a reference price set at the end of 2006 (EUR 33.83) and a 'fair value' calculation of options and performance shares (based on an option-pricing model).

The grant is subject to shareholder approval of the number of stock options, the maximum number of performance shares and the number of conditional shares to be granted to the Executive Board members pursuant to the 2006 LTIP. The LTIP grant table on page 80/81 shows the award amounts for each Executive Board member.

Tom McInerney will receive a conditional share award 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 and 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 LTIP grant table on page 80/81 shows the number of the conditional share awards.

The exercise price of the options will be fixed at the Euronext Amsterdam Stock Market opening price of the ING share on 17 May 2007. The performance shares are granted provisionally at the beginning of 2007; the final number will depend on the ranking within the performance peer group after the three-year period (2007 – 2009) based on the performance/payout scale as indicated above.

The performance shares granted in 2004 had a three-year performance period of 2004 – 2006 and will vest in 2007. The actual results of 200% are based upon ING's TSR ranking of 2 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 2004, such award will vest in the final number of performance shares in May 2007. For the other senior leaders who participated in the 2004 – 2007 performance share award, such award vested in March 2007.

Pension costs

The first table on page 82 shows the pension costs of the individual members of the Executive Board.

Remuneration Report continued

Compensation in cash of the individual members of the Executive Board

Amounts in thousands of euros	2006	2005	2004
MICHEL TILMANT (1)			
Base salary	**1,289**	1,289	1,250
Short-term performance-related bonus	**2,299**	1,520	866
Total cash compensation	**3,588**	2,809	2,116
CEES MAAS (1)			
Base salary	**697**	697	677
Short-term performance-related bonus	**1,244**	806	530
Total cash compensation	**1,941**	1,503	1,207
ERIC BOYER DE LA GIRODAY (2)			
Base salary	**850**	850	574
Short-term performance-related bonus	**1,477**	945	445
Total cash compensation	**2,327**	1,795	1,019
DICK HARRYVAN (3)			
Base salary	**423**		
Short-term performance-related bonus	**710**		
Total cash compensation	**1,133**		
ELI LEENAARS (2)			
Base salary	**634**	634	428
Short-term performance-related bonus	**1,102**	705	321
Total cash compensation	**1,736**	1,339	749
TOM MCINERNEY (3) (4)			
Base salary	**690**		
Short-term performance-related bonus	**1,157**		
Total cash compensation	**1,847**		
HANS VAN DER NOORDAA (3)			
Base salary	**423**		
Short-term performance-related bonus	**710**		
Total cash compensation	**1,133**		
JACQUES DE VAUCLEROY (3)			
Base salary	**423**		
Short-term performance-related bonus	**710**		
Total cash compensation	**1,133**		
FRED HUBBELL (4) (5)			
Base salary	**556**	1,120	1,121
Short-term performance-related bonus	**908**	1,270	855
Total cash compensation	**1,464**	2,390	1,976

Compensation in cash of the individual members of the Executive Board (continued)

Amounts in thousands of euros	**2006**	2005	2004
ALEXANDER RINNOOY KAN (5)			
Base salary	**370**	634	634
Short-term performance-related bonus	**604**	705	493
Total cash compensation	**974**	1,339	1,127
HANS VERKOREN (2) (5)			
Base salary	**370**	634	428
Short-term performance-related bonus	**604**	705	335
Total cash compensation	**974**	1,339	763

(1) The increase in base salary for Michel Tilmant and Cees Maas reflect a 10% increase effective April 2004, related to their promotion to chairman and vice-chairman, respectively.

(2) Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren were appointed to the Executive Board on 28 April 2004. The figures for these members reflect compensation earned in their capacity as Executive Board members. Thus, the figures for 2004 reflect the partial year as Executive Board members.

(3) Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy were appointed to the Executive Board on 25 April 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.

(4) Tom McInerney and Fred Hubbell get their compensation in US dollars. For each year the compensation in US dollars has been translated to euros at the average exchange rate for that year.

(5) Fred Hubbell and Hans Verkoren retired and Alexander Rinnooy Kan resigned from the Executive Board on 25 April 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.

Compensation in cash of former members of the Executive Board amounted to nil in 2006 and 2005 and EUR 681 thousand in 2004.

Remuneration Report continued

Long-term incentives of the individual members of the Executive Board [1]

Amounts in thousands of euros	2006	2005	2004
MICHEL TILMANT			
Number of options	**132,163**	108,200	82,600
Number of performance shares	**27,650**	19,300	15,000
Fair market value of long-term incentive [2]	**1,734**	1,160	661
CEES MAAS [3]			
Number of options	**0**	58,600	51,200
Number of performance shares	**0**	10,500	9,300
Fair market value of long-term incentive [2]	**938**	628	410
ERIC BOYER DE LA GIRODAY [4]			
Number of options	**87,138**	71,400	43,400
Number of performance shares	**18,230**	12,800	7,900
Fair market value of long-term incentive [2]	**1,143**	765	347
DICK HARRYVAN [5]			
Number of options	**43,347**		
Number of performance shares	**9,069**		
Fair market value of long-term incentive [2]	**569**		
ELI LEENAARS [4]			
Number of options	**65,021**	53,200	32,400
Number of shares	**13,603**	9,500	5,900
Fair market value of long-term incentive [2]	**853**	571	259
TOM MCINERNEY [5] [6]			
Number of options	**70,695**		
Number of performance shares	**14,790**		
Number of conditional shares	**37,633**		
Fair market value of long-term incentive [2]	**2,201**		
HANS VAN DER NOORDAA [5]			
Number of options	**43,347**		
Number of performance shares	**9,069**		
Fair market value of long-term incentive [2]	**569**		
JACQUES DE VAUCLEROY [5]			
Number of options	**43,347**		
Number of performance shares	**9,069**		
Fair market value of long-term incentive [2]	**569**		
FRED HUBBELL [7]			
Number of options		0	84,700
Number of performance shares		0	15,400
Fair market value of long-term incentive [2]		1,008	678
ALEXANDER RINNOOY KAN [7]			
Number of options		0	48,000
Number of performance shares		0	8,700
Fair market value of long-term incentive [2]		571	384
HANS VERKOREN [4] [7]			
Number of options		0	32,400
Number of performance shares		0	5,900
Fair market value of long-term incentive [2]		571	259

(1) Long-term incentives are granted in the year following the reporting year. The long-term incentive plan provides for a combination of stock 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 2006 resulted in a ratio of options to performance shares of 4.78 : 1 (2005: 5.6 : 1, 2004: 5.5 : 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 annual General Meeting of Shareholders. The vesting period for the performance shares is 3 years. The costs of the performance shares are expensed pro-rata over the 3-year period.

(2) Fair market value of long-term Incentive reflects the estimated fair market value of the long-term incentive award on the date of grant based on a fair value calculation. The valuation is calculated annually for grants made to the Executive Board members for performance over the year specified.

(3) As a result of Mr. Maas' retirement from the Executive Board in 2007, he will receive the fair market value of his 2006 long-term incentive award in cash instead of options and performance shares

(4) Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren were appointed to the Executive Board on 28 April 2004. The figures for these members reflect compensation earned in their capacity as Executive Board members.

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

(6) 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 and the condition being an active employment contract. The conditional shares are provided to align Tom McInerney's total remuneration with the US market practice.

(7) As a result of their resignation/retirement from the Executive Board in 2006, Fred Hubbell, Alexander Rinnooy Kan and Hans Verkoren received the fair market value of their 2005 long-term incentive award in cash instead of options and performance shares.

The fair market value of long-term incentives of former members of the Executive Board amounted to nil in 2006, 2005 and 2004.

Remuneration Report continued

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

Amounts in thousands of euros	2006	2005	2004
Michel Tilmant	**689**	685	467
Cees Maas	**448**	482	345
Eric Boyer de la Giroday [2]	**439**	482	260
Dick Harryvan [3]	**206**		
Eli Leenaars [2]	**270**	255	102
Tom McInerney [3] [5]	**297**		
Hans van der Noordaa [3]	**170**		
Jacques de Vaucleroy [3]	**170**		
Fred Hubbell [4] [5] [6]	**2,282**	395	462
Alexander Rinnooy Kan [4] [7]	**2,105**	483	346
Hans Verkoren [2] [4]	**119**	306	109

(1) For reasons of comparison, the company pension expenses are recalculated under IAS 19 with general assumption setting for 2004 to 2006.
(2) Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren were appointed to the Executive Board on 28 April 2004. The figures for these members reflect pension costs in their capacity as Executive Board members.
(3) Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy were appointed to the Executive Board on 25 April 2006. The figures for these members reflect pension costs in their capacity as Executive Board members.
(4) Fred Hubbell and Hans Verkoren retired and Alexander Rinnooy Kan resigned from the Executive Board on 25 April 2006. The figures for these members reflect pension costs for the partial year as Executive Board members.
(5) Tom McInerney's and Fred Hubbell's pension costs have been translated from US dollars to euros at the average exchange rate for that year.
(6) Fred Hubbell's historical annual pension valuation used the standard assumption of retirement age of 65. The US pension plan allows for early retirement beginning at age 55 with five years of service. The pension cost shown is the additional IFRS cost related to the funding of US early retirement pension rights, which must be fully realised by the company in the same year he has retired.
(7) 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 Alexander Rinnooy Kan's 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 resigned.

Pension costs of former members of the Executive Board amounted to nil in 2006 and 2005 and EUR 887 thousand in 2004.

Loans and advances to Executive Board members

The table below presents the loans and advances provided to Executive Board members and outstanding on 31 December 2006, 2005 and 2004. These loans were concluded in the normal course of business and on terms applicable to Company personnel as a whole and were approved by the Supervisory Board.

Loans and advances to the individual members of the Executive Board

Amounts in thousands of euros	Amount outstanding 31 December	Average interest rate	Repayments **2006**	Amount outstanding 31 December	Average interest rate	Repayments **2005**	Amount outstanding 31 December	Average Interest rate	Repayments 2004
Cees Maas	**446**	**4.0%**		446	4.0%		446	4.0%	
Eric Boyer de la Giroday	**28**	**4.3%**	**3**	31	4.3%	3	34	4.3%	3
Dick Harryvan	**427**	**3.9%**							
Hans van der Noordaa	**930**	**4.4%**							
Jacques de Vaucleroy	**192**	**5.5%**	**17**						
	2,023	**4.3%**	**20**	477	4.0%	3	480	4.0%	3

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

	2006	2005	2004
Michel Tilmant	**7,764**	7,764	
Cees Maas	**7,764**	7,764	
Tom McInerney [1]	**64,527**		

1) Tom McInerney also holds 940 units in a Leveraged Stock Fund

The table on the next page gives information on the outstanding options held by the Executive Board members.

Information on the options outstanding and the movements during the financial year of options held by the members of the Executive Board as at 31 December 2006

Number of options	Outstanding as at 31 December 2005	**Granted in 2006**	**Exercised in 2006**	**Waived or expired in 2006 (1)**	**Outstanding as at 31 December 2006**	Exercise price in euros	Exercise price in US dollars	Expiry date
Michel Tilmant	30,000			**30,000**	**0**	35.26		15 Mar 2006
	20,000			**20,000**	**0**	35.80		15 Mar 2006
	21,000				**21,000**	29.39		11 Mar 2012
	14,000				**14,000**	29.50		11 Mar 2012
	21,000				**21,000**	12.65		3 Mar 2013
	14,000				**14,000**	12.55		3 Mar 2013
	41,250				**41,250**	17.69		14 May 2014
	82,600				**82,600**	21.67		13 May 2015
		108,200			**108,200**	32.75		12 May 2016
Cees Maas	50,000			**50,000**	**0**	35.26		15 Mar 2006
	35,000				**35,000**	29.39		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
	41,250				**41,250**	17.69		14 May 2014
	51,200				**51,200**	21.67		13 May 2015
		58,600			**58,600**	32.75		12 May 2016
Eric Boyer de la Giroday	2,000				**2,000**	26.10		28 May 2009
	10,000				**10,000**	28.30		3 Apr 2010
	4,000				**4,000**	35.80		15 Mar 2011
	3,000				**3,000**	28.60		27 May 2012
	4,000				**4,000**	12.55		3 Mar 2013
	17,800				**17,800**	17.69		14 May 2014
	53,400				**53,400**	21.67		13 May 2015
		71,400			**71,400**	32.75		12 May 2016
Dick Harryvan	10,000			**10,000**	**0**	35.26		15 Mar 2006
	13,125				**13,125**	29.39		11 Mar 2012
	12,250				**12,250**	12.65		03 Mar 2013
	6,000				**6,000**	18.71		15 Mar 2014
	8,800				**8,800**	23.28		30 Mar 2015
		13,060			**13,060**	32.77		23 Mar 2016
Eli Leenaars	3,300				**3,300**	25.25		1 Apr 2009
	10,000				**10,000**		27.28	3 Apr 2010
	22,400				**22,400**		31.96	15 Mar 2011
	31,000				**31,000**		25.72	11 Mar 2012
	7,850				**7,850**	12.55		3 Mar 2013
	9,654				**9,654**	18.75		15 Mar 2014
	6,436				**6,436**	18.71		15 Mar 2014
	41,700				**41,700**	21.67		13 May 2015
		53,200			**53,200**	32.75		12 May 2016
Tom McInerney	40,000				**40,000**		31.96	15 Mar 2011
	91,400				**91,400**		25.72	11 Mar 2012
	125,200				**125,200**		13.70	3 Mar 2013
	153,550				**153,550**	18.71		15 Mar 2014
	260,425				**260,425**	23.28		15 Mar 2015
		213,325			**213,325**	32.77		23 Mar 2016
Hans van der Noordaa	14,000			**14,000**	**0**	35.26		15 Mar 2006
	13,125				**13,125**	29.39		11 Mar 2012
	8,900				**8,900**	12.65		3 Mar 2013
	6,000				**6,000**	18.71		15 Mar 2014
	15,000				**15,000**	23.28		30 Mar 2015
		11,195			**11,195**	32.77		23 Mar 2016

Remuneration Report continued

Information on the options outstanding and the movements during the financial year of options held by the members of the Executive Board as at 31 December 2006 (continued)

Number of options	Outstanding as at 31 December 2005	**Granted in 2006**	**Exercised in 2006**	**Waived or expired in 2006** [(1)]	**Outstanding as at 31 December 2006**	Exercise price in euros	Exercise price in US dollars	Expiry date
Jacques de Vaucleroy	7,000				**7,000**	26.10		28 May 2009
	20,000				**20,000**	28.30		3 Apr 2010
	7,634				**7,634**		13.70	3 Mar 2013
	61,110				**61,110**	18.71		15 Mar 2014
	114,950				**114,950**	23.28		30 Mar 2015
		100,352			**100,352**	32.77		23 Mar 2016
Fred Hubbell	50,000			**50,000**	**0**	35.26		15 Mar 2006
	35,000				**35,000**	29.39		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
	41,250				**41,250**	17.69		14 May 2014
	84,700				**84,700**	21.67		13 May 2015
Alexander Rinnooy Kan	50,000			**50,000**	**0**	35.26		15 Mar 2006
	35,000				**35,000**	29.39		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
	41,250				**41,250**	17.69		14 May 2014
	48,000				**48,000**	21.67		13 May 2015
Hans Verkoren	20,000			**20,000**	**0**	35.26		15 Mar 2006
	23,000				**23,000**	29.39		11 Mar 2012
	30,000			**18,000**	**12,000**	12.65		3 Mar 2013
	17,800				**17,800**	18.71		15 Mar 2014
	42,800				**42,800**	21.67		13 May 2015

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

EXECUTIVE BOARD REMUNERATION STRUCTURE 2007

Policy for 2007

With regard to the remuneration policy for 2007, the Supervisory Board continues to build upon the remuneration policy initiated in 2003, which supports the performance-oriented culture. Over the past five years, the Executive Boards' total remuneration package has gradually converged to the European 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 2007

The plan is to keep base-salary levels flat in 2007. A market-competitive analysis is conducted on an annual basis to ensure market competitiveness.

Executive Board Short-term incentive plan 2007

The 2007 short-term incentive target at 100% of base salary will remain the same as 2006. 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 2007 short-term incentive award will remain the same as in 2006: 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.

The Supervisory Board has concluded for 2007 that the Executive Board's short-term incentive award for the Group performance will be changed slightly to replace the return on economic capital measure with economic profit/embedded value profit. The three financial criteria that will be used for 2007 will be: operating net profit, total operating expenses and economic profit/embedded value profit*. This slight adaptation to shift from return on economic capital to economic profit/embedded value profit is in line with the publication of the economic profit and embedded value profit as of 2007.

(*) The embedded value profit target is less financial variances

Executive Board Long-term incentive plan 2007
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 2007 long-term incentive award will remain the same as the 2003 structure (the total nominal value at grant will be split between stock options and performance shares).

As was the case in 2006, 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 2007, based on the achievement of the three pre-defined financial objectives set out in the 2007 short-term incentive plan.

REMUNERATION SUPERVISORY BOARD

Remuneration
As of July 2006 the remuneration of the Supervisory Board members was increased as follows: chairman EUR 75,000 (was EUR 61,260), vice-chairman EUR 65,000 (was EUR 61,260), other members EUR 45,000 (was EUR 36,300). In addition to the remuneration each member receives an expense allowance. For the chairman and vice-chairman the annual amount is EUR 6,800. For the other members the amount is EUR 2,270.

For the committees the remuneration was increased as follows: chairman of the Audit Committee EUR 8,000 (was EUR 1,360), members of the Audit Committee EUR 6,000 (was EUR 1,360), chairman of other Supervisory Board committees EUR 7,500 (was EUR 1,360), members of other Supervisory Board committees EUR 5,000 (was EUR 1,360). 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.

The table below shows the remuneration, expense allowances and attendance fees per Supervisory Board member for 2006 and previous years. The compensation of former Supervisory Board members who resigned before 2006 amounted to EUR 29,000 in 2005 and EUR 54,000 in 2004.

Compensation of the members and former members of the Supervisory Board

Amounts in thousands of euros	**2006**	2005	2004
MEMBERS OF THE SUPERVISORY BOARD			
Cor Herkströter	**75**	68	68
Eric Bourdais de Charbonnière[1]	**70**	65	29
Luella Gross Goldberg	**52**	44	44
Paul van der Heijden	**52**	43	44
Claus Dieter Hoffmann	**56**	49	46
Jan Hommen[2]	**57**	24	
Piet Klaver[3]	**33**		
Wim Kok	**51**	39	39
Godfried van der Lugt	**56**	40	39
Karel Vuursteen	**43**	39	39
	545	411	348
FORMER MEMBERS OF THE SUPERVISORY BOARD			
Aad Jacobs[4]	**17**	51	49
Paul Baron de Meester[5]	**16**	58	57
	33	109	106
	578	520	454

(1) Member as of April 2004; vice-chairman as of February 2005.
(2) Member since June 2005.
(3) Member since April 2006.
(4) Retired in April 2006.
(5) Retired in April 2006. Compensation includes payment to match his former remuneration as a member of the BBL Supervisory Board.

Remuneration Report continued

Loans and advances to Supervisory Board members

As at 31 December 2006, there were no loans and advances outstanding to members of the Supervisory Board. As at 31 December 2005 and 2004, 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 Aad Jacobs.

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 2006, with the exception of Mr. Klaver as indicated in note 2 to the table.

ING depositary receipts for shares held by members of the Supervisory Board[1]

	2006	2005	2004
Cor Herkströter	**1,616**	1,616	1,616
Luella Gross Goldberg	**6,814**	6,814	6,701
Paul van der Heijden	**0**	0	1,716
Piet Klaver[2]	**5,430**	0	0
Karel Vuursteen	**1,510**	1,510	1,510
	15,370	9,940	11,543

[1] ING depositary receipt for shares of direct family included;
members of the Supervisory Board (including direct family) not mentioned in this table did not hold ING shares.

[2] Piet Klaver also holds 20 call options (exercise price: EUR 15.00, expiry month: December 2008).

Works councils

Central Works Council
as at 1 January 2007

Josine Sips, *chairman*
Paul de Widt, *secretary*
Wim Evers, *deputy chairman*
Gerard Dekkers, *deputy secretary*
Goof Bode, Hans de Boer, Hans van den Brink, Hans de Bruin,
Petra Delhez, Wim Dijkhuizen, Jeffrey Dinsbach, Rob Eijt,
Bas Hofstee, Alex Hoogendoorn, Aad Kant, Ben van Kessel,
Jan Kuijper, René van der Linden, Ans Nijman, Anja Rozendaal,
André Schat, Frans Veld, Bernard Wempe, Paul Zoet

European Works Council
as at 1 January 2007

Mathieu Blondeel, *chairman,* Belgium
Mirjam Busse, *secretary,* the Netherlands
Adriana Dumitrescu, *deputy chairman,* Romania
Marcel Koopman, *deputy secretary,* the Netherlands
Jean-Claude Van Den Abeele, Freddy Dekerf, Jean Pierre Lambert,
Dirk Verstrepen, Belgium
Evetta Mircheva, Bulgaria
Marie Martinkova, Czech Republic
Sebastien Barthe, Hervé Laurent, France
Norbert Lucas, Thomas Meder, Germany
Maria Tapini Orianou, Greece
Laszlo Szabo, Hungary
Alan Maher, Ireland
Nicola Cerruti, Salvatore Pecoraro, Italy
Arsène Kihm, Denis Richard, Luxembourg
Hans van den Brink, Wim Evers, Bas Hofstee, Gerlinde Korterink,
Maarten Kramer, André Schat, Michel Tromp, Paul Zoet,
the Netherlands
Mieczyslaw Bielawski, Mariusz Cieslik, Jaroslaw Szczesny, Poland
Miriam Rosenbergová, Slovakia
Gregorio Tejedor Mingo, Spain
Thomas Wipf, Switzerland
Courtney Ruesch, Mike Sharman, United Kingdom

Consolidated balance sheet of ING Group as at 31 December
before profit appropriation

amounts in millions of euros	2006	2005
ASSETS		
Cash and balances with central banks 1	**14,326**	13,084
Amounts due from banks 2	**39,868**	47,466
Financial assets at fair value through profit and loss 3		
– trading assets	**193,977**	149,187
– investments for risk of policyholders	**110,547**	100,961
– non-trading derivatives	**6,521**	7,766
– designated as at fair value through profit and loss	**6,425**	10,230
Investments 4		
– available-for-sale	**293,921**	305,707
– held-to-maturity	**17,660**	18,937
Loans and advances to customers 5	**474,437**	439,181
Reinsurance contracts 17	**6,529**	8,285
Investments in associates 6	**4,343**	3,622
Real estate investments 7	**6,974**	5,031
Property and equipment 8	**6,031**	5,757
Intangible assets 9	**3,522**	3,661
Deferred acquisition costs 10	**10,163**	9,604
Other assets 11	**31,063**	30,160
Total assets	**1,226,307**	1,158,639
EQUITY		
Shareholders' equity (parent) 12	**38,266**	36,736
Minority interests	**2,949**	1,689
Total equity	**41,215**	38,425
LIABILITIES		
Preference shares 13	**215**	296
Subordinated loans 14	**6,014**	6,096
Debt securities in issue 15	**78,133**	81,262
Other borrowed funds 16	**29,639**	32,252
Insurance and investment contracts 17	**268,683**	263,487
Amounts due to banks 18	**120,839**	122,234
Customer deposits and other funds on deposit 19	**496,680**	465,712
Financial liabilities at fair value through profit and loss 20		
– trading liabilities	**127,975**	92,058
– non-trading derivatives	**4,934**	6,248
– designated as at fair value through profit and loss	**13,702**	11,562
Other liabilities 21	**38,278**	39,007
Total liabilities	**1,185,092**	1,120,214
Total equity and liabilities	**1,226,307**	1,158,639

References relate to the notes starting on page 109 which form an integral part of the consolidated annual accounts.

Consolidated profit and loss account of ING Group
for the years ended 31 December

amounts in millions of euros	**2006**	**2006**	2005	2005	2004	2004
Interest income banking operations	**59,170**		48,176		25,448	
Interest expense banking operations	**–49,978**		–39,109		–16,707	
Interest result banking operations 35		**9,192**		9,067		8,741
Gross premium income 36		**46,835**		45,758		43,617
Investment income 37		**10,907**		10,434		10,054
Net gains/losses on disposals of group companies		**1**		390		337
Gross commission income	**6,867**		5,845		5,659	
Commission expense	**–2,551**		–2,098		–1,880	
Commission income 38		**4,316**		3,747		3,779
Valuation results on non-trading derivatives 39		**89**		47		
Net trading income 40		**1,172**		426		888
Share of profit from associates 6		**638**		541		229
Other income 41		**471**		710		526
Total income		**73,621**		71,120		68,171
Gross underwriting expenditure	**53,065**		54,594		48,925	
Investment income for risk of policyholders	**–2,702**		–5,074		–2,309	
Reinsurance recoveries	**–2,175**		–2,400		–1,232	
Underwriting expenditure 42		**48,188**		47,120		45,384
Addition to loan loss provision 5		**103**		88		465
Other impairments 43		**27**		76		22
Staff expenses 44		**7,918**		7,646		7,667
Other interest expenses 45		**1,016**		969		1,019
Operating expenses 46		**6,429**		6,327		5,874
Total expenses		**63,681**		62,226		60,431
Profit before tax		**9,940**		8,894		7,740
Taxation 47		**1,907**		1,379		1,709
Net profit (before minority interests)		**8,033**		7,515		6,031
Attributable to:						
Shareholders of the parent		**7,692**		7,210		5,755
Minority interests		**341**		305		276
		8,033		7,515		6,031

amounts in euros	**2006**	2005	2004
Earnings per ordinary share attributable to shareholders of parent 48	**3.57**	3.32	2.71
Diluted earnings per ordinary share 48	**3.53**	3.32	2.71
Dividend per ordinary share 49	**1.32**	1.18	1.07

References relate to the notes starting on page 162 which form an integral part of the consolidated annual accounts.

Consolidated statement of cash flows of ING Group
for the years ended 31 December

amounts in millions of euros		2006	2005	2004
Profit before tax		**9,940**	8,894	7,740
Adjusted for	– depreciation	**1,298**	1,278	563
	– deferred acquisition costs and VOBA	**–1,317**	–1,141	–858
	– increase in provisions for insurance and investment contracts	**17,689**	21,250	13,244
	– addition to loan loss provision	**103**	88	465
	– other	**–4,778**	–1,282	4,467
Taxation paid		**–1,739**	–1,398	–1,163
Changes in	– amounts due from banks, not available on demand	**3,117**	–720	–1,206
	– trading assets	**–48,168**	–29,925	–4,417
	– non-trading derivatives	**–179**	2,596	
	– other financial assets at fair value through profit and loss	**3,930**	–2,193	–14
	– loans and advances to customers	**–59,800**	–62,709	–34,737
	– other assets	**1,218**	–7,551	336
	– amounts due to banks, not payable on demand	**1,925**	19,405	21,986
	– customer deposits and other funds on deposit	**47,521**	62,089	64,555
	– trading liabilities	**38,821**	13,442	
	– other financial liabilities at fair value through profit and loss	**2,405**	8,398	
	– other liabilities	**–2,236**	3,475	4,141
Net cash flow from operating activities		**9,750**	33,996	75,102
Investments and advances	– group companies	**–2,358**	–250	–2,643
	– associates	**–449**	–858	
	– available-for-sale investments	**–295,086**	–260,769	–262,293
	– held-to-maturity investments		–1,030	
	– real estate investments	**–1,588**	–1,156	–1,169
	– property and equipment	**–568**	–540	–380
	– assets subject to operating leases	**–1,164**	–991	–950
	– investments for risk of policyholders	**–44,116**	–41,781	–34,467
	– other investments	**–250**	–164	–103
Disposals and redemptions	– group companies	**490**	703	1,520
	– associates	**459**	1,058	
	– available-for-sale investments	**271,983**	218,847	197,070
	– held-to-maturity investments	**1,343**	245	
	– real estate investments	**1,294**	1,030	1,123
	– property and equipment	**292**	483	192
	– assets subject to operating leases	**402**	391	388
	– investments for risk of policyholders	**37,945**	34,464	29,382
	– other investments	**51**	13	65
Net cash flow from investing activities 52		**–31,320**	–50,305	–72,265
Proceeds from issuance of subordinated loans		**865**	1,901	1,000
Repayments of subordinated loans		**–600**	–177	–410
Borrowed funds and debt securities 53		**20,500**	7,842	26
Deposits by reinsurers		**–180**	93	309
Issuance of ordinary shares		**5**	114	1,037
Payments to acquire treasury shares		**–1,422**	–303	
Sales of treasury shares		**373**	55	
Dividends paid		**–2,716**	–2,461	–883
Net cash flow from financing activities		**16,825**	7,064	1,079
Net cash flow 54		**–4,745**	–9,245	3,916
Cash and cash equivalents at beginning of year		**3,335**	11,588	7,715
Implementation IAS 32/39			692	
Effect of exchange rate changes on cash and cash equivalents		**–385**	300	–43
Cash and cash equivalents at end of year 55		**–1,795**	3,335	11,588

References relate to the notes starting on page 184 which form an integral part of the consolidated annual accounts.

Consolidated statement of changes in equity of ING Group
for the years ended 31 December

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholders' equity (parent)	Minority interests	Total equity
Balance as at 1 January 2004	612	8,064	10,664	19,340	3,513	22,853
Unrealised revaluations after taxation			717	717	29	746
Realised gains/losses transferred to profit and loss			–587	–587		–587
Exchange rate differences			–756	–756	–103	–859
Total amount recognised directly in equity			–626	–626	–74	–700
Net profit			5,755	5,755	276	6,031
			5,129	5,129	202	5,331
Changes in composition of the group					–234	–234
Dividends [(1)]	16	–1,227	–883	–2,094		–2,094
Purchase/sales of treasury shares	6	1,688		1,694		1,694
Balance as at 31 December 2004	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
Unrealised revaluations after taxation			2,514	2,514	–32	2,482
Realised 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 recognised 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 [(2)]			–2,461	–2,461		–2,461
Exercise of warrants and options		9		9		9
Balance as at 31 December 2005	530	8,343	27,863	36,736	1,689	38,425
Unrealised revaluations after taxation			**–1,096**	**–1,096**	**–8**	**–1,104**
Realised 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 recognised 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 [(3)]			**–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 31 December 2006	**530**	**8,348**	**29,388**	**38,266**	**2,949**	**41,215**

(1) 2003 final dividend of EUR 0.49 per ordinary share and 2004 interim dividend of EUR 0.49 per ordinary share.
(2) 2004 final dividend of EUR 0.58 per ordinary share and 2005 interim dividend of EUR 0.54 per ordinary share.
(3) 2005 final dividend of EUR 0.64 per ordinary share and 2006 interim dividend of EUR 0.59 per ordinary share.

In 2006, deferred taxes for the year with regard to unrealised revaluations amounted to EUR 1,339 million (2005: EUR 363 million). For details on deferred tax see Note 21 Other liabilities.

Reserves include Revaluation reserve of EUR 9,453 million (2005: EUR 11,206 million), Currency translation reserve of EUR –473 million (2005: EUR 668 million) and Other reserves of 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 'Changes in accounting policies'.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Group

AUTHORISATION OF ANNUAL ACCOUNTS

The consolidated annual accounts of ING Groep N.V. ('ING Group') for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Executive Board on 12 March 2007. 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').

Certain amendments to IAS 19 Employee benefits became effective as of 1 January 2006. Also during the year several IFRIC interpretations became effective: IFRIC 4 Determining whether an arrangement contains a lease, IFRIC 8 Scope of IFRS 2 and IFRIC 9 Reassessment of embedded derivatives. None of these recent amendments and interpretations have had a material effect on equity or net profit. Recently issued standards that became effective after 1 January 2007 are not expected to have a material effect on equity or net profit. ING Group has not early adopted any new International Financial Reporting Standard.

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 39 and IFRS 4 for the accounting period beginning on 1 January 2005. As a result the profit and loss account for 2004 is not directly comparable. For the accounting policies used in 2004 see section 'Changes in accounting policies' at the end of the 'Accounting policies' section.

CHANGES IN PRESENTATION

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 in 2006 to provide additional and more relevant information. Certain comparative amounts have been reclassified to conform with the current period presentation. None of the changes are significant in nature.

Until 2005, health and disability insurance business was included in 'non-life', in line with regulatory definitions in the Netherlands. In line with international practice, as of 2006, health and disability insurance business that is similar in nature to life insurance business is presented under 'life'. The impact of this change is disclosed in Note 17 Insurance, Reinsurance and Investment contracts.

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 recognised 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.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES
Fair values of financial assets and liabilities are determined using quoted market prices. Market prices are obtained from traders, brokers and independent market vendors. 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, including Over-The-Counter (OTC) derivative instruments, no quoted market prices are available. For these financial assets and liabilities fair value is determined using valuation techniques. These valuation techniques consider, among other factors, contractual and market prices, correlations, time value of money, credit, yield curve volatility factors, and/or prepayment rates of the underlying positions. All valuation techniques used are approved by management. In addition, 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 financial assets and liabilities. Valuation techniques involve various assumptions regarding the underlying price, yield curve, correlations and many other 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 minimise the potential risks for economic losses due to materially incorrect or misused models, which applies to both exchange traded positions as well as OTC positions.

See Note 33 Fair value of financial assets and liabilities for the basis of the determination of the fair value of the financial instruments.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Group continued

EMPLOYEE BENEFITS

Group companies operate various defined benefit retirement plans covering a significant number of its domestic and international employees.

The liability recognised 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 unrecognised actuarial gains and losses, and unrecognised 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 recognised 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 amortised 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-retirement 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.

A list of principal subsidiaries is included in Note 28 Principal subsidiaries and companies acquired/disposed.

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.

All intercompany transactions, balances and unrealised 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 the parent company.

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 recognises 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 recognise 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 recognised 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 analysed 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 euro, 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 and liabilities denominated in foreign currencies are recognised 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.

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 recognised 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 recognised 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 closing rate.

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 (for example OTC derivatives) 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.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Group continued

DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured 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 recognising 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 recognised assets or liabilities or firm commitments (fair value hedge), hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), or hedges of a net investment 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.

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 recognised in the profit and loss account.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised 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, amortised in the profit and loss account over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognised in the profit and loss account only when the hedged item is derecognised.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised 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 recognised when the forecast transaction is ultimately recognised 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 recognised in equity and the gain or loss relating to the ineffective portion is recognised 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 recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date the Group receives or delivers the asset.

Derecognition of financial assets
Financial assets are derecognised 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 derecognises 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 recognise 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.

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.

Investments
Investments (including loans quoted in active markets) are classified either as held-to-maturity or available-for-sale and are initially recognised 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 recognised at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are measured at fair value. Unrealised gains and losses arising from changes in the fair value are recognised 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 recognised at fair value plus transaction costs. Subsequently they are carried at amortised cost using the effective interest method less any impairment losses.

Loans and advances to customers
Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses.

Realised gains and losses on investments
Realised gains and losses on investments are determined as the difference between the sale proceeds and (amortised) cost. For equity securities the cost is determined using a weighted average per portfolio. For debt securities the cost is determined by specific identification.

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 recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

REPURCHASE TRANSACTIONS AND REVERSE REPURCHASE TRANSACTIONS
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 amortised over the life of the agreement using the effective interest method.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Group continued

LOAN LOSS PROVISION

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 demonstrated significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset;
- 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 recognised.

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 recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on an asset carried at amortised 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 recognised 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 recognises 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 recognised 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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised 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 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 recognised in net profit – is removed from equity and recognised in the profit and loss account. Impairment losses recognised 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 recognised 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 recognised 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 recognised in the profit and loss account, and its share of post-acquisition changes in reserves is recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised 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.

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 recognised 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 recognised in net profit are recognised in the profit and loss account. Depreciation is recognised 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.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Group continued

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.

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 realisable value. Cost includes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where the net realisable 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 for third parties 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 capitalised 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 recognised in the profit and loss account.

Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised 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 recognised 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 recognised 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 recognised 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.

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 capitalised 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 capitalised on acquisitions after the date of implementing IFRS-EU (1 January 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 recognised as income or expense. However, recognition of deferred tax assets after the acquisition date is recorded as an adjustment to goodwill even after the first year. On disposal of group companies, the difference between the sale proceeds and book value (including goodwill) and the amount included in 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 amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed three years. Amortisation is included in 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 amortised in a similar manner to amortisation of deferred acquisition costs as described in the section 'Deferred acquisition costs'.

Other intangible assets

Other intangible assets are capitalised and amortised over their expected economic life, which is generally between three and ten years. Intangible assets with an indefinite life are not amortised.

DEFERRED ACQUISITION COSTS

Deferred acquisition costs (DAC) are an asset and represent costs of acquiring insurance and investment contracts that are deferred and amortised. 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 amortised 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 amortised over the premium payment period in proportion to the premium revenue recognised.

For other types of flexible life insurance contracts DAC is amortised over the lives of the policies in relation to the emergence of estimated gross profits. Amortisation is adjusted retrospectively when estimates of current or future gross profits, to be realised 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 amortisation of DAC due to the catch-up of amortisation 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.

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 unrealised results on allocated investments through equity.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Group continued

TAXATION

Income tax on the net profit for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account but it shall be 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 realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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 recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised. 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 recognised 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 recognised in the profit and loss account as interest expense using the effective interest method.

Borrowings are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds, net of transaction costs, and the redemption value is recognised 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.

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 recognised at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less cumulative amortisation 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.

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 unamortised 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 capitalised and amortised in conformity with the anticipated recovery pattern and are recognised 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 recognise 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 unrealised revaluation on allocated investments. Upon realisation, the profit sharing on unrealised revaluation is reversed and a deferred profit sharing liability is recorded for the share in realised 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 unamortised interest rate rebates, DAC and VOBA, 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.

If, for any business unit, it is determined using a best estimate (50%) confidence level that a shortfall exists, it is immediately recorded in the profit and loss account.

If, for any business unit, the provisions 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 provisions 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 reserves are determined to be adequate at above the 90% confidence level, no reduction in the provision 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 amortised cost, using the effective interest method (including certain initial acquisition expenses) or at fair value.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Group continued

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 recognised 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 unrecognised actuarial gains and losses, and unrecognised 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 recognised 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 recognised as staff expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-retirement obligations

Some group companies provide post-retirement healthcare and other benefits to their retirees. 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.

Reorganisation 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.

INCOME RECOGNITION

Gross premium income

Premiums from life insurance policies are recognised as revenue when due from the policyholder. For non-life insurance policies, gross premium income is recognised on a pro-rata basis over the term of the related policy coverage. Receipts under investment contracts are not recognised as gross premium income.

Interest

Interest income and expense are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised 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 recognised 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 recognised 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 recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised 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 recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised 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 recognised 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 (recognised as interest income) and a repayment component.

EXPENSE RECOGNITION
Expenses are recognised 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 recognised as the employees provide the service. A corresponding increase in equity is recognised if the services are received in an equity-settled share-based payment transaction. A liability is recognised 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. ING Group generally provides equity-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.

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.

CHANGES IN ACCOUNTING POLICIES
ING Group applies IFRS as adopted by the EU as of 2005. The 2004 comparatives have been restated to comply with IFRS-EU. However, as permitted by IFRS 1, ING Group has not restated the 2004 comparatives for the impact of IAS 32, IAS 39 and IFRS 4. Accordingly, comparative information for 2004 with respect to financial instruments and insurance contracts is prepared under ING Group's previous accounting policies (Dutch GAAP).

Accounting policies for the consolidated balance sheet and profit and loss account of ING Group continued

The key differences between the former accounting policies under Dutch GAAP and IFRS-EU as applied as from 1 January 2005 for financial instruments and insurance contracts and their transitional impact on equity as at 1 January 2005 are summarised below.

Impact of IAS32/39 and IFRS 4

amounts in millions of euros	
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 recognised in a revaluation reserve in equity; realised results are recognised directly in the profit and loss account. Under Dutch GAAP, debt securities were reported at amortised cost; realised results were deferred and amortised 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 amortised cost or at fair value.

For insurance contracts with discretionary participation features, a deferred profit sharing liability is recorded under IFRS-EU for the full amount of unrealised 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 1 January 2005.

Where deferred acquisition costs are amortised over the lives of policies in relation to the emergence of estimated gross profits, under IFRS-EU the amortisation is adjusted through equity to reflect changes that would have been necessary if unrealised investment gains and losses had been realised.

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); realised results were deferred and amortised 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 recognised 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 amortised cost. Under IFRS-EU, certain fees/costs are capitalised and amortised whilst under Dutch GAAP they were expensed immediately (e.g. mortgage broker fees). The amortisation of premiums, discounts and fees under IFRS-EU is based on effective yield whereas under Dutch GAAP these were amortised on a straight-line basis. Under IFRS-EU, realised results are reported in net profit. Under Dutch GAAP these were amortised 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.

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 for 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.

amounts in millions of euros, unless stated otherwise

ASSETS

1 CASH AND BALANCES WITH CENTRAL BANKS

Cash and balances with central banks

	2006	2005
Amounts held at central banks	**10,511**	9,479
Cash and bank balances	**3,563**	3,498
Short term deposits insurance operations	**252**	107
	14,326	13,084

2 AMOUNTS DUE FROM BANKS

Amounts due from banks

	Netherlands 2006	Netherlands 2005	International 2006	International 2005	Total 2006	Total 2005
Loans and advances to banks	**4,660**	2,805	**31,751**	24,072	**36,411**	26,877
Cash advances, overdrafts and other balances	**285**	2,174	**3,176**	18,422	**3,461**	20,596
	4,945	4,979	**34,927**	42,494	**39,872**	47,473
Loan loss provision			**–4**	–7	**–4**	–7
	4,945	4,979	**34,923**	42,487	**39,868**	47,466

Amounts due from banks, at 31 December 2006, included receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 2,249 million (2005: EUR 7,738 million).

As at 31 December 2006, the non-subordinated receivables amounted to EUR 39,774 million (2005: EUR 47,406 million), the subordinated receivables amounted to EUR 94 million (2005: EUR 60 million), and assets held under finance lease contracts amounted to EUR 277 million (2005: EUR 225 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.

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss

	2006	2005
Trading assets	**193,977**	149,187
Investments for risk of policyholders	**110,547**	100,961
Non-trading derivatives	**6,521**	7,766
Designated as at fair value through profit and loss	**6,425**	10,230
	317,470	268,144

The majority of financial assets included in Designated as at fair value through profit and loss above are debt securities. For the financial year 2006, the changes in fair value of loans designated as at fair value through profit and loss attributable to changes in credit risk of the borrower were insignificant.

Trading assets by type

	2006	2005
Equity securities	**14,717**	10,107
Debt securities	**38,287**	38,299
Derivatives	**22,514**	20,254
Loans and receivables	**118,459**	80,527
	193,977	149,187

Notes to the consolidated balance sheet of ING Group continued

As at 31 December 2006, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 13 million (2005: nil) and nil (2005: nil), respectively. As at 31 December 2006, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 42 million (2005: EUR 67 million) and EUR 4,303 million (2005: EUR 1,653 million), respectively.

Investments for risk of policyholders by type

	2006	2005
Equity securities	87,213	79,290
Debt securities	7,241	7,140
Other investments	16,093	14,531
	110,547	100,961

The cost of investments for risk of policyholders as at 31 December 2006 was EUR 98,863 million (2005: EUR 88,748 million).

Investments in investment funds (with underlying investments in debt, equity securities and real estate and derivatives) are included under equity securities.

Non-trading derivatives

	2006	2005
Derivatives used in:		
– cash flow hedges	3,617	3,729
– fair value hedges	1,080	1,178
– hedges of net investments in foreign operations	3	32
Other non-trading derivatives	1,821	2,827
	6,521	7,766

4 INVESTMENTS

Investments by type

	2006	2005
Available-for-sale		
– equity securities	18,225	16,466
– debt securities	275,696	289,241
	293,921	305,707
Held-to-maturity		
– debt securities	17,660	18,937
	17,660	18,937
	311,581	324,644

The fair value of the securities classified as held-to-maturity amounts to EUR 17,494 million at 31 December 2006 (2005: EUR 19,466 million).

Changes in investments – available-for-sale and held-to-maturity

	Available-for-sale equity securities 2006	2005	Available-for-sale debt securities 2006	2005	Held-to-maturity 2006	2005	Total 2006	2005
Opening balance	**16,466**	11,449	**289,241**	264,882	**18,937**		**324,644**	276,331
Implementation IAS 32/39		928		–25,716		14,059		–10,729
Additions	**6,395**	9,015	**281,452**	251,027		1,030	**287,847**	261,072
Transfers	**–294**	233	**–249**	–4,817	**110**	4,010	**–433**	–574
Changes in the composition of the group	**–26**	–380	**–9,653**	–1,458			**–9,679**	–1,838
Change in unrealised revaluations	**1,956**	3,097	**–5,486**	–630			**–3,530**	2,467
Impairments and reversals	**–42**	–91	**36**	34			**–6**	–57
Disposals and redemptions	**–5,782**	–8,390	**–266,200**	–210,629	**–1,342**	–245	**–273,324**	–219,264
Exchange rate differences	**–448**	605	**–13,445**	16,548	**–45**	83	**–13,938**	17,236
Closing balance	**18,225**	16,466	**275,696**	289,241	**17,660**	18,937	**311,581**	324,644

Available-for-sale equity securities by insurance and banking operations

	Listed 2006	2005	Unlisted 2006	2005	Total 2006	2005
Insurance operations	**14,376**	12,311	**1,951**	2,008	**16,327**	14,319
Banking operations	**1,093**	1,238	**805**	909	**1,898**	2,147
	15,469	13,549	**2,756**	2,917	**18,225**	16,466

Debt securites by insurance and banking operations

	Available-for-sale 2006	2005	Held-to-maturity 2006	2005	Total 2006	2005
Insurance operations	**124,163**	130,189			**124,163**	130,189
Banking operations	**151,533**	159,052	**17,660**	18,937	**169,193**	177,989
	275,696	289,241	**17,660**	18,937	**293,356**	308,178

Revaluation of available-for-sale equity securities

	2006	2005
Cost	**12,067**	11,422
Revaluation – gross unrealised gains	**6,257**	5,134
– gross unrealised losses	**99**	90
	18,225	16,466

Revaluation of available-for-sale debt securities

	2006	2005
Cost	**272,699**	280,649
Revaluation – gross unrealised gains	**5,361**	10,401
– gross unrealised losses	**2,364**	1,809
	275,696	289,241

Notes to the consolidated balance sheet of ING Group continued

As at 31 December 2006, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 20 million (2005: nil) and nil (2005: EUR 3 million), respectively, and debt securities which were lent or sold in repurchase transactions amounting to EUR 2,119 million (2005: EUR 708 million) and EUR 37,804 million (2005: EUR 37,181 million), respectively.

Borrowed equity securities and convertible bonds are not recognised in the balance sheet and amounted to nil as at 31 December 2006 (2005: nil).

Borrowed debt securities are not recognised in the balance sheet and amounted to EUR 460 million as at 31 December 2006 (2005: EUR 3,295 million).

Investments in connection with the insurance operations with a combined carrying value of EUR 43 million (2005: EUR 3 million) were non-income-producing for the year ended 31 December 2006.

5 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by insurance and banking operations

	2006	2005
Insurance operations	**37,606**	38,467
Banking operations	**440,375**	404,511
	477,981	442,978
Eliminations	**3,544**	3,797
	474,437	439,181

Loans and advances to customers by type – insurance operations

	Netherlands 2006	Netherlands 2005	International 2006	International 2005	Total 2006	Total 2005
Policy loans	**55**	55	**3,511**	3,481	**3,566**	3,536
Loans secured by mortgages	**18,335**	17,438	**9,539**	10,638	**27,874**	28,076
Personal loans	**3,736**	3,836	**913**	2,125	**4,649**	5,961
Other	**507**	836	**1,047**	105	**1,554**	941
	22,633	22,165	**15,010**	16,349	**37,643**	38,514
Loan loss provision	**–12**	–16	**–25**	–31	**–37**	–47
	22,621	22,149	**14,985**	16,318	**37,606**	38,467

Loans and advances to customers by type – banking operations

	Netherlands 2006	Netherlands 2005	International 2006	International 2005	Total 2006	Total 2005
Loans to, or guaranteed by, public authorities	**16,450**	13,907	**9,503**	17,535	**25,953**	31,442
Loans secured by mortgages	**120,753**	111,257	**87,458**	69,855	**208,211**	181,112
Loans guaranteed by credit institutions	**2,088**	1,448	**320**	378	**2,408**	1,826
Other personal lending	**6,484**	9,942	**16,422**	15,200	**22,906**	25,142
Other corporate loans	**93,988**	81,946	**89,547**	86,349	**183,535**	168,295
	239,763	218,500	**203,250**	189,317	**443,013**	407,817
Loan loss provision	**–733**	–916	**–1,905**	–2,390	**–2,638**	–3,306
	239,030	217,584	**201,345**	186,927	**440,375**	404,511

Loans and advances to customers analysed by subordination – banking operations		
	2006	2005
Non-subordinated	**439,850**	402,747
Subordinated	**525**	1,764
	440,375	404,511

As at 31 December 2006, 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 1,554 million (2005: EUR 6,684 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, analysed as follows:

Finance lease receivables		
	2006	2005
Maturities of gross investment in finance lease receivables		
– within 1 year	**4,641**	4,230
– more than 1 year but less than 5 years	**8,061**	7,355
– more than 5 years	**3,346**	2,654
	16,048	14,239
Unearned future finance income on finance leases	**–2,684**	–2,022
Net investment in finance leases	**13,364**	12,217
Maturities of net investment in finance lease receivables		
– within 1 year	**3,943**	3,727
– more than 1 year but less than 5 years	**6,813**	6,163
– more than 5 years	**2,608**	2,327
	13,364	12,217
Included in Amounts due from banks	**277**	225
Included in Loans and advances to customers	**13,087**	11,992
	13,364	12,217

The allowance for uncollectible finance lease receivables included in the loan loss provision amounted to EUR 47 million at 31 December 2006 (2005: EUR 45 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.

Loan loss provision analysed by type – banking operations						
		Netherlands		International		Total
	2006	2005	**2006**	2005	**2006**	2005
Loans secured by public authorities		1	**2**	2	**2**	3
Loans secured by mortgages	**96**	93	**177**	273	**273**	366
Loans guaranteed by credit institutions			**6**	13	**6**	13
Other personal lending	**357**	230	**408**	408	**765**	638
Other corporate loans	**280**	592	**1,316**	1,701	**1,596**	2,293
	733	916	**1,909**	2,397	**2,642**	3,313

Notes to the consolidated balance sheet of ING Group continued

Changes in loan loss provision – banking operations

	2006	2005
Opening balance	3,313	4,456
Implementation IAS 32/39		–592
Changes in the composition of the group	–101	–4
Write-offs	–691	–842
Recoveries	86	61
Increase in loan loss provision	103	88
Exchange rate differences	–67	115
Other changes	–1	31
Closing balance	2,642	3,313
The closing balance is included in		
– amounts due from banks	4	7
– loans and advances to customers	2,638	3,306
	2,642	3,313

6 INVESTMENTS IN ASSOCIATES

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				

Accumulated impairments have been recognised of EUR 4 million (2005: 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.

Investments in associates

2005	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Vesteda	25		731	4,333	1,409	390	121
Lionbrook Property Partnership	33		308	988	62	42	14
ING Winkels Basisfonds	25		275	1,177	75	134	12
ING Woningen Basisfonds	25		205	925	54	144	45
Property Fund Iberica	30		165	1,472	911	241	152
Lion Properties Fund	8		147	2,427	590	245	48
Lion Industrial Fund	12		144	2,583	1,231	281	98
ING PF Brittanica	33		135	768	361	48	28
ING Industrial Fund Australia	13	152	133	1,192	349	119	24
Gables RE Trust – Permanent/Bridge equity	18		131	2,539	1,750	190	51
ING Retail Property Fund Australia	30		122	724	312	50	22
Q-Park N.V.	19		105	1,277	721	32	29
ING Korea Property Investments	51		89	368	223	23	6
ING Vastgoed Winkels C.V.	10		72	727	8	107	15
ING Office Fund Australia	7	62	61	1,300	538	115	28
ING Logistic Property C.V.	25		62	477	230	48	23
ING Convent Garden	44		53	247	125	12	4
Retail Property Fund France Belgium (RPFFB)	15		52	863	520	101	48
ING Vastgoed Woningen C.V.	10		51	515		95	35
Other investments in associates			581				
			3,622				

Changes in investments in associates

	2006	2005
Opening balance	**3,622**	2,663
Additions	**449**	776
Changes in the composition of the group	**108**	–452
Transfers to and from Investments	**241**	964
Revaluations	**41**	125
Share of results	**638**	541
Dividends received	**–174**	–170
Disposals	**–511**	–923
Impairments	**–3**	
Exchange rate differences	**–68**	98
Closing balance	**4,343**	3,622

Notes to the consolidated balance sheet of ING Group continued

7 REAL ESTATE INVESTMENTS

Changes in real estate investments

	2006	2005
Opening balance	5,031	7,151
Additions	1,588	1,156
Changes in the composition of the group	1,497	–2,619
Transfers to and from Property in own use	44	–2
Fair value gains/(losses)	175	171
Disposals	–1,293	–879
Exchange rate differences	–68	53
Closing balance	6,974	5,031

Real estate investments by insurance and banking operations

	2006	2005
Insurance operations	3,310	3,310
Banking operations	3,664	1,721
	6,974	5,031

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2006 was EUR 434 million (2005: EUR 372 million). The total amount of contingent rent recognised in the profit and loss account for the year ended 31 December 2006 was EUR 14 million (2005: EUR 6 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 31 December 2006 was EUR 168 million (2005: EUR 105 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 31 December 2006 was EUR 32 million (2005: EUR 38 million).

Appraisal of real estate investments during the last five years by professionally qualified valuers (in percentages)

year of appraisal	
2006	91
2005	7
2004	1
2003	1
2002	0
	100

8 PROPERTY AND EQUIPMENT

Property and equipment by type

	2006	2005
Property in own use	2,034	2,271
Equipment	1,312	1,316
Assets under operating leases	2,685	2,170
	6,031	5,757

Property in own use by insurance and banking operations

	2006	2005
Insurance operations	**694**	788
Banking operations	**1,340**	1,483
	2,034	2,271

Changes in property in own use

	2006	2005
Opening balance	**2,271**	2,409
Additions	**68**	73
Changes in the composition of the group	**–14**	3
Transfers to and from real estate investments	**–44**	2
Transfers to and from other assets	**–4**	–25
Depreciation	**–64**	–68
Revaluations	**76**	216
Impairments		–13
Reversal of impairments	**4**	27
Disposals	**–221**	–421
Exchange rate differences	**–38**	62
Other changes		6
Closing balance	**2,034**	2,271
Gross carrying amount as at 31 December	**2,883**	3,095
Accumulated depreciation as at 31 December	**–669**	–635
Accumulated impairments as at 31 December	**–180**	–189
Net book value	**2,034**	2,271
Revaluation surplus		
Opening balance	**612**	361
Revaluation in year	**82**	251
Released in year	**–1**	
Closing balance	**693**	612

Cost less accumulated depreciation is EUR 1,341 million (2005: EUR 1,659 million).

Appraisal of property in own use during the last five years by professionally qualified valuers (in percentages)

year of appraisal	
2006	**39**
2005	**30**
2004	**11**
2003	**9**
2002	**11**
	100

Notes to the consolidated balance sheet of ING Group continued

Changes in equipment

	Data processing equipment 2006	2005	Fixtures and fitting and other equipment 2006	2005	Total 2006	2005
Opening balance	**314**	333	**1,002**	940	**1,316**	1,273
Additions	**157**	183	**343**	297	**500**	480
Changes in the composition of the group	**–7**	–8	**–1**	–12	**–8**	–20
Disposals	**–9**	–8	**–63**	–41	**–72**	–49
Depreciation	**–177**	–198	**–222**	–223	**–399**	–421
Impairments			**–1**		**–1**	
Exchange rate differences	**–6**	12	**–26**	41	**–32**	53
Other changes	**11**		**–3**		**8**	
Closing balance	**283**	314	**1,029**	1,002	**1,312**	1,316
Gross carrying amount as at 31 December	**1,499**	1,454	**2,729**	2,523	**4,228**	3,977
Accumulated depreciation as at 31 December	**–1,216**	–1,140	**–1,699**	–1,521	**–2,915**	–2,661
Accumulated impairments as at 31 December			**–1**		**–1**	
Net book value	**283**	314	**1,029**	1,002	**1,312**	1,316

Changes in assets under operating leases

	Cars 2006	2005	Other leased-out assets 2006	2005	Total 2006	2005
Opening balance	**2,116**	2,060	**54**	41	**2,170**	2,101
Additions	**1,146**	990	**18**		**1,164**	990
Changes to the composition of the group	**417**	3	**–46**	22	**371**	25
Disposals	**–400**	–392	**–2**		**–402**	–392
Depreciation	**–617**	–549	**–10**	–9	**–627**	–558
Exchange rate differences	**9**	4			**9**	4
Closing balance	**2,671**	2,116	**14**	54	**2,685**	2,170
Gross carrying amount as at 31 December	**3,938**	3,070	**39**	98	**3,977**	3,168
Accumulated depreciation as at 31 December	**–1,267**	–954	**–25**	–44	**–1,292**	–998
Net book value	**2,671**	2,116	**14**	54	**2,685**	2,170

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

	2006	2005
Within 1 year	**926**	664
More than 1 year but less than 5 years	**1,754**	1,505
More than 5 years	**5**	1
	2,685	2,170

9 INTANGIBLE ASSETS

Changes in intangible assets

	Value of business acquired 2006	2005	Goodwill 2006	2005	Software 2006	2005	Other 2006	2005	Total 2006	2005
Opening balance	**2,986**		**173**	139	**408**	423	**94**	32	**3,661**	594
Transfer from deferred acquisition costs		2,693								2,693
Additions/Capitalised	**107**	101	**169**	70	**194**	212	**59**	15	**529**	398
Amortisation	**–175**	–241			**–200**	–215	**–8**	–5	**–383**	–461
Impairments					**–10**	–20		–1	**–10**	–21
Effect of unrealised revaluations in equity	**18**	157							**18**	157
Changes in the composition of the group	**–5**	63	**–21**	–60	**–6**	–5	**61**	45	**29**	43
Exchange rate differences	**–290**	213	**–10**	24	**–9**	13	**–7**	8	**–316**	258
Disposal of portfolios			**–6**						**–6**	
Closing balance	**2,641**	2,986	**305**	173	**377**	408	**199**	94	**3,522**	3,661
Gross carrying amount as at 31 December	**3,057**	3,227	**305**	173	**1,049**	871	**224**	111	**4,635**	4,382
Accumulated amortisation as at 31 December	**–416**	–241			**–657**	–457	**–25**	–17	**–1,098**	–715
Accumulated impairments as at 31 December					**–15**	–6			**–15**	–6
Net book value	**2,641**	2,986	**305**	173	**377**	408	**199**	94	**3,522**	3,661

Amortisation of software and other intangible assets is included in the profit and loss account in Operating expenses. Amortisation of VOBA is included in Underwriting expenditure.

10 DEFERRED ACQUISITION COSTS

Changes in deferred acquisition costs

	Investment contracts 2006	2005	Life insurance 2006	2005	Non-Life insurance 2006	2005	Total 2006	2005
Opening balance	**71**		**9,043**	9,999	**490**	429	**9,604**	10,428
Implementation IFRS 4		110		–742				–632
Capitalised	**25**	23	**2,544**	2,422	**259**	311	**2,828**	2,756
Amortisation	**–11**	–10	**–1,178**	–1,150	**–255**	–315	**–1,444**	–1,475
Unlocking			**–11**	4			**–11**	4
Effect of unrealised revaluations in equity			**43**	239			**43**	239
Transfer to VOBA		–119		–2,574				–2,693
Changes in the composition of the group				–138		–2		–140
Exchange rate differences	**–2**	10	**–812**	1,062	**–43**	67	**–857**	1,139
Disposal of portfolios		57	**16**	–79	**–16**			–22
Closing balance	**83**	71	**9,645**	9,043	**435**	490	**10,163**	9,604

For flexible life insurance contracts the growth rate assumption used for calculating the amortisation of the deferred acquisition costs for 2006 is 7.6% gross and 6.1% net of investment management fees (2005: 7.9% gross and 6.9% net of investment management fees).

Notes to the consolidated balance sheet of ING Group continued

11 OTHER ASSETS

Other assets by type

	2006	2005
Reinsurance and insurance receivables	**4,105**	3,144
Deferred tax assets	**1,872**	2,118
Property held for sale	**2,243**	1,891
Property under development for third parties	**96**	71
Income tax receivable	**1,222**	580
Accrued interest and rents	**14,535**	13,776
Other accrued assets	**1,167**	1,112
Pension assets	**251**	
Other receivables	**5,572**	7,468
	31,063	30,160

Disclosures in respect of deferred tax assets and pension assets are provided in Note 21 Other liabilities.

The total amount of borrowing costs relating to Property under development for third parties, capitalised in 2006 is EUR 2 million (2005: nil).

Reinsurance and insurance receivables

	2006	2005
Receivables on account of direct insurance from		
– policyholders	**2,390**	2,212
– intermediaries	**239**	213
Reinsurance receivables	**1,476**	719
	4,105	3,144

Property held for sale

	2006	2005
Property held for sale	**367**	482
Other:		
– property obtained from foreclosures	**58**	50
– property developed for sale	**1,818**	1,359
	2,243	1,891
Gross carrying amount as at 31 December	**2,328**	1,960
Accumulated impairments as at 31 December	**–85**	–69
Net book value	**2,243**	1,891

EQUITY

12 SHAREHOLDERS' EQUITY (PARENT)

Shareholders' equity (parent)

	2006	2005	2004
Share capital	**530**	530	634
Share premium	**8,348**	8,343	8,525
Revaluation reserve	**9,453**	11,206	1,257
Currency translation reserve	**–473**	668	–184
Other reserves	**20,408**	15,989	13,837
Shareholders' equity (parent)	**38,266**	36,736	24,069

The Revaluation reserve, Share of associates reserve (included in Other reserves) and Currency translation reserve cannot be freely distributed.

As at 31 December 2006 Other reserves included an amount of EUR 566 million (2005: EUR 583 million) related to the former Stichting Regio Bank that cannot be freely distributed. The decrease reflects the loss for the year.

Share capital

	Ordinary shares (par value EUR 0.24)			
	Number X1,000		Amount	
	2006	2005	2006	2005
Authorised share capital	**3,000,000**	3,000,000	**720**	720
Unissued share capital	**794,907**	795,066	**190**	190
Issued share capital	**2,205,093**	2,204,934	**530**	530

Notes to the consolidated balance sheet of ING Group continued

Changes in issued share capital

	Ordinary Shares (par value EUR 0.24) Number X1,000	Amount
Issued share capital as at 1 January 2004	2,115,901	508
From 2003 final stockdividend	31,731	8
From 2004 interim stockdividend	31,699	8
Issue of shares	25,389	6
Issued share capital as at 31 December 2004	2,204,720	530
Issue of shares	214	
Issued share capital as at 31 December 2005	2,204,934	530
Issue of shares	**96**	
Exercise of B warrants	**63**	
Issued share capital as at 31 December 2006	**2,205,093**	**530**

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 authorised ordinary share capital of ING Group consists of 3,000 million shares, of which as at 31 December 2006 2,205 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 31 December 2006, ABN AMRO Holding and Fortis each had an interest in depository receipts (for ordinary shares and for preference shares) of ING Groep N.V. of between 5% and 10%.

Depository receipts for ordinary shares held by ING Group
As at 31 December 2006, 53.8 million (2005: 38.7 million) of depository receipts for ordinary shares ING Groep N.V. with a par value of EUR 0.24 was held by ING Group or its subsidiaries. These were purchased 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. authorised the issue of a maximum of 17,317,132 B warrants, of which 17,220,200 have been issued. As at 31 December 2006, 17,157,891 B warrants were outstanding (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 5 January 2008. As at 31 December 2006, no B warrants (2005: nil) were held by group companies of ING Group.

The current exercise price of B warrants is EUR 49.92 for 2 depository receipts. The exercise price of B warrants will be adjusted by ING Group if one or more of the following circumstances occur:

1. ING Groep N.V. issues ordinary shares with pre-emptive rights for existing holders thereof at a price lower than the average price over the 20 business days preceding the relevant announcement of the median price between the highest and lowest prices of the depository receipts of EUR 0.24 par value as stated in the Official Price List of Euronext Amsterdam N.V.;

2. ING Groep N.V. issues ordinary shares to existing holders thereof, such shares being paid from a reserve of the company at a price lower than the average price over the 20 business days preceding the relevant announcement of the median price between the highest and lowest prices of the depository receipts of EUR 0.24 par value as stated in the Official Price List of Euronext Amsterdam N.V.;

3. ING Groep N.V. issues ordinary shares to existing holders thereof by way of paying a dividend at a price lower than the average price over the 20 business days preceding the relevant announcement of the median price between the highest and lowest prices of the depository receipts of EUR 0.24 par value as stated in the Official Price List of Euronext Amsterdam N.V.;

4. ING Groep N.V. grants to existing holders of ordinary shares pre-emptive rights to obtain securities other than ordinary shares;

5. Any company grants to existing holders of ordinary shares of ING Groep N.V. a right of subscription for securities which may be converted into or exchanged for ordinary shares of ING Groep N.V., provided that the price for which such ordinary shares of ING Groep N.V. may (initially) be obtained is lower than the then applicable exercise price;

6. ING Groep N.V. makes a distribution in cash out of its share premium reserve(s) to holders of ordinary shares.

In case of a split or consolidation of the shares of ING Groep N.V., a warrant holder shall remain entitled to a number of shares, the aggregate par value of which shall be equal to the aggregate par value of the number of shares to which he was entitled before the split or consolidation.

In case of a restructuring of the share capital of ING Groep N.V or a merger of ING Group with any other company or a transfer of the assets of ING Group (or a substantial part thereof) to any other company, the exercise price of the B warrants will not be adjusted. In that event, a warrant holder will be entitled to obtain the securities of the kind and number a holder of ordinary shares would have been entitled to if the B warrants had been exchanged for ordinary shares immediately before that event.

Notes to the consolidated balance sheet of ING Group continued

Revaluation reserve

	Property revaluation reserve	**Available for sale reserve**	**Cash flow hedge reserve**	**Total 2006**
Opening balance	**460**	**8,700**	**2,046**	**11,206**
Unrealised revaluations	**8**	**–267**	**–696**	**–955**
Realised gains/losses transferred to profit and loss		**–804**	**6**	**–798**
Closing balance	**468**	**7,629**	**1,356**	**9,453**

Revaluation reserve

	Property revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Total 2005	Total 2004
Opening balance	382	875		1,257	1,199
Implementation IAS 32/39 and IFRS 4		6,256	1,282	7,538	
Unrealised revaluations	53	2,006	764	2,823	795
Realised gains/losses transferred to profit and loss		–663		–663	–737
Other changes	25	226		251	
Closing balance	460	8,700	2,046	11,206	1,257

Currency translation reserve

	2006	2005	2004
Opening balance	**668**	–184	
Implementation IAS 32/39 and IFRS 4		–556	
Unrealised revaluations	**194**	489	
Exchange rate differences	**–1,335**	919	–184
Closing balance	**–473**	668	–184

Other reserves

	Retained earnings	**Share of associates reserve**	**Treasury shares**	**Other reserves**	**Total 2006**
Opening balance	**16,262**	**608**	**–868**	**–13**	**15,989**
Profit for the year	**6,972**	**720**			**7,692**
Unrealised revaluations				**–124**	**–124**
Change 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**

Other reserves

	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total 2005	Total 2004
Opening balance	13,792	608	–563		13,837	9,465
Implementation IAS 32/39 and IFRS 4	–2,584				–2,584	
Profit for the year	7,210				7,210	5,755
Unrealised revaluations						–78
Realised gains/losses transferred to profit and loss						150
Change in treasury shares			–305		–305	
Dividend	–2,461				–2,461	–883
Other	305			–13	292	–572
Closing balance	16,262	608	–868	–13	15,989	13,837

Change in treasury shares

	Amount 2006	Amount 2005	Number 2006	Number 2005
Opening balance	**868**	563	**38,722,934**	29,787,165
Purchased	**1,030**	381	**30,858,427**	13,013,029
Share based payments	**462**	76	**15,722,126**	3,203,303
Other				873,957
Closing balance	**1,436**	868	**53,859,235**	38,722,934

Preference shares are presented in the balance sheet under liabilities. See Note 13 Preference shares.

Notes to the consolidated balance sheet of ING Group continued

LIABILITIES

13 PREFERENCE SHARES

ING Group preference shares

Preference shares are divided into 2 categories: 'A' preference shares and 'B' preference shares. The authorised 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 31 December 2006 63,028,961 million 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 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 1 January 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 2006, ING Group bought back 24,051,039 (depository receipts for) 'A' preference shares in ING at a price of EUR 3.72 per share or EUR 89.5 million in total. All purchased 'A' preference shares have been cancelled.

Cumulative preference shares

The par value of the cumulative preference shares is EUR 1.20. The authorised cumulative preference share capital consists of 900 million cumulative preference shares, none of which 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.

14 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of issue	Due date	Notional amount in original currency	Balance sheet value 2006	2005
5.140%	2006	Unlimited	GBP 600	**885**	
5.775%	2005	Unlimited	USD 1,000	**752**	838
6.125%	2005	Unlimited	USD 700	**515**	574
4.176%	2005	Unlimited	EUR 500	**497**	496
Variable	2004	Unlimited	EUR 1,000	**926**	934
6.200%	2003	Unlimited	USD 500	**368**	410
Variable	2003	Unlimited	EUR 750	**669**	692
7.200%	2002	Unlimited	USD 1,100	**811**	904
7.050%	2002	Unlimited	USD 800	**591**	659
6.500%	2001	Unlimited	EUR 600		589
				6,014	6,096

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 loans held by group companies as at 31 December 2006 was nil with a balance sheet value of nil (2005: 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:

Notes to the consolidated balance sheet of ING Group continued

Debt securities in issue – maturities

	2006	2005
Fixed rate debt securities		
Within 1 year	**49,692**	39,978
More than 1 year but less than 2 years	**1,475**	3,816
More than 2 years but less than 3 years	**2,914**	1,741
More than 3 years but less than 4 years	**1,824**	3,863
More than 4 years but less than 5 years	**3,140**	10,350
More than 5 years	**5,155**	9,718
Total fixed rate debt securities	**64,200**	69,466
Floating rate debt securities		
Within 1 year	**4,637**	5,074
More than 1 year but less than 2 years	**238**	872
More than 2 years but less than 3 years	**413**	144
More than 3 years but less than 4 years	**1,086**	494
More than 4 years but less than 5 years	**2,611**	1,064
More than 5 years	**4,948**	4,148
Total floating rate debt securities	**13,933**	11,796
Total debt securities	**78,133**	81,262

As of 31 December 2006, ING Group had unused lines of credit available including the payment of commercial paper borrowings relating to debt securities in issue, totalling EUR 29,335 million (2005: EUR 22,588 million).

16 OTHER BORROWED FUNDS

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**

Other borrowed funds by remaining term

2005	2006	2007	2008	2009	2010	There after	Total
Subordinated loans of group companies	1,011	1,435	735	713	1,492	8,924	14,310
Preference shares of group companies						1,261	1,261
Loans contracted	6,082	508	533	404	518	1,666	9,711
Loans from credit institutions	4,443	642	951	83	276	575	6,970
	11,536	2,585	2,219	1,200	2,286	12,426	32,252

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.

17 INSURANCE, REINSURANCE AND INVESTMENT CONTRACTS

Insurance, reinsurance and investment contracts

	Own account 2006	Own account 2005	Reinsured element 2006	Reinsured element 2005	Gross 2006	Gross 2005
Provision for non-participating life policy liabilities	**78,772**	79,759	**4,930**	5,241	**83,702**	85,000
Provision for participating life policy liabilities	**52,914**	51,866	**187**	200	**53,101**	52,066
Provision for (deferred) profit sharing and rebates	**2,956**	4,195	**5**		**2,961**	4,195
Provision for life insurance for risk of policyholders	**97,304**	89,531	**651**	1,197	**97,955**	90,728
Life insurance provision	**231,946**	225,351	**5,773**	6,638	**237,719**	231,989
Provision for unearned premiums and unexpired risks	**2,631**	2,835	**156**	258	**2,787**	3,093
Reported claims provision	**5,503**	6,371	**600**	1,277	**6,103**	7,648
Claims incurred but not reported (IBNR)	**1,148**	1,831		112	**1,148**	1,943
Claims provisions	**6,651**	8,202	**600**	1,389	**7,251**	9,591
Other insurance provisions	**176**	181			**176**	181
Total provisions for insurance contracts	**241,404**	236,569	**6,529**	8,285	**247,933**	244,854
Investment contracts for risk of company	**7,505**	7,223			**7,505**	7,223
Investment contracts for risk of policyholders	**13,245**	11,410			**13,245**	11,410
Investment contracts liabilities	**20,750**	18,633			**20,750**	18,633
Insurance and investment contracts	**262,154**	255,202	**6,529**	8,285	**268,683**	263,487

Changes in life insurance provisions

	Own account 2006	Own account 2005	Reinsured element 2006	Reinsured element 2005	Gross 2006	Gross 2005
Opening balance	**225,351**	200,158	**6,638**	5,256	**231,989**	205,414
Implementation IFRS 4		–14,308		–7		–14,315
Changes in the composition of the group	**83**	44	**23**	–44	**106**	
	225,434	185,894	**6,661**	5,205	**232,095**	191,099
Current year provisions (premiums)	**28,863**	18,643	**1,525**	806	**30,388**	19,449
Change in deferred profit sharing liability	**–1,241**	508			**–1,241**	508
Prior year provisions:						
– benefit payments to policyholders	**–13,166**	–10,498	**–366**	–431	**–13,532**	–10,929
– interest accrual	**4,791**	4,089	**18**	–32	**4,809**	4,057
– valuation changes for risk of policyholders	**2,702**	5,074			**2,702**	5,074
– effect of changes in discount rate assumptions		2				2
– effect of changes in other assumptions	**–21**	861		306	**–21**	1,167
	–5,694	–472	**–348**	–157	**–6,042**	–629
Exchange rate differences	**–15,874**	17,075	**–535**	616	**–16,409**	17,691
Other changes	**458**	3,703	**–1,530**	168	**–1,072**	3,871
Closing balance	**231,946**	225,351	**5,773**	6,638	**237,719**	231,989

Where discounting is used in the calculation of life insurance provisions the rate is, based on weighted averages, within the range of 2.9% to 6.8% (2005: 3.0% to 6.0%).

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 minimise 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.

Notes to the consolidated balance sheet of ING Group continued

As at 31 December 2006, the net receivables from reinsurers amounted to EUR 1,476 million (2005: EUR 719 million) after the provision for uncollectible reinsurance of EUR 6 million (2005: EUR 6 million).

Changes in provision for unearned premiums and unexpired risks

	Own account 2006	Own account 2005	Reinsured element 2006	Reinsured element 2005	Gross 2006	Gross 2005
Opening balance	**2,835**	2,509	**258**	354	**3,093**	2,863
Changes in the composition of the group	**–9**	–15		–26	**–9**	–41
	2,826	2,494	**258**	328	**3,084**	2,822
Premiums written	**5,994**	6,087	**339**	526	**6,333**	6,613
Premiums earned during the year	**–5,929**	–6,133	**–377**	–636	**–6,306**	–6,769
Exchange rate differences	**–245**	380	**–22**	44	**–267**	424
Other changes	**–15**	7	**–42**	–4	**–57**	3
Closing balance	**2,631**	2,835	**156**	258	**2,787**	3,093

Changes in claims provisions

	Own account 2006	Own account 2005	Reinsured element 2006	Reinsured element 2005	Gross 2006	Gross 2005
Opening balance	**8,202**	7,378	**1,389**	1,134	**9,591**	8,512
Implementation IFRS 4		19		20		39
Changes in the composition of the group	**–4**	27		–27	**–4**	
	8,198	7,424	**1,389**	1,127	**9,587**	8,551
Additions						
– for the current year	**3,261**	3,797	**124**	891	**3,385**	4,688
– for prior years	**–525**	–592	**–18**	–22	**–543**	–614
– interest accrual of provision	**54**	72		20	**54**	92
	2,790	3,277	**106**	889	**2,896**	4,166
Claim settlements and claim settlement costs						
– for the current year	**1,569**	1,747	**33**	295	**1,602**	2,042
– for prior years	**1,458**	1,673	**388**	536	**1,846**	2,209
	3,027	3,420	**421**	831	**3,448**	4,251
Exchange rate differences	**–381**	747	**–93**	164	**–474**	911
Other changes	**–929**	174	**–381**	40	**–1,310**	214
Closing balance	**6,651**	8,202	**600**	1,389	**7,251**	9,591

ING Group had an outstanding balance of EUR 66 million at 31 December 2006 (2005: EUR 68 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 recognised 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.

Other changes mainly relate to the reclassification of certain health and disability from non-life to life as described in the section 'Changes in presentation'.

The release of the provision from prior years in 2006 and 2005 are a result of favourable underwriting results in several business units, in particular, the Netherlands business units benefited from a changes in legal requirements for disability benefits 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 3.0% to 4.0% (2005: 3.0% to 4.0%).

Changes in investment contracts liabilities

	2006	2005
Opening balance	**18,633**	
Implementation IFRS 4		16,860
Changes in the composition of the group	**–42**	
	18,591	16,860
Current year liabilities	**8,432**	5,553
Prior year provisions		
– payments to contract holders	**–6,667**	–7,051
– interest accrual	**344**	276
– valuation changes investments	**948**	1,060
	–5,375	–5,715
Exchange rate differences	**–1,021**	1,659
Other changes	**123**	276
Closing balance	**20,750**	18,633

Gross claims development table

	Underwriting year 2004	Underwriting year 2005	Underwriting year 2006	Total
Estimate of cumulative claims:				
At the end of underwriting year	**2,988**	**3,265**	**3,110**	
1 year later	**2,619**	**3,109**		
2 years later	**2,417**			
Estimate of cumulative claims	**2,417**	**3,109**	**3,110**	**8,636**
Cumulative payments	**–1,643**	**–1,873**	**–1,171**	**–4,687**
	774	**1,236**	**1,939**	**3,949**
Effect of discounting	**–69**	**–94**	**–137**	**–300**
Liability recognised	**705**	**1,142**	**1,802**	**3,649**
Liability relating to prior underwriting years				**3,602**
Total amount recognised in the balance sheet				**7,251**

The Group applies the exemption in IFRS-EU not to present Gross claims development for annual periods beginning before 1 January 2004 (the date of transition to IFRS-EU) as it is impracticable to obtain such information.

Notes to the consolidated balance sheet of ING Group continued

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 31 December 2006, liabilities concerning securities sold in repurchase transactions amounted to EUR 23,627 million (2005: EUR 23,857 million).

Amounts due to banks by type

	Netherlands 2006	Netherlands 2005	International 2006	International 2005	Total 2006	Total 2005
Non-interest bearing	**2,696**	2,535	**1,035**	1,934	**3,731**	4,469
Interest bearing	**52,817**	33,714	**64,291**	84,051	**117,108**	117,765
	55,513	36,249	**65,326**	85,985	**120,839**	122,234

19 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

Customer deposits and other funds on deposit

	2006	2005
Saving accounts	**283,147**	269,389
Credit balances on customer accounts	**147,695**	127,469
Corporate time deposits	**62,628**	57,655
Other	**3,210**	11,199
	496,680	465,712

Customer deposits and other funds on deposit by type

	Netherlands 2006	Netherlands 2005	International 2006	International 2005	Total 2006	Total 2005
Non-interest bearing	**13,734**	13,754	**2,704**	1,359	**16,438**	15,113
Interest bearing	**181,976**	158,252	**298,266**	292,347	**480,242**	450,599
	195,710	172,006	**300,970**	293,706	**496,680**	465,712

No funds have been entrusted to the Group by customers on terms other than those prevailing in the normal course of business. As at 31 December 2006, Customer deposits and other funds on deposit included liabilities with regard to securities sold in repurchase transactions amounting to EUR 870 million (2005: EUR 2,104 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

	2006	2005
Trading liabilities	**127,975**	92,058
Non-trading derivatives	**4,934**	6,248
Designated as at fair value through profit and loss	**13,702**	11,562
	146,611	109,868

The nominal amounts of liabilities designated as at fair value through profit and loss approximate the fair value.

Financial liabilities designated as at fair value through profit and loss relate to debt securities in issue, funds entrusted and structured products.

For the financial year 2006 the changes in fair value of financial liabilities designated as at fair value through profit and loss attributable to changes in credit risk of ING Group are insignificant.

Trading liabilities by type

	2006	2005
Equity securities	**20,732**	10,206
Debt securities	**9,045**	7,264
Funds on deposit	**77,245**	54,264
Derivatives	**20,953**	20,324
	127,975	92,058

Non-trading derivatives

	2006	2005
Derivatives used in:		
– cash flow hedges	**1,696**	992
– fair value hedges	**606**	1,336
– hedges of net investments in foreign operations	**7**	91
Other non-trading derivatives	**2,625**	3,829
	4,934	6,248

Notes to the consolidated balance sheet of ING Group continued

21 OTHER LIABILITIES

Other liabilities by type

	2006	2005
Deferred tax liabilities	**4,042**	5,128
Income tax payable	**923**	1,184
Pension liabilities and other staff-related liabilities	**1,455**	1,998
Other taxation and social security contributions	**1,147**	633
Deposits from reinsurers	**462**	642
Accrued interest	**10,556**	10,699
Costs payable	**2,353**	2,443
Amounts payable to brokers	**238**	100
Amounts payable to policyholders	**3,105**	3,260
Other provisions	**1,055**	1,181
Other	**12,942**	11,739
	38,278	39,007

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.

Deferred tax by origin

	2006	2005
Investments	**1,375**	2,911
Financial assets and liabilities at fair value through profit and loss	**119**	37
Deferred acquisition costs and VOBA	**3,201**	4,075
Fiscal equalisation reserve	**3**	–6
Depreciation	**28**	65
Insurance provisions	**–1,490**	–2,222
Other provisions	**–1,081**	–862
Receivables	**196**	167
Loans and advances to customers	**102**	–105
Unused tax losses carried forward	**–909**	–1,243
Other	**626**	193
	2,170	3,010
Comprising:		
– deferred tax liabilities	**4,042**	5,128
– deferred tax assets	**1,872**	2,118
	2,170	3,010

Changes in deferred tax

	2006	2005
Opening balance	**3,010**	2,583
Changes in composition of the group	**68**	25
Changes through profit and loss	**468**	136
Changes through equity	**–1,339**	–363
Exchange rate differences	**–36**	88
Other	**–1**	541
Closing balance	**2,170**	3,010

The deferred tax changes through equity includes a deferred tax charge of EUR –1,583 million relating to unrealised 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.

Included in Other in 2005 is EUR 2,460 million relating to the introduction of IAS 32/39 and IFRS 4.

Deferred tax in connection with unused tax losses carried forward

	2006	2005
Total unused tax losses carried forward	**3,977**	5,340
Unused tax losses carried forward not recognised as a deferred tax asset	**953**	1,304
Unused tax losses carried forward recognised as a deferred tax asset	**3,024**	4,036
Average tax rate	**30.1%**	30.8%
Deferred tax asset	**909**	1,243

Deferred income tax assets are recognised for tax loss carry forwards and unused tax credits only to the extent that realisation 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 31 December:

Total unused tax losses carried forward analysed by expiry terms

	No deferred tax tax asset recognised		Deferred tax tax asset recognised	
	2006	2005	2006	2005
Within 1 year	**16**	27	**30**	24
More than 1 year but less than 5 years	**156**	74	**424**	372
More than 5 years but less than 10 years	**47**		**347**	480
More than 10 years but less than 20 years	**247**	585	**1,045**	1,366
Unlimited	**487**	618	**1,178**	1,794
	953	1,304	**3,024**	4,036

Notes to the consolidated balance sheet of ING Group continued

Changes in other provisions

	Reorganisations and relocations 2006	Reorganisations and relocations 2005	Other 2006	Other 2005	Total 2006	Total 2005
Opening balance	**356**	258	**825**	685	**1,181**	943
Changes in the composition of the group	**–6**	–7	**4**	53	**–2**	46
Additions	**96**	127	**269**	347	**365**	474
Interest	**3**		**4**		**7**	
Releases	**–49**	–3	**–36**	–8	**–85**	–11
Charges	**–174**	–81	**–238**	–291	**–412**	–372
Exchange rate differences	**–1**	6	**–15**	35	**–16**	41
Other changes	**110**	56	**–93**	4	**17**	60
Closing balance	**335**	356	**720**	825	**1,055**	1,181

The additions to the provision for reorganisations and relocations include EUR 89 million (2005: EUR 109 million) related to the cost-initiative program of the Dutch Insurance operations and the efficiency program of ING's Operations & IT division in the Benelux, primarily related to ING's banking operations.

In general, the reorganisations and relocations 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 liabilities and other staff-related 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 and post-retirement employee benefits to certain employees and former employees. These are primarily post-retirement 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 2006 was EUR 45 million (2005: EUR 76 million).

Summary of pension liabilities and other staff-related liabilities

	Pension benefits 2006	Pension benefits 2005	Post-retirement benefits other than pensions 2006	Post-retirement benefits other than pensions 2005	Other 2006	Other 2005	Total 2006	Total 2005
Defined benefit obligation	**15,758**	15,782	**239**	441	**246**	898	**16,243**	17,121
Fair value of plan assets	**14,361**	12,937				375	**14,361**	13,312
	1,397	2,845	**239**	441	**246**	523	**1,882**	3,809
Unrecognised past service costs			**10**	–6			**10**	–6
Unrecognised actuarial gains/(losses)	**–687**	–1,778	**–2**	–27	**1**		**–688**	–1,805
	710	1,067	**247**	408	**247**	523	**1,204**	1,998
Presented as:								
– Other liabilities	**961**	1,067	**247**	408	**247**	523	**1,455**	1,998
– Other assets	**251**						**251**	
	710	1,067	**247**	408	**247**	523	**1,204**	1,998

Actuarial gains and losses for pension liabilities for the year ended 31 December 2006 includes EUR –180 million (2005: EUR 873 million) experience gain adjustments for assets and 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 other changes in the tables below.

Changes in defined benefit obligations

	Pension benefits 2006	Pension benefits 2005	Post-retirement benefits other than pensions 2006	Post-retirement benefits other than pensions 2005
Opening balance	**15,782**	12,925	**441**	726
Current service cost	**417**	477	**13**	42
Interest cost	**703**	643	**11**	40
Employer's contribution			**1**	70
Participants contributions	**–22**	8	**5**	6
Benefits paid	**–493**	–416	**–44**	–28
Actuarial gains and losses	**–1,199**	1,680	**–25**	143
Past service cost	**18**	192	**–5**	
Changes in the composition of the group and other changes	**727**	67	**4**	–1
Effect of curtailment or settlement	**–6**	–12	**–147**	–569
Exchange rate differences	**–169**	218	**–15**	12
Closing balance	**15,758**	15,782	**239**	441
Relating to:				
– funded plans	**15,675**	15,658		
– unfunded plans	**83**	124	**239**	441
	15,758	15,782	**239**	441

The estimated unrecognised past services cost and unrecognised actuarial gains and losses for the defined benefit plans that will be amortised into pension and other staff related liability costs during 2007 are nil and nil, respectively.

Notes to the consolidated balance sheet of ING Group continued

Changes in fair value of plan assets

	Pension benefits 2006	2005
Opening balance	**12,937**	10,498
Expected return on plan assets	**820**	710
Employer's contribution	**776**	1,002
Participants contributions	**5**	7
Benefits paid	**–476**	–416
Actuarial gains and losses	**–180**	873
Changes in the composition of the group	**597**	98
Exchange rate differences	**–118**	165
Closing balance	**14,361**	12,937

The actual return on the plan assets amounted to EUR 613 million (2005: EUR 1,583 million; 2004: EUR 871 million).

It is not expected that any plan assets are returned to ING Group during 2007.

Pension Investment Strategy
The primary financial objective of the ING Employee Benefit Plan (the Plan) is to secure participant retirement benefits. As such, the key objective in the Plan's 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 Plan's portfolio of assets (the Fund) balances the requirement to generate returns with the need to control risk. The asset mix is recognised as the primary mechanism to influence the reward and risk structure of the Fund in an effort to accomplish the Plan's funding objectives. Desirable target allocations amongst identified asset classes are set and within each asset class, careful consideration is given to balancing the portfolio 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. ING will review its asset mix of the fund on a regular basis. Generally, ING will rebalance the fund's asset mix to the target mix as individual portfolios approach their minimum or maximum levels.

Categories of plan assets in percentages

	Target allocation 2007	Percentage of plan assets 2006	2005	Weighted average expected long term rate of return 2006	2005
Equity securities	**37**	**37**	36	**8.1**	8.1
Debt securities	**52**	**52**	53	**5.2**	4.7
Other	**11**	**11**	11	**7.1**	6.6
	100	**100**	100	**6.5**	6.2

Equity securities include ING Group ordinary shares of EUR 14 million (0.1% of total plan assets) at 31 December 2006 (2005: EUR 15 million, 0.1% of total plan assets). Real estate includes nil (0.0% of total plan assets) at 31 December 2006 which was occupied by the Group.

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 Plan's asset allocation, historical returns on the types of assets held in the Fund, and the current economic environment. Based on these factors, it is expected that the Fund's 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 Fund. For estimation purposes, it is assumed the long term asset mix will be consistent with the current mix. Changes in the asset mix could impact the amount of recorded pension income or expense, the funded status of the Plan, and the need for future cash contributions.

Weighted averages of basic actuarial assumptions in annual % at 31 December

	Pension benefits 2006	Pension benefits 2005	Post-retirement benefits other than pensions 2006	Post-retirement benefits other than pensions 2005
Discount rates	**4.80**	4.25	**5.40**	4.25
Expected rates of salary increases (excluding promotion increases)	**2.75**	2.50	**3.50**	2.50
Medical cost trend rates			**6.10**	4.25
Consumer price inflation	**2.00**	1.75	**2.25**	1.75

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 2 million at 31 December 2006 (2005: EUR 84 million) and no increase in the charge for the year (2005: EUR 7 million). A decrease of 1% in the medical cost trend rate for each future year would have resulted in lower defined benefit obligation of EUR 2 million at 31 December 2006 (2005: EUR 66 million) and no decrease in the charge for the year (2005: EUR 5 million).

Expected Cash Flows
During 2007 the expected contributions to pension plans are 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-retirement benefits other than pensions**
2007	**224**	**21**
2008	**226**	**22**
2009	**229**	**22**
2010	**229**	**22**
2011	**229**	**22**
Years 2012 – 2016	**1,394**	**118**

Additional information to the consolidated balance sheet of ING Group
amounts in millions of euros, unless stated otherwise

22 ASSETS AND LIABILITIES BY CONTRACTUAL MATURITY

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 [2]						193,977	193,977
– 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) [1]						127,895	127,895
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
Customer deposits and other funds on deposit	447,824	15,374	16,690	12,197	4,595		496,680
Financial liabilities at fair value through profit and loss							
– trading liabilities [2]						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] Included in remaining assets where maturities are not applicable are:
- property and equipment
- real estate investments
- investments for risk of policyholders
- investments in associates.

[2] 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.

Disclosures about the Group's exposure to interest rate risk are presented in the 'Risk management' section. Those sensitivity disclosures are included instead of disclosures on repricing dates and effective interest rates, as those sensitivity disclosures better reflect the Group's exposure to interest rate risk in line with the Group's risk management procedures.

Assets and liabilities by contractual maturity

2005	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	13,084						13,084
Amounts due from banks	20,790	5,964	5,138	9,949	5,625		47,466
Financial assets at fair value through profit and loss							
– trading assets [2]						149,187	149,187
– non-trading derivatives	170	177	254	1,822	5,421	–78	7,766
– designated as at fair value through profit and loss	107	309	1,184	2,909	4,963	758	10,230
Investments							
– available-for-sale	5,332	4,249	12,036	80,195	163,769	40,126	305,707
– held-to-maturity	456	77	875	6,548	10,980	1	18,937
Loans and advances to customers	89,382	14,276	29,258	81,778	224,221	266	439,181
Reinsurance contracts	39	57	895	437	1,206	5,651	8,285
Intangible assets			71	143		3,447	3,661
Deferred acquisition costs						9,604	9,604
Other assets	9,255	1,721	9,109	5,626	993	3,456	30,160
Remaining assets (where maturities are not applicable) [1]						115,371	115,371
Total assets	138,615	26,830	58,820	189,407	417,178	327,789	1,158,639
LIABILITIES							
Preference shares						296	296
Subordinated loans						6,096	6,096
Debt securities in issue	18,933	15,581	10,543	22,360	13,845		81,262
Other borrowed funds	9,396	4,743	3,506	11,216	3,360	31	32,252
Insurance and investment contracts	1,896	2,709	8,962	20,120	94,974	134,826	263,487
Amounts due to banks	78,827	21,883	15,623	4,317	1,584		122,234
Customer deposits and other funds on deposit	394,141	47,310	9,446	5,752	9,063		465,712
Financial liabilities at fair value through profit and loss							
– trading liabilities [2]						92,058	92,058
– non-trading derivatives	76	200	1,708	1,452	2,812		6,248
– designated as at fair value through profit and loss	112	510	1,538	5,072	4,330		11,562
Other liabilities	7,966	3,272	14,955	5,610	3,992	3,212	39,007
Total liabilities	511,347	96,208	66,281	75,899	133,960	236,519	1,120,214

[1] Included in remaining assets where maturities are not applicable are:
– property and equipment
– real estate investments
– investments for risk of policyholders
– investments in associates.

[2] 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.

Additional information to the consolidated balance sheet of ING Group continued

23 DERIVATIVES AND HEDGE ACCOUNTING

Use of derivatives and hedge accounting

As described in the section 'Risk management', 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 optimise 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 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. No material level of hedge accounting is applied in relation to credit derivatives. These credit derivatives did not result in a significant reduction in ING Group's exposure to credit risk as at 31 December 2006 or 31 December 2005.

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 recognised in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognised in the profit and loss account. As a result, on the net accounting ineffectiveness impacts the net profit.

For the year ended 31 December 2006, ING Group recognised in the profit and loss account EUR 41 million of fair value changes on derivatives designated under fair value hedge accounting. This amount was partly offset by EUR 8 million fair value changes recognised on hedged items. This resulted in EUR 49 million net accounting ineffectiveness recognised in the profit and loss account. At 31 December 2006, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR 474 million (2005: EUR –158 million), presented in the balance sheet as EUR 1,080 million (2005: EUR 1,178 million) positive fair values under assets and EUR 606 million (2005: EUR 1,336 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 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 recognised 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 recognised immediately in the profit and loss account.

For the year ended 31 December 2006, ING Group recognised 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 31 December 2006 was EUR 1,819 million (2005: EUR 2,974 million) gross and EUR 1,356 million (2005: EUR 2,046 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 –7 million (2005: EUR –1 million) was recognised in the profit and loss account.

At 31 December 2006, the fair values of outstanding derivatives designated under cash flow hedge accounting was EUR 1,921 million (2005: EUR 2,737 million), presented in the balance sheet as EUR 3,617 million (2005: EUR 3,729 million) positive fair values under assets and EUR 1,696 million (2005: EUR 992 million) negative fair values under liabilities.

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 recognised in the profit and loss account when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognised immediately in the profit and loss account.

At 31 December 2006, the fair values of outstanding derivatives designated under net investment hedge accounting was EUR –4 million (2005: EUR –59 million), presented in the balance sheet as EUR 3 million (2005: EUR 32 million) positive fair values under assets and EUR 7 million (2005: EUR 91 million) negative fair values under liabilities.

Accounting ineffectiveness recognised in the profit and loss account for the year ended 31 December 2006 on derivatives designated under net investment hedge accounting was EUR –12 million (2005: EUR –16 million).

Additional information to the consolidated balance sheet of ING Group continued

24 MAXIMUM CREDIT EXPOSURE

ING's maximum credit exposure as at 31 December 2006 and 2005 is represented as follows:

Maximum credit exposure

	2006	2005
Cash and balances with central banks	**14,326**	13,084
Amounts due from banks		
– loans and advances to banks	**36,411**	26,877
– cash advances, overdrafts and other balances	**3,461**	20,596
Trading assets		
– debt securities	**38,287**	38,299
– loans and receivables	**118,459**	80,527
– derivatives	**22,514**	20,254
Non-trading derivatives	**6,521**	7,766
Designated as at fair value through profit and loss	**6,425**	10,230
Available-for-sale debt securities	**275,696**	289,241
Held-to-maturity debt securities	**17,660**	18,937
Loans and advances to customers		
– policy loans	**3,566**	3,536
– public authorities	**25,951**	31,442
– secured by mortgages	**235,812**	209,188
– guaranteed by credit institutions	**2,402**	1,826
– personal loans	**4,649**	5,961
– other personal lending	**22,141**	25,142
– other corporate lending	**181,939**	168,295
– other	**1,517**	941
Reinsurance contracts	**6,529**	8,285
Reinsurance and insurance receivables	**4,105**	3,144
Other receivables	**5,572**	7,468
Maximum credit exposure on balance sheet	**1,033,943**	991,039
Off-balance sheet credit commitments		
– commitments – Insurance	**4,636**	4,049
– guarantees – Insurance	**319**	237
– discounted bills – Bank	**3**	5
– guarantees – Bank	**17,297**	15,933
– irrevocable letters of credit – Bank	**8,456**	7,436
– other – Bank	**623**	396
– irrevocable facilities	**90,384**	85,098
Maximum credit exposure off balance sheet	**121,718**	113,154
Maximum credit exposure	**1,155,661**	1,104,193

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.

25 ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable primarily consist of interest bearing securities pledged to secure deposits from the Dutch Central Bank and other banks, serve to secure margin accounts 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		Guarantees for off-balance sheet items		Other contingent liabilities		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Investments	**2,686**	3,533	**4,483**	4,245			**590**	840	**7,759**	8,618
Lending	**548**	1,101	**2**	1	**96**	116			**646**	1,218
Banks	**8**	328	**1,100**	899	**7**	375			**1,115**	1,602
Other assets	**3,700**	1,712	**1,016**	912	**532**	328		84	**5,248**	3,036
	6,942	6,674	**6,601**	6,057	**635**	819	**590**	924	**14,768**	14,474

ING Bank N.V. has an obligation to maintain a reserve with an average monthly balance with De Nederlandsche Bank (the Dutch Central Bank). In December 2006 the required monthly average was EUR 5,295 million (2005: EUR 3,747 million). On 31 December 2006 the balance on this reserve was EUR 4,076 million (2005: EUR 4,054 million).

There are no material terms and conditions relating to the collateral represented in the above table.

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

	2006	2005
Insurance operations		
Commitments	**4,636**	4,049
Guarantees	**319**	237
	4,955	4,286
Banking operations		
Contingent liabilities in respect of		
– discounted bills	**3**	5
– guarantees	**17,297**	15,933
– irrevocable letters of credit	**8,456**	7,436
– other	**623**	396
	26,379	23,770
Irrevocable facilities	**90,384**	85,098
	121,718	113,154

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 collateralised by the commodity shipped and are of a short duration.

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

Additional information to the consolidated balance sheet of ING Group continued

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

2007	**198**
2008	**198**
2009	**185**
2010	**171**
2011	**163**
years after 2011	**332**

27 SPECIAL PURPOSE ENTITIES (SPE'S) AND SECURITISATION
Securitisation
ING as originator
ING Group enters into synthetic securitisation programmes in order to reduce credit risk on certain assets. In synthetic securitisations ING enters into a credit default swap with securitisation Special Purpose Entities (SPE's), in relation to which ING purchases credit protection in respect of residential mortgage loans and loans to small and medium-sized enterprises. The SPE's 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 securitisation of these assets ING Group continues to recognise these assets on its balance sheet under Loans and advances to customers.

Securitised own assets

	2006	2005
Loans to small and medium-sized enterprises	**8,859**	4,491
Asset backed securities	**7,126**	7,433
Corporate loans	**4,851**	5,594
Mortgages	**7,978**	4,397
Total	**28,814**	21,915

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 programs 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.

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

Collateralised debt obligations (CDO)-transactions
Within ING Group, SPE's are used for CDO transactions. In a typical CDO transaction an SPE is used to issue structured, rated securities which are backed (or collateralised) by a pool of transferable debt securities. In these transactions ING often has different roles:
– 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 SPE's charter;
– investor.

ING Group receives market-rate fees for structuring, (asset) managing and distributing CDO-securities to investors.

ING as investor
As part of its investment activities ING invests in securitisations by purchasing notes from securitisation SPE's. For certain own asset securitisation 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 SPE's 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.

Additional information to the consolidated balance sheet of ING Group continued

28 PRINCIPAL SUBSIDIARIES AND COMPANIES ACQUIRED/DISPOSED

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 Insurance N.V.	Belgium
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

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 Top Holding B.V.	The Netherlands
ING Corporate Investments B.V.	The Netherlands
ING Trust (Nederland) 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
Stichting Regio Bank	The Netherlands
Westland Utrecht Hypotheekbank N.V.	The Netherlands
ING België N.V.	Belgium
ING Bank Slaski S.A. Katowicach	Poland
ING Bank Deutschland A.G.	Germany
ING Financial Holdings Corporation	U.S.A.
ING Trust (Antilles) N.V.	Netherlands Antilles
ING Middenbank Curaçao N.V.	Netherlands Antilles
ING Vysya Bank Ltd.	India
ING Direct N.V.	Canada, Germany, Spain, Australia, France, USA, Italy, UK

Additional information to the consolidated balance sheet of ING Group continued

Companies acquired in 2006

amounts in millions of euros	ABN AMRO Asset Management Taiwan, Ltd	Appleyard	Summit REIT	Total acquisitions
General				
Primary line of business	**Insurance**	**Bank**	**Bank**	
Date of acquisition	**27 October 2006**	**1 July 2006**	**5 October 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 / inflow on acquisition	**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 recognised [1]	**41**	**54**		**95**
Profit since date of acquisition	**–1**	**1**	**8**	**8**
Revenue if acquisition effected at start of year	**2**	**33**	**131**	**166**

[1] Goodwill recognised in 2006 on immaterial acquisitions and real estate portfolios was EUR 74 million, resulting in total Goodwill recognised in 2006 of EUR 169 million as disclosed in Note 9 Intangible assets.

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.

Companies disposed of in 2006

amounts in millions of euros	Williams de Broë	Deutsche Hypotheken-bank AG	Degussa Bank	Total disposals
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 outflow / inflow on disposal	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

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 specialising in worksite banking for private customers. The sale results in a loss of EUR 23 million.

Additional information to the consolidated balance sheet of ING Group continued

Companies acquired and disposed of 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 finalised 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 1 January 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.

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.

Companies acquired and disposed of in 2004

	Acquisition of Allianz Canada	Other acquisitions	Total acquisitions	Disposal of BHF	Other disposals	Total disposals
General						
Primary line of business	Non-life Insurance	Bank		Bank	Bank/ Insurance	
Purchase price						
Purchase price	283	1,896	2,179	362	970	1,332
Cash in company acquired / disposed	532		532			
Cash outflow / inflow on acquisition / disposal	–249	1,896	1,647	362	970	1,332
Assets						
Investments		4,822	4,822	7,451	3,165	10,616
Loans and advances to customers		596	596			
Financial assets at fair value through profit and loss				4,000	313	4,313
Miscellaneous other assets	944	2,196	3,140	4,374	1,752	6,126
Liabilities						
Amounts due to banks				5,041	274	5,315
Customer deposits and other funds on deposit		3,759	3,759	8,228	2,748	10,976
Miscellaneous other liabilities	1,006	63	1,069	1,622	–144	1,478
Net assets	–62	3,792	3,730	934	2,352	3,286
Minority interest						
Net assets acquired	–62	3,792	3,730	934	2,352	3,286

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

In 2004, ING Group acquired Allianz's property and casualty insurance operations in Canada. The goodwill amounted to EUR 48 million.

In 2004, ING Group reduced its shareholding in ING Canada Inc from 100% to 72.9% by an initial public offering of 34,880,000 common shares of ING Canada Inc. The gross proceeds amounted to EUR 552 million. In 2005, the underwriting syndicate exercised its option to buy an additional 5,232,000 common shares, reducing the shareholding of ING Group to 70%.

In 2004, ING Group signed a co-insurance agreement with Scottish Re regarding its individual life reinsurance business in the United States. Under this agreement, all assets of the business have been transferred to Scottish Re while the liabilities related to the business have been reinsured through Scottish Re. Under the agreement ING Group paid a ceding commission amounting to EUR 450 million.

In 2004, ING Group acquired the Dutch real estate fund Rodamco Asia. As a result, the fund was delisted from Euronext in Amsterdam in 2004 and from the Frankfurt Stock Exchange in 2005. The goodwill amounted to EUR 22 million.

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

Additional information to the consolidated balance sheet of ING Group continued

In 2004, ING Group acquired Mercator Bank, a Belgium medium-sized savings bank. The negative goodwill amounted to EUR 26 million and was recognised as income in the profit and loss account.

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

In 2004, ING Group sold its non-life insurance business in Australia to QBE Insurance Group. The value of the transaction amounted to EUR 431 million.

29 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 include 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 claims EUR 228 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 71 million (USD 94 million), plus interest. This decision has been appealed by all parties involved. Fertinal has also made criminal complaints alleging fraud against certain Seguros current and former employees. In addition to the claim by Fertinal, Seguros also has been the subject of complaints and suits concerning the performance of certain interest sensitive life insurance products. Both the claim by Fertinal and these matters are being defended vigorously; however, at this time, we are unable to assess their final outcome.

Recently, 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 ING Groep N.V., primarily Nationale-Nederlanden) sold these products to customers either directly or through intermediaries. The concern being publicly voiced in respect of these products is that the Dutch insurance industry has not been sufficiently transparent towards its customers as to the costs charged to the customers, and that costs in respect of certain of these products may have been unfairly high. If, in the future, legal proceedings would be lodged, individually or collectively, against Dutch insurance companies in relation to these products, such legal proceedings could also be lodged against Nationale-Nederlanden or other subsidiaries of ING Groep N.V. involved. No legal proceedings have as yet been lodged against any subsidiary of ING Groep N.V. Discussions are ongoing between the insurance industry and consumer organisations.

Like many other companies in the mutual funds, suppliers of brokerage and investment products 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.

30 DIVIDEND RESTRICTIONS

In addition to the restrictions in respect of minimum capital and solvency requirements that are imposed by industry regulators in the countries in which subsidiaries operate, other limitations exist in certain countries. The most significant restrictions for ING Group relate to the insurance operations located in the United States, which are subject to limitations on the payment of dividends to the parent company imposed by the Insurance Commissioner of the state of domicile. For life, accident and health subsidiaries, dividends are generally limited to the greater of 10% of statutory surplus or the statutory net gain from operations. For the property and casualty subsidiaries, dividends are limited to a specified percentage of the previous year's shareholders' equity or previous year's net investment gains, which varies by state. Dividends paid in excess of these limitations require prior approval of the Insurance Commissioner of the state of domicile.

The management of ING Group does not believe that these limitations will affect the ability of ING Group to pay dividends to its shareholders in the future.

31 JOINT VENTURES

Joint ventures are included proportionally in the consolidated financial statements as follows:

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	**49**	**292**	**279**	**167**	**166**
JV New Zealand Business	**51**	**132**	**28**	**38**	**29**
Pacific-Aetna Life Insurance/Shanghai Branch	**50**	**136**	**106**	**37**	**36**
Total		**9,345**	**8,816**	**863**	**746**

Most significant joint ventures

2005	Interest held (%)	Assets	Liabilities	Income	Expenses
ING Australia Ltd	51	7,932	7,527	357	257
Postkantoren B.V.	50	169	132	241	238
KB Life	49	160	148	97	96
JV New Zealand Business	51	151	48	10	6
Pacific-Aetna Life Insurance/Shanghai Branch	50	114	96	38	39
Total		8,526	7,951	743	636

ING and ANZ, one of Australia's major banks, formed a funds management and life insurance joint venture in Australia. The joint venture, ING Australia Ltd, is owned 51% by ING and 49% by ANZ.

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.

Transactions with joint ventures and associates

	Joint ventures		Associates	
	2006	2005	**2006**	2005
Receivables	**267**	344	**846**	413
Liabilities	**85**	99	**57**	35
Guarantees issued in favour of			**4**	3

Income received from and expenses paid to joint ventures were EUR 14 million and EUR 64 million respectively (2005: EUR 25 million and EUR 71 million respectively) and income received from and expenses paid to associates were EUR 154 million and EUR 1 million respectively (2005: EUR 91 million and EUR 1 million respectively).

Additional information to the consolidated balance sheet of ING Group continued

Transactions with ING Verzekeringen N.V. and ING Bank N.V.

	ING Verzekeringen N.V. 2006	2005	ING Bank N.V. 2006	2005
Receivables	**2,604**	1,908	**6,190**	6,257
Liabilities	**35**	35	**121**	496
Guarantees issued in favour of				3
Expenses paid	**5**	2	**33**	97
Income received	**120**	43	**367**	72

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

amounts in thousands of euros	Executive Board 2006	2005	Supervisory Board 2006	2005	Total 2006	2005
Base salary and short-term bonus	**18,250**	12,514	**578**	549	**18,828**	13,063
Pension costs	**7,195**	3,088			**7,195**	3,088
Fair market value of long-term incentives	**8,576**	5,274			**8,576**	5,274
Total compensation	**34,021**	20,876	**578**	549	**34,599**	21,425

Loans and advances to key management personnel

amounts in thousands of euros	Amount outstanding 31 December 2006	2005	Average Interest Rate 2006	2005	Repayments 2006	2005
Executive Board members	**2,023**	699	**4.3%**	4.2%	**20**	74
Supervisory Board members		1,588		4.7%		
Total	**2,023**	2,287			**20**	74

The total number of stock options on ING Groep N.V. shares held by the Executive Board members amounted to 2,176,641 at 31 December 2006 (2005: 1,271,640). As at 31 December 2006, members of the Executive Board held 80,055 ING Groep N.V. shares (2005: 1,125,023). Part of these shares are held in a trust. As at 31 December 2006, members of the Supervisory Board held 15,370 ING Groep N.V. shares (2005: 15,490).

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 hereunder 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	
	2006	2005	**2006**	2005
Financial assets				
Cash and balances with central banks	**14,326**	13,084	**14,326**	13,084
Amounts due from banks [1]	**39,861**	48,250	**39,591**	47,466
Financial assets at fair value through profit and loss				
– trading assets	**193,977**	149,187	**193,977**	149,187
– investments for risk of policyholders	**110,547**	100,961	**110,547**	100,961
– non-trading derivatives	**6,521**	7,766	**6,521**	7,766
– designated as at fair value through profit and loss	**6,425**	10,230	**6,425**	10,230
Investments				
– available-for-sale	**293,921**	305,707	**293,921**	305,707
– held-to-maturity	**17,494**	19,466	**17,660**	18,937
Loans and advances to customers [1]	**461,835**	434,829	**461,350**	427,189
Other assets [2]	**27,969**	27,462	**27,969**	27,462
	1,172,876	1,116,942	**1,172,287**	1,107,989
Financial liabilities				
Preference shares	**215**	296	**215**	296
Subordinated loans	**6,439**	7,779	**6,014**	6,096
Debt securities in issue	**78,265**	81,757	**78,133**	81,262
Other borrowed funds	**31,052**	32,259	**29,639**	32,252
Investment contracts for risk of company	**7,505**	7,223	**7,505**	7,223
Investment contracts for risk of policyholders	**13,245**	11,410	**13,245**	11,410
Amounts due to banks	**121,680**	122,064	**120,839**	122,234
Customer deposits and other funds on deposit	**496,077**	466,982	**496,680**	465,712
Financial liabilities at fair value through profit and loss				
– trading liabilities	**127,975**	92,058	**127,975**	92,058
– non-trading derivatives	**4,934**	6,248	**4,934**	6,248
– designated as at fair value through profit and loss	**13,702**	11,562	**13,702**	11,562
Other liabilities [3]	**30,496**	29,285	**30,496**	29,285
	931,585	868,923	**929,377**	865,638

[1] Amounts due from banks and Loans and advances to customers do not include finance lease receivables.
[2] Other assets do not include (deferred) tax assets.
[3] Other liabilities do not include (deferred) tax liabilities, pension liabilities, insurance provisions and other provisions.

The estimated fair values correspond with the amounts at which the financial instruments 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 discount rate and the estimates of the amount and timing of the anticipated future cash flows. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

If the estimated fair value is lower than the balance sheet value a review has been performed to determine that the carrying amount is recoverable.

Additional information to the consolidated balance sheet of ING Group continued

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

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 discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings.

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 non-performing loans are estimated by discounting the expected cash flows of recoveries.

The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings. 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 the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued.

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

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 discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings.

Debt securities in issue and other borrowed funds
The fair value of debt securities in issue and other borrowed funds is estimated using discounted cash flows based on current market interest rates for these instruments.

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

2006	Published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs	Total
ASSETS				
Trading assets	113,758	42,718	37,501	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
	450,144	120,468	40,779	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

The total amount of changes in fair value estimated using a valuation technique recognised in net profit in 2006 was EUR 307 million for techniques supported by market inputs and EUR 19 million for techniques not supported by market inputs.

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 net profit.

Additional information to the consolidated balance sheet of ING Group continued

34 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 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

	2006	2005
Shareholders' equity (parent)	**21,298**	21,331
Minority interests	**1,204**	482
Subordinated loans qualifying as Tier-1 capital [(1)]	**5,726**	5,764
Goodwill	**–136**	–77
Minority interest Record Bank	**162**	170
Revaluation reserve [(2)]	**–2,470**	–4,262
Core capital – Tier-1	**25,784**	23,408
Supplementary capital – Tier-2	**12,367**	11,605
Available Tier-3 funds	**329**	363
Deductions	**–1,251**	–650
Qualifying capital	**37,229**	34,726
Risk-weighted assets	**337,926**	319,653
Tier-1	**7.63%**	7.32%
BIS ratio	**11.02%**	10.86%

(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

	Total ING Verzekeringen N.V.		Non-Insurance companies, core debt & other eliminations		Insurance companies	
	2006	2005	**2006**	2005	**2006**	2005
Available capital	**25,505**	22,541	**–2,696**	–2,579	**28,201**	25,120
Required capital	**9,296**	8,851			**9,296**	8,851
Surplus capital	**16,209**	13,690			**18,905**	16,269
Ratio of available versus required capital	**274%**	255%			**303%**	284%

In line with the final reporting to the supervisor, the 2005 split between Insurance companies and Non-Insurance companies, core debt and other eliminations has been adjusted. There is no impact on Total ING Verzekeringen N.V.

ING Group

According to an agreement ('Protocol') between the Dutch Central Bank and the former Pension & 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.

For regulatory purposes certain (external) subordinated loans of ING Bank N.V. and ING Verzekeringen N.V. are included. The protocol was reflected in Dutch law as of 1 January 2007, without significant modifications.

Regulatory required capital ING Group

	2006	2005
Shareholders' equity (parent)	**38,266**	36,736
Excluding: Revaluation reserves	**–3,066**	–6,304
Preference shares	**215**	296
Preference shares issued by group companies	**1,138**	1,269
Goodwill	**–286**	–173
Subordinated loans	**6,253**	6,318
Capital base ING Group	**42,520**	38,142
Subordinated loans ING Bank N.V. (included in Tier-2)	**11,110**	10,304
Subordinated loans ING Verzekeringen N.V.	**2,250**	4,052
Capital base including subordinated loans	**55,880**	52,498
Required capital banking operations	**27,034**	25,572
Required capital insurance operations	**9,296**	8,851
Surplus capital	**19,550**	18,075

Notes to the consolidated profit and loss account of ING Group
amounts in millions of euros, unless stated otherwise

35 INTEREST RESULT BANKING OPERATIONS

Interest result banking operations

	2006	2005	2004
Interest income on loans	**21,970**	18,912	15,846
Interest income on impaired loans	**13**	–23	–84
Total interest income on loans	**21,983**	18,889	15,762
Interest income on available-for-sale securities	**6,989**	5,989	6,175
Interest income on held-to-maturity securities	**755**	639	
Interest income on trading portfolio	**21,414**	15,237	883
Interest income on non-trading derivatives	**5,231**	5,658	
Other interest income	**2,798**	1,764	2,628
Interest income banking operations	**59,170**	48,176	25,448
Interest expense on deposits by banks	**3,559**	2,371	1,351
Interest expense on customer deposits and other funds on deposit	**15,107**	11,960	9,440
Interest expense on debt securities	**3,173**	2,911	2,688
Interest expense on subordinated loans	**1,132**	1,126	892
Interest on trading liabilities	**18,821**	13,369	
Interest on non-trading derivatives	**5,159**	5,821	
Other interest expense	**3,027**	1,551	2,336
Interest expense banking operations	**49,978**	39,109	16,707
Interest result banking operations	**9,192**	9,067	8,741

The presentation of interest income and interest expense changed in 2005 due to the implementation of IAS 32 and 39. For certain trading derivatives interest income and expense were included in Net trading income in 2004. As of 2005 these are presented as interest income and interest expense as included in Interest result banking operations. This reclassification results in an increase in 2005 in interest income and interest expense of approximately EUR 12 billion. In addition, interest income and expense related to certain non-trading derivatives that were presented net during 2004, are presented gross as of 2005. As a result of this presentation difference, interest income and interest expense in 2005 is approximately EUR 5 billion higher than in 2004.

Interest margin

in percentages	**2006**	2005	2004
Interest margin	**1.06**	1.16	1.22

In 2006, the growth of the average total assets caused an increase of the interest margin amounting to EUR 1,040 million (2005: EUR 1,214 million; 2004: EUR 1,183 million). 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; in 2004 the decrease of the interest margin by 9 basis points caused a decrease of the interest result with EUR 453 million).

36 GROSS PREMIUM INCOME

Gross premium income

	2006	2005	2004
Gross premium income from life insurance policies	**40,502**	39,145	36,975
Gross premium income from non-life insurance policies	**6,333**	6,613	6,642
	46,835	45,758	43,617

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.

Effect of reinsurance on premiums written

	Non-life 2006	Non-life 2005	Non-life 2004	Life 2006	Life 2005	Life 2004	Total 2006	Total 2005	Total 2004
Direct premiums written gross	**6,279**	6,556	6,592	**38,838**	37,644	35,532	**45,117**	44,200	42,124
Reinsurance assumed premiums written gross	**54**	57	50	**1,664**	1,501	1,443	**1,718**	1,558	1,493
Total gross premiums written	**6,333**	6,613	6,642	**40,502**	39,145	36,975	**46,835**	45,758	43,617
Reinsurance ceded	**339**	526	756	**2,004**	2,031	1,619	**2,343**	2,557	2,375
	5,994	6,087	5,886	**38,498**	37,114	35,356	**44,492**	43,201	41,242

Effect of reinsurance on non-life premiums earned

	2006	2005	2004
Direct premiums earned, gross	**6,248**	6,712	6,492
Reinsurance assumed premiums earned, gross	**58**	57	50
Total gross premiums earned	**6,306**	6,769	6,542
Reinsurance ceded	**377**	636	729
	5,929	6,133	5,813

Gross premium income from life insurance policies

	Own account 2006	Own account 2005	Own account 2004	Reinsurers' share 2006	Reinsurers' share 2005	Reinsurers' share 2004	Gross 2006	Gross 2005	Gross 2004
Insurance contracts for risk of company	**19,563**	19,086	18,336	**944**	808	783	**20,507**	19,894	19,119
Insurance contracts for risk of policyholders	**18,180**	17,691	16,360	**151**	59	53	**18,331**	17,750	16,413
Total direct business	**37,743**	36,777	34,696	**1,095**	867	836	**38,838**	37,644	35,532
Indirect business	**755**	337	660	**1,020**	2,016	1,430	**1,775**	2,353	2,090
	38,498	37,114	35,356	**2,115**	2,883	2,266	**40,613**	39,997	37,622
Eliminations				**111**	852	647	**111**	852	647
	38,498	37,114	35,356	**2,004**	2,031	1,619	**40,502**	39,145	36,975

Notes to the consolidated profit and loss account of ING Group continued

Premiums written from direct life business

2006	Own account	Insurance contracts for risk of company Reinsurers' share	Gross	Own account	Insurance contracts for risk of policyholders Reinsurers' share	Gross
Periodic premiums						
Individual policies						
– without profit sharing	7,231	1,747	8,978	4,804	11	4,815
– with profit sharing	2,396	106	2,502			
	9,627	1,853	11,480	4,804	11	4,815
Group policies						
– without profit sharing	3,787	–926	2,861	6,709	16	6,725
– with profit sharing	662	13	675			
	4,449	–913	3,536	6,709	16	6,725
Total periodic premiums	14,076	940	15,016	11,513	27	11,540
Single premiums						
Individual policies						
– without profit sharing	2,048	1	2,049	4,427	113	4,540
– with profit sharing	2,326		2,326			
	4,374	1	4,375	4,427	113	4,540
Group policies						
– without profit sharing	753		753	2,240	11	2,251
– with profit sharing	360	3	363			
	1,113	3	1,116	2,240	11	2,251
Total single premiums	5,487	4	5,491	6,667	124	6,791
Total life business premiums	19,563	944	20,507	18,180	151	18,331

Total single premiums includes EUR 313 million in 2006 (2005: EUR 520 million; 2004: EUR 457 million) from profit sharing.

Premiums written from direct life business

2005	Insurance contracts for risk of company Own account	Reinsurers' share	Gross	Insurance contracts for risk of policyholders Own account	Reinsurers' share	Gross
Periodic premiums						
Individual policies						
– without profit sharing	8,689	679	9,368	3,841	2	3,843
– with profit sharing	2,389	49	2,438			
	11,078	728	11,806	3,841	2	3,843
Group policies						
– without profit sharing	2,364	66	2,430	6,234	24	6,258
– with profit sharing	680	10	690			
	3,044	76	3,120	6,234	24	6,258
Total periodic premiums	14,122	804	14,926	10,075	26	10,101
Single premiums						
Individual policies						
– without profit sharing	903	1	904	5,663	22	5,685
– with profit sharing	2,965		2,965			
	3,868	1	3,869	5,663	22	5,685
Group policies						
– without profit sharing	563		563	1,953	11	1,964
– with profit sharing	533	3	536			
	1,096	3	1,099	1,953	11	1,964
Total single premiums	4,964	4	4,968	7,616	33	7,649
Total life business premiums	19,086	808	19,894	17,691	59	17,750

Notes to the consolidated profit and loss account of ING Group continued

Premiums written from direct life business

2004	Insurance contracts for risk of company: Own account	Reinsurers' share	Gross	Insurance contracts for risk of policyholders: Own account	Reinsurers' share	Gross
Periodic premiums						
Individual policies						
– without profit sharing	5,973	632	6,605	3,565	1	3,566
– with profit sharing	4,139	74	4,213			
	10,112	706	10,818	3,565	1	3,566
Group policies						
– without profit sharing	2,165	58	2,223	6,616	37	6,653
– with profit sharing	788	14	802			
	2,953	72	3,025	6,616	37	6,653
Total periodic premiums	13,065	778	13,843	10,181	38	10,219
Single premiums						
Individual policies						
– without profit sharing	1,475	1	1,476	4,010	1	4,011
– with profit sharing	2,716		2,716			
	4,191	1	4,192	4,010	1	4,011
Group policies						
– without profit sharing	677		677	2,169	14	2,183
– with profit sharing	403	4	407			
	1,080	4	1,084	2,169	14	2,183
Total single premiums	5,271	5	5,276	6,179	15	6,194
Total life business premiums	18,336	783	19,119	16,360	53	16,413

Non-life insurance policies by class of business

2006	**Gross premiums written**	**Gross premiums earned [2]**	**Gross claims expenses**	**Operating expenses**	**Acquisition costs and other underwriting expenditure [3]**	**Net reinsurance income/ (expenses)**	**Operational result**
Health	**687**	**654**	**488**	**62**	**100**	**–4**	**20**
Accident [1]	**765**	**772**	**326**	**92**	**129**	**–5**	**389**
Third-party liability motor	**995**	**1,006**	**548**	**126**	**228**	**–10**	**256**
Other motor	**1,550**	**1,507**	**838**	**55**	**297**	**8**	**378**
Marine and aviation	**81**	**90**	**34**	**11**	**18**	**–17**	**14**
Fire and other property losses	**1,589**	**1,580**	**830**	**155**	**445**	**–51**	**155**
General liability	**420**	**423**	**174**	**52**	**119**	**–18**	**156**
Credit and suretyship	**56**	**59**	**3**	**9**	**11**	**–11**	**27**
Legal assistance	**30**	**32**	**9**	**8**	**8**		**8**
Miscellaneous financial losses	**106**	**125**	**60**	**16**	**21**	**–3**	**56**
Indirect business	**54**	**58**	**17**	**3**	**15**	**–10**	**32**
	6,333	**6,306**	**3,327**	**589**	**1,391**	**–121**	**1,491**

(1) Including disability insurance products.
(2) Excluding reinsurance.
(3) Including other underwriting income.

Non-life insurance policies by class of business

2005	Gross premiums written	Gross premiums earned [(2)]	Gross claims expenses	Operating expenses	Acquisition costs and other underwriting expenditure [(3)]	Net reinsurance income/ (expenses)	Operational result
Health	1,154	1,118	915	144	122	32	92
Accident [(1)]	780	803	470	128	98	–7	268
Third-party liability motor	927	946	544	132	118	–10	272
Other motor	1,442	1,467	723	170	240	12	379
Marine and aviation	109	127	56	17	17	–26	11
Fire and other property losses	1,503	1,551	1,287	242	324	365	101
General liability	406	408	156	88	85	–16	137
Credit and suretyship	61	64	24	13	10	–11	10
Legal assistance	40	40	22	13	6		
Miscellaneous financial losses	134	188	158	25	24	1	17
Indirect business	57	57	44	6	15	12	22
	6,613	6,769	4,399	978	1,059	352	1,309

(1) Including disability insurance products.
(2) Excluding reinsurance.
(3) Including other underwriting income.

Non-life insurance policies by class of business

2004	Gross premiums written	Gross premiums earned [(2)]	Gross claims expenses	Operating expenses	Acquisition costs and other underwriting expenditure [(3)]	Net reinsurance income/ (expenses)	Operational result
Health	1,097	1,078	785	127	169	–50	77
Accident [(1)]	872	857	507	125	111	5	271
Third-party liability motor	840	839	556	106	94	–10	94
Other motor	1,335	1,344	663	161	204	–5	362
Marine and aviation	141	142	55	18	22	–38	9
Fire and other property losses	1,489	1,495	681	228	306	–135	156
General liability	438	430	228	69	89	–46	20
Credit and suretyship	57	54	3	10	10	–14	20
Legal assistance	35	35	25	13	6		–8
Miscellaneous financial losses	288	217	109	22	28	–49	509
Indirect business	50	51	24	4	–49	–5	99
	6,642	6,542	3,636	883	990	–347	1,609

(1) Including disability insurance products.
(2) Excluding reinsurance.
(3) Including other underwriting income.

Notes to the consolidated profit and loss account of ING Group continued

37 INVESTMENT INCOME

Investment income by insurance and banking operations

	Insurance operations			Banking operations			Total		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Income from real estate investments	**184**	206	287	**134**	194	248	**318**	400	535
Dividend income	**604**	479	425	**84**	71	151	**688**	550	576
	788	685	712	**218**	265	399	**1,006**	950	1,111
Income from investments in debt securities	**6,359**	5,757	5,302				**6,359**	5,757	5,302
Income from loans									
– personal loans	**200**	259	332				**200**	259	332
– mortgage loans	**1,640**	1,695	1,664				**1,640**	1,695	1,664
– policy loans	**212**	223	171				**212**	223	171
– other	**345**	406	626	**18**	12		**363**	418	626
Income from investments in debt securities and loans	**8,756**	8,340	8,095	**18**	12		**8,774**	8,352	8,095
Realised gains/losses on disposal of debt securities	**–56**	245		**93**	60		**37**	305	
Impairments of available-for-sale debt securities	**36**	34					**36**	34	
Realised gains/losses and impairments of debt securities	**–20**	279		**93**	60		**73**	339	
Realised gains/losses on disposal of equity securities	**772**	511	604	**149**	171		**921**	682	604
Reversals/Impairments of available-for-sale equity securities	**–25**	–46		**–17**	–45	45	**–42**	–91	45
Realised gains/losses and impairments of equity securities	**747**	465	604	**132**	126	45	**879**	591	649
Change in fair value of real estate investments	**108**	143	137	**67**	59	62	**175**	202	199
Investment income	**10,379**	9,912	9,548	**528**	522	506	**10,907**	10,434	10,054

38 COMMISSION INCOME

Fee and commission income

	Insurance operations			Banking operations			Total		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Funds transfer				**704**	645	620	**704**	645	620
Securities business				**1,064**	905	946	**1,064**	905	946
Insurance broking	**992**	890	136	**171**	115	136	**1,163**	1,005	272
Management fees	**1,723**	1,420	1,156	**944**	787	869	**2,667**	2,207	2,025
Brokerage and advisory fees	**88**	167		**207**	152	140	**295**	319	140
Other	**270**	119	1,032	**704**	645	624	**974**	764	1,656
	3,073	2,596	2,324	**3,794**	3,249	3,335	**6,867**	5,845	5,659

Fee and commission expenses

	Insurance operations 2006	2005	2004	Banking operations 2006	2005	2004	Total 2006	2005	2004
Funds transfer				**140**	56	45	**140**	56	45
Securities business				**347**	264	281	**347**	264	281
Insurance broking	**551**	500	19				**551**	500	19
Management fees	**805**	686	686	**204**	139	103	**1,009**	825	789
Brokerage and advisory fees	**7**	10		**2**	6	1	**9**	16	1
Other	**75**	54	419	**420**	383	326	**495**	437	745
	1,438	1,250	1,124	**1,113**	848	756	**2,551**	2,098	1,880

39 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives

	Insurance operations 2006	2005	2004	Banking operations 2006	2005	2004	Total 2006	2005	2004
Change in fair value of derivatives relating to:									
– fair value hedges	**–162**	87		**203**	–425		**41**	–338	
– cash-flow hedges (ineffective portion)				**–7**	–1		**–7**	–1	
– hedges of net investment in foreign entities (ineffective portion)	**–12**	–16					**–12**	–16	
– other non-trading derivatives	**–85**	–152		**391**	296		**306**	144	
Net result on non-trading derivatives	**–259**	–81		**587**	–130		**328**	–211	
Change in fair value of assets and liabilities (hedged items)	**211**	–98		**–203**	467		**8**	369	
Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading)				**–247**	–111		**–247**	–111	
Net valuation results	**–48**	–179		**137**	226		**89**	47	

No figures are presented for 2004 as IAS 39 was adopted from 1 January 2005.

40 NET TRADING INCOME

Net trading income

	Insurance operations 2006	2005	2004	Banking operations 2006	2005	2004	Total 2006	2005	2004
Results from securities trading	**159**	84	323	**–804**	660	365	**–645**	744	688
Results from foreign exchange transactions	**120**	–87	–72	**282**	378	566	**402**	291	494
Other	**–7**	9	12	**1,422**	–618	–306	**1,415**	–609	–294
	272	6	263	**900**	420	625	**1,172**	426	888

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 31 December 2006 that related to trading securities still held at 31 December, amounts to EUR –121 million (2005: EUR 7 million; 2004: EUR 154 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 1,662 million.

Notes to the consolidated profit and loss account of ING Group continued

41 OTHER INCOME

Other income

	Insurance operations 2006	Insurance operations 2005	Insurance operations 2004	Banking operations 2006	Banking operations 2005	Banking operations 2004	Total 2006	Total 2005	Total 2004
Operating lease income				**66**	72	112	**66**	72	112
Negative goodwill						26			26
Other	**–5**	149	150	**410**	489	238	**405**	638	388
	–5	149	150	**476**	561	376	**471**	710	526

42 UNDERWRITING EXPENDITURE

Underwriting expenditure

	2006	2005	2004
Gross underwriting expenditure	**53,065**	54,594	48,925
Investment income for risk of policyholders	**–2,702**	–5,074	–2,309
Reinsurance recoveries	**–2,175**	–2,400	–1,232
Underwriting expenditure	**48,188**	47,120	45,384

Underwriting expenditure by class

	2006	2005	2004
Expenditure from life underwriting			
Reinsurance and retrocession premiums	**2,004**	2,031	1,619
Gross benefits	**26,234**	22,129	25,774
Reinsurance recoveries	**–1,705**	–1,625	–929
Change in life insurance provisions for risk of company	**13,420**	14,650	11,098
Costs of acquiring insurance business	**1,083**	1,060	1,324
Other underwriting expenditure	**439**	364	713
Profit sharing and rebates	**801**	2,214	684
	42,276	40,823	40,283
Expenditure from non-life underwriting			
Reinsurance and retrocession premiums	**339**	526	756
Gross claims	**3,848**	4,343	3,598
Reinsurance recoveries	**–470**	–775	–303
Change in provision for unearned premiums	**65**	–46	73
Change in claims provision	**–209**	–49	58
Costs of acquiring insurance business	**1,043**	1,012	951
Other underwriting expenditure	**–71**	–52	–32
	4,545	4,959	5,101
Expenditure from investment contracts			
Costs of acquiring investment contracts	**31**	53	
Profit sharing and rebates	**64**	17	
Other changes in investment contract liabilities	**1,272**	1,268	
	1,367	1,338	
	48,188	47,120	45,384

Profit sharing and rebates

	2006	2005	2004
Distributions on account of interest or underwriting results	**458**	1,824	313
Bonuses added to policies	**369**	379	371
Deferred profit sharing expense	**–26**	11	
	801	2,214	684

Underwriting expenditure includes an amount of EUR 4,141 million in 2006 (2005: EUR 3,956 million; 2004: EUR 4,258 million) in respect of commission paid and payable with regard to the insurance operations. Amortisation of deferred acquisition costs amounted to EUR 1,444 million in 2006 (2005: EUR 1,475 million; 2004: EUR 2,031 million).

Expenditure from Life underwriting includes an amount of EUR 181 million in 2006 (2005: EUR 220 million; 2004: EUR 100 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 2,702 million (2005: EUR 5,074 million; 2004: EUR 2,309 million) has not been recognised in Investment income and valuation results on assets and liabilities designated at fair value through profit and loss but is recognised 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 recognised 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 amortised over the life of the underlying business, starting in 2005 and gradually decreasing in subsequent years as the business tails off. The amount amortised in 2006 was EUR 32 million (2005: EUR 34 million). The cumulative amortisation as at 31 December 2006 was EUR 66 million (2005: EUR 34 million).

43 OTHER IMPAIRMENTS

Other impairment losses and reversals of impairments recognised in the profit and loss account

	Impairment losses			Reversals of impairments			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Property and equipment	**–1**	82	22	**–4**	–27		**–5**	55	22
Property under development for third parties	**19**						**19**		
Associates	**3**						**3**		
Other intangible assets	**10**	21					**10**	21	
	31	103	22	**–4**	–27		**27**	76	22

Impairments on Loans and advances to customers are presented under Addition to loan loss provision. Impairments on Investments are presented under Investment income.

44 STAFF EXPENSES

Staff expenses

	Insurance operations			Banking operations			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Salaries	**2,012**	2,038	1,928	**3,480**	3,286	3,308	**5,492**	5,324	5,236
Pension and other staff related liability costs	**79**	143	144	**206**	256	484	**285**	399	628
Social security costs	**196**	214	191	**444**	444	426	**640**	658	617
Share-based compensation arrangements	**54**	36	19	**58**	33	57	**112**	69	76
Other staff costs	**457**	470	404	**932**	726	706	**1,389**	1,196	1,110
	2,798	2,901	2,686	**5,120**	4,745	4,981	**7,918**	7,646	7,667

Notes to the consolidated profit and loss account of ING Group continued

Pension and other staff-related benefits costs

	Pension benefits			Post-retirement benefits other than pensions			Other			Total		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Current service cost	**417**	477	434	**13**	42	31	**23**	32	6	**453**	551	471
Past service cost	**18**	192		**–1**			**1**	5		**18**	197	
Interest cost	**703**	643	699	**11**	40	35	**7**	35	14	**721**	718	748
Expected return on assets	**–820**	–710	–686					–22	–11	**–820**	–732	–697
Amortisation of unrecognised past service cost				**–5**						**–5**		
Amortisation of unrecognised actuarial (gains)/losses	**22**									**22**		
Effect of curtailment or settlement	**–6**	–12	–3	**–147**	–396		**4**	–3		**–149**	–411	–3
Defined benefit post-employment plans	**334**	590	444	**–129**	–314	66	**35**	47	9	**240**	323	519
Defined contribution plans										**45**	76	109
										285	399	628

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 31 December 2006, 52,722,755 own shares (2005: 38,722,934; 2004: 29,427,538) were held in connection with the option plan compared to 74,175,909 options outstanding (2005: 85,128,950, 2004: 81,010,410). As a result the granted option rights were (delta) hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour. The hedge is rebalanced regularly at predetermined points in time.

Exposure arising out of the share plan is not hedged. The obligations with regard to these plans will be funded by issuing own shares. On 15 March 2007 6.5 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 2006 52,100 shares (2005: 73,500) have been granted to the members of the Executive Board and 2,432,686 shares (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 2006	2005	2004	Weighted average exercise price 2006	2005	2004
Opening balance	**85,128,950**	81,010,410	83,187,633	**24.42**	24.97	26.39
Granted	**13,872,880**	15,734,031	13,568,410	**32.78**	23.28	18.71
Exercised	**17,213,518**	2,820,253	918,566	**20.64**	21.15	16.96
Forfeited	**1,338,877**	298,315	940,054	**25.78**	23.60	20.05
Expired	**6,273,526**	8,496,923	13,887,013	**25.99**	30.26	29.45
Closing balance	**74,175,909**	85,128,950	81,010,410	**25.99**	24.42	24.97

The weighted average share price at the date of exercise for options exercised during 2006 is EUR 32.02.

Changes in option rights nonvested

	Options nonvested 2006	2005	2004	Weighted average grant date fair value 2006	2005	2004
Opening balance	**41,407,132**	48,317,040	51,392,079	**3.65**	4.85	6.21
Granted	**13,872,880**	15,734,031	11,435,785	**6.49**	3.49	3.55
Vested	**15,390,327**	22,394,188	14,085,603	**4.65**	6.11	8.80
Forfeited	**1,337,764**	249,751	425,221	**3.85**	3.54	3.64
Closing balance	**38,551,921**	41,407,132	48,317,040	**4.57**	3.65	4.85

Summary of stock options outstanding and exercisable

2006 Range of exercise price in euros	**Options outstanding as at 31 December 2006**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at 31 December 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 31 December 2005	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 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 31 December 2006 was EUR 579 million and EUR 264 million, respectively.

Notes to the consolidated profit and loss account of ING Group continued

As of 31 December 2006 there was EUR 90 million of total unrecognised compensation costs related to stock options (2005: EUR 50 million; 2004: EUR 24 million). These costs are expected to be recognised over a weighted average period of 1.9 years (2005: 2.0 years; 2004: 1.8 years). Cash received from stock option exercises for the year ended 31 December 2006 was EUR 355 million (2005: nil; 2004: 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 (3.55% to 4.04%), as well as the expected life of the options granted (0.5 years to 6.5 years), the exercise price, the current share price (EUR 32.77 – EUR 33.92), the expected volatility of the certificates of ING Group shares (23% – 41%) and the expected dividends yield (3.57% to 3.69%).

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 Shareholders' equity.

Changes in share awards

		Share awards			Weighted average grant date fair value	
	2006	2005	2004	**2006**	2005	2004
Opening balance	**6,499,469**	3,715,896		**22.92**	19.38	
Granted	**2,484,786**	2,980,601	3,792,509	**29.62**	27.50	19.38
Vested	**155,522**	152,006		**22.48**	20.26	
Forfeited	**455,587**	45,022	76,613	**23.10**	24.71	19.37
Closing balance	**8,373,146**	6,499,469	3,715,896	**24.90**	22.92	19.38

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 31 December 2006 there were EUR 88 million (2005: EUR 81 million; 2004: EUR 51 million) of total unrecognised compensation costs related to share awards. These costs are expected to be recognised over a weighted average period of 1.8 years (2005: 1.9 years; 2004: 2.2 years).

45 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 10 million and EUR 101 million dividends paid on preference shares and trust preferred securities (2005: EUR 14 million and EUR 111 million; 2004: nil and EUR 136 million).

Total interest income and total interest expense for items not valued at fair value through profit and loss for 2006 were EUR 41,281 million (2005: EUR 35,632 million) and EUR 27,014 million (2005: EUR 20,888 million) respectively. Net interest income of EUR 16,932 million is presented in the following profit and loss captions.

Net interest income

	2006	2005	2004
Interest result bank 35	**9,192**	9,067	8,741
Investment income – insurance 37	**8,756**	8,340	8,095
Interest expense	**1,016**	969	1,019
	16,932	16,438	15,817

46 OPERATING EXPENSES

Operating expenses

	Insurance operations			Banking operations			Total		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Depreciation of property and equipment	**102**	113	114	**361**	376	311	**463**	489	425
Computer costs	**331**	319	211	**705**	669	663	**1,036**	988	874
Office expenses	**629**	595	633	**634**	622	646	**1,263**	1,217	1,279
Travel and accommodation expenses	**102**	104	91	**139**	133	115	**241**	237	206
Advertising and public relations	**177**	150	128	**722**	619	566	**899**	769	694
External advisory fees	**581**	505	435	**449**	356	274	**1,030**	861	709
Other	**572**	470	419	**878**	1,172	1,157	**1,450**	1,642	1,576
	2,494	2,256	2,031	**3,888**	3,947	3,732	**6,382**	6,203	5,763
Addition/(releases) of provision for reorganisation and relocation	**–16**	38	29	**63**	86	82	**47**	124	111
	2,478	2,294	2,060	**3,951**	4,033	3,814	**6,429**	6,327	5,874

Operating expenses include lease and sublease payments in respect to operating leases, of EUR 3 million (2005: nil; 2004: nil) in which ING is the lessee.

47 TAXATION

Taxation by type

	Netherlands			International			Total		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Current taxation	**469**	855	1,025	**970**	388	315	**1,439**	1,243	1,340
Deferred taxation	**95**	–2	212	**373**	138	157	**468**	136	369
	564	853	1,237	**1,343**	526	472	**1,907**	1,379	1,709

Reconciliation of the statutory income tax rate to ING Group's effective income tax rate

	2006	2005	2004
Result before taxation	**9,940**	8,894	7,740
Statutory tax rate	**29.6%**	31.5%	34.5%
Statutory tax amount	**2,942**	2,802	2,670
Associates exemption	**–255**	–386	–460
Other income not subject to tax	**–336**	–222	–10
Expenses not deductible for tax purposes	**121**	37	1
Differences caused by different foreign tax rates	**–78**	29	–120
Adjustment to prior periods	**–41**	–77	
Change in tax rates	**–170**	–2	
Deferred tax benefit from previously unrecognised amounts	**–30**	–413	
Current tax benefit from previously unrecognised amounts	**–278**	–418	
Write down/reversal of deferred tax assets	**–6**	2	
Other	**38**	27	–372
Effective tax amount	**1,907**	1,379	1,709
Effective tax rate	**19.2%**	15.5%	22.1%

The effect of the change in tax rates is mainly attributable to a reduction in the tax rate in the Netherlands from 29.6% to 25.5%.

In 2006 Current tax benefit from previously unrecognised amounts consists of releases of tax provisions resulting from settlements with tax authorities.

Notes to the consolidated profit and loss account of ING Group continued

48 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)		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Basic and net profit	**7,692**	7,210	5,755	**2,155.0**	2,169.5	2,125.3	**3.57**	3.32	2.71
Effect of dilutive securities:									
Warrants				**7.6**					
Stock option and share plans				**14.4**					
				22.0					
Diluted profit	**7,692**	7,210	5,755	**2,177.0**	2,169.5	2,125.3	**3.53**	3.32	2.71

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.

49 DIVIDEND PER ORDINARY SHARE

Dividend per ordinary share

	2006 [1]	2005	2004
Per ordinary share (in euros)	**1.32**	1.18	1.07
Total amount of dividend paid (in millions of euros)	**2,865**	2,588	2,359

(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 1.32 per share for the year 2006. Following the decision of the General Meeting of Shareholders with regard to the profit appropriation, the final cash dividend will become payable on 3 May 2007.

Segment reporting
amounts in millions of euros, unless stated otherwise

50 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 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.

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	6,028	2,314	–914	73,621		73,621
– inter-segment	278	4	68	–1,397	–26	59	2,375	1,361	–1,361	
Total income	16,171	29,779	13,378	5,818	6,002	2,373	1,461	74,982	–1,361	73,621
Segment profit before taxation	2,362	1,992	636	2,481	1,932	694	–157	9,940		9,940
Divestments	–34		–15	44		23		18		18
Underlying profit before taxation	2,328	1,992	621	2,525	1,932	717	–157	9,958		9,958
Segment assets	117,106	162,229	54,454	764,882	313,566	253,785	205,236	1,871,258	–644,951	1,226,307
Segment liabilities	102,827	152,599	50,204	756,645	309,516	250,354	159,635	1,781,780	–596,688	1,185,092
Depreciation and amortisation	287	915	627	171	216	74		2,290		2,290
Impairments	1		10	16	4			31		31
Reversal of impairments					4			4		4
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

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.

Segment reporting continued

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	5,611	1,830	–152	71,120		71,120
– inter-segment	201	4	31	–851	185	289	641	500	–500	
Total income	16,033	28,034	13,192	5,957	5,796	2,119	489	71,620	–500	71,120
Segment profit before taxation	2,031	1,941	478	2,599	1,877	617	–649	8,894		8,894
Divestments	–10	38	–31	–300	–62			–365		–365
Underlying profit before taxation	2,021	1,979	447	2,299	1,815	617	–649	8,529		8,529
Segment assets	113,900	165,719	48,326	677,869	311,382	233,412	27,856	1,578,464	–419,825	1,158,639
Segment liabilities	101,855	158,330	44,697	669,352	307,990	230,346	21,018	1,533,588	–413,374	1,120,214
Depreciation and amortisation	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
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

Business segments

2004	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Eliminations	Total
Income										
– external	16,014	28,085	10,473	7,251	4,454	1,177	717	68,171		68,171
– inter-segment	30	4	21	–1,380	608	532	535	350	–350	
Total income	16,044	28,089	10,494	5,871	5,062	1,709	1,252	68,521	–350	68,171
Segment profit before taxation	1,623	1,692	756	1,945	1,175	435	114	7,740		7,740
Divestments		–91	–281	71	–7			–308		–308
Special items	–11			41			–375	–345		–345
Underlying profit before taxation	1,612	1,601	475	2,057	1,168	435	–261	7,087		7,087
Segment assets	100,258	132,101	31,622	474,948	252,450	170,001	35,808	1,197,188	–320,797	876,391
Segment liabilities	90,947	126,156	28,998	465,700	249,949	167,731	20,144	1,149,625	–300,784	848,841
Depreciation and amortisation	348	1,427	440	220	220	49	12	2,716		2,716
Impairments	14	52	3	52	31			152		152
Share in profit or loss of associates	147	35	10	28	–6		15	229		229
Book value of associates	1,311	14	33	791	41	10	463	2,663		2,663
Cost incurred in 2004 to acquire property, equipment, and intangibles	1,065	68	45	167	178	135	18	1,676		1,676

Special items in 2004 comprise results from foreign currency hedges, restructuring provisions for Wholesale Banking and a gain on old insurance business.

Interest income (external) and interest expense (external) breakdown per 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**	**10,334**	**10,491**	**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**	**2,249**	**2,182**	**–1,789**	**17,194**

Interest income (external) and interest expense (external) breakdown per 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	10,200	8,154	–289	57,163
Interest expense	115	341	4	25,326	7,067	6,528	769	40,150
	3,543	4,151	852	4,766	3,133	1,626	–1,058	17,013

Interest income (external) and interest expense (external) breakdown per business line

2004	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total
Interest income	3,341	4,332	671	12,988	6,328	6,141	–5	33,796
Interest expense	124	320	5	8,637	2,848	5,077	777	17,788
	3,217	4,012	666	4,351	3,480	1,064	–782	16,008

Segment reporting continued

51 SECONDARY REPORTING FORMAT – GEOGRAPHIC SEGMENTS

ING Group's six business lines operate in seven main geographical areas: 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

2006	**Netherlands**	**Belgium**	**Rest of Europe**	**North America**	**Latin America**	**Asia**	**Australia**	**Other**	**Eliminations**	**Total**
Income										
– external	**16,079**	**5,358**	**5,920**	**29,472**	**2,712**	**13,155**	**841**	**84**		**73,621**
– inter-segment	**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	Netherlands	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Income										
– external	16,779	5,142	5,586	26,871	2,771	12,996	783	324		71,252
– inter-segment	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

Geographical segments

2004	Netherlands	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Income										
– external	16,769	5,403	4,667	26,578	2,740	8,895	1,980	1,260		68,292
– inter-segment	–223	–236	453	–29	23	63	24	–196		–121
Total income	16,546	5,167	5,120	26,549	2,763	8,958	2,004	1,064		68,171
Segment profit before taxation	2,881	808	506	1,732	237	283	541	752		7,740
Segment assets	195,646	136,318	258,479	204,663	12,646	44,851	21,271	2,516		876,390
Cost incurred in 2004 to acquire property, equipment, and intangibles	1,183	97	175	108	31	34	30	18		1,676

Income by geographical area

	Insurance operations 2006	2005	2004	Banking operations 2006	2005	2004	Eliminations 2006	2005	2004	Total 2006	2005	2004
Netherlands	**11,545**	11,497	11,236	**5,299**	5,532	5,310		33		**16,844**	16,996	16,546
Belgium	**2,377**	2,518	2,878	**2,545**	2,266	2,289				**4,922**	4,784	5,167
Rest of Europe	**2,538**	2,157	1,814	**3,968**	3,891	3,306				**6,506**	6,048	5,120
North America	**27,005**	25,406	25,397	**1,428**	1,302	1,152				**28,433**	26,708	26,549
Latin America	**2,850**	2,675	2,648	**217**	151	115				**3,067**	2,826	2,763
Asia	**12,822**	12,647	8,648	**450**	438	310				**13,272**	13,085	8,958
Australia	**564**	537	1,814	**288**	267	190				**852**	804	2,004
Other	**1,086**	844	1,678		2	6				**1,086**	846	1,684
	60,787	58,281	56,113	**14,195**	13,849	12,678		33		**74,982**	72,097	68,791
Income between geographical areas (1)	**–1,144**	–878	–499				**217**	99	121	**–1,361**	–977	–620
Total	**59,643**	57,403	55,614	**14,195**	13,849	12,678	**217**	132	121	**73,621**	71,120	68,171

(1) Mainly related to reinsurance premiums ceded between group companies in different geographical areas.

Income from the insurance operations by geographical area

	Life premiums written 2006	2005	2004	Non-life premiums written 2006	2005	2004	Investment income (1) 2006	2005	2004	Total 2006	2005	2004
Netherlands	**5,229**	5,449	5,822	**1,607**	1,642	1,693	**4,709**	4,418	3,720	**11,545**	11,509	11,235
Belgium	**1,442**	1,630	2,115	**321**	318	324	**614**	570	438	**2,377**	2,518	2,877
Rest of Europe	**1,906**	1,617	1,367	**47**	46	48	**585**	494	398	**2,538**	2,157	1,813
North America	**19,130**	17,624	17,923	**2,806**	3,099	2,741	**5,069**	4,685	4,733	**27,005**	25,408	25,397
Latin America	**686**	567	506	**1,496**	1,454	1,591	**668**	654	546	**2,850**	2,675	2,643
Asia	**11,864**	12,064	8,009	**43**	41	37	**915**	543	598	**12,822**	12,648	8,644
Australia	**230**	181	1,223			200	**334**	362	391	**564**	543	1,814
Other	**19**	15	13	**99**	133	142	**968**	675	1,535	**1,086**	823	1,690
	40,506	39,147	36,978	**6,419**	6,733	6,776	**13,862**	12,401	12,359	**60,787**	58,281	56,113
Income between geographical areas (2)	**–4**	–2	–3	**–86**	–120	–134	**–1,054**	–756	–362	**–1,144**	–878	–499
Total	**40,502**	39,145	36,975	**6,333**	6,613	6,642	**12,808**	11,645	11,997	**59,643**	57,403	55,614

(1) Including commission and other income.
(2) Mainly related to reinsurance premiums ceded between group companies in different geographical areas.

Profit before taxation by geographical area

	Insurance operations 2006	2005	2004	Banking operations 2006	2005	2004	Total 2006	2005	2004
Netherlands	**2,182**	1,714	1,201	**1,403**	1,693	1,680	**3,585**	3,407	2,881
Belgium	**160**	192	128	**955**	790	680	**1,115**	982	808
Rest of Europe	**309**	263	179	**1,476**	1,317	327	**1,785**	1,580	506
North America	**1,564**	1,443	1,142	**751**	705	590	**2,315**	2,148	1,732
Latin America	**178**	152	197	**140**	78	40	**318**	230	237
Asia	**468**	275	287	**115**	170	–4	**583**	445	283
Australia	**176**	195	436	**164**	162	105	**340**	357	541
Other	**–101**	–256	752		1		**–101**	–255	752
Total	**4,936**	3,978	4,322	**5,004**	4,916	3,418	**9,940**	8,894	7,740

Segment reporting continued

Profit before taxation from the insurance operations by geographical area

	Life			Non-life			Total		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Netherlands	**1,589**	1,324	934	**593**	390	267	**2,182**	1,714	1,201
Belgium	**98**	139	111	**62**	53	17	**160**	192	128
Rest of Europe	**297**	256	168	**12**	7	11	**309**	263	179
North America	**891**	623	362	**673**	820	780	**1,564**	1,443	1,142
Latin America	**116**	98	99	**62**	54	98	**178**	152	197
Asia	**462**	269	284	**6**	6	3	**468**	275	287
Australia	**161**	195	162	**15**		274	**176**	195	436
Other	**–178**	–238	527	**77**	–18	225	**–101**	–256	752
Total	**3,436**	2,666	2,647	**1,500**	1,312	1,675	**4,936**	3,978	4,322

Geographical analysis of claims, cost ratio and combined ratio for non-life insurance policies

	Claims ratio			Cost ratio			Combined ratio		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Netherlands	**44.7**	56.0	60.6	**40.3**	39.0	36.8	**85.0**	95.0	97.4
Belgium	**65.0**	66.8	71.1	**33.7**	34.1	36.7	**98.7**	100.9	107.8
Rest of Europe	**46.8**	51.5	46.1	**41.3**	41.8	35.8	**88.1**	93.3	81.9
North America	**59.2**	59.7	61.0	**29.9**	29.4	27.6	**89.1**	89.1	88.6
Latin America	**74.2**	75.8	71.8	**26.8**	28.4	27.6	**101.0**	104.2	99.4
Asia	**50.2**	52.5	56.6	**40.7**	40.3	40.9	**90.9**	92.8	97.5
Australia			46.3			28.0			74.3
Other	**60.1**	119.7	62.8	**–36.4**	14.6	16.4	**23.7**	134.3	79.2
Total	**58.6**	62.7	63.0	**31.8**	31.9	30.6	**90.4**	94.6	93.6

The claims ratio is the claims, including claims handling expenses, expressed as a percentage of net earned premiums. The cost ratio is the costs expressed as a percentage of net premiums written. The claims ratio and the cost 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.

Deferred acquisition costs of insurance business by geographical area

	Investment contracts 2006	Investment contracts 2005	Life insurance 2006	Life insurance 2005	Non-life insurance 2006	Non-life insurance 2005	Total 2006	Total 2005
Netherlands			**489**	460	**52**	61	**541**	521
Belgium			**45**	43	**17**	16	**62**	59
Rest of Europe			**251**	221	**4**	4	**255**	225
North America			**4,971**	4,863	**254**	292	**5,225**	5,155
Latin America			**94**	97	**106**	115	**200**	212
Asia			**3,795**	3,359	**2**	2	**3,797**	3,361
Australia	**83**	71					**83**	71
Total	**83**	71	**9,645**	9,043	**435**	490	**10,163**	9,604

Insurance provisions own account by geographical area

	Provision for life insurance for risk of company 2006	Provision for life insurance for risk of company 2005	Provision for life insurance for risk of policyholders 2006	Provision for life insurance for risk of policyholders 2005	Claims provisions 2006	Claims provisions 2005	Other 2006	Other 2005	Total 2006	Total 2005
Netherlands	**41,650**	39,564	**17,103**	17,065	**3,026**	3,224	**1,381**	2,778	**63,160**	62,631
Belgium	**8,739**	7,731	**285**	175	**557**	540	**458**	893	**10,039**	9,339
Rest of Europe	**5,745**	5,272	**2,573**	1,808	**30**	28	**349**	484	**8,697**	7,592
North America	**48,646**	53,411	**63,970**	59,956	**2,326**	3,538	**1,546**	1,763	**116,488**	118,668
Latin America	**2,895**	3,021	**75**	54	**268**	301	**676**	692	**3,914**	4,068
Asia	**23,954**	22,534	**13,277**	10,473	**26**	26	**1,351**	495	**38,608**	33,528
Australia	**66**	96	**21**				**1**		**88**	96
Other	**–9**	–4			**418**	545	**1**	106	**410**	647
Total	**131,686**	131,625	**97,304**	89,531	**6,651**	8,202	**5,763**	7,211	**241,404**	236,569

Notes to the consolidated statement of cash flows of ING Group
amounts in millions of euros, unless stated otherwise

52 NET CASH FLOW FROM INVESTING ACTIVITIES

Information on the impact of companies acquired or disposed of is presented in Note 28 Principal subsidiaries and companies acquired/disposed.

53 BORROWED FUNDS AND DEBT SECURITIES

Borrowed funds and debts securities of EUR 20,500 million (2005: EUR 7,842 million) includes Proceeds from borrowed funds and debt securities of EUR 304,228 million (2005: EUR 237,340 million) and Repayments of borrowed funds and debts securities of EUR 283,728 million (2005: EUR 229,498 million). Gross proceeds and repayments are high, mainly due to the issue, repayment and renewal of short term certificates of deposits and commercial paper.

54 INTEREST AND DIVIDEND INCLUDED IN NET CASH FLOW

Interest and dividend received and paid

	2006	2005	2004
Interest received	**66,471**	53,015	33,767
Interest paid	**52,369**	33,379	17,848
	14,102	19,636	15,919
Dividend received	**715**	522	443
Dividend paid	**2,716**	2,461	883

55 CASH AND CASH EQUIVALENTS

Cash and cash equivalents

	2006	2005	2004
Treasury bills and other eligible bills	**4,333**	11,572	12,382
Amounts due from/to banks	**–20,454**	–21,321	–9,907
Cash and cash equivalents with central banks	**14,326**	13,084	9,113
Cash and cash equivalents at end of year	**–1,795**	3,335	11,588

Treasury bills and other eligible bills included in cash and cash equivalents

	2006	2005	2004
Treasury bills and other eligible bills included in trading assets	**1,286**	8,878	8,730
Treasury bills and other eligible bills included in available-for-sale investments	**3,047**	2,694	3,652
	4,333	11,572	12,382

Amounts due to/from banks

	2006	2005	2004
Included in cash and cash equivalents			
– amounts due to banks	**–26,498**	–25,441	–15,207
– amounts due from banks	**6,044**	4,120	5,300
	–20,454	–21,321	–9,907
Not included in cash and cash equivalents			
– amounts due to banks	**–94,341**	–96,793	–80,671
– amounts due from banks	**33,824**	43,346	39,784
	–60,517	–53,447	–40,887
Included in balance sheet			
– amounts due to banks	**–120,839**	–122,234	–95,878
– amounts due from banks	**39,868**	47,466	45,084
	–80,971	–74,768	–50,794

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.

INTRODUCTION

The objective 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.

The following principles support this objective:
1. Products and portfolios are structured, underwritten, priced, approved and managed appropriately and internal and external rules and guidelines are complied with.
2. ING Group's risk profile is transparent, 'no surprises', and consistent with delegated authorities.
3. Delegated authorities are consistent with the overall Group strategy and risk appetite.
4. Transparent communication to internal and external stakeholders on risk management and value creation.

Taking risk is inherent to ING Group's business activities. To ensure prudent risk taking throughout the organisation, ING Group operates through a comprehensive risk governance framework. We believe this ensures the proper identification, measurement and control of risks in all levels of the organisation so that financial strength is safeguarded, ING Group continues to have a strong focus on Enterprise Wide Risk Management to obtain clear insight into the Group risk profile and to enable risk appetite setting at the Executive Board level.

RISK GOVERNANCE

ING Group's risk governance framework provides clear charters and mandates for the management of risk. At the highest level, there are Board committees which oversee risk taking and have ultimate approval authority. One level below, ING has several Group risk committees which focus on a specific type of risk and have an advisory role to the Executive Board. In 2006, ING introduced the 'three lines of defence' concept described below.

Board risk oversight

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 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. The Audit Committee is composed in such a way so as to ensure that specific business know-how and expertise relating to the activities of ING are available. In principle the Chief Financial Officer (CFO) and/or Deputy Chief Risk Officer attends the Audit Committee meetings.

Risk Management organisation- 'three lines of defence'

To ensure that the risk framework is effective and clear on responsibilities, ING Group adopted the three lines of defence concept. 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 belong to the first line of defence. Risk management, both at corporate and regional/local level, belongs to the second line of defence. All risk managers in the business lines have a functional reporting line to the Corporate Risk Managers. The Internal Audit function provides independent and objective assurance on the effectiveness of the overall system of internal control, including financial, operational, compliance and risk management and forms the third line of defence.

Risk management continued

Group risk committees

The Group risk committees described below are part of the second line of defence. They act within the overall risk policy and delegated authorities granted by the Executive Board. These committees have an advisory role to the CFO and ensure a close link between the business lines and the Group risk management function through representation of the business heads and the Corporate Risk Managers on each committee.

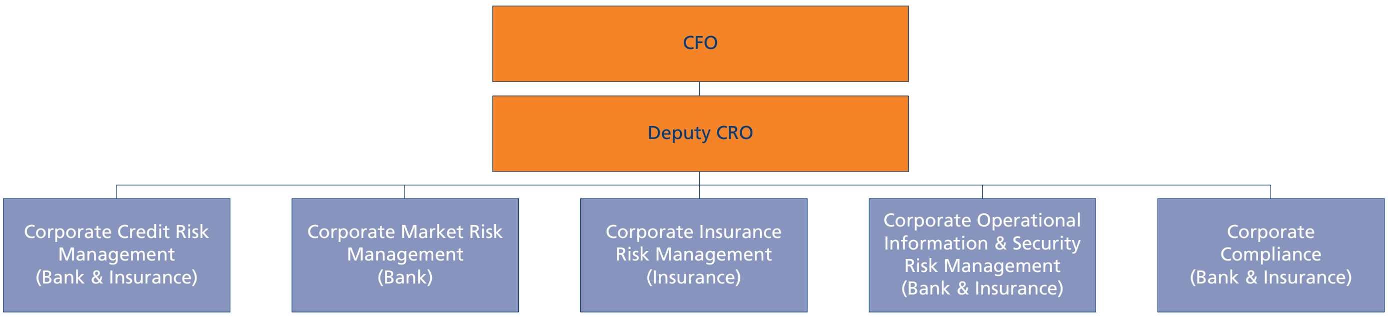
- ING Group Credit Committee – Policy (GCCP): Advises on policies, methodologies and procedures related to credit, insurance, market and operational risks within ING Group. The GCCP meets on a monthly basis.
- ING Group Credit Committee – Transaction Approval (GCCTA): Advises on transactions involving the taking of credit risk (including issuer investment risk). The GCCTA meets twice a week.
- ING Provisioning Committee (IPC): Advises on specific and collective loan loss provisions figures for ING Group. The IPC meets on a quarterly basis.
- Asset & Liability Committee ING Bank (ALCO Bank): Advises on the overall risk profile of all ING Bank's non-trading market risk that occurs in its Wholesale Banking, Retail Banking and ING Direct activities. ALCO Bank defines the policy regarding funding, liquidity, interest rate mismatch and solvency of ING Bank. ALCO Bank meets on a monthly basis.
- Asset & Liability Committee ING Insurance (ALCO Insurance): Advises on all risks for 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.

Group risk management function

Functional Reporting Lines

The risk management function is embedded in all levels of the ING Group organisation. In line with the commitment to implement best practice Enterprise Wide Risk Management, ING Group restructured its risk management organisation in 2006, strengthening the cohesion between the risk related functions. To emphasise the role and importance of risk management, a Deputy CRO was appointed who is responsible for the management and control of risk on a consolidated level. The Deputy CRO reports directly to the CFO who is a member of the Executive Board and bears primary overall responsibility for the Group Risk Function. (It is the intention that the CRO function will be a full Executive Board function in 2007).

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



The Group Risk Function is structured independently from the business lines and is organised through five 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 of ING Bank.
- Corporate Insurance Risk Management (CIRM) is responsible for the insurance and market risk management of ING Insurance.
- Corporate Operational Information & Security Risk Management is responsible for managing operational, information, and security risks within ING Bank and ING Insurance.
- Corporate Compliance assists, supports and advises Management in fulfilling its compliance responsibilities, advises employees on their (personal) compliance obligations and monitors the embedding of Compliance Policies in both ING Bank and ING Insurance.

The heads of these departments (Corporate Risk Managers) report to the Deputy CRO and bear direct responsibility for risk (mitigating) decisions. The Corporate Risk Managers and the Deputy CRO advise the CFO and are responsible for the harmonisation and standardisation of risk management practices. The respective risk functions assist in the formulation of risk appetite, policies and limit structures for the management of risk and provide objective challenge, oversight and support of risk management activity across the business.

In addition the Group Risk Function has an independent Model Validation Unit. This department is responsible for the management of model risk, which is the risk created by ING's dependence on its own risk projections. The foundation of model governance is model validation: the official determination by an independent person that a model is acceptable for a given purpose. The department carries out periodical model validations of all risk models used by ING. The head of this department reports to the Deputy CRO.

Group risk policies

The various risk management functions have each designed and issued a framework of risk management policies and procedures providing the lines of business guidance on how to manage risk. Policies and procedures are regularly reviewed and updated via the relevant Group risk committees.

GROUP RISK APPETITE AND STRATEGY

ING Group's risk appetite is determined by the Supervisory Board and the Executive Board who aim for a balance between risk, return and capital. The process is such that at least once annually, the Executive Board formulates the Strategic Plan and reports on the risks associated with the plan to the Supervisory Board for approval. As part of the planning process, strategic limits are explicitly discussed and planned. Since ING Group is committed to Enterprise Wide Risk Management, bank and insurance risks are integrated into one single view to align Group level risk taking with the Group level risk appetite. The strategic risk appetite is captured in different dimensions and is defined explicitly through key metrics that represent:

– Maximum potential impact on IFRS earnings under 'normal' stress scenarios (i.e. 1 in 10).
– Maximum potential impact on value (i.e. our economic balance sheet) both under 'normal' (i.e. 1 in 10) and 'extreme' (i.e. 1 in 2000: economic capital) stress scenarios.

These risk metrics are currently in a development stage and will be disclosed publicly when fully implemented.

From these overall risk appetite statements, operational limits cascade down into the organisation, e.g.

– Credit risk limits for bank and insurance business
– Market Value at Risk limits for insurance business
– ALM/Value at Risk limits for bank operations

GROUP RISK MEASUREMENT

The major risk categories associated with the extensive volume and variety of financial instruments that ING Group uses are credit risk, market risk (including liquidity risk), insurance risk, operational, information and security risk and compliance risk. In the sections below ING Group's risk management activities are described respective to the various risk departments. Each risk department describes the types of risk it manages and the applicable risk measurement method that ING practices, including a quantification of the risks. ING Insurance manages its own market and liquidity risks (along with insurance risks) which are accordingly discussed in the Insurance risk section below.

ING GROUP CREDIT RISK

General

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 Lines of Business 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. Within the Insurance companies, the goal is to maintain a low risk, well diversified credit risk portfolio that meets or exceeds market based benchmark returns.

Within the banking operations, implementation of all relevant credit rating and loss given default models was completed in anticipation of new global capital regulations from the Basel Committee for banks (Basel II). Additionally credit risk monitoring capabilities and governance have been enhanced to comply with Basel II and new, more stringent SOX 404 regulations and compliance standards.

Measurement

Credit risk

Credit risk is the risk of loss from default by debtors (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.

Risk management continued

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. ING Bank applies the Risk Adjusted Return on Capital framework (RAROC). This method 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.

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 through 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 banks to improve and develop new clearing systems and clearing mechanisms to further reduce the level of settlement risk.

Country risk
Country risk is the risk specifically attributable to events in a specific country (or group of countries). Country risk is identified in lending (corporate and counterparty), trading and investment activities. All transactions and trading positions generated by ING include country risk. Country risk 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 and investment activities are then measured and reported against these country limits on a daily basis. Country risk limits are assigned for transfer risk generally only in emerging markets.

Collateral policies
As with all financial institutions and banks in particular, ING is in the business of taking credit risks. 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 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 for loans is determined by the structure of the loan. 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.

Problem Loans
Restructuring
In some cases, ING will work with an obligor and its other creditors, if any, to restructure the obligor's business and its financial obligations in order to minimise any financial losses to the creditors as a whole, and ING in particular. This can be accomplished through many means available to the creditors, the most common of which are (a) extending the repayment period, (b) selling assets, (c) selling business lines of the obligor, (d) forgiving part of the financial obligations, and (e) a combination of the above. The decision to enter into such a restructuring is done only after careful internal assessment and approval by the appropriate (internal) delegated authorities. Once a restructuring is completed, the obligor is again subject to normal credit risk monitoring procedures.

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 constitute operational risk. 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 usually 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.

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

Generally, all loans with past due financial obligations of more than 90 days are automatically reclassified as impaired. However, there can also be other reasons for declaring a loan impaired prior to being 90 days past due. These include, but are not limited to, ING's assessment of the customer's perceived inability to meet its financial obligations, or the customer filing for bankruptcy or bankruptcy protection. In some cases, a material breach of financial covenants will also trigger a reclassification of a loan to the impaired category.

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

ING BANK CREDIT RISK

ING Bank's credit exposure is mainly related to traditional lending to individuals and businesses followed by investments in bonds and other securitised assets. Loans to individuals are mainly mortgage loans secured by residential property. Loans (including guarantees issued) to businesses are often collateralised, but can be unsecured based on internal analysis of the borrowers' creditworthiness. Bonds in the investment portfolio are generally unsecured. Securitised assets such as Mortgage Backed Securities (MBS) and Asset Backed Securities (ABS) are secured by the pro rata portion of the underlying pool of assets held by the issuer of the securitised bond. 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.

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, as of total outstandings [(1)]

		Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
in percentages		**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
1	(AAA)	**5.5**	5.4	**0.4**	0.2	**32.4**	27.2	**13.6**	13.8
2–4	(AA)	**26.3**	29.0	**5.6**	1.5	**24.6**	31.7	**20.6**	22.1
5–7	(A)	**13.8**	12.9	**2.7**	2.0	**13.3**	10.5	**10.9**	9.5
8–10	(BBB)	**19.7**	18.4	**31.5**	52.7	**15.8**	9.3	**21.3**	21.6
11–13	(BB)	**27.7**	26.7	**48.6**	36.8	**12.6**	19.8	**27.6**	27.6
14–17	(B)	**4.9**	4.8	**7.4**	2.6	**0.8**	1.2	**4.1**	4.0
18–22	(Problem Grade)	**2.1**	2.8	**3.8**	4.2	**0.5**	0.3	**1.9**	1.4
		100.0	100.0	**100.0**	100.0	**100.0**	100.0	**100.0**	100.0

(1) Based on lending (wholesale and retail), financial markets and investment activities.

The table reflects probabilities of default and does not take collateral into consideration.

Risk management continued

ING Banking units have continued to implement and improve risk rating models in preparation for new regulatory requirements. This has led to improvements in the average credit quality in all lines of business in 2006. Within Retail Banking, there was a small shift downward from BBB to BB related to the introduction of improved rating models in the Benelux. Hence the movement mainly represents a reclassification between risk rating classes and not a deterioration of the underlying credit risk profile.

Provisions: ING Bank portfolio

	Wholesale Banking	Retail Banking	ING Direct	Total ING Bank 2006	Total ING Bank 2005
Opening balance	**2,294**	**725**	**294**	**3,313**	4,456
Implementation IAS 32/39					–592
Changes in the composition of the group	**–78**		**–23**	**–101**	–4
Write-offs	**–404**	**–236**	**–51**	**–691**	–842
Recoveries	**31**	**44**	**11**	**86**	61
Increase/(decrease) in loan loss provision	**–118**	**140**	**81**	**103**	88
Exchange differences	**–55**	**–7**	**–5**	**–67**	115
Other changes	**–60**	**75**	**–16**	**–1**	31
Closing balance	**1,610**	**741**	**291**	**2,642**	3,313

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.

ING Bank's risk costs continued to be low in 2006, 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 and the low risk growth strategy in Retail Banking and ING Direct.

Risk concentration: ING Bank portfolio, by economic sector

	Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
in percentages	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Construction, infrastructure & Real Estate	**12.3**	11.6	**2.0**	0.8	**0.8**	0.2	**5.8**	5.7
Financial Institutions	**39.0**	39.8	**3.3**	1.5	**59.0**	61.2	**37.0**	39.4
Private Individuals	**0.3**	1.6	**81.8**	93.2	**31.4**	27.0	**31.3**	28.1
Public Administration	**11.2**	11.9	**1.8**	0.5	**7.5**	10.7	**7.6**	9.2
Services	**4.6**	4.1	**1.6**	0.5	**0.0**	0.0	**2.3**	2.1
Other	**32.6**	31.0	**9.5**	3.5	**1.3**	0.9	**16.0**	15.5
	100.0	100.0	**100.0**	100.0	**100.0**	100.0	**100.0**	100.0

There were no significant changes in risk concentrations by economic sector in 2006, at the ING Bank level. Within ING Direct there was a shift towards more private individuals reflecting growth in the ING Direct retail portfolio, at the expense of slower growth in the (bond) investment portfolios. This was offset by a decline in the private individuals concentration within Retail Banking as a result of growth in the Small Business and SME sectors.

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

amounts in billions of euros	Wholesale Banking 2006	Wholesale Banking 2005	Retail Banking 2006	Retail Banking 2005	ING Direct 2006	ING Direct 2005	Total ING Bank 2006	Total ING Bank 2005
Netherlands	**62.0**	56.5	**122.1**	117.4	**1.8**	2.9	**185.9**	176.8
United States	**25.8**	22.1	**0.2**	0.1	**52.1**	47.6	**78.1**	69.8
Belgium	**36.2**	40.7	**26.2**	14.4	**1.6**	1.4	**64.0**	56.5
Germany	**10.3**	35.4	**0.3**	0.2	**45.3**	32.3	**55.9**	67.9
Spain	**11.0**	8.9	**0.4**	0.0	**36.0**	33.3	**47.4**	42.2
United Kingdom	**17.1**	21.5	**0.1**	0.2	**18.5**	17.5	**35.7**	39.2
Australia	**2.4**	1.5	**0.0**	0.0	**22.0**	17.3	**24.4**	18.8
Italy	**10.9**	9.2	**0.6**	0.1	**9.7**	9.8	**21.2**	19.1
France	**16.2**	12.7	**0.6**	0.2	**3.2**	3.8	**20.0**	16.7
Canada	**1.5**	2.1	**0.0**	0.0	**15.1**	15.2	**16.6**	17.3

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

The large decrease in German exposure within Wholesale Banking is the result of the divestiture of DHB, which was somewhat offset by organic growth at DiBa within ING Direct. With the exception of minor decreases in Canada and the UK, all of the major countries experienced growth in 2006.

The methodology of calculating risk capital is linked to the risk definitions with respect to determining where the country risk occurs. Emerging market countries with low and medium risk that have not defaulted require no mandatory provisions for transfer risk. Instead of provisions, additional capital is allocated to transactions that incur country risk. The amount of additional capital allocated is a function of the risk of the country as well as the risk of the transaction itself. This is called Transfer Risk Capital which is an estimate of the maximum transfer loss (above the level of Expected Transfer Loss) within a certain time period on a portfolio of assets given a certain confidence level.

ING INSURANCE CREDIT RISK

ING Insurance's credit exposure arises from the investment of insurance premiums into credit risk assets, largely in the form of bond investment activities on an unsecured basis. While ING Insurance has a policy of maintaining a high quality investment grade portfolio, a certain portion of the portfolio is invested in residential mortgages and structured finance products. Credit exposure also arises from derivatives, sell/repurchase transactions, securities lending/borrowing and reinsurance contracts used to hedge the portfolio. Derivative transactions are generally entered into in relation to hedging activities.

Overall credit risk limits are established by ALCO Insurance based on risk classes and the perceived creditworthiness of the underlying obligor. Issuer limits are determined based on the obligor's rating. These limits are managed in the region where the parent company is domiciled. In addition each Insurance company has one or more investment mandates that specify credit risk appetite by issuer, type and quality.

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 Insurance portfolio, as of total outstandings [1]

in percentages		Insurance Americas 2006	Insurance Americas 2005	Insurance Europe 2006	Insurance Europe 2005	Insurance Asia/Pacific 2006	Insurance Asia/Pacific 2005	Total ING Insurance 2006	Total ING Insurance 2005
1	(AAA)	**26.9**	28.3	**27.8**	27.3	**12.1**	13.5	**25.1**	26.3
2–4	(AA)	**21.8**	15.0	**19.8**	21.8	**33.4**	59.0	**22.6**	23.0
5–7	(A)	**20.0**	30.4	**20.5**	43.2	**32.4**	15.1	**22.0**	32.8
8–10	(BBB)	**19.7**	22.5	**14.6**	5.8	**7.9**	9.9	**15.8**	14.3
11–13	(BB)	**7.0**	2.5	**15.7**	0.8	**4.1**	2.1	**10.3**	2.5
14–17	(B)	**4.6**	0.7	**1.2**	1.0	**10.1**	0.2	**4.0**	0.8
18–22	(Problem Grade)	**0.0**	0.6	**0.4**	0.1	**0.0**	0.2	**0.2**	0.3
		100.0	100.0	**100.0**	100.0	**100.0**	100.0	**100.0**	100.0

[1] The 2005 figures exclude the residential mortgage portfolios in the Americas and Asia/Pacific.

The table reflects probabilities of default and does not take collateral into consideration.

Risk management continued

The downward shift in risk ratings within Insurance Europe is the result of a re-rating exercise performed on the Dutch mortgage portfolios to bring them in line with the rating methodology that is used for similar assets within the Dutch banking operations. Under the new methodology, the ratings are distributed over rating classes 8–17. A similar shift is seen in the Americas and Asia/Pacific, as a result of the inclusion of residential mortgages for the first time in 2006. Hence the movement mainly represents a reclassification between risk rating classes and not a deterioration of underlying credit risk profile.

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

in percentages	Insurance Americas 2006	Insurance Americas 2005	Insurance Europe 2006	Insurance Europe 2005	Insurance Asia/Pacific 2006	Insurance Asia/Pacific 2005	Total ING Insurance 2006	Total ING Insurance 2005
Construction, infrastructure & Real Estate	**9.9**	14.2	**2.4**	1.7	**2.2**	10.3	**5.6**	8.7
Financial Institutions	**61.0**	51.6	**25.4**	21.2	**29.9**	24.2	**41.3**	36.3
Private Individuals	**3.4**	0.0	**22.1**	25.0	**9.1**	0.0	**12.1**	10.1
Public Administration	**3.4**	5.5	**33.4**	39.3	**40.0**	49.4	**21.4**	24.0
Utilities	**4.0**	5.0	**1.7**	2.4	**3.0**	4.1	**2.9**	3.8
Other	**18.3**	23.7	**15.0**	10.4	**15.8**	12.0	**16.7**	17.1
	100.0	100.0	**100.0**	100.0	**100.0**	100.0	**100.0**	100.0

(1) The 2005 figures exclude the residential mortgage portfolios in the Americas and Asia/Pacific. These are included under Private Individuals.

The industry coding methodology for the insurance company was aligned with the methodology used within the banking operations in 2006. Under the new methodology, investments in structured bond instruments, such as securitisations, are included in the Financial Institutions industry.

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

amounts in billions of euros	Insurance Americas 2006	Insurance Americas 2005	Insurance Europe 2006	Insurance Europe 2005	Insurance Asia/Pacific 2006	Insurance Asia/Pacific 2005	Total ING Insurance 2006	Total ING Insurance 2005
United States	**57.4**	61.5	**2.0**	3.2	**2.3**	1.9	**61.7**	66.6
Netherlands	**0.7**	0.8	**34.2**	25.8	**0.5**	0.1	**35.4**	26.7
Italy	**0.3**	0.5	**7.5**	7.7	**0.1**	0.0	**7.9**	8.2
Germany	**0.2**	0.4	**6.6**	6.8	**0.3**	0.4	**7.1**	7.6
Taiwan	**0.0**	0.0	**0.0**	0.0	**6.9**	7.4	**6.9**	7.4
Canada	**6.3**	5.9	**0.3**	0.1	**0.0**	0.0	**6.6**	6.0
France	**0.4**	0.5	**5.6**	5.3	**0.5**	0.9	**6.5**	6.7
United Kingdom	**1.6**	1.9	**3.6**	3.2	**0.3**	0.2	**5.5**	5.3
South Korea	**0.0**	0.0	**0.0**	0.0	**5.4**	3.9	**5.4**	3.9
Spain	**0.3**	0.3	**4.5**	3.9	**0.4**	0.0	**5.2**	4.2

(1) Only covers total exposures in excess of EUR 5 billion, including intercompany exposure with ING Bank.

The country concentrations in the Insurance portfolio did not change significantly in 2006. The growth in most countries is related to the growth of the underlying insurance companies investment portfolios in the respective markets. Italian, German, French and British portfolios are principally related to government bonds held by insurance companies in the Netherlands and Belgium.

ING BANK MARKET RISK

MARKET RISK IN TRADING PORTFOLIOS

Organisation

Corporate Market Risk Management (CMRM) Trading focuses on the management of trading market risks in the Wholesale Banking business. Specifically, 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 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 organisational levels, from CMRM Trading overall down to specific business areas and trading offices.

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

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 at least 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 interval 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. The VaR also serves as a basis for the calculation of the regulatory capital and economic capital that ING needs to hold to cover possible losses from trading activities.

The market risk 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 the underlying issuer of securities in the portfolios.

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% confidence interval means that VaR does not take into account any losses that occur beyond this confidence level.

Backtesting

Although VaR models estimate potential future results, estimates are based on historical market data. ING continuously monitors the plausibility and effectiveness of the VaR model in use. The technique for this purpose is generally known as backtesting in which the actual daily result is compared with the daily 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 Bank's one-sided confidence level of at least 99% an occurrence is expected once in every 100 business days at maximum. In 2006, there was no occurrence (2005: none) where a daily trading loss exceeded the daily consolidated VaR of ING Wholesale Banking.

Stress Testing

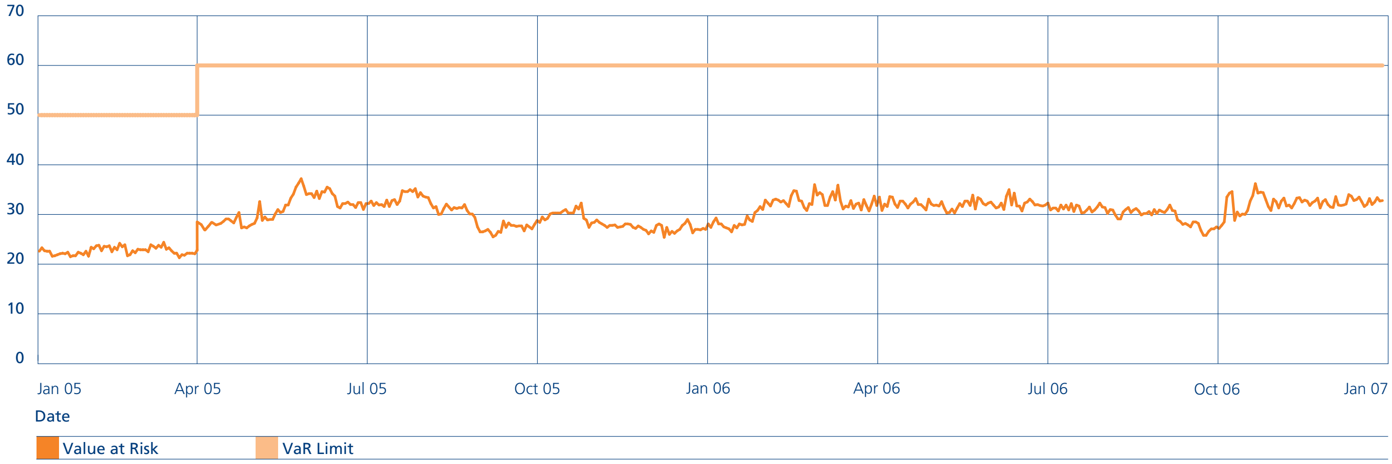
Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, ING uses structured stress tests for monitoring the market risk under these extreme conditions. Stress scenarios are based on historical and hypothetical extreme events. The result of the stress testing is an event risk number, which is an estimate of the profit and loss 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. 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 and related derivative markets). The scenarios and stress parameters are back-tested against extreme market movements that actually occurred in the markets.

Risk management continued

Development of trading market risks

The following chart shows the development of the overnight VaR for the ING Wholesale Banking trading portfolio which was managed by CMRM Trading during 2005 and 2006. 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.

Consolidated Trading VaR ING Wholesale Banking 2005 – 2006
in millions of euros



During 2005 and 2006 the overnight VaR for the ING Wholesale Banking trading portfolio was continuously within the range of EUR 21– 37 million.

The average exposure over 2006 was higher than 2005 (average VaR 2006: EUR 31 million and average VaR 2005: EUR 28 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.

More details on the VaR of the ING Wholesale Banking trading portfolio for 2006 and 2005 are provided in the table below.

Consolidated trading VaR: ING Wholesale Banking, by portfolio

	Minimum		Maximum		Average		Year end	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Foreign exchange	**1**	1	**7**	5	**3**	3	**2**	2
Equities	**7**	7	**11**	13	**9**	10	**8**	9
Interest rates	**20**	14	**30**	30	**25**	21	**27**	22
Diversification [(1)]					**–6**	–6	**–4**	–6
Total VaR					**31**	28	**33**	27

[(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.

MARKET RISK IN NON-TRADING PORTFOLIOS

Organisation

Within ING Bank, positions are labelled as either trading or non-trading positions. The banking books are defined as the non-trading books. The most important aspect in segregating the banking from the trading books is the intent of the positions held in these books. It is of crucial relevance that 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, interest rate risk management of the banking books is the responsibility of the ALCO function with ALCO Bank as the highest approval authority. ALCO Bank determines the overall risk appetite for interest rate risk in the banking books. The ALCO function is regionally organised 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 interest rate risk in all the banking books. This ensures a correct implementation of the ING Bank risk appetite. CMRM is the designated independent department that is responsible for the design and execution of the bank's interest rate risk management functions in support of the ALCO function. CMRM is therefore responsible for determining adequate policies and procedures for managing the interest rate risk in the banking books and for monitoring the compliance with these guidelines. CMRM maintains an adequate limit framework in line with the bank's risk appetite. The CMRM structure recognises that risk management to a large extent occurs at the regional/local level. Bottom-up reporting allows each management level to fully assess the interest rate risk relevant at the respective levels. The businesses are responsible for adhering to the limits that 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.

Interest rate risk in banking books

To enable clear assignment of responsibilities for risk and return within the banking book structure, a split into two types of activities is made: Asset & Liability Management (ALM) and commercial business. Within ING Bank the risk transfer principle is used. This refers to the principle whereby the outright interest rate risk present in the banking books is centralised in the ALM books. Outright interest rate risk in the banking books arises due to (i) investment of the bank's own funds (core equity) and (ii) the fact that the assets and liabilities originated by the bank typically do not reprice simultaneously and therefore have a different duration.

Within ING Bank, the Bank's own funds and the investments of these own funds are isolated under 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 maximisation and stabilisation. ALCO Bank considers a well balanced portfolio of long-dated fixed investments as the risk neutral position. The risk data presented in the following market risk tables provide a regulatory view on equity. They directly reflect the risk of the investments under the assumption that ING Bank's own funds are not sensitive to market rate changes.

The outright interest rate risk that arises due to the repricing mismatch of the bank's originated assets and liabilities is transferred from the commercial banking books to the ALM books. These ALM books are managed within ING Wholesale Banking and contain the strategic interest rate risk position of the bank. The main objective is to maximise the economic value of the book and to generate adequate and stable yearly earnings by hedging the risk that arises from the bank's commercial banking activities and taking the strategic interest rate position it desires within the risk appetite of the bank.

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 the 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 from the ALM books and the commercial banking books are managed and measured on an integrated level.

Within CMRM, continuous research is being done in order to optimise the modelling of client behaviour. 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 the investment rules are determined for the various portfolios.

Risk management continued

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 minimise the resulting interest rate risk.

In the following tables, the risk figures for interest rate risk in the banking books are presented. ING Bank uses several measures to control interest rate risk both from an earnings and a value perspective. The most important of these measures are Earnings-at-Risk (EaR) and NPV-at-Risk.

EaR measures the impact on IFRS earnings 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 of the market rates. 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 basis 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.

Earnings-at-Risk (1% instantaneous upward shock to market rates)

	2006
By Business Line	
ING Wholesale Banking	–19
ING Retail Banking	–107
ING Direct	–260
ING Bank Corporate Line	22
ING Bank Total	–364
By Currency	
Euro	–232
US dollar	–80
Pound sterling	–4
Other	–48
Total	–364

As compared to the EaR calculations presented in the 2005 Annual Accounts, the size of the applied shock to the interest rates has been reduced from 2% to 1%. This has been done as the 1% scenario is more likely to occur in the current low interest rate environment than the 2% scenario. Applying the 2% instantaneous upward parallel shock to the year end 2006 figures results in an EaR figure of EUR –640 million, compared to EUR –733 million presented in 2005. The reduction of the EaR figure in 2006 is mainly due to the fact that the EaR calculations have been changed this year in order to better align with the profit and loss account recognition under IFRS. This year's EaR calculations furthermore capture the convexity resulting from the embedded prepayment and offered rate options of the large Dutch mortgage portfolios.

The 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 the value mutations of the amortised cost balances, is not recognised in the balance sheet or 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 the 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 are perfectly represented via the replicating methods and therefore fully hedged.

NPV-at-Risk (1% instantaneous upward shock to market rates)

	2006
By Business Line	
ING Wholesale Banking	–559
ING Retail Banking	–134
ING Direct	–377
ING Bank Corporate Line	–818
ING Bank Total	–1,888
By Currency	
Euro	–1,465
US dollar	–402
Pound sterling	–58
Other	37
Total	–1,888

In line with the EaR calculations the interest rate scenario has also been changed for the NPV-at-Risk calculations. For comparison purposes the 2006 NPV-at-Risk numbers have also been calculated for the 2% shock scenario. The NPV-at-Risk under this scenario is EUR –4,261 million. Compared to the year end 2005 NPV-at-Risk of EUR –3,203 million, the NPV-at-Risk shows a large increase this year. The increase in the NPV-at-Risk numbers is mainly caused by ING Direct USA who has an increasingly convex interest rate risk position. In addition diversification effects between ING Direct Canada and other portfolios decreased, further increasing ING Direct's NPV-at-Risk. In practice the portfolio will be rebalanced in case of an upward interest rate move, significantly mitigating NPV losses.

FX 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), realised non-euro 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.

Realised Results

Every unit hedges realised results to the base currency of the unit. On a monthly basis the central Capital Management department hedges the non-euro results to euro. ING does not hedge the future euro value of projected results in non-euro currencies.

Risk management continued

FX Translation Result
ING's strategy is to protect the Tier 1 ratio against unfavourable currency fluctuations. The protection is largely achieved by the issuance of US dollar and Pound sterling 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-euro 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. For other currencies the objective is to fully hedge the translation risk.

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**
Australian dollar	**1,048**		**1,048**	**–123**	**925**
Canadian dollar	**974**		**974**	**–704**	**270**
Other currency	**2,504**		**2,504**	**–2,422**	**82**
Total	**9,758**	**–3,777**	**5,981**	**–3,302**	**2,679**

Overnight exposure ING Bank, for primary non-trading currencies

2005	Foreign investments	Tier-1	Gross exposure	Hedges	Net position
US dollar	4,562	–3,214	1,348	–701	647
Pound sterling	–1,247		–1,247	1,252	5
Polish zloty	809		809	–489	320
South Korean won	1,047		1,047	–955	92
Other currency	1,300		1,300	–1,192	108
Total	6,471	–3,214	3,257	–2,085	1,172

The table above shows that compared to 2005 larger net foreign exchange positions are held in the non-trading books. These net positions are held to protect the Tier 1 ratio against currency movements.

The amount of US dollar denominated risk-weighted assets increased substantially in 2006. In order to maintain the protection of the Tier 1 ratio, the net US dollar position increased accordingly.

Pound sterling denominated Tier-1 paper was issued in 2006 in order to better protect the Tier 1 ratio against movements in the GBP/EUR exchange rate.

ING Direct has expanded its activities in Australia and Canada. Consequently, the Australian and Canadian dollar are added to the list of main currencies, as presented in the table for 2006 above.

The same metric applied for the trading books (Value-at-Risk) is used to quantify and monitor the FX risk in the banking book.

Consolidated non-trading FX VaR ING Bank

	2006	Low 2005	**2006**	High 2005	**2006**	Average 2005	**2006**	Year end 2005
FX VaR	**7**	2	**22**	11	**17**	7	**21**	11

EQUITY PRICE RISK IN THE 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 substantial equity exposure in its banking books. This equity exposure mainly consists of the investments in associates of EUR 1,223 million (2005: EUR 1,188 million) and equity securities held in the Available-for-sale portfolio of EUR 1,898 million (2005: EUR 2,147 million). The value of equity securities held in the Available-for-sale portfolio is directly linked to equity security prices. 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.

LIQUIDITY RISK

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. Within ING Bank, ALCO Bank bears overall responsibility for the liquidity risk strategy. ALCO Bank has delegated day-to-day liquidity management to the Treasury Amsterdam, which is responsible for managing the overall liquidity risk position of ING Bank, while regional and local treasuries are responsible for managing liquidity in their respective regions and locations.

The main objective of ING's liquidity strategy is to maintain sufficient liquidity in order to ensure safe and sound operations. The liquidity strategy of ING Bank has four primary components.

The first component is day-to-day funding, which constitutes a policy to sufficiently spread the day-to-day funding requirements. The Treasury function monitors all maturing cash flows along with expected changes in core-business funding requirements. This includes replenishment of existing funds as they mature, expected withdrawals from retail current accounts, savings and additional borrowings. Furthermore, access to the capital markets is actively managed by regularly issuing public debt in all material markets and the maintenance of investor relations.

The second component is to maintain an adequate mix of funding sources. ING Bank aims for a well diversified funding mix in terms of instrument types, fund providers, geographic markets and currencies. Sources of liquidity are widely distributed over the entire ING Bank. ING has a broad base of core retail funding, which mainly consists of current accounts, savings and retail deposits. Although these accounts can be withdrawn immediately or at short notice, the accounts are considered to form a stable resource of funding because of the broad customer base. The retail funding is, from a geographical point of view, widely spread, with most of the funding located in the euro zone.

The third component of ING's liquidity strategy is to maintain a broad portfolio of highly marketable assets that can be easily used to bear disruptions in the cash flow profile. ING has relatively large portfolios of unencumbered marketable assets. These marketable assets can provide liquidity through repurchase agreements or through sale. The majority of ING's marketable assets are located in the euro zone.

The fourth component of ING's liquidity strategy is to have adequate and up-to-date contingency funding plans in place throughout the organisation. 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 main objective of ING's contingency funding plan is to enable senior management to act effectively and efficiently at times of crisis.

The key focus of the measurement of liquidity within ING is on the periods of one week and one month. The internally used liquidity figures are calculated in line with the regulatory reporting requirements for liquidity risk of the Dutch Central Bank. For this purpose, the positions are split by type of product and counterparty. All positions with a known maturity date are included in the maturity calendar based on their contractual maturity date. Positions with an unknown maturity date and marketable assets are included as items with a direct liquidity value. Standby facilities, undrawn irrevocable credit facilities, guarantees and other contingent liabilities are also included. The positions in the week and the month categories are weighted under a scenario that is a mix between a market event and an ING-specific event. The total available liquidity values are corrected for liquidity surpluses in inconvertible currencies and in locations with restrictions on capital transfer. Most of these inconvertible and non-transferable positions are located outside the euro zone. Under the regulatory guidelines, banks should at a minimum report positive liquidity figures. In addition to this a framework is implemented within ING Bank that sets limits on the overall weekly and monthly liquidity risk positions to ensure adequate buffers of liquidity.

Risk management continued

ING INSURANCE

General

ING is engaged in selling life and non-life insurance products. For Risk management purposes life products include a broad range of traditional life, unit-linked, annuities, universal life, group life, pension, and (guaranteed) investment contracts. Non-life insurance products include all lines of insurance products that do not fall under the life insurance business – fire, automobile, accident and health, third-party liability and disability contracts, referred to as Property and Casualty (P&C), Health and Morbidity. In the remainder of the consolidated annual accounts, health and disability insurance is included in 'Life'.

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 of the future returns on investments of the insurance premiums. Risks are classified as actuarial and underwriting, market risk, credit risk and operational risk.

ING regularly monitors the solvency level for the total insurance business at a prudent level. ING Corporate Insurance Risk Management instructs and supervises all ING entities to make sure that ING Insurance total insurance liabilities (both reserves and capital) are tested for adequacy including the insurance premium rate levels and the uncertainty of future returns on investments. This includes valuing the insurance liabilities on current best estimate actuarial assumptions plus a risk margin. Thus, the reserves are reviewed to ensure they remain adequate based on current assumptions. ING believes its solvency level is adequate.

Where DAC amortisation is based on expected gross profits, the sensitivity analyses below include the impact on amortisation of DAC as a result of changes in expected gross profits.

Reserve adequacy – Taiwan

The adequacy of the provision for life policy liabilities (net of DAC and VOBA) is evaluated regularly. ING's policy for reserve adequacy testing is disclosed under 'Principles of valuation and determination of results'.

As at 31 December 2006 (and 31 December 2005), ING's life insurance businesses as a whole are sufficiently adequate at a 90% confidence level. All business lines are, on a stand alone basis, adequate at a 90% confidence level, except for the business line Insurance Asia/Pacific. The inadequacy in Insurance Asia/Pacific is fully attributable to Taiwan.

As at 31 December 2006, the inadequacy for Taiwan is EUR 2.4 billion based on a 90% confidence interval, on a Taiwan reserve level (net of DAC and VOBA) of EUR 10 billion. The inadequacy results from a material exposure in Taiwan to a sustained low interest rate environment. 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 guarantees and the future premiums (which have a present value of approximately EUR 19 billion (2005: EUR 20 billion) create a liability for the portfolio with an effective duration of approximately 30, compared to an asset duration of approximately 10. 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 ompensates inadequacy related to the business sold until 2001. Furthermore, ING has over time strengthened reserves by EUR 682 million (2005: EUR 420 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 31 December 2006 is based on the current 10-year swap rate in Taiwan at 31 December 2006 of 2.21% (2005: 2.35%), with the assumption that, in the long term, this swap rate will move to 5.75% (2005: 5.75%).

Management's best estimate, based on a 50% confidence level, is that Taiwan has a marginal adequacy of EUR 298 million (2005: EUR 165 million) which represents a 57% (2005: 53%) confidence level as at 31 December 2006. Under the Group's accounting policy, any inadequacy below the 50% level would be charged to the profit and loss account immediately.

The sensitivity to interest rates changes is explained below under ING Insurance – Interest rate sensitivity. If the interest rates as at 31 December 2006 would have been 1% lower, Taiwan would have been inadequate at the 50% confidence level and, consequently, an amount of approximately EUR 1.5 billion after tax (2005: EUR 1.7 billion) would have been included as a charge in the profit and loss account, reflecting the amount necessary to bring reserves to a best estimate level. If the interest rates at both 31 December 2006 and 31 December 2005 would have been 1% higher, Taiwan would be sufficiently adequate at the 50% confidence level, but would still have been inadequate at the 90% confidence level. Consequently, the charge currently included in the profit and loss would likely have been reduced. 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 ACTUARIAL AND UNDERWRITING RISK

General

Actuarial and underwriting risks are the risks resulting from the pricing and acceptance of insurance contracts. These risks are primarily managed through standard underwriting policies, product design requirements as set by ING's Insurance Risk Management function, independent product approval processes and risk limitations related to insurance policy terms and conditions with the client. Actuarial risks are managed through pricing procedures and included in the overall adequacy of provisions for insurance contract and investment contract liabilities. Underwriting risks are managed in the process whereby applications submitted for insurance coverage are reviewed. The maximum underwriting exposure is limited through exclusions, cover limits, and reinsurance.

Measurement

Profit and losses stemming from adverse claims in ING's insurance portfolios are managed by setting insurance risk tolerance levels which are reviewed annually by the Executive Board. ING Group has established actuarial and underwriting risk tolerance levels in specific areas of its insurance operations.

For non-life insurance, risk tolerance levels are set by line of business (in terms of maximum sums insured per individual risk) and for fire business also in terms of probable maximum loss limits. The losses considered to measure this probable maximum loss are those which are attributable to specific events (e.g. natural perils such as storms, earthquakes and floods). For the main non-life units (in The Netherlands, Belgium, Canada, Mexico) the risk tolerance is generally set at 2.5% of the Group's after tax earnings. For 2006, this translated into a (pre-tax) risk tolerance level of EUR 190 million (2005: EUR 170 million) for Mexico and The Netherlands-Belgium combined. For Canada the pre-tax risk tolerance level is set at EUR 169 million (derived from the above EUR 190 million but allowing for outside interests) (2005: EUR 149 million). The risk tolerance refers to the maximum allowable loss for catastrophic events. The probable maximum loss risk tolerance levels are set at a 1 in 250 return period for Canada, Mexico and The Netherlands-Belgium combined which is in line with industry practice. With respect to the Fire line of business this assessment is 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 2006 was set at EUR 5 million (2005: EUR 5 million) per event per business unit. For motor business the (pre-tax) risk tolerance level for 2006 was set at EUR 7.5 million (2005: EUR 5 million) per unit.

With respect to life business, ING Group's (pre-tax) risk tolerance level is set at EUR 22 million (2005: 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 life insurance contracts involving multiple lives, ING has made its own assessment and believes that the potential loss from a significant mortality event occurring in the normal course of business will not exceed an amount higher than the (pre-tax) risk tolerance level for 2006 of EUR 750 million (2005: EUR 750 million). Such an amount could result from a pandemic as observed during the Spanish flu pandemic in 1918, without taking into account medical improvements since that time. ING continues to model the possible impact of pandemics based on studies published by respected international organisations.

Overall exposures and concentrations are actively managed through the purchase of external reinsurance from approved high creditworthy reinsurers within the credit risk policy of ING. In case of the existence of exposures higher than the risk tolerance levels as defined above, appropriate procedures are in place, including third party reinsurance covers. Particularly for the property and casualty portfolio, ING purchases protection through which the exposure due to natural catastrophes is substantially mitigated. ING believes that the credit risks to which it is exposed under reinsurance contracts are minor.

Regarding catastrophic losses arising from events such as terrorism, ING believes that it is not possible to develop a business model that takes into account the possibility of very high losses resulting from these events. 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.

Risk management continued

Through scenario analyses, ING Insurance measured the potential changes in the realised after tax earnings of the insurance operations from an increase/decrease of the insurance risk factors over the year 2006. These changes to net profit can relate to realised claims or any other net profit item that would be affected by the change of these factors. In addition, ING has estimated the impact on the 31 December 2006 shareholders' equity of ING Insurance from the same change in insurance risk factors. The differentiation of sensitivities before and after risk mitigation typically refers to mitigation of the risks by reinsurance. ING assumes that not all these shifts presented below will happen everywhere at the same time.

Insurance risks sensitivity

		Effect on ING Insurance Net profit		**Shareholders' equity**		Effect on ING Insurance Net profit		Shareholders' equity	
		Before risk mitigation	**After risk mitigation**	**Before risk mitigation**	**After risk mitigation 2006**	Before risk mitigation	After risk mitigation	Before risk mitigation	After risk mitigation 2005
Mortality	+10%	**–91**	**–70**	**–87**	**–67**	–82	–61	–85	–63
	–10%	**80**	**70**	**78**	**67**	80	61	83	64
Morbidity	+10%	**–114**	**–106**	**–111**	**–103**	–70	–66	–70	–67
	–10%	**114**	**105**	**111**	**102**	70	66	71	67
P&C	+10%	**–196**	**–185**	**–188**	**–178**	–125	–98	–130	–101
	–10%	**196**	**185**	**188**	**178**	125	98	130	101

The sensitivities represent a one-time increase/decrease of the realised claims of P&C and morbidity and an increase/decrease of the mortality rates over 2006.

ING INSURANCE MARKET RISK

General

Market risks arise when the market value of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, equity prices, foreign exchange rates and real estate prices can impact present and future earnings of the insurance operations as well as the shareholders' equity.

ING implemented Market Value at Risk (MVaR) limits to manage the market and credit risks resulting from the Insurance operations world-wide. ALCO Insurance has set an MVaR limit for ING Group Insurance and each of the business lines that relates to the market value based economic capital of ING Group Insurance. The MVaR is based on a 99.95% confidence level over a one-year horizon.

These limits are further allocated to the ING Insurance business units through MVaR sublimits by the business lines. These limits are managed by an ALCO Insurance structure on the respective organisational levels. Limit breaches by business lines are reported to ALCO ING Group Insurance and resolved in accordance with policy within the next quarter.

Corporate Insurance Risk Management (CIRM) consolidates and monitors the MVaR exposures of the business lines including diversification effects on a quarterly basis. In 2006 there were no breaches (2005: none) of the overall ING Insurance MVaR limit.

Measurement

At an ING Group level, CIRM is responsible for implementing and monitoring asset and liability management (ALM) practices and for consistency of the MVaR calculation methods world-wide.

The market risk of ING Insurance is primarily related to interest rate risk and equity risk although it also includes real estate and foreign currency risks. The following text provides an analysis of the exposures of the different types of market risks.

ALM risk – interest rate risk
ING's insurance operations are exposed to changes in interest rates with respect to guaranteed interest rates on insurance and investment contract liabilities. ING's insurance operations are also exposed to changes in interest rates with respect to investment income. The current product portfolio also includes products where interest rate risks are entirely or partially passed on to the policyholder, thereby reducing ING's exposure to interest rate movements.

Through scenario analyses, ING Insurance measured the potential changes in earnings of the insurance operations from an instantaneous increase/decrease in interest rates of 100 basis points. These changes to net profit can relate to assets as well as liabilities such as investment income, interest paid to policyholders, adequacy of provision for liabilities, market value adjustments, amortisation of Deferred Acquisition Costs (DAC) or any other net profit item that would be affected by interest rate changes. The effect of interest rate changes is different by business line and by product. In addition, ING has estimated the impact on the 31 December 2006 shareholders' equity of ING Insurance from such an instantaneous change in interest rates.

Interest-rate sensitivity

	Effect on ING Insurance Net profit	**Effect on ING Insurance Shareholders' equity 2006**	Effect on ING Insurance Net profit	Effect on ING Insurance Shareholders' equity 2005
Increase interest rates by 1%	**8**	**–3,185**	–68	–2,814
Decrease interest rates by 1%	**–1,600**	**1,880**	–1,743	1,255

The sensitivities represent an instantaneous increase/decrease of interest rates as of 31 December 2006. The net profit sensitivity reflects the related effect on net profit after tax for the year 2006 if interest rates remain 100 basis points higher (or lower) for at least 12 months. Sensitivity disclosures include the effect of embedded derivatives contained in insurance contracts.

The most significant interest rate risk within ING's insurance businesses exists in Taiwan where ING has material exposure to a sustained low interest rate environment. This is due to long term interest rate guarantees of 6–8% embedded in the life contracts sold by the business until 2001. Since 2002, ING has changed the design of its Taiwan life insurance products, strengthened reserves and increased the internal capital allocation for this business.

The net profit impact related to a 1% change in current interest rates is asymmetric due to the need to increase reserves for ING's business in Taiwan if interest rates were 1% lower. The IFRS profit impact on Taiwan of 1% lower interest rates at 31 December 2006 is EUR 1.5 billion (2005: EUR 1.7 billion). This is the amount necessary to bring reserves to a best estimate (50%) level in this sensitivity. There is not a corresponding benefit for rising interest rates in 2006 since the additional benefit from a rising interest scenario is not recognised in profit through unlocking of reserves.

Shareholders' equity impacts also relate directly to use of market values for available for sale securities offset by deferred profit sharing and shadow accounting of reserves and DAC/VOBA where possible.

Risk management continued

ALM risk – equity risk
ING's insurance operations are exposed to changes of prices in equity markets on two levels: (1) business units that have direct equity holdings in their general accounts; and (2) products where the revenues of the insurance operations are linked to the value of underlying equity funds, since this has an impact on the level of charges deducted for unit-linked and variable business.

Through scenario analyses ING Insurance measured the potential changes in earnings of the insurance operations resulting from an instantaneous increase/decrease in equity markets of 10%. These changes to net profit can relate to fee income, unrealised or realised gains and losses, amortisation of DAC or any other net profit item that would be affected by a substantial change to equity markets. The effect of equity market changes is different by business line and by product. In addition, ING has estimated the impact on the 31 December 2006 shareholders' equity of ING Insurance from such a change in equity markets.

Equity sensitivity

	Effect on ING Insurance Net profit	**Shareholders' equity 2006**	Effect on ING Insurance Net profit	Shareholders' equity 2005
Increase of equity by 10%	**120**	**1,325**	59	1,072
Decrease of equity by 10%	**–150**	**–1,347**	–80	–1,094

The sensitivities represent an instantaneous increase/decrease in equity markets as of 31 December 2006. The net profit sensitivity reflects the related effect on net profit after tax for the year if equity markets remain 10% higher (or lower) for at least 12 months. Sensitivity disclosures include the effect of embedded derivatives contained in insurance contracts. The largest exposures to equity movements are in the ING business units in The Netherlands, United States, Canada and Belgium.

ALM risk – foreign exchange risk
Foreign exchange risk in the investments backing ING's insurance and investment contract liabilities is dealt with in the investment management processes in each business unit. An immaterial portion of the investment portfolio backing insurance liabilities is invested in assets of a different currency from that of the liabilities.

Another type of foreign exchange risk exists in relation to translation risk. Locally required capital levels are invested in local currencies in order to satisfy regulatory requirements and to support local insurance business regardless of currency movements. These capital levels may affect the consolidated balance sheet when translated to euros. Depending on hedging costs and the capital exposure, ING may hedge the capital over locally required margins.

Through scenario analysis ING Insurance measured the potential changes in the reported earnings of the insurance operations resulting from an instantaneous increase/decrease on 31 December 2006 in foreign exchange markets of 10%. In addition, ING has estimated the impact on the 31 December 2006 shareholders' equity of ING Insurance from such a change in foreign exchange markets.

Foreign currency sensitivity

	Effect on ING Insurance Net profit	**Shareholders' equity 2006**	Effect on ING Insurance Net profit	Shareholders' equity 2005
10% Increase of euro versus all other currencies	**–26**	**–1,014**	–81	–950
10% Decrease of euro versus all other currencies	**29**	**1,031**	87	1,041

The sensitivities represent an instantaneous increase/decrease in the euro on 31 December 2006. The net profit sensitivity reflects the related effect on net profit after tax for the year 2006 if the foreign exchange rate of euro against the other currencies remain 10% higher (or lower) for at least 12 months. Sensitivity disclosures include the effect of embedded derivatives contained in insurance contracts.

The main foreign exchange risks of ING Insurance relate to the translation risk from net profit and equity from business units in United States, Canada and certain Latin American countries. For net profit the impact is mitigated through the usage of average yearly exchange rates. During 2006 the euro has increased in value compared to most other currencies of countries where ING has business.

ALM risk – Real estate risk
Real estate risk exists in some of the investment portfolios of ING Insurance, most significantly in the Netherlands. ING Insurance is exposed to the risk of decreasing real estate prices to the extent these cannot be shared with contract holders in participating insurance plans.

Through scenario analyses, ING Insurance measured the potential changes in the earnings of the insurance operations resulting from an instantaneous increase/decrease in real estate markets of 10%. In addition, ING has estimated the impact on the 31 December 2006 shareholders' equity of ING Insurance from such a change in real estate markets.

Real estate sensitivity

	Effect on ING Insurance		Effect on ING Insurance	
	Net profit	**Shareholders' equity 2006**	Net profit	Shareholders' equity 2005
Increase of real estate of 10%	**480**	**490**	509	525
Decrease of real estate of 10%	**–480**	**–490**	–513	–525

The sensitivities represent an instantaneous increase/decrease in real estate markets as of 31 December 2006. The net profit sensitivity reflects the related immediate effect on net profit after tax for the year 2006 if the real estate markets remain 10% higher (or lower) for at least 12 months.

The most significant real estate risk of ING Insurance exists within the ING Real Estate investment portfolio in The Netherlands.

LIQUIDITY RISK
Liquidity problems arise if an insurance business does not have enough cash or liquid assets to meet its cash obligations. Demands for funds can usually be met through ongoing normal operations, premiums received and the sale of assets or borrowing. Unexpected demands for liquidity may be triggered by a credit rating downgrade, negative publicity, deterioration of the economy, reports of problems of other companies in the same or similar lines of business, significant unanticipated policy claims, or other unexpected cash demands from policyholders.

Liquidity risk decreases as the time frame allowed for generating cash increases. Longer time frames increase the probability of finding a buyer for some of the company's non-maturing or less liquid assets or securing external financing. Expected liquidity demands within ING Insurance are managed through a combination of treasury, investment and asset-liability management guidelines, which are monitored on an ongoing basis. Unexpected liquidity demands are managed through a combination of product design, diversification limits on liabilities, investment strategy, systematic monitoring and advance contingency planning. CIRM has issued formal guidelines requiring all insurance businesses to regularly assess, monitor and report on their liquidity risk profile. The guidelines require an analysis of liabilities that increase liquidity risk, a review of the investment portfolio to ensure adequate liquidity, and analysis of the expected asset and liability cash flows in regards to the ability of the business to meet cash demands.

Lapses in the course of normal business conditions, including lapses triggered by fundamental market movements are included in the market risk factor sensitivities. ING Group specific liquidity stress scenarios are not reported.

Risk management continued

ING GROUP OPERATIONAL INFORMATION AND SECURITY RISK

General

The aim of the Group and local Operational Information and Security Risk Management departments is to support general management of the business lines (first line of defence) which is responsible for managing operational information and security risk (hereafter referred to as operational risk). This is done by raising operational risk awareness and insight, increasing operational risk and loss transparency, improving early warning information and allocating risk ownership and responsibilities. This contributes to more stable business processes and lower operational risk costs. Furthermore, implementing an operational risk management function has led to more effective risk management and has prepared ING for the Basel II regulations, applicable from 31 December 2007, as well as for the future requirements of Solvency II.

Risk Management Processes	Examples of Risk management Tools
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	• Operational Risk Committee • Audit Findings Action Tracking • Key Risk Indicator Reporting • Operational Risk Dashboard
Risk Mitigation	• New Product Approval Process • (Information) Security plans & implementation • Crisis management & Business Continuity Planning

ING is promoting effective management of operational risk (ORM) by requiring business units to demonstrate that the appropriate steps have been taken to control operational risk. ING applies scorecards for this purpose. The purpose of the semi-annual scorecards is to measure the quality of ORM processes within a business. Scoring is based on the ability to demonstrate that the required risk management processes (risk governance, identification, measurement, monitoring and mitigation) 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 ORM and the control measures taken.

The scorecard consists of five modules that supplement each other:

Risk Management Processes	Focus
Risk Governance	Clear allocation of responsibilities
Risk Identification	Ongoing steering information
Risk Measurement	Risk cost transparency and risk awareness
Risk Monitoring	Ongoing steering information
Risk Mitigation	Management responsiveness

The overall scorecard outcome showed good progress in 2006 in all business lines. During 2006, operational, information and security risk as well as compliance requirements were integrated in the scorecard.

Measurement

Operational risk (OR) is expressed as the amount of operational risk capital required for a business line as calculated using the OR capital model. This 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. 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 & Officers Liability, Employment Practices Liability and Fiduciary Liability. ING retains a portion of these risks that matches industry practice.

Developments in 2006

ORM has piloted the COSO (a control framework on Enterprise Risk Management (ERM) issued by the Committee of Sponsoring Organisations of the Treasury Commission in the United States) ERM model in its Intermediaries Division in the Netherlands. Further, ING has now completed the embedding of its product approval process for new and amended products in all business units. Also during 2006, ING reached full coverage of the risk management systems for action tracking, incident management and scorecard evidencing within all ING entities.

Basel II

ING Bank is preparing for the Basel II implementation through its Basel II group program (including the Basel II project for operational risk). ING Bank is preparing to qualify for the Advanced Measurement Approach (most advanced method) for calculating operational risk capital on a consolidated level and is well positioned to meet the operational risk requirements of Basel II on time.

CORPORATE COMPLIANCE

Financial institutions in general are coming under closer scrutiny by society to ensure they comply with laws, regulations, standards and expectations. Bank regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinise 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-corruption measures. Regulators and other authorities have the power to bring administrative or judicial proceedings against ING, which could result, amongst other things, in suspension or revocation of ING's licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm ING's results of operations and financial condition.

Like many other large international financial institutions, ING engages and in the past has engaged in a limited amount of business with counterparties, including government or government-related counterparties, in countries such as Cuba, Iran and Syria, countries which have been identified as state sponsors of terrorism by the US State Department and subject to sanctions by various government agencies. ING does not believe that its revenues in such countries are or have been material to its overall business. In light of increased scrutiny of transactions involving such countries on the part of US and non-US regulatory authorities, investors and the media, as well as initiatives on the part of various institutions to adopt or enforce laws or regulations prohibiting transactions with or requiring divestment from entities doing business with such countries, ING is continuing to significantly strengthen its compliance function generally, as ING has done in 2006.

ING Bank N.V. has been in discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the United States and other authorities. These discussions prompted ING Bank N.V. to engage in a review regarding transactions involving sanctioned parties. In connection with this review, which is ongoing, ING Bank N.V. has been reporting to DNB and it is not possible to predict at this time the outcome thereof. ING Bank N.V. is committed to proactively addressing any issues raised by the review.

On 28 July 2006, The Office of Foreign Asset Controls ('OFAC') of the U.S. Department of Treasury added the Netherlands Caribbean Bank ('NCB'), a bank chartered in the Netherlands Antilles that is jointly owned by ING and by two entities that are Cuban nationals, to its list of Specially Designated Nationals as a Cuban national. Such designation prohibits US persons and non-US subsidiaries of US companies from dealing with NCB.

Risk management continued

A priority for ING during 2006 has been to increase compliance awareness Group-wide and to implement the ING Group Compliance Policy. The implementation of the ING Group Compliance Policy has been a key performance target for all senior managers. Senior management received updates on compliance-related issues and on the progress made in implementing the policy. Further embedding in procedures and processes Group-wide has high priority to be completed in 2007.

Another initiative ING undertook during 2006 to increase compliance awareness was the allocation of 130 extra full-time equivalents (FTEs) employees to Compliance, increasing the number of dedicated compliance FTEs to around 700. As well Compliance and Operational Risk Management have an established governance structure in which the Audit Committee is informed regularly about any incidents with a major financial and compliance impact. The incident reporting process provides information on financial and compliance incidents on a timely basis. The Executive Board continued to emphasise the importance of compliance in internal conferences and interviews. Additional 2006 compliance initiatives included a mandatory compliance e-learning course for all Netherlands employees, regional compliance conferences and in the United States a Compliance Awareness Week program.

In 2006, in the context of changing legislation, regulation and regulatory scrutiny ING revised, amongst other policies, its Financial Economic Crime Policy to comply with the third EU Anti-Money Laundering directive and other applicable laws and regulations. As a result of the revision of the Financial Economic Crime Policy, a review of all customer files, to assist ING to prevent its businesses and systems from being used to launder money or finance terrorist activities, is in progress. An additional benefit of reviewing customer files is that increased knowledge of its customers enables ING to provide services that are better tailored to customer needs.

Within the Retail Banking segment compliance-related costs were EUR 85 million. In order to comply with legal requirements the Dutch Retail Banking entities alone spent approximately EUR 50 million of the total amount on the identification of (existing) customers, improving the customer identification process and establishing risk profiles of existing and new customers. As well as operational changes training programs were developed and ongoing implementation programmes commenced.

Expenses in the Wholesale Banking segment were adversely impacted in 2006 by compliance-related costs of EUR 79 million. These expenses are related to investments in and improvements to compliance and customer identification process and systems, including the ongoing review ING has undertaken following the discussions with DNB concerning transactions involving countries subject to sanctions.

AUTHORISATION OF ANNUAL ACCOUNTS

Amsterdam, 12 March 2007

THE SUPERVISORY BOARD

Cor A.J. Herkströter, *Chairman*
Eric Bourdais de Charbonnière, *Vice-Chairman*
Luella Gross Goldberg
Paul F. van der Heijden
Claus Dieter Hoffmann
Jan H.M. Hommen
Piet C. Klaver
Wim Kok
Godfried J.A. van der Lugt
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, *Chairman*
Cees Maas, *Vice-Chairman and CFO*
Eric F. Boyer de la Giroday
Dick H. Harryvan
Eli P. Leenaars
Tom J. McInerney
Hans van der Noordaa
Jacques M. de Vaucleroy

Parent company balance sheet of ING Group as at 31 December before profit appropriation

amounts in millions of euros	2006	2005
ASSETS		
Investments in wholly owned subsidiaries 1	**42,607**	41,488
Other assets 2	**8,898**	8,131
Total assets	**51,505**	49,619
EQUITY 3		
Share capital	**530**	530
Share premium	**8,348**	8,343
Share of associates reserve	**11,528**	14,143
Currency translation reserve	**–950**	–692
Other reserves	**11,118**	7,202
Net profit	**7,692**	7,210
	38,266	36,736
LIABILITIES		
Preference shares 4	**215**	296
Subordinated loans 5	**7,146**	7,355
Financial liabilities at fair value through profit and loss	**120**	92
Other liabilities 6	**5,758**	5,140
Total liabilities and equity	**51,505**	49,619

References relate to the notes starting on page 214 which form an integral part of the parent company annual accounts.

Parent company profit and loss account of ING Group
for the years ended 31 December

amounts in millions of euros	2006	2005
Result of group companies after taxation	**7,704**	7,194
Other results after taxation	**–12**	16
Net profit	**7,692**	7,210

Parent company statement of changes in equity of ING Group
for the years ended 31 December

amounts in millions of euros	Share capital	Share premium	Share of associates reserve	Currency translation reserve	Other reserves [1]	Total
Balance as at 1 January 2005	634	8,525	3,219	–690	12,381	24,069
Implementation IAS 32/39 and IFRS 4	–104	–191	7,538	–556	–2,584	4,103
Unrealised revaluations after taxation			2,269	489	61	2,819
Realised gains/losses transferred to profit and loss			–663			–663
Transfer to insurance liabilities/DAC			–89			–89
Change in cash flow hedge reserve revaluations			764			764
Employee stock option and share plans					63	63
Exchange rate differences			1,105	65	47	1,217
Total amount recognised directly in equity			3,386	554	171	4,111
Net profit					7,210	7,210
			3,386	554	7,381	11,321
Dividend					–2,461	–2,461
Purchase/sale of treasury shares					–305	–305
Exercise of warrants and options		9				9
Balance as at 31 December 2005	530	8,343	14,143	–692	14,412	36,736
Unrealised revaluations after taxation			**–1,631**		**428**	**–1,203**
Realised gains/losses transferred to profit and loss			**–798**			**–798**
Transfer to insurance liabilities/DAC			**820**			**820**
Change in cash flow hedge reserve revaluations			**–696**			**–696**
Unrealised revaluations from net investment hedges				**194**		**194**
Employee stock option and share plans					**100**	**100**
Exchange rate differences			**–883**	**–452**		**–1,335**
Other					**–48**	**–48**
Total amount recognised directly in equity			**–3,188**	**–258**	**480**	**–2,966**
Net profit			**720**		**6,972**	**7,692**
			–2,468	**–258**	**7,452**	**4,726**
Dividend			**–147**		**–2,534**	**–2,681**
Purchases/sales of treasury shares					**–520**	**–520**
Exercise of warrants and options		**5**				**5**
Balance as at 31 December 2006	**530**	**8,348**	**11,528**	**–950**	**18,810**	**38,266**

[1] Other reserves includes Retained earnings, Treasury shares and Other reserves.

Accounting policies for the parent company balance sheet and profit and loss account of ING Group

BASIS OF PRESENTATION

The parent company accounts of ING Group are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The accounting policies with regard to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. 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 parent company balance sheet and profit and loss account with the exception of Investments in group companies and investments in associates which are initially recognised at cost and subsequently accounted for using the equity method of accounting.

The profit and loss account has been drawn up in accordance with Section 402, Book 2, of the Dutch Civil Code.

A list containing the information referred to in section 379 (1), Book 2, of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Section 379 (5), Book 2, of the Dutch Civil Code.

Changes in balance sheet values due to changes in the Revaluation reserve of the associates are reflected in the Share of associates reserve, which forms part of Shareholders' equity. Changes in balance sheet values due to the results of these associates, accounted for in accordance with ING Group accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these associates, other than those due to changes in share capital, are included in Share of associates reserve in Other reserves.

A statutory reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Share of associates reserve.

CHANGES IN PRESENTATION

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 in 2006 to provide additional and more relevant information. Certain comparative amounts has been reclassified to conform with the current period presentation. None of the changes are significant in nature.

Notes to the parent company balance sheet of ING Group
amounts in millions of euros, unless stated otherwise

ASSETS

1 INVESTMENTS IN WHOLLY OWNED SUBSIDIARIES

Investments in wholly owned subsidiaries

	Balance sheet value 2006	2005
Name of investee		
ING Bank N.V.	**20,868**	20,490
ING Verzekeringen N.V.	**21,902**	20,607
Other	**–163**	391
	42,607	41,488

Other includes certain intercompany elimations between ING Bank N.V. and ING Verzekeringen N.V.

Changes in investments in wholly owned subsidiaries

	2006	2005
Opening balance	**41,488**	28,062
Change in accounting policies		4,510
Repayments to/from group companies	**24**	
Disposals of group companies	**–587**	
Revaluations	**–2,994**	4,205
Result of the group companies	**7,704**	7,194
Dividend	**–3,450**	–2,296
	42,185	41,675
Changes in ING Groep N.V. shares held by group companies	**422**	–187
Closing balance	**42,607**	41,488

2 OTHER ASSETS

Other assets

	2006	2005
Receivables from group companies	**8,827**	8,094
Other receivables, prepayments and accruals	**71**	37
	8,898	8,131

3 EQUITY

Equity

	2006	2005
Share capital	**530**	530
Share premium	**8,348**	8,343
Share of associates reserve	**11,528**	14,143
Currency translation reserve	**–950**	–692
Other reserves	**18,810**	14,412
Equity	**38,266**	36,736

Share capital

	Ordinary shares (par value EUR 0.24)			
	Number X1,000		Amount	
	2006	2005	**2006**	2005
Authorised share capital	**3,000,000**	3,000,000	**720**	720
Unissued share capital	**794,907**	795,066	**190**	190
Issued share capital	**2,205,093**	2,204,934	**530**	530

Changes in issued share capital

	Ordinary shares (par value EUR 0.24)	
	Number X1,000	Amount
Issued share capital as at 31 December 2004	2,204,720	530
Issue of shares	214	
Issued share capital as at 31 December 2005	2,204,934	530
Issue of shares	**96**	
Exercise of B warrants	**63**	
Issued share capital as at 31 December 2006	**2,205,093**	**530**

Other reserves

2006	**Retained earnings**	**Treasury shares**	**Other reserves**	**Total**
Opening balance	**15,293**	**–868**	**–13**	**14,412**
Profit for the year	**7,692**			**7,692**
Unrealised revaluations	**552**		**–124**	**428**
Change in treasury shares		**–520**		**–520**
Dividend	**–2,681**			**–2,681**
Transfer to share of associates reserve	**–573**			**–573**
Other		**–48**	**100**	**52**
Closing balance	**20,283**	**–1,436**	**–37**	**18,810**

Other reserves

2005	Retained earnings	Treasury shares	Other reserves	Total
Opening balance	12,944	–563		12,381
Implementation IAS 32/39 and IFRS 4	–2,584			–2,584
Profit for the year	7,210			7,210
Unrealised revaluations	108			108
Shares bought back		–305		–305
Dividend	–2,461			–2,461
Other	76		–13	63
Closing balance	15,293	–868	–13	14,412

As at 31 December 2006, Share of associates reserve included an amount of EUR 566 million (2005: EUR 583 million) related to the former Stichting Regio Bank that cannot be freely distributed. The decrease reflects the loss for the year.

Notes to the parent company balance sheet of ING Group continued

The Share of associates reserve and Currency translation reserve cannot be freely distributed. The reserve for cash flow hedges is included in the Share of associates reserve on a net basis. Retained earnings can be freely distributed. Unrealised gains and losses on derivatives, other than those used in cash flow hedges, are presented in the profit and loss and are thus part of Retained earnings and are not included in Share of associates reserve.

The total amount of Equity in the parent company annual accounts equals Shareholders' equity (parent) in the consolidated annual accounts. Certain components within equity are different, as a result of the following presentation differences between the parent company accounts and consolidated accounts:
– Unrealised revaluations within consolidated group companies, presented in the Revaluation reserve in the consolidated accounts, are presented in the Reserve for associates in the parent company accounts;
– Foreign currency translation on consolidated group companies, presented in the Currency translation reserve in the consolidated accounts, is presented in the Reserve for associates in the parent company accounts;
– Revaluations on investment property recognised in income and consequently presented in Retained earnings in the consolidated accounts, is presented in the reserve for associates in the parent company accounts.

The total amount of non-distributable reserves is EUR 12,478 million (2005: EUR 14,835 million).

See Note 12 Shareholders' equity (parent) in the consolidated annual accounts for additional information.

Change in treasury shares

		Amount		Number
	2006	2005	**2006**	2005
Opening balance	**868**	563	**38,722,934**	29,787,165
Purchased	**1,030**	381	**30,858,427**	13,013,029
Share based payments	**462**	76	**15,722,126**	3,203,303
Other				873,957
Closing balance	**1,436**	868	**53,859,235**	38,722,934

4 PREFERENCE SHARES

See Note 13 Preference shares to the consolidated financial statements.

5 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of issue	Due date		Notional amount in original currency	Balance sheet value	
					2006	2005
5.140%	2006	Unlimited	GBP	600	**885**	
5.775%	2005	Unlimited	USD	1,000	**752**	838
6.125%	2005	Unlimited	USD	700	**515**	574
4.176%	2005	Unlimited	EUR	500	**497**	496
Variable	2004	Unlimited	EUR	1,000	**926**	934
6.200%	2003	Unlimited	USD	500	**368**	410
Variable	2003	Unlimited	EUR	750	**669**	692
7.200%	2002	Unlimited	USD	1,100	**811**	904
7.050%	2002	Unlimited	USD	800	**591**	659
6.500%	2001	Unlimited	EUR	600		589
8.439%	2000	30 December 2030	USD	1,500	**1,132**	1,259
					7,146	7,355

6 OTHER LIABILITIES

Other liabilities by type

	2006	2005
Debenture loans	**5,230**	3,740
Amounts owed to group companies	**35**	991
Other amounts owed and accrued liabilities	**493**	409
	5,758	5,140

Debenture loans

Interest rate	Year of issue	Due date	Balance sheet value 2006	Balance sheet value 2005
Variable	2006	28 June 2011	**746**	
Variable	2006	11 April 2016	**995**	
4.125%	2006	11 April 2016	**746**	
5.000%	2001	3 May 2006		999
6.125%	2000	4 January 2011	**997**	996
6.000%	2000	1 August 2007	**750**	750
5.500%	1999	14 September 2009	**996**	995
			5,230	3,740

The number of debentures held by group companies as at 31 December 2006 was 29,288 with a balance sheet value of EUR 29 million (2005: 2,519 with a balance sheet value of EUR 3 million).

Amounts owed to group companies by remaining term

	2006	2005
Within 1 year	**33**	956
More than 1 year but less than 5 years	**2**	35
	35	991

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 paragraph in the annual report (page 74 up to and including page 86). This information is considered to be an integral part of the audited annual accounts.

Amsterdam, 12 March 2007

THE SUPERVISORY BOARD

Cor A.J. Herkströter, *Chairman*
Eric Bourdais de Charbonnière, *Vice-Chairman*
Luella Gross Goldberg
Paul F. van der Heijden
Claus Dieter Hoffmann
Jan H.M. Hommen
Piet C. Klaver
Wim Kok
Godfried J.A. van der Lugt
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, *Chairman*
Cees Maas, *Vice-Chairman and CFO*
Eric F. Boyer de la Giroday
Dick H. Harryvan
Eli P. Leenaars
Tom J. McInerney
Hans van der Noordaa
Jacques M. de Vaucleroy

Auditor's report

To the Shareholders, the Supervisory Board and the Executive Board of ING Groep N.V.

REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts 2006 of ING Groep N.V., Amsterdam (as set out on pages 88 to 217). The annual accounts consist of the consolidated annual accounts and the parent company annual accounts. The consolidated annual accounts comprise the consolidated balance sheet as at 31 December 2006, the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The parent company annual accounts comprise the parent company balance sheet as at 31 December 2006, the parent company profit and loss account for the year then ended and the notes.

Management's responsibility
Management of the company is responsible for the preparation and fair presentation of the annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts 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.

Auditor's responsibility
Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law and the standards of the Public Company Accounting Oversight Board (United States). This law and these standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated annual accounts
In our opinion, the consolidated annual accounts give a true and fair view of the financial position of ING Groep N.V. as at 31 December 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the parent company annual accounts
In our opinion, the parent company annual accounts give a true and fair view of the financial position of ING Groep N.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part e of the Dutch Civil Code, we report, to the extent of our competence, that the report of the Executive Board is consistent with the annual accounts as required by 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 12 March 2007

for Ernst & Young Accountants

signed by Jan J. Nooitgedagt

Proposed profit appropriation
amounts in millions of euros, except for amounts per share

PROPOSED PROFIT APPROPRIATION

The profit is appropriated pursuant to Article 38 of the Articles of Association of ING Groep N.V., the relevant stipulations of which state that the part of the profit remaining after the Executive Board, with the approval of the Supervisory Board, has determined the appropriation to reserves, shall be at the disposal of the General Meeting of Shareholders.

It is proposed to declare a dividend of EUR 1.32 per ordinary share of EUR 0.24.

On 17 August 2006, an interim dividend of EUR 0.59 per ordinary share of EUR 0.24 was made payable. This interim dividend was paid in cash. Therefore, a final dividend remains of EUR 0.73 per ordinary share. The final dividend will be paid entirely in cash and will be made payable on 3 May 2007.

Proposed profit appropriation

amounts in millions of euros	
Net profit	**7,692**
Addition to reserves pursuant to Article 38 (5) of the Articles of Association	**4,844**
Non-distributable loss of Stichting Regio Bank	**17**
At the disposal of the General Meeting of Shareholders pursuant to Article 38 (6) of the Articles of Association	**2,865**
Dividend of EUR 1.32 per ordinary share	

Provisions concerning issues of shares

PROVISIONS CONCERNING ISSUE OF SHARES

Pursuant to Article 13 of the Articles of Association, the authority to issue shares, grant the right to take up shares and restrict or exclude the preferential rights of shareholders has been conferred on the Executive Board, upon approval of the Supervisory Board.
This authority applies to the period ending on 25 October 2007 (subject to extension by the General Meeting of Shareholders):
1. i) for a total of 220,000,000 ordinary shares;
   plus
   ii) for a total of 220,000,000 ordinary shares, only if these shares are issued in connection with the take over of a business or company;
2. for 10,000,000 preference shares B.

Shareholders' equity and net profit on the basis of US GAAP
amounts in millions of euros, except for amounts per share

The following statement provides a reconciliation of the shareholders' equity and net profit on the basis of IFRS-EU to US GAAP

Reconciliation of the shareholders' equity and net profit on the basis of IFRS-EU to US GAAP

	Shareholders' equity		Net profit		
	2006	2005	**2006**	2005	2004
Amounts in accordance with IFRS-EU	**38,266**	36,736	**7,692**	7,210	5,755
Adjustment in respect of					
Goodwill	**3,641**	3,837	**–62**	–445	–189
Real Estate	**–2,004**	–1,899	**–12**	–76	316
Debt securities	**328**	397	**208**	–405	206
Valuation of equity securities					148
Derivatives and hedge accounting	**237**	590	**–1,074**	794	425
Fair value option	**107**	155	**–37**	29	
Deferred acquisition costs	**272**	–687	**454**	–329	–79
Provision for life insurance liabilities	**81**	277	**–161**	151	282
Deferred profit sharing	**1,427**	2,691	**–29**	11	
Employee benefits	**1,711**	593	**–153**	–120	–64
Equity instruments	**215**	296	**9**	14	
Provision for restructuring	**93**	119	**–19**	60	60
Associates and other equity instruments	**–1,717**	–1,115	**–447**	–424	5
Loan loss provision				623	
Other	**–6**		**7**	–28	1
	4,385	5,254	**–1,316**	–145	1,111
Tax effect of the adjustments	**434**	493	**–464**	188	204
Minority interests in adjustments (after tax)	**233**	122	**–13**	99	26
Total adjustments after tax	**4,184**	4,883	**–865**	–234	933
Amounts in accordance with US GAAP (excluding effects of changes in accounting policies)	**42,450**	41,619	**6,827**	6,976	6,688
Cumulative effect of changes in accounting policies	**–1,803**				–91
Amounts in accordance with US GAAP	**40,647**	41,619	**6,827**	6,976	6,597
Diluted per share (in euros) in accordance with US GAAP	**18.86**	19.21	**3.17**	3.22	3.10

Notes to the differences between IFRS-EU and US GAAP

ING Group adopted IFRS-EU as of 2005. The 2004 comparatives have been restated to comply with IFRS-EU. However, as permitted by IFRS 1, ING Group has not restated the 2004 comparatives for the impact of IAS 32, IAS 39 and IFRS 4. Accordingly, comparative information with respect to financial instruments and insurance contracts is prepared under ING Group's previous accounting policies.

As a result, in the table provided on page 221 the 2006 and 2005 columns reconcile IFRS-EU (including IAS 32, IAS 39 and IFRS 4) to US GAAP. The 2004 columns reconcile IFRS-EU excluding IAS 32, IAS 39 and IFRS 4 to US GAAP. The application of IAS 32, IAS 39 and IFRS 4 as of 1 January 2005 results in certain cases in different reconciling items between IFRS-EU and US GAAP as compared to 2004. The notes to differences between IFRS-EU and US GAAP discussed below refer to IFRS-EU adopted as of 2005, unless specifically stated that the difference refers to 2004.

An explanation of differences between IFRS-EU (applied 2005) and IFRS-EU excluding IAS 32, IAS 39 and IFRS 4 (applied in 2004) is provided in section 'Changes in accounting policies' on page 105.

VALUATION AND INCOME RECOGNITION DIFFERENCES BETWEEN IFRS-EU AND US GAAP

Goodwill

Under IFRS-EU, goodwill is capitalised on acquisitions after 1 January 2004; goodwill on acquisitions prior to 1 January 2004 was charged directly to equity. Under US GAAP, goodwill is capitalised on all acquisitions. 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 1 January 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 amortisation related to acquisitions before 1 January 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 recognised 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. Realised 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 recognised in equity. Negative revaluation reserves on a property-by-property basis are charged to the profit and loss account. Subsequent recoveries are recognised 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. Realised 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 recognised immediately, provided the transaction has been concluded at fair value. Under US GAAP, gains on a sale and operating leaseback transaction are generally amortised 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 (1 January 2005) were recorded at the amortised cost value as at that date. Under US GAAP, these assets were transferred to held-to-maturity from available-for-sale at the 1 January 2005 fair value. The difference between fair value and amortised cost at 1 January 2005 is amortised over the remaining life. For assets designated as held-to-maturity after 1 January 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 amortised cost of prepayment sensitive assets, the original effective yield is maintained and any recognised 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 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 cashflows 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 amortised cost of available-for-sale debt securities is included in the profit and loss account. The difference between fair value and amortised 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 recognised in shareholders' equity as part of the fair value adjustment (revaluation reserve).

Impairments
Under IFRS-EU interest related unrealised 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 recognised 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.

Debt securities (2004)
Valuation of fixed-interest securities
Under IFRS-EU excluding IAS 39 (2004), investments in fixed-interest securities are carried at redemption value. Differences between redemption value and cost are amortised to the profit and loss account over the remaining term of the investments concerned. Under US GAAP, securities which are available for sale are stated at fair value. Unrealised movements in the fair value are recognised in shareholders' equity. Realised results on disposal are recognised immediately in the profit and loss account.

Realised gains/losses on disposal of investments in fixed-interest securities
Under IFRS-EU excluding IAS 39 (2004), the result on disposal of investments in fixed-interest securities, i.e. the difference between the proceeds from sale and the book value, is treated as a yield difference. These yield differences are taken to the profit and loss account over the remaining term of the investment portfolio. Under US GAAP, the result on disposal is immediately recognised in the profit and loss account.

Valuation of equity securities (2004)
Under IFRS-EU excluding IAS 39 (2004) and US GAAP, unrealised losses on equity securities are recorded in the revaluation reserve, unless the securities are considered to be impaired. Impairments are charged to the profit and loss account. The determination of impairment involves various assumptions and factors, including the period of time and the extent to which the unrealised loss has existed and general market conditions, but is primarily based on the financial condition of the issuer in the long-term; ING has the intention and ability to hold securities with unrealised losses to full recovery. Under US GAAP, unrealised losses that are considered 'other than temporary' are charged to the profit and loss account. The determination of 'other than temporary' is primarily based on the duration and extent to which the market value has been below cost.

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 recognised.

Notes to the differences between IFRS-EU and US GAAP continued

Derivatives and hedge accounting (2004)
Under IFRS-EU excluding IAS 39 (2004), derivative financial instruments, primarily interest rate swap contracts, used to manage interest rate risk are accounted for as off-balance sheet transactions. The related interest income and expense is accounted for on a basis in conformity with the hedged position, primarily on an accrual basis. Transactions qualify as hedges if these transactions are identified as such and there is a negative correlation between the hedging results and the results of the position being hedged. Under US GAAP, derivatives are carried at fair value with changes in fair value recorded in income unless specified criteria are met to obtain hedge accounting treatment. Under US GAAP, the Group has opted to not applying 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 recognised.

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 recognised in shareholders' equity or as loans and receivables which are carried at amortised cost.

Deferred acquisition costs
Under IFRS-EU, acquisition costs of certain life insurance business involving the receipt of regular premiums are recognised and amortised to the profit and loss account in proportion to future premiums. Under US GAAP, deferred acquisition costs of traditional insurance contracts are likewise amortised in proportion to future premiums. For universal-life type contracts, investment contracts and for participating individual life insurance contracts, deferred acquisition costs are amortised at a constant rate based on the present value of the estimated gross profit margins expected to be realised 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 unrealised investment gains and losses related to available-for-sale securities had been realised. 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 relate mainly 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.

Reserve adequacy
Adequacy testing of the provisions for life policy liabilities, net of unamortised 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 unamortised 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 unamortised 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.

Investment contracts
Under IFRS-EU, contracts that do not contain significant insurance risk are measured and presented as financial instruments and not as insurance contracts. Under US GAAP, these contracts are measured and presented as insurance contracts.

Deferred profit sharing
Under IFRS-EU, a deferred policyholder profit sharing liability is established for the realised and unrealised 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 recognised for legal obligations.

Employee benefits (2006)
Unrecognised actuarial gains and losses
Under IFRS-EU, all previously unrecognised actuarial gains and losses were charged to equity at 1 January 2004. Under US GAAP, no reset of actuarial gains and losses was applied at 1 January 2004. However, as from 31 December 2006 all previously unrecognised actuarial gains and losses have been recognised on the balance sheet as explained below.

Funded status
Under US GAAP, the funded status of defined pension plans is fully recognised 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 recognised through earnings as net periodic pension cost are recognised in shareholders' equity until they are amortised. IFRS-EU does not require that all gains or losses are recognised in the balance sheet.

Employee benefits (2004 and 2005)
Unrecognised actuarial gains and losses
Under IFRS-EU, all previously unrecognised actuarial gains and losses were charged to equity at 1 January 2004. Under US GAAP, no reset of actuarial gains and losses was applied at 1 January 2004.

Accumulated benefit obligation in excess of the fair value of the plan assets
Under US GAAP, an additional liability is recognised 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 obligation in that it does not take into account future salary increases. Under IFRS-EU, such additional liability is not recognised.

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 recognised when a restructuring plan has been announced. Under US GAAP, liabilities related to termination benefits are recognised 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 recognised on the communication date unless further service (beyond a minimum retention period) is required from the employee in which case costs are recognised 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.

Associates and other equity investments (2004)
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.

Under IFRS-EU excluding IAS 39 (2004), equity participations are carried at either the lower of cost or market value or at net asset value. Dividends received and realised gains and losses on the sale of these shareholdings are charged to the profit and loss account. Under US GAAP, these shareholdings are accounted for at either fair value with changes in fair value recorded in shareholders' equity, or, in cases where significant influence can be exercised by ING, by the equity method.

The criteria for the recognition of gains and losses on the sale of certain equity investments are more stringent under US GAAP. As a result, profit on sale is not always recognised in the same accounting period.

Notes to the differences between IFRS-EU and US GAAP continued

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 organisational 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.

Cumulative effect of changes in accounting policies
In 2006 ING implemented FAS 158, which requires recognition of the funded status of employee benefit plans in the balance sheet (through equity). Adoption of FAS 158 as at 31 December 2006 resulted in the recognition of an additional charge of EUR 1,803 million (net of deferred tax) in equity.

As part of its continuous review activities on filings of companies listed in the US, the Securities and Exchange Commission (SEC) has reviewed ING Group's 2005 Form 20-F, which includes ING Group's 2005 Annual Accounts. ING is fully cooperating with this review. As of the date of this Annual Report, the review is not yet finalised.

RAROC performance

ING Bank applies the Risk Adjusted Return on Capital framework (RAROC). This method consistently measures the performance of different activities and has a clear link to shareholder-value creation. The use of RAROC increases focus on risks versus return in the decision-making process, and consequently stimulates the use of scarce capital in the most efficient way. Risk-adjusted pricing tools are also used as a basis for the pricing of certain transactions and as an important determinant in the credit-approval procedures.

RAROC is calculated as the risk-adjusted return divided by economic capital. The risk-adjusted return is based on similar valuation policies as applied in the financial accounts, with two important exceptions. The actual credit-risk provisioning is replaced by expected losses reflecting statistically calculated average credit losses over the entire economic cycle. In addition the profit and loss account is adjusted for effects that relate to replacing actual book capital by economic capital. Economic capital is defined as the amount of capital required to bear the economic risks created by the activities employed and at the company's desired level of comfort. The Economic capital is based on detailed calculations for credit, transfer, market, operational and business risk and includes a diversification benefit within the bank. ING uses a one-sided confidence interval of 99.95% – consistent with our target debt rating (AA/Aa2 long term) – and a one year time horizon. ING Group continues to develop and refine the models supporting the RAROC calculations that may result in changes and restatements.

Underlying RAROC for banking operations

	RAROC (Pre-tax)		Economic Capital (in billions of euros)	
	2006	2005	**2006**	2005
Netherlands	**17.7%**	25.8%	**2.9**	2.5
Belgium	**28.0%**	25.1%	**1.7**	1.9
Rest of the World	**16.7%**	14.5%	**2.3**	2.5
Other Wholesale	**–17.6%**	–26.7%	**0.2**	0.2
Subtotal Wholesale Banking	**19.2%**	20.3%	**7.1**	7.1
ING Real Estate	**58.6%**	27.5%	**1.0**	1.2
Total Wholesale Banking	**24.3%**	21.4%	**8.1**	8.3
Netherlands	**65.9%**	70.4%	**2.1**	2.0
Belgium	**60.5%**	51.1%	**0.7**	0.6
Poland	**22.7%**	6.7%	**0.1**	0.1
Other Retail	**–2.3%**	3.0%	**1.2**	0.7
Total Retail Banking	**45.0%**	50.6%	**4.1**	3.4
Total ING Direct	**19.1%**	20.9%	**3.4**	3.1
Corporate Line	**–115.4%**	–445.1%	**0.3**	0.1
Total banking operations	**26.2%**	25.6%	**15.9**	14.9
Total banking operations including divestments and special items	**25.5%**	27.7%	**16.0**	15.0

Note: The underlying figures exclude divestments and special items.

In the Annual Report 2005 RAROC and Economic Capital were reported including divestments and special items. In this Annual Report RAROC and Economic Capital are reported on an underlying basis, so excluding divestments and special items. The underlying after-tax RAROC of ING's Total banking operations increased to 20.4% from 19.1% in 2005. The overall RAROC target that has been set by the Executive Board is 12% after-tax. The underlying after-tax RAROC performance of Wholesale Banking markedly improved from 17.3% in 2005 to 20.6%. Especially Real Estate boosted its underlying after-tax RAROC to 40.1% from 16.3% last year. Retail Banking saw a small decline in underlying after-tax RAROC to 32.5% (2005: 34.1%). At ING Direct the expansion of activities and therefore growth of Economic Capital resulted in an underlying after-tax RAROC of 11.6%, compared to 14.9% in 2005.

Embedded value
amounts in millions of euros, unless stated otherwise

Embedded Value is an indicator of the economic value creation as a consequence of selling and managing long-term contracts such as life insurance, annuities and pensions. Embedded value is defined as the sum of Adjusted Net Worth and the Value of the in-force covered business. Adjusted net worth equals the free surplus and the required capital. The value of in-force covered business is defined as the present value of future after-tax statutory book profits expected to arise from the in-force business, including new business written in the reporting period, less the cost of capital. The value of new business is the embedded value added with sales during the year, and therefore provides insight into the expected profitability related to 2006 sales. Future profits are estimated using actuarial methods and ING's best estimates for future assumptions except for economic assumptions, which have been more aligned with market rates in 2006.

The European Embedded Value (EEV) Policies were published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of major European insurers. The Policies and associated guidance provide a framework for calculating and reporting supplementary embedded value information. ING has adopted the EEV Principles in respect of the year-end 2006, 2005 and 2004 results. This Report also takes account of the Additional Guidance on EEV Disclosures effective for 31 December 2006 reporting.

At the end of 2006, the total embedded value of ING's life insurance operations was EUR 27,718 million compared to EUR 27,586 million at year-end 2005. This is after EUR 1,995 million in capital injections/cash dividends to the Group. Before capital injections/cash dividends, the increase in embedded value was EUR 2,128 million. Both the 2005 and 2006 figures are before deduction for the life insurance pension deficit. In 2006, this deficit was EUR 513 million, which was decreased from EUR 1,273 million of 2005.

The embedded value result reflects increases due to an increase in the value of new business, favourable financial variances and interest on free surplus. Changes in economic assumptions, particularly in Asia/Pacific, and currency effects adversely impacted embedded value. Cash dividend payment from the life operations also reduce the embedded value result.

New business value

	Annual	**Premiums single**	**IRR [1]**	**Value of new business**	**VNB/PV premiums [2] 2006**	Annual	Premiums single	IRR [1]	Value of new business	VNB/PV premiums [2] 2005
Netherlands	**154**	**1,495**	**12.8%**	**76**	**2.8%**	168	1,413	13.2%	95	3.6%
Belgium/Luxembourg	**49**	**961**	**12.3%**	**19**	**1.4%**	49	1,361	16.9%	36	2.1%
Central Europe & Spain	**314**	**711**	**18.1%**	**124**	**4.0%**	260	370	15.6%	95	3.8%
USFS	**1,495**	**16,418**	**10.3%**	**145**	**0.7%**	1,379	15,659	11.0%	172	0.9%
Latin America	**322**	**210**	**10.5%**	**22**	**3.8%**	215	216	12.6%	35	6.0%
Asia/Pacific	**1,621**	**5,609**	**16.8%**	**421**	**3.1%**	1,687	6,527	15.0%	372	2.7%
ING Group	**3,955**	**25,404**	**13.3%**	**807**	**1.9%**	3,757	25,545	13.2%	805	2.0%

(1) IRR = internal rate of return adjusted for expected currency movements relative to the euro.
(2) VNB/PV Premiums = value of new business divided by the present value of new business.

The Value of New Business was EUR 807 million in 2006, almost no change from 2005. Value of New Business continued to grow strongly in the developing markets of Insurance Asia/Pacific and Central Europe; combined their increase in VNB was 16.7%. Removing USFS Life insurance, the VNB in the US also continues to show strong growth, increasing by 15.8% from 2005. The developed markets of Belgium, the Netherlands, and Luxembourg combined for a 27.5% decline in VNB, from EUR 131 million in 2005 to EUR 95 million. The US Life insurance and Mexico business also showed large declines in the VNB. For US Life, EUR 1 million in 2005 VNB was reduced to EUR 53 million negative and Mexico's VNB was reduced from EUR 21 million in 2005 to EUR 1 million in 2006. The VNB for South America increased from EUR 13 million in 2005 to EUR 21 million in 2006. During 2006 ING invested EUR 1,831 million to write new life insurance business. The overall rate of return expected on this investment is 13.3%. This compares to an overall return of 13.2% in 2005. The expected internal rate of return in developing markets is 17.7%.

The value of new business fully reflects acquisition expense overruns, which represent the excess of the costs of acquiring new business over the expense allowances provided in product pricing. Such overruns may exist while new operations are achieving scale, while several businesses are integrating into one, or during a year when sales are lower than anticipated. During 2006, after-tax acquisition expense and commission overruns were EUR 87 million, compared to EUR 103 million in 2005.

Embedded value of the life operations

	2006	2005
Free surplus	**3,781**	2,274
Required capital	**13,873**	13,691
Adjusted net worth	**17,654**	15,964
Present value of future (statutory) book profits	**15,382**	16,431
Cost of holding required capital	**–5,318**	–4,810
Value of in force covered business	**10,064**	11,622
Embedded value	**27,718**	27,586

Embedded value per business line – life operations

	2006	2005
Netherlands	**12,032**	11,300
Belgium/Luxembourg	**1,111**	1,077
Central Europe & Spain	**2,961**	2,552
Insurance Europe	**16,103**	14,929
United States	**9,376**	9,911
Latin America	**896**	947
Insurance Americas	**10,272**	10,858
Insurance Asia/Pacific	**1,343**	1,799
ING Group	**27,718**	27,586

Change in embedded value of the life operations

Reported value 2005	**27,586**
Addition of business/(divested business)	**407**
Currency effects	**–1,164**
Model changes	**92**
Revised starting embedded value	**26,921**
Value of new business	**807**
Financial variances	**1,240**
Operational variances	**–33**
Operating assumption changes	**–33**
Embedded value profit	**1,981**
Required return	**1,716**
Investment return on free surplus	**968**
Discount rate changes	**–338**
Economic assumption changes	**–1,534**
Embedded value of business acquired	
(Cash dividends and) capital injections	**–1,995**
Ending embedded value 2006	**27,718**

Embedded value continued

Major drivers of change in EV 2006 are:
- Unfavourable currency movements reduced EUR 1,164 million to embedded value (compared with a positive impact of EUR 1,575 million in 2005), primarily due to strengthening of the euro against the US dollar and most currencies;
- Net impact of economic assumption changes (EUR 1,534 million negative) and corresponding discount rate changes (EUR 338 million negative) was EUR 1,872 million negative, primarily due to a downward adjustment to long term risk-free rates in Taiwan from 5.75% to 3.93%;
- Financial variances, especially due to investment performance in Netherlands, Poland and Korea and benefit from lower credit default in US, increased Embedded Value by EUR 1,240 million;
- Operating assumption changes, particularly the adverse effect of increased maintenance expenses in the Netherlands, decreased EV by EUR 33 million;
- Value of new business of EUR 807 million, a small improvement compared to 2005; The growth markets of Asia/Pacific and Central Europe in particular showed significant increases of 16.7%. Which were offset by decreases in the more developed markets of the US life insurance, the Netherlands and Belgium as well as Mexico;
- Required return on beginning in-force (unwind of discount rate) of EUR 1,716 million;
- Other items primarily investment return on free surplus (due to higher equity performance) and net cash dividends/capital injections of EUR 1,995 million explain remaining differences from total EV 2005 (in total EUR 562 million negative).

Sensitivity embedded value to economic assumptions
The tables below show the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2006 to:
- One percentage point decrease and increase in new-money interest rates;
- One percentage point decrease and increase in the discount rates;
- New money rates based on implied market forward rates derived from the swap rates as at 31 October 2006. The discount rate is adjusted accordingly;
- 10bp lower short term rates for the period 2007–2016: assumes a parallel shift of the yield curve for this period. The discount rate is adjusted accordingly;
- One percentage point decrease in assumed investment returns for equity and real estate investments;
- Ten percent fall in market value of equity and real estate investments; and
- Local regulatory minimum capital requirement.

In each sensitivity calculation, all other assumptions remain unchanged except
- where they are directly affected by the revised economic conditions; for example, future bonus crediting rates are automatically adjusted to reflect sensitivity changes to future investment returns; and
- when indicated above that the risk discount rate is adjusted accordingly; in this case the risk margin remains unchanged.

Sensitivity embedded value to economic assumptions

	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Embedded Value (net of tax)	**16,103**	**10,272**	**1,343**	**27,718**
1% decrease in new-money rates	–913	–566	–1,764	–3,242
1% increase in new-money rates	551	46	1,565	2,162
1% decrease in discount rates	897	525	535	1,957
1% increase in discount rates	–757	–473	–470	–1,700
Implied market forward rates (31 Oct 2006)	–211	–7	–243	–461
Lower short-term rates with 10bp	–82	–13	–70	–166
1% lower equity and real estate returns	–537	–192	–168	–896
10% downward shift in market values of equity and real estate investments	–862	–440	–339	–1,640
Local regulatory minimum capital requirement	38	285	2,466	2,789
Net impact of: [1]				
1% decrease in new-money and 1% decrease in discount rates	–16	–41	–1,228	–1,285
1% increase in new-money and 1% increase in discount rates	–206	–427	1,095	463

[1] Net impact shown here is the sum of the individual sensitivities presented above. Note that this may differ from an exact calculation of changing both parameters together.

We make the following observations to above results:

– The net impact of 1% decrease in new money rate (1% downward parallel shift) and discount rates is EUR 1,285 million negative, whereas these two effects are somewhat offsetting the 1% increase sensitivity (EUR 463 million). This is due to interest guarantees, which reduce margins when interest rates fall.
– The impact of using local regulatory minimum capital instead of ING capital model is positive EUR 2,789 million and primarily due to Taiwan for which ING allocates capital at a significantly higher level than local regulatory level.

New business value from developing markets [1]

	Premiums Annual	Premiums Single	IRR	Value 2006	Premiums Annual	Premiums Single	IRR	Value 2005
Central Europe	**232**	**451**	**18.6%**	**88**	191	178	16.6%	68
Americas	**322**	**210**	**10.4%**	**21**	216	216	12.6%	35
Asia/Pacific	**1,228**	**668**	**19.7%**	**320**	1,224	432	19.3%	272
ING Group	**1,782**	**1,329**	**17.7%**	**429**	1,631	826	17.4%	375

[1] Countries classified as developing markets are:
– Central Europe: Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Russia;
– Americas: Chile, Mexico, Peru;
– Asia/Pacific: China, Hong Kong, India, Korea, Malaysia, Taiwan, Thailand.

Developing markets new business value of EUR 429 million, increased by 14.4% from 2005 primarily due to Central Europe and Asia/Pacific.

INDEPENDENT OPINION

Watson Wyatt Limited ('Watson Wyatt'), an international firm of consulting actuaries, has reviewed the Embedded Value methodologies and assumptions of ING as at 31 December 2006 and the Value of its New Business written during 2006. All material business units were included in the review. The covered business included all life insurance and other material long-term business lines.

In addition to a review of the methodology and assumptions used, Watson Wyatt was also requested to perform a limited high level review of the results of the calculations but was not asked to perform any detailed checks on the models and processes used.

Watson Wyatt has concluded that the methodology and assumptions used comply with the European Embedded Value Policies and Guidance.

Credit ratings

Credit ratings are indicators for the likelihood of timely and complete repayment of interest and instalment of fixed-income securities as assigned by rating agencies.

Main credit ratings of ING [1]

	Standard & Poor's	Moody's	Fitch
ING Group	**AA–**	**Aa2**	
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**	**AAA**	**AA**
– financial strength		**B**	

[1] the Standard & Poor's ratings, the Moody's ratings and the Fitch ratings all have a stable outlook.

Capital base

INTRODUCTION

ING measures capital adequacy on a consolidated basis at three levels: ING Group, ING Insurance and ING Bank due to the fact that it has three rating targets (all AA/Aa2). Therefore next to regulatory capital requirements, note 34 of the annual accounts, ING also measures and manages additional capital and leverage ratio's. In the Capital Base, ING reports on its performance regarding capital management targets as approved by the Executive Board.

Capital base and ratios

	Insurance		Bank		Group	
	2006	2005	**2006**	2005	**2006**	2005
Shareholders' equity (in parent)	**21,917**	20,627	**21,298**	21,331	**38,266**	36,736
Group hybrid capital [1]	**1,665**	1,823	**5,726**	5,764	**7,606**	7,883
Group leverage/core debt [2]					**4,210**	3,969
Total capitalisation	**23,582**	22,450	**27,024**	27,095	**50,082**	48,588
Adjustments to equity:						
– revaluation reserves fixed income & other [3]	**–2,097**	–3,365	**–1,350**	–3,211	**–3,352**	–6,477
– revaluation reserves excluded from Tier-1 [4]			**–1,257**	–1,128		
– insurance hybrid capital [5]	**2,250**	2,229				
– minorities	**1,770**	1,227	**1,367**	652		
Available regulatory capital	**25,505**	22,541	**25,784**	23,408		
Other qualifying capital [6]			**11,445**	11,318		
DAC/ViF adjustments (50%) [7]	**3,618**	4,503				
Group leverage (core debt)					**–4,210**	–3,969
Adjusted Equity	**29,123**	27,044	**37,229**	34,726	**42,520**	38,142
Ratios						
Core debt	**4,802**	4,170			**4,210**	3,969
Debt/Equity ratio [8]	**14.15%**	13.35%			**9.01%**	9.43%

(1) Tier-1 instruments issued by the Group (e.g. perpetual debt securities and preference shares), at nominal value. Group hybrid Tier-1 instruments other than preference shares are injected as hybrid capital in Insurance or Bank.
(2) Investments in subsidiaries minus equity (incl. hybrids) of the Group holding company. This net debt position is injected as equity in Insurance and Bank.
(3) Includes EUR 1,709 million (2005: EUR 4,116 million) of the revaluation reserve fixed income securities (offset by shadow accounting), EUR 1,357 million (2005: EUR 2,188 million) cash flow hedge and EUR 286 million (2005: EUR 173 million) goodwill. The Dutch banking regulator requires this deduction to be made from Tier-1 capital. ING applies this prudent method to Bank, Insurance and Group.
(4) Mainly includes EUR 579 million (2005: EUR 507 million) in participations (e.g. Kookmin, Bank of Beijing), EUR 386 million (2005: EUR 361 million) in Real Estate for own use and EUR 116 million (2005: EUR 149 million) of 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.
(5) Tier-1 instruments issued by the ING Insurance e.g. perpetual debt securities, at nominal value.
(6) Includes EUR 12,362 million (2005: EUR 11,605 million) Tier-2 and EUR 330 million (2005: EUR 363 million) Tier-3, offset by EUR 1,251 million (2005: EUR 650 million) consisting of financial participations and own risk remaining after securitisations.
(7) Mainly includes EUR 7,701 million (2005: EUR 8,216 million) representing 50% of the present value of future profits generated by policies in force (Value in Force), offset by EUR 4,183 million (2005: EUR 3,813 million) which is 50% of the non-Dutch deferred acquisition costs.
(8) Target Debt/Equity ratio for ING Insurance is a maximum of 15% and for ING Group is a maximum of 10%.

Financial 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.

AMORTISED COST
The amount at which the financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation 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 collateralised 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.

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 organisation 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%.

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.

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 recognised 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).

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 realised 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
Minimises 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.

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 amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period.

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 glossary continued

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.

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.

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.

MORTGAGE BACKED SECURITIES (MBS)
A security whose cash flows are backed by typically the principal and/ or interest payments of a pool of mortgages.

MONTE CARLO SIMULATION
A technique which uses random numbers and probability statistics to simulate future market rates (e.g. interest rates).

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.

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-standardised 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.

Financial glossary continued

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.

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.

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.

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.

WARRANT
A financial instrument that gives the holder the right to purchase ordinary shares.

General Information

ING Publications
- Annual Review, in Dutch and English
- Annual Report, in Dutch and English
- Corporate Responsibility Report, in Dutch and English
- Annual Report on Form 20-F, in English
  (in accordance with SEC guidelines)

These publications are available on www.ing.com.
The publications can be ordered on the internet:
www.ing.com, button Order ING Publications,
by fax: +31 411 652 125, or
by mail: P.O. Box 258, 5280 AG Boxtel, the Netherlands.

This Annual Report contains the Reports of the Executive Board and Supervisory Board as well as the Annual Accounts and Other information for the financial year 2006 in their original language (English).

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