ING

Annual Report 2009

ING Insurance

ING Insurance
2009 Annual Report

In this report

Management

COMPOSITION OF THE BOARDS

ING Insurance has a two-tier board system, consisting of a Supervisory Board and a Management Board Insurance. The Supervisory Board supervises the policy of the Management Board Insurance and the general course of events in the company and assists the Management Board Insurance by providing advice. The Management Board Insurance is responsible for the daily management of the company. The composition of the Management Board and the Supervisory Board of ING Verzekeringen N.V. was as follows.

MANAGEMENT BOARD INSURANCE

COMPOSITION ON 1 JANUARY 2010

Jan H.M. Hommen (66), chairman
Patrick G. Flynn (49), chief financial officer
Koos (J.) V. Timmermans (49), chief risk officer
Tom J. McInerney (53), chief operating officer
Matthew J. Rider (46), chief administrative officer

SUPERVISORY BOARD

COMPOSITION ON 1 JANUARY 2010

Peter A.F.W. Elverding (61), chairman
Jeroen van der Veer (62), vice-chairman
Tineke (J.) P. Bahlmann (59)
Henk W. Breukink (60)
Claus Dieter Hoffmann (67)
Piet Hoogendoorn(1) (3) (64)
Piet C. Klaver(2) (64)
Godfried J.A. van der Lugt (69)
Harish Manwani(1) (56)
Aman Mehta (63)
Joan E. Spero (65)
Jackson P. Tai (59)
Karel Vuursteen(1) (68)
Lodewijk J. de Waal (59)

(1) Retirement as of 27 April 2010.
(2) Nominated for reappointment as of 27 April 2010.
(3) Piet Hoogendoorn is not regarded independent because of his position with Deloitte Touch Tohmatsu until 1 June 2007 and considering the important business relationship of Deloitte Touch Tohmatsu with ING at that time.

ING at a glance

ING INSURANCE IS PART OF ING GROUP

ING GROUP

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

Our profile
ING is a global financial institution of Dutch origin, currently offering banking, investments, life insurance and retirement services to meet the needs of a broad customer base. Going forward, we will concentrate on our position as an international retail, direct and commercial bank, while creating an optimal base for an independent future for our insurance operations (including investment management).

Our strategy
To serve the interests of our stakeholders, increase management focus and create value for our shareholders, ING is moving towards separation of its banking and insurance operations. We believe the widespread demand for greater simplicity, reliability and transparency makes this the best course of action. In the future, ING Bank will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing. ING Insurance has a strong position as a global provider of life insurance and retirement services and is very well-positioned to capitalise on socio-economic trends.

We will focus on earning our customers' trust through transparent products, value for money and superior service. This reflects our universal customer ideal: saving and investing for the future should be easier.

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, employees, business relations and suppliers, society at large and shareholders. ING strives to be a good corporate citizen.

Our corporate responsibility
ING wants to build its future on sustainable profit based on sound business ethics and respect for its stakeholders and be a good corporate citizen. For only by acting with professionalism and integrity, will we be able to maintain our stakeholders' trust and preserve our reputation. Our Business Principles prescribe the corporate values we pursue and the responsibilities we have towards society and the environment: we act with integrity, we are open and clear, we respect each other and we are socially and environmentally responsible.

ING INSURANCE

ING Insurance is active through three Business Lines: Insurance Europe, Insurance Americas and Insurance Asia/Pacific.

Insurance Europe
Operates in the Netherlands, Belgium, Luxembourg, Spain, Greece, Poland, Hungary, the Czech Republic, Slovakia, Turkey, Romania, Bulgaria and Russia. We tailor our insurance products, investment and pension services to our target markets and distribution channels and focus on optimizing customer satisfaction, accelerating growth in Central Europe, efficient capital management and cost containment, while leveraging the opportunities created by an ageing population.

Insurance Americas
Operates in the US and Latin America. In the US, ING is the third-largest provider of defined contribution retirement plans in terms of assets under management and administration. In Latin America, ING is the second-largest provider of pensions. ING offers a comprehensive range of financial services to retail and institutional clients in retirement services, life insurance and investments.

Insurance Asia/Pacific
Offers life insurance, wealth management and retail and institutional asset management services. We are the number two international life insurer, based on new sales, with operations in seven countries, and the fourth-largest investment manager, based on assets under management, with operations in 13 markets. Our distribution network of tied agents and financial advisors is complemented by alternative channels including brokers, worksite, direct marketing and online distribution.

Overview and Insurance Europe

OVERVIEW

ING Verzekeringen N.V., together with ING Bank N.V., is part of ING Groep N.V. The business lines for the insurance activities are Insurance Europe, Insurance Americas and Insurance Asia/Pacific.

ING Insurance ranks as the number three life insurance company in the world based on premiums. It is a global leader in retirement services and has an attractive mix of mature businesses and strong market positions in growth markets. Around the world, ING is the number one insurer in the Netherlands, is ranked as the third largest in defined contribution retirement savings plans in the US, is the second largest pension provider in Latin America, the largest life insurance and pensions provider in Central and Eastern Europe and the third largest foreign insurer in the Asia/Pacific region. Few other insurers have as strong a position in all three regions – Europe, Asia and the Americas.

ING evaluates its insurance activities on an underlying result basis. Underlying result before tax is defined as result before tax excluding the impact of divestments and special items. A reconciliation of net result to underlying result can be found in Note 45 'Operating Segments'.

Financial results

ING Insurance results improved in 2009, bolstered by improved equity returns, narrower credit spreads and lower expenses. Insurance recorded an underlying loss before tax of EUR 100 million versus a loss of EUR 1,470 million in the same period in 2008. Underlying gross premium income decreased by 20.1% or 20.9% excluding currency effects to EUR 30,179 million in 2009 from EUR 37,760 million in 2009 as a result of lower sales of investment oriented products in the US, Japan and Central Europe. Operating expenses fell 10.8%. All business lines contributed to this result through cost containment measures.

Cost containment, derisking and divesting non-core businesses were the key priorities for the year. As part of ING's cost-containment programme, ING Insurance reduced the number of full-time equivalent positions by 6,906 in the last five quarters, exceeding the 2009 year-end target of 4,200.

Derisking measures have progressed well. ING stopped selling SPVAs (Single Premium Variable Annuity) in Japan as of 31 July 2009. In the US, variable annuity products were de-risked through measures including product adaptations and increased hedging.

During the year, ING sold its annuity and mortgage business in Chile, ING Australia, the insurance and wealth management joint venture in Australia and New Zealand, the Argentine annuity business, its Russian non-state pension fund and a 70% shareholding in ING Canada. It reached an agreement to transfer its US reinsurance business to RGA Incorporated, which was completed on 1 January 2010 and announced the sale of the majority of the ING Advisors Network in the US, which was closed on 1 February 2010.

In October 2009, ING announced it would separate its banking and insurance (including investment management) operations. ING intends to achieve this over the next four years.

As a result of the support received from the Dutch State, the European Commission requires under the Restructuring Plan that ING must refrain from being a price leader within the EU for certain retail products and must refrain from acquisitions of financial institutions.

Going forward, the Insurance business will focus on its long-term structural leadership positions in retirement services and life insurance. The business will be globally co-ordinated, but managed regionally with key operations in the Benelux, US, Central Europe, Latin America and Asia.

INSURANCE EUROPE

Insurance Europe reacted to the weak economic environment and volatile financial markets in 2009 by derisking its balance sheet, strict expense control and a strategic focus on core products and markets. The derisking initiatives were completed in 2009, whereas cost containment and Back to Basics efforts will continue in 2010 to consolidate ING's position in the European insurance markets.

Insurance Europe's underlying profit before tax in 2009 improved to EUR 666 million from EUR 457 million in 2008. Positive 2009 result items were higher private equity revaluations, lower operating expenses and an improvement in the change in the provision for guarantees on separate account pension contracts (net of hedging). These positive elements were offset by lower public equity income.

Total premium income declined EUR 444 million to EUR 9,750 million, as Life premiums decreased EUR 480 million to EUR 8,025 million and non-life premiums increased by EUR 37 million to EUR 1,725 million. Premium income in the Netherlands decreased by EUR 207 million and in Central and Rest of Europe by EUR 457 million, whereas Belgium and Luxembourg recorded EUR 220 million growth in premium income. In the Netherlands, premium income declined despite the favourable impact of EUR 127 million from a change in group pension premium recognition. In Belgium, premium income increased by EUR 73 million to EUR 1,068 million and in Luxembourg by EUR 148 million to EUR 274 million. In Central and Rest of Europe, a EUR 457 million decrease in premiums to EUR 2,029 million was for EUR 147 million caused by lower exchange rates of Central European currencies against the euro. The premium decline was concentrated in Hungary, Poland and Spain and was mainly due to lower single premiums sales as well as a EUR 70 million group contract signed in Spain in early 2008.

Insurance Europe and Insurance Americas

Life sales (APE) by Insurance Europe decreased EUR 28 million to EUR 982 million in 2009, a decline which was concentrated in Central and Rest of Europe. In the Netherlands, sales increased by EUR 101 million to EUR 450 million. In Belgium and Luxembourg, APE increased EUR 29 million to EUR 139 million.

Value of new Business (VNB) declined to EUR 185 million from EUR 397 million in 2008.

Overall strategic approach
Insurance Europe focused on derisking, capital preservation, and improving efficiency in 2009 as part of the Group's Back to Basics programme. Reduced credit spreads and balance sheet derisking measures contributed to an improvement in Insurance Europe's capital position. Insurance Europe also rebased its cost structure to fit the new economic circumstances. All cost reduction programmes are on track. In line with ING's strategy of focusing on its core businesses, ING announced the sale of its non-state pension fund in Russia, as well as the decision to discontinue its life insurance activities in Russia. In June 2009, ING Greece announced it would withdraw from underwriting new health insurance risks to focus on its core business of life insurance and retirement services.

Business developments
The economic environment in 2009 had a clear impact on Insurance Europe's performance. The new market reality gave rise to risk-averse consumer behaviour, leading to shifts in product uptake and, consequently, product design. Prospects for Europe's economy brightened, however, in the second half of the year, not least due to the impact of the exceptional measures taken by national governments and monetary authorities. In most European countries economic activity picked up in the third quarter of 2009.

Developments in mature markets
In the Benelux, ING focused on increasing margins through efficiency improvements and rigorous cost containment to offset declining premiums. ING experienced volume growth in life products, especially annuities which are attractive to customers wanting guarantees, but the value of new business (VNB) was impacted by changes in yield curves and the discount rate as a result of the economic climate.

In 2009, ING announced that Nationale-Nederlanden, RVS and ING Verzekeren Retail (formerly Postbank Verzekeren) in the Netherlands will be combined into one customer-oriented organisation under the Nationale-Nederlanden brand. This strategic decision was driven by the desire to respond to customer needs for convenience, personal advice, transparency and security. By using all current distribution channels, customers will be able to choose how and where they want to purchase products.

Central and Rest of Europe
The customer needs towards protection products was clear in Central and Rest of Europe (CEE). The market turmoil had an adverse impact on in-force business in CEE where lapses and surrenders increased in the first half of 2009, stabilising later in the year. There were severe regulatory changes for pension funds in Poland, Hungary, Slovakia and Romania, yet the number of ING pension fund customers continued to grow. In the key markets of Hungary and Poland, ING's market share in life insurance as well as its total number of policyholders continued to grow. In addition, Insurance Europe's cooperation with ING Direct Spain and with bancassurance distributors, in countries like Greece, proved successful.

Single operating model
Insurance Central Europe started working on creating a single operating model in 2009. The new model includes, among other things, a regional general ledger, a regional product framework and a harmonised IT platform. Furthermore, a region-wide operating Shared Services Centre in Cluj-Napoca, Romania, will begin operating for the entire Central European region in the course of 2010.

Looking ahead
In light of the decision to split ING Group and separate the insurance and investment management business from the banking activities, Insurance Europe's short-term goal is to strengthen the profitability of its insurance and investment management businesses by continuing to reduce costs, investing in top-line growth and making the best use of its talent. ING Europe's long-term goal is to strengthen its insurance and investment management businesses further as world-class players.

INSURANCE AMERICAS

2009 was a year of progress and significant change in Insurance Americas. The US businesses embraced ING Group's Back to Basics strategy by substantially derisking the business, exiting two non-core operations and reducing costs. Latin America intensified its focus on mandatory and voluntary pensions and delivered substantial profits. ING Canada was sold. Insurance Americas improved profitability in the second quarter as economic and market conditions improved and finished the year well ahead of target on expense reductions.

Underlying results before tax amounted to EUR 35 million, up EUR 992 million from the loss reported in 2008. Underlying loss before tax in the US improved EUR 872 million to a loss of EUR 245 million in 2009, mainly due to lower negative deferred acquisition cost (DAC) unlocking, lower investment losses and impairments, and lower operating expenses. In Latin America, underlying profit before tax improved to EUR 280 million, led by strong results in the pension businesses.

Underlying premium income decreased 26.2% to EUR 13,973 million, primarily due to a decision to limit variable annuity sales in the US. Investment and other income decreased 63.2%, or EUR 1,834 million, to EUR 1,069 million in 2009 due to a combination of lower investment yields from derisking actions and unfavourable results from non-trading derivatives, including the funding capital hedge entered into in late 2008.

Life sales (APE) decreased 28.7% to EUR 2,450 million in 2009, a decline which was concentrated in the US. The decrease was primarily caused by lower demand for investment-oriented products and the decision to limit variable annuity sales in the US.

Insurance Americas and Insurance Asia/Pacific

Value of New Business (VNB) declined 17.0%, or 14.8% excluding currency impacts to EUR 190 million

At year-end 2009, IFRS reserve inadequacy for Insurance Americas deteriorated compared with year-end 2008. The net liability provisions for Insurance Americas became insufficient by EUR 1.6 billion at the 90% confidence level, which is significantly more conservative than using the best estimate reserve adequacy approach commonly employed, particularly among US companies. The net liability provisions remain sufficient by EUR 1.8 billion at the 50% confidence level.

Developments in the United States
ING continued to build on its strong market positions in retirement services in the US, despite challenging markets. The ageing of the US population creates significant long-term growth opportunities. The addition of the CitiStreet business in July 2008 has provided scale and capacity to better serve the retirement needs. The US annuity business was restructured in 2009 to enable ING to better meet the needs of retiring baby boomers. The business was divided into two separate businesses: Individual Financial Solutions and Legacy Annuity. Beginning in 2010, ING will offer a number of lower cost rollover annuity products targeted primarily at people retiring from companies, which have ING-provided retirement plans. US Individual Life Insurance continued to benefit from its diversified product offering and broad distribution capacity. The business provides universal life policies as well as variable and term life products, and sells them through more than 80,000 independent insurance salespeople nationwide. During 2009, ING Life sold 159,000 policies.

Strong market positions in Latin America
ING operates pension businesses in Peru, Uruguay, Mexico, Chile and Colombia. The five businesses together have 9.4 million customers and EUR 35 billion in Assets under Management. Despite challenging conditions, ING held its market share in all countries. ING's strong market positions in life and pension businesses across the region enabled the company to continue to post solid top- and bottom-line growth in 2009, despite the financial crisis. ING continued to transform its business away from non-life businesses to further focus on retirement services and savings activities. Non-core businesses in Chile and Argentina were divested. The businesses in the region continued to develop wealth management strategies with a core focus on mandatory and voluntary retirement savings plans. A new wealth management platform was successfully established in Chile as a means of capturing a larger share of the affluent market. ING plans to roll out the platform in other countries in the region, as part of Latin America's strategy to target affluent markets.

Looking ahead
The Insurance Americas businesses will remain focused on customers' needs, providing retirement and life insurance products through a broad set of distribution channels in a transparent manner. Emphasis will remain firmly on product innovation with a focus on simplicity, lower costs, operational efficiency and outstanding customer service. ING will build on work done in 2009 to broaden its commitment to the multicultural retirement services market.

INSURANCE ASIA/PACIFIC

ING is a leading international life insurer with significant operations in Asia. Insurance Asia/Pacific retains a strong footprint in Asia, with nine insurance operations in seven countries, following the sale of the insurance and wealth management venture in Australia, New Zealand and all its operations in Taiwan. ING holds top-5 insurance market positions in South Korea, Malaysia and the Japanese Corporate Owned Life Insurance (COLI) market. Furthermore, ING has a growing presence in Hong Kong, Thailand, India and China. ING is also the fourth largest regional investment manager, based on assets under management, operating in 11 markets.

Gross premium income declined 25.2% or EUR 2,169 million to EUR 6,422 million in 2009 from EUR 8,591 million in 2008. The decrease was mainly due to the 40.8% lower premium income in Japan, as a result of the cessation of the SPVA business as of 31 July 2009.

Total underlying income was down by 33.4% from EUR 11,437 million to EUR 7,618 million, primarily due to the SPVA business in Japan.

New sales declined 31.6% to EUR 1,024 million in 2009 compared with EUR 1,496 million in 2008. Excluding the discontinued SPVA business in Japan, new sales declined 24.2% to EUR 929 million from EUR 1226 million in 2008. The decline was primarily due to 34.6% lower new sales in South Korea resulting from continued pressure on investment-linked product sales for most of 2009 and restructuring of the tied agency force.

The value of new business fell 28.2% to EUR 127 million in 2009 from EUR 177 million in 2008. Excluding the discontinued SPVA business in Japan, the value of new business declined 19% to EUR 145 million from EUR 179 million in 2008. The decline was primarily due to a 13.0% decline in the value of new business in South Korea due to lower sales, partly offset by Malaysia, where the value of new business rose 23.5%. The internal rate of return (IRR) remained stable at 13.3%.

Operating expenses were down 14.7% or EUR 103 million to EUR 599 million from a year earlier driven by ongoing regional and business unit cost containment initiatives and efforts. In particular, operating expenses in South Korea and Japan declined 25.3% and 19.2%, respectively.

Insurance Asia/Pacific and Corporate Governance Statement

The sale of ING's stakes in life insurance and wealth management businesses in Australia and New Zealand generated a net profit of EUR 337 million. Including the divested units in Australia and New Zealand, the total result before tax was EUR 538 million up EUR 751 million in 2009 from a loss of EUR 213 million in 2008.

The underlying result before tax was EUR 220 million in 2009 compared with EUR –1 million in 2008. Excluding the discontinued SPVA business in Japan, the underlying result before tax was EUR 369 million in 2009 compared with EUR 237 million in 2008.

Products and distribution channels

Faced with a challenging market environment, Insurance Asia/Pacific's two main strategic priorities for 2009 were repositioning its product portfolio and strengthening its distribution channels. ING Life Korea launched a new, simplified commission system linking compensation more closely to production and rewarding persistency. ING also sees significant potential for growing its KB Life franchise, ING's joint venture with Kookmin Bank. ING's Malaysian operations performed well also because of this first full year of its bancassurance partnership with Public Bank. New products under the 'Easi' label were launched, offering comprehensive packages for future retirement income. ING will continue to invest and support growth of the COLI business in Japan as this is an attractive business which generates a stable stream of profits. In Hong Kong, the business has seen growth both through the tied agency force and the bancassurance channel.

Greenfields

In Thailand, ING introduced new bancassurance products for distribution via TMB in which ING has a 30% share. In India, ING sees potential to grow ING Life business, particularly as the insurance market, which in 2009 underwent a period of rationalisation, regains momentum. In China, ING decided to focus on the growth of ING Capital Life Insurance Company, its joint-venture with Beijing Capital Group. ING therefore agreed to sell its 50% stake in Pacific Antai Life Insurance Company Ltd (PALIC) to China Construction Bank (CCB).

Looking ahead

Insurance Asia/Pacific continues to look to increase its sales and profit margins and build on its existing customer base of nearly five million. 2010 is expected to be a year of solid economic growth in Asia. ING retains a strong footprint in Asia in life insurance and retirement services, which is a valued franchise and intends to take full advantage of its opportunities in some of the most attractive growth markets in the region to achieve its longer term ambitions.

CORPORATE GOVERNANCE STATEMENT

Our Corporate Governance Statement, referred to in section 2a of the Decree with respect to the contents of the annual report (Besluit tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag)[1] is the description of the main features of ING Group's internal control and risk management systems in relation to the financial reporting process which is included in the statement with respect to Section 404 Sarbanes-Oxley Act on page 74 of the 2009 Annual Report of ING Groep N.V. This description also describes our internal control and risk management systems with respect our financial reporting process. The 2009 Annual Report of ING Groep N.V. is available on its website (www.ing.com).

(1) Dutch Bulletin of Acts (Staatsblad) 2009, 154.

AMSTERDAM, 15 MARCH 2010
THE MANAGEMENT BOARD INSURANCE

Report of the Supervisory Board

TO SHAREHOLDERS

The Supervisory Board hereby presents you the 2009 Annual Report of ING Verzekeringen N.V. This Annual Report includes the report of the Management Board, the Annual Accounts and Other Information.

ANNUAL ACCOUNTS AND DIVIDEND

The Annual Accounts have been prepared by the Management Board and have been discussed by the Supervisory Board. They are presented to you for adoption. Subject to adoption of the Annual Accounts a dividend for 2009 is proposed of EUR 350 million. This amount has already been paid as interim dividend.

MEETINGS

The Supervisory Board met 15 times in 2009. Seven meetings were scheduled. The ad hoc meetings focused mainly on the development of the financial markets crisis and the strategy for ING going forward, as well as on the Illiquid Assets Back-up Facility (IABF) with the Dutch State and the discussions with the European Commission about the restructuring plan for ING. The Audit Committee had seven meetings. At the beginning of the year the Audit Committee focused on the effects of the financial crisis on ING and follow-up actions. Apart from the annual and quarterly results, other topics discussed in the meetings were risk, governance, capital management and regulatory matters.

The Supervisory Board approved the new strategy to transform ING Insurance into a global insurer in life and retirement services, including a global investment manager, with an increased focus on customers.

The Supervisory Board approved the ING Restructuring Plan that was negotiated with the European Commission (EC), under the assumption that the level playing field in the EU internal market and equal treatment of all state supported financial institutions would be safeguarded by the EC

COMPOSITION OF THE MANAGEMENT BOARD

In May 2009, the Management Boards of ING Verzekeringen N.V. and ING Bank N.V. were separated to simplify the governance structure and increase business focus. Jan Hommen, Patrick Flynn and Koos Timmermans remained members of the Management Board as well as Jacques de Vaucleroy, Hans van der Noordaa and Tom McInerney. Jacques de Vaucleroy stepped down from the Management Board with effect from 26 October 2009. We would like to thank Jacques de Vaucleroy for his important contribution to ING over the past 23 years. As of January 2010, Hans van der Noordaa stepped down from the Management Board to join the Management Board of ING Bank N.V. and Matthew Rider was appointed to the Management Board in his place.

COMPOSITION OF THE SUPERVISORY BOARD

Eric Bourdais de Charbonnière and Wim Kok retired from the Supervisory Board and Godfried van der Lugt was reappointed as a member of the Supervisory Board at the annual General Meeting in April 2009. Tineke Bahlmann and Lodewijk de Waal were appointed as new members of the Supervisory Board as of this General Meeting, whereas Jeroen van der Veer was appointed as a new member of the Supervisory Board as of 1 July 2009.

Following the 2009 annual General Meeting, Peter Elverding succeeded Jan Hommen as chairman of the Supervisory Board. Jackson Tai succeeded Wim Kok as chairman of the Audit Committee. Jeroen van der Veer was appointed vice-chairman of the Supervisory Board as of 1 October 2009.

Karel Vuursteen will retire from the Supervisory Board after the 2010 annual General Meeting, as will Piet Hoogendoorn and Harish Manwani. Considering his ING experience, Godfried van der Lugt was asked to stay on the Supervisory Board although he was due to retire in April 2010, having reached the age of 70 in 2010. Taking into account ING’s new strategy and the evaluation of its functioning, the Supervisory Board wishes to reduce its size and therefore the Supervisory Board has nominated no new candidates for appointment and will consist of 11 members.

APPRECIATION FOR THE MANAGEMENT BOARD AND THE ING INSURANCE EMPLOYEES

The Supervisory Board would like to thank Karel Vuursteen, Piet Hoogendoorn and Harish Manwani for their commitment and their valuable contribution to ING. The Supervisory Board would also like to thank the members of the Management Board for their work and commitment to ING in a very challenging political and economic environment. In 2009 the work of the Management Board focused on getting ING back on track and preparing the future strategy. Finally, the Supervisory Board would like to express its appreciation to the ING Insurance employees who each serve the interests of the customers, the shareholders and other stakeholders of ING.

AMSTERDAM, 15 MARCH 2010
THE SUPERVISORY BOARD

Conformity statement

The Management Board is required to prepare the Annual Accounts and the Annual Report of ING Verzekeringen N.V. ('ING Insurance') for each financial year in accordance with applicable Dutch law and those International Financial Reporting Standards (IFRS) that were endorsed by the European Union.

Conformity statement pursuant to section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

The Management Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgments and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Management Board, so that the timeliness, completeness and correctness of the external financial reporting are assured.

As required by section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his or her knowledge:

- the ING Verzekeringen N.V. 2009 Annual Accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of ING Verzekeringen N.V. and the enterprises included in the consolidation taken as a whole;

- the ING Verzekeringen N.V. 2009 Annual Report gives a true and fair view of the position at the balance sheet date, the development and performance of the business during the financial year 2009 of ING Verzekeringen N.V. and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks ING Verzekeringen N.V. is being confronted with.

AMSTERDAM, 15 MARCH 2010

Jan Hommen
chairman of the Management Board

Patrick Flynn
CFO, member of the Management Board

Koos Timmermans
CRO, member of the Management Board

Tom McInerney
member of the Management Board

Matt Rider
member of the Management Board

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Consolidated balance sheet of ING Insurance

as at 31 December

amounts in millions of euros	2009	2008
ASSETS		
Cash and cash equivalents 1	**9,425**	14,440
Financial assets at fair value through profit and loss: 2		
– trading assets	**474**	537
– investments for risk of policyholders	**104,597**	95,366
– non-trading derivatives	**3,668**	6,344
– designated as at fair value through profit and loss	**2,378**	3,789
Available-for-sale investments 3	**105,521**	109,487
Loans and advances to customers 4	**29,014**	25,635
Reinsurance contracts 16	**5,480**	5,797
Investments in associates 5	**2,486**	2,723
Real estate investments 6	**1,069**	1,118
Property and equipment 7	**552**	710
Intangible assets 8	**3,875**	4,731
Deferred acquisition costs 9	**11,398**	11,843
Assets held for sale 10	**441**	15,312
Other assets 11	**10,031**	14,388
Total assets	**290,409**	312,220
EQUITY		
Shareholders' equity (parent) 12	**15,887**	11,893
Minority interests	**80**	520
Total equity	**15,967**	12,413
LIABILITIES		
Subordinated loans 13	**5,743**	6,928
Debt securities in issue 14	**4,079**	4,728
Other borrowed funds 15	**7,036**	13,153
Insurance and investment contracts 16	**240,858**	240,790
Financial liabilities at fair value through profit and loss: 17		
– trading liabilities		4
– non-trading derivatives	**3,921**	5,213
Liabilities held for sale 10	**258**	15,020
Other liabilities 18	**12,547**	13,971
Total liabilities	**274,442**	299,807
Total equity and liabilities	**290,409**	312,220

References relate to the notes starting on page 34. These form an integral part of the consolidated annual accounts.

Consolidated profit and loss account of ING Insurance

for the years ended 31 December

amounts in millions of euros	2009	2009	2008	2008	2007	2007
Gross premium income 32		**30,492**		43,812		46,818
Investment income 33		**6,480**		7,177		12,827
Net result on disposals of group companies 34		**278**		15		299
Gross commission income	**3,237**		3,510		3,527	
Commission expense	**–1,302**		–1,440		–1,626	
Commission income 35		**1,935**		2,070		1,901
Valuation results on non-trading derivatives 36		**–3,747**		1,977		–687
Net trading income 37		**337**		–350		370
Share of profit from associates 5		**–79**		–187		530
Other income 38		**235**		150		294
Total income		**35,931**		54,664		62,352
Gross underwriting expenditure 39	**50,440**		18,831		51,818	
Investment result for risk of policyholders	**–17,742**		32,408		–1,079	
Reinsurance recoveries	**–1,714**		–1,754		–1,906	
Underwriting expenditure 39		**30,984**		49,485		48,833
Intangible amortisation and other impairments 40		**72**		310		14
Staff expenses 41		**2,136**		2,896		2,836
Interest expenses 42		**949**		1,121		1,445
Other operating expenses 43		**2,255**		2,578		2,609
Total expenses		**36,396**		56,390		55,737
Result before tax		**–465**		–1,726		6,615
Taxation 44		**48**		–499		782
Net result (before minority interests)		**–513**		–1,227		5,833
Attributable to:						
Shareholders of the parent		**–550**		–1,265		5,650
Minority interests		**37**		38		183
		–513		–1,227		5,833

	2009	2008	2007
Dividend per ordinary share (in euros)	**2.27**	18.20	29.89
Total amount of dividend paid (in millions of euros)	**350**	2,800	4,600

References relate to the notes starting on page 79. These form an integral part of the consolidated annual accounts.

Consolidated statement of comprehensive income of ING Insurance

for the years ended 31 December

amounts in millions of euros	**2009**	2008	2007
Net result	**–513**	–1,227	5,833
Unrealised revaluations after taxation	**6,415**	–11,648	–1,778
Realised gains/losses transferred to profit and loss	**677**	898	–2,847
Changes in cash flow hedge reserve	**–434**	1,350	–692
Transfer to insurance liabilities/DAC	**–2,079**	2,193	1,136
Exchange rate differences	**–271**	–448	–1,006
Other revaluations	**–10**	–23	31
Total amount recognised directly in equity (other comprehensive income)	**4,298**	–7,678	–5,156
Total comprehensive income	**3,785**	–8,905	677
Comprehensive income attributable to:			
Shareholders of the parent	**3,755**	–8,708	545
Minority interests	**30**	–197	132
	3,785	–8,905	677

The Unrealised revaluations after taxation comprises EUR 13 million (2008: EUR 134 million; 2007: EUR –180 million) related to the share of other comprehensive income of associates.

The Exchange rate differences comprises EUR 60 million (2008: EUR –65 million; 2007: EUR –98 million) related to the share of other comprehensive income of associates.

Reference is made to Note 18 ‘Other liabilities’ for the disclosure on the income tax effects on each component of the comprehensive income except for the component Net result which is disclosed in the Consolidated profit and loss account.

Consolidated statement of cash flows of ING Insurance

for the years ended 31 December

amounts in millions of euros		2009	2008	2007
Result before tax		**–465**	–1,726	6,615
Adjusted for:	– depreciation	**214**	268	213
	– deferred acquisition costs and value of business acquired	**–1,131**	–444	–1,338
	– increase in provisions for insurance and investment contracts	**3,829**	16,363	26,494
	– other	**2,378**	2,479	–2,654
Taxation paid		**–68**	97	–514
Changes in:	– trading assets	**63**	471	–43
	– non-trading derivatives	**–296**	1,276	165
	– other financial assets at fair value through profit and loss	**318**	–147	–771
	– loans and advances to customers	**4,495**	–793	–3,390
	– other assets	**4,566**	–2,418	–1,794
	– other financial liabilities at fair value through profit and loss	**–2,968**	1,535	2
	– other liabilities	**–7,059**	–3,832	133
Net cash flow from operating activities		**3,876**	13,129	23,118
Investments and advances:	– group companies		–1,146	–1,217
	– associates	**–121**	–651	–490
	– available-for-sale investments	**–107,820**	–133,255	–188,146
	– real estate investments	**–15**	–378	–623
	– property and equipment	**–99**	–161	–190
	– investments for risk of policyholders	**–65,362**	–64,735	–54,438
	– other investments	**–63**	–266	–106
Disposals and redemptions:	– group companies	**2,643**	1,563	1,042
	– associates	**186**	832	826
	– available-for-sale investments	**104,878**	130,563	180,876
	– real estate investments	**8**	225	170
	– property and equipment	**17**	113	82
	– investments for risk of policyholders	**64,158**	59,251	47,136
	– other investments		11	6
Net cash flow from investing activities 47		**–1,590**	–8,034	–15,072
Proceeds from issuance of subordinated loans			2,948	707
Repayments of subordinated loans		**–1,038**	–898	
Proceeds from borrowed funds and debt securities		**18,345**	33,257	51,399
Repayments of borrowed funds and debt securities		**–24,793**	–31,656	–55,402
Issuance of ordinary shares/ capital injection		**550**	5,450	
Payments to acquire treasury shares		**–10**	–23	–29
Sales of treasury shares		**6**	39	24
Dividends paid		**–363**	–2,842	–4,640
Net cash flow from financing activities		**–7,303**	6,275	–7,941
Net cash flow 48		**–5,017**	11,370	105
Cash and cash equivalents at beginning of year		**14,440**	3,115	3,017
Effect of exchange rate changes on cash and cash equivalents		**1**	–45	–7
Cash and cash equivalents at end of year		**9,424**	14,440	3,115

References relate to the notes starting on page 94. These form an integral part of the consolidated annual accounts.

Consolidated statement of changes in equity of ING Insurance

for the years ended 31 December

amounts in millions of euros	Share capital	Share premium	Reserves	Total share-holders' equity (parent)	Minority interests	Total equity
Balance as at 1 January 2007	174	4,374	17,369	21,917	1,770	23,687
Unrealised revaluations after taxation			–1,669	–1,669	–109	–1,778
Realised gains/losses transferred to profit and loss			–2,847	–2,847		–2,847
Changes in cash flow hedge reserve			–692	–692		–692
Transfer to insurance liabilities/DAC			1,132	1,132	4	1,136
Exchange rate difference			–1,029	–1,029	23	–1,006
Other revaluations					31	31
Total amount recognised directly in equity			–5,105	–5,105	–51	–5,156
Net result			5,650	5,650	183	5,833
			545	545	132	677
Employee stock option and share plans			49	49		49
Changes in composition of the group					–915	–915
Dividends			–4,600	–4,600	–40	–4,640
Change in minority interest shareholdings					–58	–58
Balance as at 31 December 2007	174	4,374	13,363	17,911	889	18,800
Unrealised revaluations after taxation			–11,570	–11,570	–78	–11,648
Realised gains/losses transferred to profit and loss			898	898		898
Changes in cash flow hedge reserve			1,350	1,350		1,350
Transfer to insurance liabilities/DAC			2,193	2,193		2,193
Exchange rate difference			–314	–314	–134	–448
Other revaluations					–23	–23
Total amount recognised directly in equity			–7,443	–7,443	–235	–7,678
Net result			–1,265	–1,265	38	–1,227
			–8,708	–8,708	–197	–8,905
Employee stock option and share plans			40	40		40
Changes in composition of the group					–130	–130
Dividends			–2,800	–2,800	–42	–2,842
Capital injection		5,450		5,450		5,450
Balance as at 31 December 2008	174	9,824	1,895	11,893	520	12,413
Unrealised revaluations after taxation			**6,415**	**6,415**		**6,415**
Realised gains/losses transferred to profit and loss			**677**	**677**		**677**
Changes in cash flow hedge reserve			**–434**	**–434**		**–434**
Transfer to insurance liabilities/DAC			**–2,079**	**–2,079**		**–2,079**
Exchange rate difference			**–274**	**–274**	**3**	**–271**
Other revaluations					**–10**	**–10**
Total amount recognised directly in equity			**4,305**	**4,305**	**–7**	**4,298**
Net result			**–550**	**–550**	**37**	**–513**
			3,755	**3,755**	**30**	**3,785**
Employee stock option and share plans			**39**	**39**		**39**
Changes in composition of the group					**–457**	**–457**
Dividends			**–350**	**–350**	**–13**	**–363**
Capital Injection		**550**		**550**		**550**
Balance as at 31 December 2009	**174**	**10,374**	**5,339**	**15,887**	**80**	**15,967**

Consolidated statement of changes in equity of ING Insurance (continued)

In 2009, deferred taxes for the year with regard to unrealised revaluations amounted to EUR –1,215 million (2008: EUR 2,005 million). For details on deferred tax see Note 18 ‘Other liabilities’.

In 2009 an amount of EUR 550 million (2008: EUR 5,450 million) additional share premium was received from ING Group to strengthen solvency.

Reserves include Revaluation reserve of EUR 207 million (2008: EUR –4,645 million; 2007: EUR 2,834 million), Currency translation reserve of EUR –1,511 million (2008: EUR –1,191 million; 2007: EUR –1,086 million) and Other reserves of EUR 6,643 million (2008: EUR 7,731 million; 2007: EUR 11,615 million). Changes in individual components are presented in Note 12 ‘Shareholders’ equity (parent)’.

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

AUTHORISATION OF ANNUAL ACCOUNTS

The consolidated annual accounts of ING Verzekeringen N.V. ('ING Insurance') for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Management Board on 15 March 2010. ING Verzekeringen N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principal activities of ING Insurance are described in 'ING at a glance' on page 4.

BASIS OF PRESENTATION

ING Insurance applies International Financial Reporting Standards as adopted by the European Union ('EU').

The following new or revised standards, interpretations and amendments to standards and interpretations became effective in 2009:

- Amendment to IFRS 2 'Share-based Payments – Vesting Conditions and Cancellations'
- IFRS 8 'Operating Segments'
- IAS 1 'Presentation of Financial Statements'
- IAS 23 'Borrowing Costs'
- Amendments to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation'
- Amendments to IFRS 1 'First-time Adoption of IFRS' and IAS 27 'Consolidated and Separate Financial Statements – Determining the cost of an Investment in the Separate Financial Statements'
- IFRIC 13 'Customer Loyalty Programmes'
- IFRIC 15 'Agreements for the Construction of Real Estate'
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'
- 2008 Annual Improvements to IFRS
- Amendment to IFRS 7 'Improving Disclosures about Financial Instruments'
- Amendments to IFRIC 9 and IAS 39 – 'Embedded Derivatives'.

None of these recently issued or amended standards and interpretations has had a material effect on equity or result for the year. The implementation of the Amendment to IFRS 7 'Improving Disclosures about Financial Instruments' had a significant impact on the disclosure of 'Methods applied in determining fair values of financial assets and liabilities' (the three-level fair value hierarchy). Further information is provided in Note 31 'Fair value of financial assets and liabilities'.

The following new or revised standards and interpretations were issued by the IASB, which become effective for ING Insurance as of 2010 (unless otherwise indicated) if and when endorsed by the EU:

- Amendment to IFRS 1 'First-time adoption of IFRS'
- IFRS 3 'Business Combinations' (revised) and IAS 27 'Consolidated and Separate Financial Statements' (amended)
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' – 'Eligible Hedged Items'
- IFRIC 17 'Distributions of Non-cash Assets to Owners'
- IFRIC 18 'Transfers of Assets from Customers'
- 2009 Annual Improvements to IFRS
- Amendments to IFRS 2 'Group Cash-settled Share-based Payment Transactions'
- Amendments to IFRS 1 'Additional Exemptions for First-time adopters'
- Classification of Rights Issues (Amendment to IAS 32), effective as of 2011
- Amendment to IAS 24 'Related Party Disclosures', effective as of 2011
- Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement', effective as of 2011
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments', effective as of 2011
- Amendment to IFRS 1 'Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters', effective as of 2011.

ING Insurance does not expect the adoption of these new or revised standards and interpretations to have a significant effect on the consolidated financial statements.

Furthermore, in 2009 IFRS 9 'Financial Instruments' was issued, which is effective as of 2013. However, this standard was not yet endorsed by the EU and, therefore, is not yet part of IFRS-EU. Implementation of IFRS 9 – if and when endorsed by the EU – may have a significant impact on equity and/or result of ING Insurance.

International Financial Reporting Standards as adopted by the EU provide several options in accounting policies. ING Insurance's accounting policies under these 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 Insurance made with regard to the options available under International Financial Reporting Standards as adopted by the EU.

The presentation of, and certain terms used in, the consolidated balance sheet, the consolidated profit and loss account, consolidated statement of cash flows, consolidated statement of changes in equity and certain notes have been changed to provide additional and more relevant information.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

CRITICAL ACCOUNTING POLICIES

ING Insurance 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 determination of the fair values of real estate and financial assets and liabilities, impairments 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 AND 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 expenditure. 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 insurance provisions, 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 dependent 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, mortality and morbidity trends and other factors. The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expenditure.

The process of defining methodologies and assumptions for insurance provisions, DAC and VOBA is governed by ING Insurance risk management as described in the section ‘Risk management’.

Reference is made to section ’Risk management’ for a sensitivity analysis of net result 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.

FAIR VALUE OF REAL ESTATE

Real estate investments are reported at fair value; all changes in fair value are recognised directly in the profit and loss account. The fair value of real estate investments is based on regular appraisals by independent qualified valuers. The fair values represent the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm’s-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The valuations are based on the assumption that the properties are let and sold to third parties based on the actual letting status. The valuations are based on a discounted cash flow analysis of each property. The discounted cash flow analyses are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values when leases expire.

For each reporting period every property is valued, either by an independent valuer or internally. 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 are monitored as part of the procedures to back test the indexation methodology. Valuations performed earlier in the year are updated if necessary to reflect the situation at year end.

The valuation of real estate involves various assumptions and techniques. The use of different assumptions and techniques could produce significantly different revaluations.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values of financial assets and liabilities are determined using quoted market prices where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices may be obtained from independent market vendors, brokers or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

In certain markets that have become significantly less liquid or illiquid, the range of prices for the same security from different price sources can be significant. Selecting the most appropriate price within this range requires judgement. The choice of different prices could produce materially different estimates of fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations, credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce materially different estimates of fair value.

Price testing is performed 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.

Reference is made to Note 31 ‘Fair values of financial assets and liabilities’ for the basis of the determination of the fair values of financial instruments and related sensitivities.

IMPAIRMENTS

Impairment evaluation is a complex process that inherently involves significant judgements and uncertainties that may have a material impact on ING Insurance’s consolidated financial statements. Impairments are especially relevant in two areas: Available-for-sale debt and equity securities and Goodwill/Intangible assets.

All debt and equity securities (other than those carried at fair value through profit and loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on (the combination of) a significant or prolonged decline of fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. ‘Significant’ and ‘prolonged’ are interpreted on a case-by-case basis for specific equity securities; generally 25% and 6 months are used as triggers.

Upon impairment, the full difference between amortised cost and fair value is removed from equity and recognised in net profit or loss. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities may not be reversed. Impairments on other debt instruments (Loans and held-to-maturity investments) are part of the loan loss provision as described below.

Impairment reviews with respect to goodwill and intangible assets are performed at least annually, and more frequently if events indicate that impairment may have occurred. Goodwill is tested for impairment by comparing the book value (including goodwill) to the best estimate of the fair value less cost to sell of the reporting unit to which the goodwill has been allocated. A reporting unit is the lowest level at which goodwill is monitored. Intangible assets are tested for impairment by comparing its book value with the best estimate of its recoverable amount.

The identification of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management’s judgement and other information available prior to the issuance of the financial statements. Materially different results can occur as circumstances change and additional information becomes known.

EMPLOYEE BENEFITS

Group companies operate various defined benefit retirement plans covering a significant number of ING Insurance’s domestic and international employees.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

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 or 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, trend rates in health care costs, 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. If such is the case the excess is then amortised over the employees’ expected average remaining working lives. Reference is made to Note 18 ‘Other liabilities’ for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

CONSOLIDATION

ING Insurance comprises ING Verzekeringen N.V. and all its subsidiaries. The consolidated financial statements of ING Insurance comprise the accounts of ING Verzekeringen 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 26 ‘Principal subsidiaries’.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether ING Insurance controls another entity. For interests in investment vehicles the existence of control is determined taking into account both ING Insurance’s financial interests for own risk and its role as investment manager.

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in net result.

A subsidiary which ING Insurance has agreed to sell but is still legally owned by ING Insurance may still be controlled by ING Insurance at the balance sheet date and, therefore, still be included in the consolidation. Such a subsidiary may be presented as a held for sale disposal group if certain conditions are met. Disposal groups (and Non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group (or asset) is available for immediate sale in its present condition; management must be committed to the sale, which should be expected to occur within one year from the date of classification as held for sale.

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 ING Insurance policies. In general, the reporting dates of subsidiaries are the same as the reporting date of ING Verzekeringen N.V. There are no material restrictions on subsidiaries to transfer funds to ING Verzekeringen N.V.

ING Insurance’s interests in jointly controlled entities are accounted for using proportionate consolidation. ING Insurance 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 Insurance’s financial statements. ING Insurance recognises the portion of gains or losses on the sale of assets to the joint venture that is attributable to the other venturers. ING Insurance does not recognise its share of profits or losses from the joint venture that results from the purchase of assets by ING Insurance 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 iffer from these estimates.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

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.

SEGMENT REPORTING
An operating segment is a distinguishable component of ING Insurance engaged in providing products or services that is subject to risks and returns that are different from those of other operating segments. A geographical area is a distinguishable component of ING Insurance 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.

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 is included in 'life'.

FOREIGN CURRENCY TRANSLATION
Functional and presentational currency
Items included in the financial statements of each of ING Insurance's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is ING Insurance'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. Exchange rate difference 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.

Exchange rate 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. Exchange rate differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

Exchange rate differences in the profit and loss account are generally included in Net trading income. Reference is made to Note 37 'Net trading income', which discloses the amounts included in the profit and loss account. Exchange rate differences relating to the disposal of Available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in Investment income. As mentioned in Group companies below, any exchange rate differences deferred in equity are recognised in the profit and loss account in Net result on disposals of group companies. Reference is also made to Note 12 'Shareholders equity (parent)', which discloses the amounts included in the profit and loss account.

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 these 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 from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES
The fair values of financial instruments are based on quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by ING Insurance is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. ING Insurance 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 Insurance (continued)

Reference is made to note 31 'Fair value of financial assets and liabilities' for the basis of determination of the fair value of financial instruments.

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 on which ING Insurance commits to purchase or sell the asset. Loans and deposits are recognised at settlement date, which is the date on which ING Insurance 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 ING Insurance has transferred substantially all risks and rewards of ownership. If ING Insurance 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, ING Insurance continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which ING Insurance is exposed to changes in the value of the asset.

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.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include equity securities, debt securities, derivatives and other and comprise the following sub-categories: trading assets, non trading derivatives, financial assets designated at fair value through profit and loss by management, and investments for risk of policyholders. For derivatives reference is made to the 'Derivative and hedge accounting' section below.

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. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. Investments for risk of policyholders are investments against insurance liabilities for which all changes in fair value of invested assets are offset by similar changes in insurance liabilities. Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit and loss is recognised in Investment income in the profit and loss account using the effective interest method.

Dividend income from equity instruments classified as at fair value through profit and loss is generally recognised in Investment income in the profit and loss account when dividend has been declared. Investment result from investment for risk of policyholders is recognised in investment result for risk of policyholders. For derivatives reference is made to the 'Derivatives and hedge accounting' section. For all other financial assets classified as at fair value through profit and loss, changes in fair value are recognised in Net trading income.

Investments

Investments (including loans quoted in active markets) are classified either as held-to-maturity or available-for-sale and are initially 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 include available-for-sale debt securities and available-for-sale equity securities. 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. Interest income from debt securities classified as available-for-sale is recognised in Investment income in the profit and loss account using the effective interest method. Dividend income from equity instruments classified as available-for-sale is generally recognised in Investment income in the profit and loss account when the dividend has been declared. 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.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity for which ING Insurance has the positive intention 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. Interest income from debt securities classified as held-to-maturity is recognised in Investment income in the profit and loss account using the effective interest method. Held-to-maturity investments include only debt securities.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially 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 receivables include Loans and advances to customers and Other assets and are reflected in these balance sheet lines. Interest income from loans and receivables is recognised in Investment income in the profit and loss account using the effective interest method.

Credit risk management classification
Credit risk management disclosures are provided in the section 'Risk management'. The relationship between credit risk classifications in that section and the consolidated balance sheet classifications above is explained below:
- Lending risk arises when ING Insurance grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the balance sheet classification Loans and advances to customers and off balance sheet items e.g. obligations under financial guarantees and letters of credit.
- Investment risk comprises the credit default and migration risk that is associated with ING Insurance's investment portfolio and mainly relates to the balance sheet classification Investments (available-for-sale and held-to-maturity).
- Money market risk arises when ING Insurance places short term deposits with a counterparty in order to manage excess liquidity and among others relates to the balance sheet classifications Cash and cash equivalents and Loans and advances to customers.
- Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Insurance has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk classification mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives).
- Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING Insurance has paid or delivered its side of the trade. Settlement risk mainly relates to the risk arising on disposal of financial instruments that are classified in the balance sheet as Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and Investments (available-for-sale and held-to-maturity).

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 at 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 options pricing models, as appropriate. All derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are 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.

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. An assessment is carried out when ING Insurance first becomes party to the contract. A subsequent reassessment is carried out only when there is a change in terms of the contract that significantly modifies the expected cash flows.

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. ING Insurance 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.

At the inception of the transaction ING Insurance documents the relationship between hedging instruments and hedged items, its risk management objectives, together with the methods selected to assess hedge effectiveness. ING Insurance 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.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

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 through 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 affects net result. 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 transferred immediately to the profit and loss account.

Net investment hedges
Hedges of net investments in foreign operations are accounted for in a similar way 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 ING Insurance as part of its risk management strategies, but which do not qualify for hedge accounting under ING Insurance’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.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES
Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet when ING Insurance 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.

IMPAIRMENTS OF LOANS AND ADVANCES TO CUSTOMERS (LOAN LOSS PROVISIONS)
ING Insurance 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 of or delays in 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 Insurance 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; and
- 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 ING Insurance’s credit risk systems.

ING Insurance 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 currently exist. Losses expected as a result of future events, no matter how likely, are not recognised.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

ING Insurance 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 ING Insurance 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 ING Insurance'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 ING Insurance's loan loss provision. Although the loss confirmation periods are inherently uncertain, ING Insurance 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 ING Insurance'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.

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.

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 are recognised in the profit and loss account.

IMPAIRMENT OF OTHER FINANCIAL ASSETS

At each balance sheet date ING Insurance assesses 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. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities; generally 25% and six months are used as triggers. 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 result - is removed from equity and recognised in the profit and loss account. Impairment losses 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 the profit or loss account, the impairment loss is reversed through the profit and loss account.

INVESTMENTS IN ASSOCIATES

Associates are all entities over which ING Insurance 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 one or more of 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.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

ING Insurance's investment in associates (net of any accumulated impairment loss) includes goodwill identified on acquisition. ING Insurance'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 ING Insurance's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, ING Insurance does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between ING Insurance and its associates are eliminated to the extent of ING Insurance's interest in the associates. Unrealised losses are also eliminated unless they provide 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 ING Insurance. The reporting dates of all material associates are consistent with the reporting date of ING Insurance.

For interests in investment vehicles the existence of significant influence is determined taking into account both ING Insurance'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 recognised 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.

The fair value of real estate investments is based on regular appraisals by independently qualified valuers. Each year every property is valued, either by an independent valuer or internally. 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 five 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 result 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.

The fair values of land and buildings are based on regular appraisals by independently qualified valuers. Subsequent expenditure is included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to ING Insurance and the cost of the item can be measured reliably.

Property obtained from foreclosures

Property obtained from foreclosures is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Property obtained from foreclosures is included in Other assets – Property held for sale.

Property under development

Property developed and under development for which ING Insurance has the intention to sell the property after its completion is included in Other assets – Property held for sale.

Property under development for which ING Insurance has the intention to sell the property under development after its completion and where there is not yet a specifically negotiated contract is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and ING Insurance's own directly attributable development and supervision expenses less any impairment losses. Profit is recognised using the completed contract method (on sale date of the property). Impairment is recognised if the estimated selling price in the ordinary course of business, less applicable variable selling expenses is lower than bookvalue.

Property under development for which ING Insurance has the intention to sell the property under development after its completion and where there is a specifically negotiated contract, is valued using the percentage of completion method (pro rata profit recognition). Stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract.

Property under development is stated at fair value (with changes in fair value recognised in profit and loss) if ING Insurance has the intention to recognise the property under development after completion as real estate investments.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

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 two to five years, and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is charged to the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

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. Borrowing costs are determined at the weighted average cost of capital of the project.

LEASES
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date.

ING Insurance as the lessee
The leases entered into by ING Insurance 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.

PURCHASE ACCOUNTING, GOODWILL AND OTHER INTANGIBLE ASSETS
Goodwill
ING Insurance's acquisitions are accounted for under the purchase method of accounting, whereby the cost of the acquisition is allocated to the fair value of the assets, liabilities and contingent liabilities acquired. The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value could be complex and the time between the acquisition and the preparation of the Annual Accounts could be limited. The initial accounting shall be completed within a year of acquisition. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and ING Insurance'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 implementation date of IFRS-EU (1 January 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on these acquisitions were charged directly to shareholders' equity. Goodwill is allocated to reporting units for the purpose of impairment testing. These reporting units represent the lowest level of 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 reporting 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 values at the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recognised 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 recognised 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 unrealised results (including the currency translation reserve in equity) is included in the profit and loss account.

Computer software
Computer software that has been purchased or generated internally for own use is stated at cost less 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 Other operating expenses.

Value of business acquired (VOBA)
VOBA is an asset that represents 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 the 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.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

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.

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 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 Insurance 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 balance 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 recognised 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’.

DAC is adjusted for the impact of unrealised results on allocated investments through equity.

TAXATION

Income tax on the net result for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account but is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is 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 ING Insurance 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

Financial liabilities at amortised costs

Financial liabilities at amortised cost include the following sub-categories: Other borrowed funds, debt securities in issue, subordinated loans, amounts due to banks and customer deposits and other funds on deposit. 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 ING Insurance 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

Financial liabilities at fair value through profit and loss comprise the following sub-categories: trading liabilities, non trading derivatives, and other liabilities designated at fair value through profit and loss by management. Trading liabilities include equity securities and derivatives. Designation by management will take place only if it eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. All other financial liabilities are measured at amortised cost.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

Financial guarantee contracts
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 are 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 and/or contain discretionary participation features are presented as insurance contracts. Provisions for liabilities under insurance contracts represent estimates of future payouts that will be required for life and non-life insurance claims, including expenses relating to such claims. For some insurance contracts the measurement reflects current market assumptions.

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 for specific product features in the local markets.

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.

In 2009 the methodology for determining the liability for insurance contracts in Japan was revised. The liability for certain guarantees is now measured at fair value. The impact of this change in accounting policy (at 1 January 2009 and on prior year comparatives) was not material to shareholders' equity and the net result of ING Insurance.

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 when 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 ING Insurance.

Deferred profit sharing
For insurance contracts with discretionary participation features a deferred profit sharing amount is recognised for the full amount of the unrealised revaluation on allocated investments. Upon realisation, the profit sharing on unrealised revaluations is reversed and a deferred profit sharing amount is recognised for the share of realised results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing amount is reduced by 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 policyholders are calculated on the same basis as the Provision for life insurance. For investment contracts for risk of policyholders the provisions are generally shown at the balance sheet value of the associated investments.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

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. If the reinsurers are unable to meet their obligations, ING Insurance 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 (the net insurance liabilities), is evaluated regularly by each business unit. The test considers current estimates of all contractual and related cash flows, and future developments. It includes investment income on the same basis as it is included in the profit and loss account.

If, for any business unit, it is determined using a best estimate (50%) confidence level, that a shortfall exists, and there are no offsetting amounts within other business units in the Business Line, the shortfall is recognised immediately in the profit and loss account.

If, for any business unit, the net insurance liabilities are not adequate using a prudent (90%) confidence level, but there are offsetting amounts within other business units, then the business unit is allowed to take measures to strengthen the net insurance liabilities over a period no longer than the expected life of the policies. To the extent that there are no offsetting amounts within other business units, any shortfall at the 90% confidence level is recognised immediately in the profit and loss account.

If the net insurance liabilities are determined to be adequate at above the 90% confidence level, no reduction in the net insurance liabilities is recognised.

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.

OTHER LIABILITIES
Employee benefits - pension obligations
ING Insurance companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. ING Insurance 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 defined 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, ING Insurance pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. ING Insurance 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-employment obligations
Some ING Insurance companies provide post-employment healthcare and other benefits to certain employees and former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance (continued)

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 ING Insurance 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 income 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, ING Insurance 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, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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 Net trading income and Valuation results on non-trading derivatives.

Fees and commissions
Fees and commissions are generally recognised as the service is provided. 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.

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. Prior to 2007 ING Insurance has generally provided equity-settled share-based payment transactions. However, since 2007 ING Insurance generally provided cash-settled share-based payment transactions

The fair value of equity-settled share-based payment transactions is measured at the grant date and the fair value of cash-settled share-based payment transactions is measured at each balance sheet date.

GOVERNMENT GRANTS
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, the grant is recognised over the period necessary to match the grant on a systematic basis to the expense that it is intended to compensate. In such case, the grant is deducted from the related expense in the profit and loss account.

FIDUCIARY ACTIVITIES
ING Insurance 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 ING Insurance.

Accounting policies for the consolidated statement of cash flows of ING Insurance

The statement of cash flows 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 result 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 statement of cash flows, Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition. 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 difference between the net cash flow in accordance with the statement of cash flows and the change in Cash and cash equivalents in the balance sheet is due to exchange rate differences and is accounted separately for as part of the reconciliation of the net cash flow and the balance sheet change in Cash and cash equivalents.

Notes to the consolidated balance sheet of ING Insurance

amounts in millions of euros, unless stated otherwise

ASSETS

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2009	2008
Cash and bank balances	**3,752**	4,389
Short term deposits	**5,673**	10,051
	9,425	14,440

2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss	2009	2008
Trading assets	**474**	537
Investments for risk of policyholders	**104,597**	95,366
Non-trading derivatives	**3,668**	6,344
Designated as at fair value through profit and loss	**2,378**	3,789
	111,117	106,036

Trading assets by type	2009	2008
Equity securities	**437**	506
Debt securities	**37**	26
Derivatives		5
	474	537

Investments for risk of policyholders by type	2009	2008
Equity securities	**93,268**	83,208
Debt securities	**8,215**	7,729
Loans or receivables	**3,114**	4,429
	104,597	95,366

The fair value of credit derivatives included in investment for risk of policyholders and held to mitigate exposure to credit risk was nil (2008: EUR –12 million), and the change in their fair value in the period was nil (2008: EUR –5 million).

In 2009 and 2008 there was no significant change in the fair value of loans and receivables included in Investments for risk of policyholders attributable to changes in the credit risk of the financial assets.

The cost of investments for risk of policyholders as at 31 December 2009 was EUR 106,904 million (2008: EUR 115,929 million).

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

Non-trading derivatives by type	2009	2008
Derivatives used in:		
– fair value hedges	**99**	33
– cash flow hedges	**1,426**	2,232
– hedges of net investments in foreign operations	**5**	331
Other non-trading derivatives	**2,138**	3,748
	3,668	6,344

The fair value of credit derivatives included in non-trading derivatives and held to mitigate exposure to credit risk was EUR 60 million (2008: nil), and the change in their fair value in the period was EUR –121 million (2008: nil).

Other non-trading derivatives include mainly interest rate swaps for which no hedge accounting is applied.

Notes to the consolidated balance sheet of ING Insurance (continued)

Designated as at fair value through profit and loss by type		
	2009	2008
Equity securities	**155**	57
Debt securities	**1,060**	1,850
Other	**1,163**	1,882
	2,378	3,789

The change in the fair value of the loans and receivables designated as at fair value through profit and loss attributable to changes in the credit risk of the financial assets during 2009 was nil (2008: nil) and cumulatively was nil (2008: nil).

Other includes investments in private equity funds, hedge funds, other non-traditional and limited partnerships.

3 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments by type		
	2009	2008
Equity securities	**5,171**	6,959
Debt securities	**100,350**	102,528
	105,521	109,487

Changes in available-for-sale investments	Equity securities		Debt securities		Total	
	2009	2008	**2009**	2008	**2009**	2008
Opening balance	**6,959**	16,322	**102,528**	115,944	**109,487**	132,266
Additions	**1,264**	4,128	**106,556**	129,127	**107,820**	133,255
Amortisation			**–126**	118	**–126**	118
Transfers and reclassifications	**–9**	39	**–6,135**		**–6,144**	39
Changes in the composition of the group and other	**–1,353**	–751	**–3,949**	–11,669	**–5,302**	–12,420
Changes in unrealised revaluations	**1,517**	–3,091	**7,725**	–9,599	**9,242**	–12,690
Impairments	**–360**	–1,585	**–585**	–776	**–945**	–2,361
Disposals and redemptions	**–2,936**	–7,865	**–104,608**	–122,691	**–107,544**	–130,556
Exchange rate differences	**89**	–238	**–1,056**	2,074	**–967**	1,836
Closing balance	**5,171**	6,959	**100,350**	102,528	**105,521**	109,487

Available-for-sale equity securities		
	2009	2008
Listed	**3,257**	5,083
Unlisted	**1,914**	1,876
	5,171	6,959

As at 31 December 2009, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to nil (2008: EUR 182 million) and nil (2008: nil), respectively, and debt securities which were lent or sold in repurchase transactions amounting to EUR 494 million (2008: EUR 2,198 million) and EUR 236 million (2008: EUR 1,857 million), respectively.

Included in transfers and reclassifications of available-for-sale investments	Equity securities		Debt securities		Total	
	2009	2008	**2009**	2008	**2009**	2008
To/from loans and advances to customers			**–6,135**		**–6,135**	
To/from Investment in associates	**–9**	39			**–9**	39
	–9	39	**–6,135**		**–6,144**	39

Reclassifications to Loans and advances to customers
Reclassifications out of available-for-sale investments to loans and receivables are allowed under IFRS as of the third quarter of 2008. At the beginning of the second quarter of 2009 ING Insurance reclassified certain financial assets from Investments available-for-sale to Loans and advances to customers. ING Insurance identified assets, eligible for reclassification, for which at the reclassification date it had an intent to hold for the foreseeable future.

Notes to the consolidated balance sheet of ING Insurance (continued)

Reclassifications to Loans and advances to customers	
	Q2 2009
As per reclassification date	
Fair value	**6,135**
Effective interest rate (weighted average)	
Expected recoverable cash flows	**7,118**
Unrealised fair value losses in shareholders' equity (before tax)	**–896**
Recognised fair value gains (losses) in shareholders' equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	**173**
2009	
Carrying value as at 31 December	**6,147**
Fair value as at 31 December	**6,472**
Unrealised fair value losses in shareholders' equity (before tax) as at 31 December	**–734**
Effect on shareholders' equity (before tax) if reclassification had not been made	**325**
Effect on result (before tax) after the reclassification till 31 December (mainly interest income)	**54**
Recognised Impairments (before tax)	**nil**
Recognised provision for credit losses (before tax)	**nil**
2008	
Unrealised fair value losses recognised in shareholders' equity (before tax) during the year	**–971**
Recognised impairments (before tax)	**nil**
Recognised provision for credit losses (before tax)	**n/a**

Derecognition available-for-sale debt securities - Transaction with the Dutch State
ING Group and the Dutch government ('State') reached an agreement on an Illiquid Assets Back-Up Facility ('IABF') on 26 January 2009; the transaction closed on 31 March 2009. Under the IABF, ING Insurance has transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. This portfolio was included in Available-for-sale debt securities. Reference is made to note 30 'Related parties'.

Borrowed equity securities and convertible bonds are not recognised in the balance sheet and amounted to nil as at 31 December 2009 (2008: nil).

Borrowed debt securities are not recognised in the balance sheet and amounted to nil as at 31 December 2009 (2008: nil).

As at 31 December 2009 nil investments were classified as held-to-maturity (2008: nil).

Investments in connection with the insurance operations with a combined carrying value of EUR 26 million (2008: EUR 47 million) were non-income-producing for the year ended 31 December 2009.

4 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by type	Netherlands		International		Total	
	2009	2008	**2009**	2008	**2009**	2008
Policy loans	**50**	52	**2,853**	2,908	**2,903**	2,960
Loans secured by mortgages	**6,700**	6,804	**7,368**	8,789	**14,068**	15,593
Unsecured loans	**3,984**	3,210	**2,072**	2,012	**6,056**	5,222
Mortgage backed securities	**4,336**				**4,336**	
Other	**427**	309	**1,335**	1,610	**1,762**	1,919
	15,497	10,375	**13,628**	15,319	**29,125**	25,694
Loan loss provisions	**–52**	–27	**–59**	–32	**–111**	–59
	15,445	10,348	**13,569**	15,287	**29,014**	25,635

Changes in loan loss provisions		
	2009	2008
Opening balance	**59**	30
Changes in the composition of the group	**–3**	–4
Write–offs	**–13**	–6
Recoveries	**1**	2
Increase in loan loss provisions	**67**	38
Exchange rate differences		–1
Closing balance	**111**	59

5 INVESTMENTS IN ASSOCIATES

Investments in associates						
2009	**Interest held (%)**	**Balance sheet value**	**Total assets**	**Total liabilities**	**Total income**	**Total expenses**
Lionbrook Property Partnership	**33**	**151**	**572**	**148**	**27**	**20**
ING Winkels Basisfonds	**16**	**210**	**1,642**	**310**	**56**	**37**
ING Woningen Basisfonds	**13**	**111**	**1,019**	**194**	**–34**	**22**
Property Fund Iberica	**30**	**140**	**1,635**	**1,156**	**–51**	**50**
ING Vastgoed Winkels C.V.	**10**	**87**	**870**	**5**	**53**	**19**
Retail Property Fund France Belgium (RPFFB)	**15**	**71**	**1,381**	**909**	**2**	**87**
Sul America S.A.	**36**	**288**	**931**	**121**	**3,360**	**3,138**
ING Dutch Office Master Fund C.V.	**16**	**201**	**1,527**	**285**	**–12**	**30**
ING Vastgoed Kantoren C.V.	**10**	**89**	**952**	**44**	**10**	**33**
ING Logistics Property Fund Europe	**25**	**51**	**467**	**263**	**–22**	**23**
ING Retail Property Partnership Southern Europe	**21**	**55**	**1,001**	**745**	**–27**	**69**
ING Re French Residential Fund	**45**	**67**	**233**	**83**	**–1**	**8**
ING Re Nordic Property Fund	**16**	**56**	**940**	**588**	**–7**	**52**
Lion Structured Finance	**14**	**174**	**179**		**1**	
Dutch Residential Fund II	**13**	**65**	**626**	**141**	**–25**	**26**
Dutch Office Fund II	**16**	**104**	**775**	**129**	**31**	**27**
Property Fund Central Europe	**25**	**67**	**806**	**540**	**–25**	**52**
Other investments in associates		**499**				
		2,486				

Other investments in associates represent a large number of associates with an individual balance sheet value of less than EUR 50 million.

None of these associates are listed.

Accumulated impairments of nil (2008: EUR 4 million) have been recognised.

For the above associates in which the interest held is below 20%, significant influence exists based on the combination of ING Insurance’s financial interests for own risk and its role as investment manager.

The values presented in the table above could differ from the values presented in the individual annual accounts of the associates, due to the fact that the individual values have been brought in line with ING Insurance’s accounting principles.

In general the reporting dates of all material associates are consistent with the reporting date of Insurance. However for practical reasons the reporting date of certain associates, differ slightly from the reporting date of Insurance, but in any case, the difference between the reporting date of the associates and that of Insurance is no more than three months.

Notes to the consolidated balance sheet of ING Insurance (continued)

Investments in associates						
2008	Interest held (%)	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Lionbrook Property Partnership	29	145	626	126	–283	15
ING Winkels Basisfonds	16	218	1,736	346	119	51
ING Woningen Basisfonds	13	122	1,064	155	58	45
Property Fund Iberica	30	157	1,835	1,301	–2	96
ING Vastgoed Winkels C.V.	10	88	898	22	83	22
Retail Property Fund France Belgium (RPFFB)	15	79	1,602	1,075	71	57
ING Vastgoed Woningen C.V.	10	53	528	1	36	25
Sul America S.A.	36	168	557	91	2,663	2,348
ING Dutch Office Master Fund C.V.	16	219	1,624	258	63	75
ING Vastgoed Kantoren C.V.	10	98	1,006	22	101	93
ING Logistics Property Fund Europe	25	65	530	269	–5	21
ING Retail Property Partnership Southern Europe	21	73	1,218	879	6	67
ING Property Fund Central and Eastern Europe	20	55	791	519	32	60
ING Re French Residential Fund	45	50	182	69	3	4
ING Re Nordic Property Fund	16	64	979	579	16	62
Lion Structured Finance	20	174	174	1	3	1
Dutch Residential Fund II	13	74	602	51	62	127
Dutch Office Fund II	16	109	817	136	50	58
Property Fund Central Europe	25	83	880	546	69	37
Other investments in associates		629				
		2,723				

Changes in investments in associates		
	2009	2008
Opening balance	**2,723**	3,189
Additions	**131**	674
Changes in the composition of the group	**–91**	1
Transfers to and from Investments	**9**	–39
Revaluations	**15**	132
Share of results	**–79**	–187
Dividends received	**–90**	–111
Disposals	**–192**	–871
Exchange rate differences	**60**	–65
Closing balance	**2,486**	2,723

In 2009, share of results of EUR –79 million (2008: EUR –187 million) is presented in the profit and loss account in the Share of profit from associates.

6 REAL ESTATE INVESTMENTS

Changes in real estate investments		
	2009	2008
Opening balance	**1,118**	1,302
Additions	**15**	378
Changes in the composition of the group	**–40**	–361
Transfers to and from Property in own use	**58**	–46
Transfers to and from Other assets	**27**	120
Fair value gains/(losses)	**–124**	–50
Disposals	**–8**	–225
Exchange rate differences	**23**	
Closing balance	**1,069**	1,118

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2009 was EUR 81 million (2008: EUR 79 million). The total amount of contingent rent recognised in the profit and loss account for the year ended 31 December 2009 was EUR 8 million (2008: EUR 17 million).

Notes to the consolidated balance sheet of ING Insurance (continued)

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 2009 was EUR 12 million (2008: EUR 14 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 2009 was EUR 14 million (2008: EUR 7 million).

Real estate investments by year of most recent appraisal by independently qualified valuers (in percentages)

	2009
Most recent appraisal in 2009	93
Most recent appraisal in 2008	5
Most recent appraisal in 2006	1
Most recent appraisal in 2005	1
	100

7 PROPERTY AND EQUIPMENT

Property and equipment by type

	2009	2008
Property in own use	322	394
Equipment	230	316
	552	710

Changes in property in own use

	2009	2008
Opening balance	394	603
Additions	6	17
Changes in the composition of the group	–2	–156
Transfers to and from real estate investments	–58	46
Transfers to and from other assets	2	6
Depreciation	–6	–3
Revaluations	–2	2
Impairments		–1
Disposals	–13	–107
Exchange rate differences		–13
Other changes	1	
Closing balance	322	394
Gross carrying amount as at 31 December	350	425
Accumulated depreciation as at 31 December	–26	–29
Accumulated impairments as at 31 December	–2	–2
Net book value	322	394
Revaluation surplus		
Opening balance	43	50
Revaluation in year	–2	–9
Released in year	–2	2
Closing balance	39	43

The cost or the purchase price amounted to EUR 311 million (2008: EUR 374 million). Cost less accumulated depreciation and impairments would have been EUR 283 million (2008: EUR 342 million).

Property in own use by year of most recent appraisal by independently qualified valuers (in percentages)

	2009
Most recent appraisal in 2009	47
Most recent appraisal in 2008	37
Most recent appraisal in 2007	12
Most recent appraisal in 2005	4
	100

Notes to the consolidated balance sheet of ING Insurance (continued)

Changes in equipment

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2009	2008	**2009**	2008	**2009**	2008
Opening balance	**57**	65	**259**	239	**316**	304
Additions	**29**	37	**64**	107	**93**	144
Changes in the composition of the group	**–9**	–6	**–88**	–18	**–97**	–24
Disposals	**–1**	–1	**–3**	–4	**–4**	–5
Depreciation	**–26**	–33	**–52**	–58	**–78**	–91
Impairments		–3		–3		–6
Exchange rate differences	**1**	–3	**4**	–11	**5**	–14
Other changes		1	**–5**	7	**–5**	8
Closing balance	**51**	57	**179**	259	**230**	316
Gross carrying amount as at 31 December	**203**	240	**417**	457	**620**	697
Accumulated depreciation as at 31 December	**–152**	–180	**–238**	–195	**–390**	–375
Accumulated impairments as at 31 December		–3		–3		–6
Net book value	**51**	57	**179**	259	**230**	316

8 INTANGIBLE ASSETS

Changes in intangible assets

	Value of business acquired		Goodwill		Software		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Opening balance	**2,084**	2,301	**1,889**	1,076	**200**	178	**558**	387	**4,731**	3,942
Additions (bought)				1,082	**54**	97	**2**	142	**56**	1,321
Capitalised expenses	**79**	98			**7**	26			**86**	124
Amortisation and unlocking	**–120**	–298			**–59**	–70	**–71**	–104	**–250**	–472
Impairments				–155			**–1**	–44	**–1**	–199
Effect of unrealised revaluations in equity	**–482**	555							**–482**	555
Changes in the composition of the group	**–11**	–730	**–96**	6	**–76**	–8	**–140**	233	**–323**	–499
Exchange rate differences	**–48**	158	**64**	–120	**7**	–12	**35**	–55	**58**	–29
Disposals						–11		–1		–12
Closing balance	**1,502**	2,084	**1,857**	1,889	**133**	200	**383**	558	**3,875**	4,731
Gross carrying amount as at 31 December	**2,518**	2,980	**1,922**	2,044	**676**	684	**628**	744	**5,744**	6,452
Accumulated amortisation as at 31 December	**–1,016**	–896			**–543**	–484	**–199**	–141	**–1,758**	–1,521
Accumulated impairments as at 31 December			**–65**	–155			**–46**	–45	**–111**	–200
Net book value	**1,502**	2,084	**1,857**	1,889	**133**	200	**383**	558	**3,875**	4,731

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

Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes (so called 'reporting units') Goodwill is allocated to reporting units as follows.

Goodwill allocation to reporting units

	2009	2008
Insurance Europe – Benelux	**210**	210
Insurance Europe – Rest of Europe	**122**	125
Insurance Americas – Latin America	**591**	543
Insurance Americas – United States	**570**	590
Insurance Americas – Canada		71
Insurance Asia/Pacific – South Korea	**171**	164
Insurance Asia/Pacific – Rest of Asia	**193**	186
Total Insurance	**1,857**	1,889

In 2008, as a result of the nationalisation of AFJP Pension in Argentina goodwill of EUR 155 million was written off.

Goodwill is tested for impairment by comparing the book value of the reporting unit (including goodwill) to the best estimate of the fair value of the reporting unit. As a first step the best estimate of the fair value is determined based on a Sum of the Parts valuation (SOP). If the outcome of the SOP indicates that there is not a significant margin between fair value and book value, a more thorough analysis of the fair value will be performed. The main assumptions in the SOP valuation include forecast results, business growth, discount rates, value of new business, market value surplus, etc. For listed companies the relevant market price is used. The more detailed analysis uses valuation models similar to those of the original valuation of an acquisition, embedded value, peer reviews, etc. The valuation models are validated and include development of the business following the acquisition, the latest management forecasts of income and expenditure and updates of future projections, review of discount rates and terminal growth rates, etc. Peer reviews include analysis of Price/Earnings and Price/Book multiples of comparable listed companies. Assumptions are generally based on past experience, management's best estimate of future developments and, where available, relevant external information. The goodwill impairment test as at 31 December 2009, using best estimate assumptions and reasonable likely changes therein, have not resulted in impairment (2008: nil).

9 DEFERRED ACQUISITION COSTS

Changes in deferred acquisition costs

	Investment contracts		Life insurance		Non–life insurance		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Opening balance	**89**	101	**11,489**	10,183	**265**	408	**11,843**	10,692
Capitalised	**9**	50	**1,609**	2,495	**12**	126	**1,630**	2,671
Amortisation and unlocking	**–11**	–12	**–435**	–1,884	**–12**	–130	**–458**	–2,026
Effect of unrealised revaluations in equity			**–1,140**	1,523			**–1,140**	1,523
Changes in the composition of the group	**–104**	–34	**58**	–1,289	**–231**	–104	**–277**	–1,427
Exchange rate differences	**17**	–16	**–227**	461	**9**	–35	**–201**	410
Disposal of portfolios			**1**				**1**	
Closing balance	**0**	89	**11,355**	11,489	**43**	265	**11,398**	11,843

For flexible life insurance contracts the growth rate assumption used to calculate the amortisation of the deferred acquisition costs for 2009 is 8.2% gross and is 5.6% net of investment management fees (2008: 6.4% gross and 5.6% net of investment management fees).

In 2008, Changes in the composition of the group related for EUR 1,164 million to the sale of ING Life Taiwan.

10 ASSETS AND LIABILITIES HELD FOR SALE

Assets and Liabilities held for sale include disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This relates to businesses for which sale is agreed or highly probable at balance sheet date. For 31 December 2009 this relates mainly to Pacific Antai Life Insurance Company Ltd. (PALIC) and three U.S. independent retail broker-dealer units and for 31 December 2008 this relates to ING Life Taiwan. Reference is made to Note 27 ‘Companies acquired and companies disposed’ for more details.

Assets held for sale

	2009	2008
Cash and cash equivalents	**81**	80
Financial assets at fair value through profit and loss	**8**	1,552
Available-for-sale investments	**180**	9,801
Loans and advances to customers	**37**	1,341
Reinsurance contracts	**3**	
Property and equipment	**2**	41
Intangible assets		671
Deferred acquisition costs	**35**	1,164
Other assets	**95**	662
	441	15,312

Notes to the consolidated balance sheet of ING Insurance (continued)

Liabilities held for sale	2009	2008
Insurance and investments contracts	**191**	14,294
Financial liabilities at fair value through profit and loss		126
Other liabilities	**67**	600
	258	15,020

Cumulative other comprehensive income include EUR –1 million (2008: EUR 94 million) related to Assets held for sale.

11 OTHER ASSETS

Other assets by type	2009	2008
Reinsurance and insurance receivables	**2,125**	3,683
Deferred tax assets	**462**	1,964
Property held for sale	**42**	12
Income tax receivable	**146**	448
Accrued interest and rents	**3,394**	3,347
Other accrued assets	**618**	1,028
Pension assets	**1,113**	670
Other receivables	**2,131**	3,236
	10,031	14,388

Disclosures in respect of deferred tax assets and pension assets are provided in Note 18 ‘Other liabilities’.

Accrued interest and rents includes EUR 2,097 million (2008: EUR 2,068 million) accrued interest on assets measured at amortised cost under the IAS 39 classification Loans and receivables.

The total amount of borrowing costs relating to Property under development for third parties capitalised in 2009 is nil (2008: nil).

Reinsurance and insurance receivables	2009	2008
Receivables on account of direct insurance from:		
– policyholders	**1,443**	2,750
– intermediaries	**113**	191
Reinsurance receivables	**569**	742
	2,125	3,683

EQUITY
12 SHAREHOLDERS' EQUITY (PARENT)

Shareholders' equity (parent)

	2009	2008	2007
Share capital	174	174	174
Share premium	10,374	9,824	4,374
Revaluation reserve	207	–4,645	2,834
Currency translation reserve	–1,511	–1,191	–1,086
Other reserves	6,643	7,731	11,615
Shareholders' equity (parent)	15,887	11,893	17,911

The Revaluation reserve, Share of associates reserve (included in Other reserves) and Currency translation reserve cannot be freely distributed.

Share capital

	Ordinary shares (par value EUR 1.13)					
	Number x1,000			Amount		
	2009	2008	2007	2009	2008	2007
Authorised share capital	680,000	680,000	680,000	768	768	768
Unissued share capital	526,116	526,116	526,116	594	594	594
Issued share capital	153,884	153,884	153,884	174	174	174

No shares have been issued in 2009, 2008 or 2007.

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 Management Board of ING Insurance. The par value of ordinary shares is EUR 1.13. The authorised ordinary share capital of ING Insurance consists of 680 million shares, of which as at 31 December 2009 154 million have been issued and fully paid. There were no changes in issued share capital during 2009, 2008 or 2007.

Dividend restrictions
ING Verzekeringen 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.

Changes in revaluation reserve

2009	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	25	–6,030	1,360	–4,645
Unrealised revaluations after taxation	–1	6,837		6,836
Realised gains/losses transferred to profit and loss		529		529
Change in cash flow hedge reserve			–434	–434
Transfer to insurance liabilities/DAC		–2,079		–2,079
Closing balance	24	–743	926	207

Transfer to insurance liabilities/DAC includes the change in the deferred profit sharing liability (net of deferred tax). Reference is made to Note 16 'Insurance and investment contracts, reinsurance contracts'.

Notes to the consolidated balance sheet of ING Insurance (continued)

Changes in revaluation reserve

2008	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	23	2,801	10	2,834
Unrealised revaluations after taxation	2	–11,922		–11,920
Realised gains/losses transferred to profit and loss		898		898
Change in cash flow hedge reserve			1,350	1,350
Transfer to insurance liabilities/DAC		2,193		2,193
Closing balance	25	–6,030	1,360	–4,645

Changes in revaluation reserve

2007	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	82	6,314	702	7,098
Unrealised revaluations after taxation	–59	–1,798		–1,857
Realised gains/losses transferred to profit and loss		–2,847		–2,847
Change in cash flow hedge reserve			–692	–692
Transfer to insurance liabilities/DAC		1,132		1,132
Closing balance	23	2,801	10	2,834

Changes in currency translation reserve

	2009	2008	2007
Opening balance	**–1,191**	–1,086	–257
Unrealised revaluations after taxation	**–194**	209	200
Realised gains/losses transferred to profit and loss	**148**	156	
Exchange rate differences	**–274**	–470	–1,029
Closing balance	**–1,511**	–1,191	–1,086

The unrealised revaluations after taxation relate to changes in the value of hedging instruments that are designated as net investment hedges.

Changes in other reserves

2009	**Retained earnings**	**Share of associates reserve**	**Other reserves**	**Total**
Opening balance	**7,603**	**67**	**61**	**7,731**
Result for the year	**–550**			**–550**
Unrealised revaluations after taxation	**–270**	**43**		**–227**
Transfer to share of associates reserve	**110**	**–110**		**0**
Dividend	**–350**			**–350**
Employee stock options and share plans	**39**			**39**
Closing balance	**6,582**	**0**	**61**	**6,643**

Changes in other reserves

2008	Retained earnings	Share of associates reserve	Other reserves	Total
Opening balance	10,987	567	61	11,615
Result for the year	–1,078	–187		–1,265
Unrealised revaluations after taxation	343	–202		141
Dividend	–2,689	–111		–2,800
Employee stock options and share plans	40			40
Closing balance	7,603	67	61	7,731

Notes to the consolidated balance sheet of ING Insurance (continued)

Changes in other reserves

2007	Retained earnings	Share of associates reserve	Other reserves	Total
Opening balance	9,885	570	73	10,528
Result for the year	5,327	323		5,650
Unrealised revaluations after taxation			–12	–12
Dividend	–4,427	–173		–4,600
Employee stock options and share plans	49			49
Other	153	–153		0
Closing balance	10,987	567	61	11,615

Notes to the consolidated balance sheet of ING Insurance (continued)

LIABILITIES
13 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of Issue	Due date	Notional amount in original currency		Balance sheet value 2009	2008
8.500%	2008	Perpetual	USD	1,500		1,075
8.000%	2008	Perpetual	EUR	750	**750**	750
Variable	2008	Perpetual	USD	1,100	**764**	788
7.375%	2007	Perpetual	USD	1,000	**694**	716
5.775%	2005	Perpetual	USD	1,000	**695**	717
4.176%	2005	Perpetual	EUR	300	**303**	297
6.125%	2005	Perpetual	USD	200	**133**	149
6.125%	2005	Perpetual	USD	100	**66**	75
6.375%	2002	7 May 2027	EUR	1,000	**1,069**	1,077
6.250%	2001	21 June 2021	EUR	1,250	**1,269**	1,284
					5,743	6,928

Subordinated loans consists of subordinated bonds issued by ING Verzekeringen N.V. These bonds have been issued to raise hybrid capital. Under IFRS these bonds are classified as liabilities. They are considered capital for regulatory purposes.

14 DEBT SECURITIES IN ISSUE
The 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 Insurance, 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 Insurance does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

Debt securities in issue - maturities

	2009	2008
Fixed rate debt securities		
Within 1 year	**264**	649
More than 1 year but less than 2 years	**454**	290
More than 2 years but less than 3 years	**816**	412
More than 3 years but less than 4 years	**2,015**	814
More than 4 years but less than 5 years	**95**	2,018
More than 5 years	**435**	545
Total fixed rate debt securities	**4,079**	4,728

As of 31 December 2009, ING Insurance had unused lines of credit available totalling EUR 46 million (2008: EUR 48 million).

15 OTHER BORROWED FUNDS

Other borrowed funds by remaining term

2009	2010	2011	2012	2013	2014	There after	Total
Loans contracted	**2,996**		**417**		**190**	**644**	**4,247**
Loans from credit institutions	**2,009**	**173**	**14**			**593**	**2,789**
	5,005	**173**	**431**		**190**	**1,237**	**7,036**

Other borrowed funds by remaining term

2008	2009	2010	2011	2012	2013	There after	Total
Loans contracted	5,593	1,165	23	23	23	751	7,578
Loans from credit institutions	4,599	279	191	1	1	504	5,575
	10,192	1,444	214	24	24	1,255	13,153

Notes to the consolidated balance sheet of ING Insurance (continued)

16 INSURANCE AND INVESTMENT CONTRACTS, REINSURANCE CONTRACTS

The provisions for insurance and investment contracts, net of reinsurance (i.e. the provision for ING Insurance's own account) are presented in the balance sheet gross under 'Insurance and investment contracts' and 'Reinsurance contracts'.

Insurance and investment contracts, reinsurance contracts

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2009	2008	**2009**	2008	**2009**	2008
Provision for non-participating life policy liabilities	**69,641**	67,120	**4,798**	4,822	**74,439**	71,942
Provision for participating life policy liabilities	**50,102**	55,266	**200**	217	**50,302**	55,483
Provision for (deferred) profit sharing and rebates	**1,600**	147	**3**	2	**1,603**	149
Provision for life insurance for risk of policyholders	**99,299**	84,279	**374**	541	**99,673**	84,820
Life insurance provisions	**220,642**	206,812	**5,375**	5,582	**226,017**	212,394
Provision for unearned premiums and unexpired risks	**361**	1,756	**4**	13	**365**	1,769
Reported claims provision	**2,580**	3,995	**96**	202	**2,676**	4,197
Claims incurred but not reported (IBNR)	**493**	1,345	**5**		**498**	1,345
Claims provisions	**3,073**	5,340	**101**	202	**3,174**	5,542
Total provisions for insurance contracts	**224,076**	213,908	**5,480**	5,797	**229,556**	219,705
Investment contracts for risk of company	**5,896**	9,804			**5,896**	9,804
Investment contracts for risk of policyholders	**5,406**	11,281			**5,406**	11,281
Total provisions for investment contracts	**11,302**	21,085			**11,302**	21,085
Total	**235,378**	234,993	**5,480**	5,797	**240,858**	240,790

For insurance contracts with discretionary participation features a deferred profit sharing amount is recognised 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 amount is recognised for the share of realised results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing amount is reduced by the actual allocation of profit sharing to individual policyholders. The change in the deferred profit sharing amount on unrealised revaluation (net of deferred tax) is recognised in equity in the Revaluation reserve. The deferred profit sharing amount on unrealised revaluation is included in Provision for (deferred) profit sharing and rebates and amounts to EUR 313 million as at 31 December 2009 (2008: EUR –1,174 million).

Changes in life insurance provisions

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2009	2008	**2009**	2008	**2009**	2008
Opening balance	**206,812**	227,400	**5,582**	5,300	**212,394**	232,700
Changes in the composition of the group	**–2,864**	–15,050	**–65**	–25	**–2,929**	–15,075
	203,948	212,350	**5,517**	5,275	**209,465**	217,625
Current year provisions	**21,598**	33,078	**574**	884	**22,172**	33,962
Change in deferred profit sharing liability	**1,476**	–1,169			**1,476**	–1,169
Prior year provisions:						
– benefit payments to policyholders	**–21,191**	–24,626	**–452**	–719	**–21,643**	–25,345
– interest accrual	**4,311**	4,059	**39**	–15	**4,350**	4,044
– valuation changes for risk of policyholders	**16,652**	–32,408			**16,652**	–32,408
– effect of changes in discount rate assumptions	**–2**	–1			**–2**	–1
– effect of changes in other assumptions	**97**	–32	**–2**		**95**	–32
	–133	–53,008	**–415**	–734	**–548**	–53,742
Exchange rate differences	**–3,275**	9,918	**–124**	259	**–3,399**	10,177
Other changes	**–2,972**	5,643	**–177**	–102	**–3,149**	5,541
Closing balance	**220,642**	206,812	**5,375**	5,582	**226,017**	212,394

Notes to the consolidated balance sheet of ING Insurance (continued)

Changes in the composition of the group in 2009 relate mainly to the sale of the annuity and mortgage business of Chile. In 2008 it relates mainly to the sale of ING Life Taiwan. Reference is made to Note 27 ‘Companies acquired and companies disposed’.

Where discounting is used in the calculation of life insurance provision, the rate is within the range of 2.8% to 5.8% (2008: 3.1% to 6.0%) based on weighted averages.

Insurance provisions include a provision for the estimated cost of the agreement with regard to unit-linked policies. For more information reference is made to Note 28 ‘Legal proceedings’.

ING Insurance transferred part of its life insurance business to Scottish Re in 2004 by means of a co-insurance contract. This business continues to be included in Life insurance provisions. The related asset from the co-insurance contract is recognised under Reinsurance contracts. On 23 January 2009, Hannover Re and Scottish Re announced that Hannover Re has agreed to assume the ING individual life insurance business originally transferred to Scottish Re in 2004.

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, monitors concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer and maintains collateral. Reference is also made to section ‘Risk management’.

As at 31 December 2009, the total Reinsurance exposure, including Reinsurance contracts and Receivables from reinsurers (presented in Other assets) amounted to EUR 6,049 million (2008: EUR 6,539 million) after the provision for uncollectible reinsurance of EUR 1 million (2008: nil).

Changes in provision for unearned premiums and unexpired risks

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2009	2008	**2009**	2008	**2009**	2008
Opening balance	**1,756**	2,614	**13**	99	**1,769**	2,713
Changes in the composition of the group	**–1,454**	–643	**–11**	–93	**–1,465**	–736
	302	1,971	**2**	6	**304**	1,977
Premiums written	**1,702**	4,747	**70**	196	**1,772**	4,943
Premiums earned during the year	**–1,704**	–4,719	**–68**	–190	**–1,772**	–4,909
Exchange rate differences	**58**	–231		–1	**58**	–232
Other changes	**3**	–12		2	**3**	–10
Closing balance	**361**	1,756	**4**	13	**365**	1,769

Changes in the composition of the group in 2009 relate mainly to the sale of ING Canada. Reference is made to Note 27 ‘Companies acquired and companies disposed’.

Notes to the consolidated balance sheet of ING Insurance (continued)

Changes in claims provisions

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2009	2008	**2009**	2008	**2009**	2008
Opening balance	**5,340**	6,172	**202**	475	**5,542**	6,647
Changes in the composition of the group	**–2,366**	–401	**–110**	–135	**–2,476**	–536
	2,974	5,771	**92**	340	**3,066**	6,111
Additions:						
– for the current year	**1,111**	2,934	**21**	–93	**1,132**	2,841
– for prior years	**–361**	–583	**–6**	–12	**–367**	–595
– interest accrual of provision	**277**	291			**277**	291
	1,027	2,642	**15**	–105	**1,042**	2,537
Claim settlements and claim settlement costs:						
– for the current year	**485**	1,399	**2**	8	**487**	1,407
– for prior years	**574**	1,209	**10**	18	**584**	1,227
	1,059	2,608	**12**	26	**1,071**	2,634
Exchange rate differences	**95**	–407	**4**	–26	**99**	–433
Other changes	**36**	–58	**2**	19	**38**	–39
Closing balance	**3,073**	5,340	**101**	202	**3,174**	5,542

Changes in the composition of the group in 2009 relate mainly to the sale of ING Canada. Reference is made to Note 27 'Companies acquired and companies disposed'.

ING Insurance had an outstanding balance of EUR 42 million as at 31 December 2009 (2008: EUR 52 million) relating to environmental and asbestos claims. 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 Insurance considers facts currently known and current legislation and coverage litigation. Liabilities are recognised for IBNR claims and for known claims (including the costs of related litigation) when sufficient information has been obtained to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities are reviewed and updated regularly.

Where discounting is used in the calculation of the claims provision the rate is, based on weighted averages, within the range of 3.0% to 4.0% (2008: 3.0% to 4.0%).

Changes in investment contracts liabilities

	2009	2008
Opening balance	**21,085**	23,652
Changes in the composition of the group	**–8,208**	–548
	12,877	23,104
Current year liabilities	**5,573**	8,635
Prior year provisions:		
– payments to contract holders	**–9,711**	–8,472
– interest accrual	**122**	268
– valuation changes investments	**1,089**	–1,535
	–8,500	–9,739
Exchange rate differences	**981**	–1,111
Other changes	**371**	196
Closing balance	**11,302**	21,085

Changes in the composition of the group in 2009 relate mainly to the sale of ING Australia. Reference is made to Note 27 'Companies acquired and companies disposed'.

Notes to the consolidated balance sheet of ING Insurance (continued)

Gross claims development table

					Underwriting year		
	2004	2005	2006	2007	2008	2009	Total
Estimate of cumulative claims:							
At the end of underwriting year	1,234	1,126	1,118	1,038	1,088	1,184	
1 year later	1,101	1,055	1,085	954	1,078		
2 years later	947	953	996	890			
3 years later	924	924	984				
4 years later	924	909					
5 years later	915						
Estimate of cumulative claims	915	909	984	890	1,078	1,184	5,960
Cumulative payments	–752	–697	–746	–566	–644	–487	–3,892
	163	212	238	324	434	697	2,068
Effect of discounting	–21	–29	–29	–40	–44	–52	–215
Liability recognised	142	183	209	284	390	645	1,853
Liability relating to prior underwriting years							1,321
Total amount recognised in the balance sheet							3,174

ING Insurance applies the exemption provided for 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.

17 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial liabilities at fair value through profit and loss

	2009	2008
Trading liabilities – Derivatives		4
Non-trading derivatives	3,921	5,213
	3,921	5,217

Non-trading derivatives by type

	2009	2008
Derivatives used in:		
– fair value hedges	278	531
– cash flow hedges	435	558
– hedges of net investments in foreign operations	148	106
Other non-trading derivatives	3,060	4,018
	3,921	5,213

Notes to the consolidated balance sheet of ING Insurance (continued)

18 OTHER LIABILITIES

Other liabilities by type

	2009	2008
Deferred tax liabilities	859	1,275
Income tax payable	463	482
Post-employment benefits	86	120
Pension benefits	348	236
Other staff-related liabilities	99	128
Other taxation and social security contributions	152	112
Deposits from reinsurers	871	909
Accrued interest	1,626	1,664
Costs payable	828	1,223
Amounts payable to brokers	200	89
Amounts payable to policyholders	2,182	2,231
Reorganisation provision	154	31
Other provisions	167	409
Share-based payment plan liabilities	6	4
Other	4,506	5,058
	12,547	13,971

Other staff-liabilities include vacation leave provisions, jubilee provisions and disability/illness provisions.

Other mainly relates to year-end accruals in the normal course of business, none of which are individually material.

Deferred taxes are calculated on all temporary differences under the liability method using tax rates applicable to the jurisdictions in which ING Insurance is liable to taxation.

Changes in deferred tax

	Net liability 2008	Change through equity	Change through net result	Changes in the composition of the group	Exchange rate differences	Other	Net liability 2009
Investments	–2,151	2,474	267	13	–2	78	679
Financial assets and liabilities at fair value through profit and loss	45		1	–21	3	–7	21
Deferred acquisition costs and VOBA	3,480	–567	174	–12	–178	71	2,968
Fiscal equalisation reserve			–48			48	0
Depreciation	–1		–4		–1		–6
Insurance provisions	–494	–483	–468	55	–1	–55	–1,446
Cash flow hedges	419	–143			6	–15	267
Pension and post-employment benefits	161		113				274
Other provisions	–1,436	3	447	3	112	–72	–943
Receivables	42		–1		–2		39
Loans and advances to customers			–3				–3
Unused tax losses carried forward	–722		–677		51	–18	–1,366
Other	–32	–55	–6	–18	29	–5	–87
	–689	1,229	–205	20	17	25	397
Comprising:							
– deferred tax liabilities	1,275						859
– deferred tax assets	–1,964						–462
	–689						397

The change through equity relating to Investments of EUR 2,474 million (2008: EUR –3,118 million) consists of a deferred tax component of EUR 2,460 million (2008: EUR –3,728 million) relating to unrealised valuations and a deferred tax component of EUR 14 million (2008: EUR 610 million) relating to Realised gains/losses transferred to profit and loss.

Notes to the consolidated balance sheet of ING Insurance (continued)

Changes in deferred tax

	Net liability 2007	Change through equity	Change through net result	Changes in the composition of the group	Exchange rate differences	Other	Net liability 2008
Investments	620	–3,118	148	80	–85	204	–2,151
Financial assets and liabilities at fair value through profit and loss	30	–4	–2	17	–4	8	45
Deferred acquisition costs and VOBA	3,019	778	36	–632	270	9	3,480
Fiscal equalisation reserve	9		–3	–1		–5	0
Depreciation	–26	1	3	22	–2	1	–1
Insurance provisions	–871	450	–104	571	–56	–484	–494
Cash flow hedges	–133	454			8	90	419
Other provisions	–1,016	19	–402	41	–80	2	–1,436
Receivables	138		–18	–12	1	–67	42
Loans and advances to customers	9		–10	–1		2	0
Unused tax losses carried forward	–449		–255	105	–50	–73	–722
Other	–187	–64	43	41	–72	368	129
	1,143	–1,484	–564	231	–70	55	–689
Comprising:							
– deferred tax liabilities	1,615						1,275
– deferred tax assets	–472						–1,964
	1,143						–689

Deferred tax in connection with unused tax losses carried forward

	2009	2008
Total unused tax losses carried forward	**5,286**	2,694
Unused tax losses carried forward not recognised as a deferred tax asset	**–1,144**	–396
Unused tax losses carried forward recognised as a deferred tax asset	**4,142**	2,298
Average tax rate	**33.0%**	31.4%
Deferred tax asset	**1,366**	722

The following tax loss carry forwards and tax credits will expire as follows as at 31 December:

Total unused tax losses carried forward analysed by expiry terms

	No deferred tax asset recognised		Deferred tax asset recognised	
	2009	2008	**2009**	2008
Within 1 year	**34**	2	**23**	30
More than 1 year but less than 5 years	**333**	50	**126**	41
More than 5 years but less than 10 years	**9**	201	**730**	860
More than 10 years but less than 20 years	**740**	131	**3,049**	1,095
Unlimited	**28**	12	**214**	272
	1,144	396	**4,142**	2,298

Deferred tax assets are recognised for temporary deductible differences, for tax loss carry forwards and unused tax credits only to the extent that realisation of the related tax benefit is probable.

The deferred tax asset includes balances for which the utilisation is dependent on future taxable profits whilst the related entities have incurred losses in either the current year or the preceding year. The aggregate amount for the most significant entities where this applies is EUR 689 million. Recognition is based on the fact that it is probable that the entity will have taxable profits and /or can utilise tax planning opportunities before expiration of the deferred tax assets. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets.

Notes to the consolidated balance sheet of ING Insurance (continued)

As of 31 December 2009 and 31 December 2008, ING Insurance had no significant temporary differences associated with the parent company's investments in subsidiaries, branches and associates and interest in joint ventures as any economic benefit from those investments will not be taxable at parent company level.

Changes in reorganisation provisions

	Reorganisations	
	2009	2008
Opening balance	**31**	36
Changes in the composition of the group		–3
Additions	**304**	14
Releases	**–46**	–7
Charges	**–180**	–7
Exchange rate differences	**–2**	
Other changes	**47**	–2
Closing balance	**154**	31

As at 31 December 2009 the provision for reorganisation, of which EUR 142 million relates to termination benefits, mainly related to the reorganisation of Nationale Nederlanden, RVS and Insurance Americas.

Changes in other provisions

	Litigation		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008
Opening balance	**18**		**391**	288	**409**	288
Changes in the composition of the group	**1**		**–38**	3	**–37**	3
Additions	**23**	1	**49**	302	**72**	303
Releases	**–2**		**–10**	–13	**–12**	–13
Charges	**–7**	–7	**–296**	–162	**–303**	–169
Exchange rate differences		–1	**5**	–2	**5**	–3
Other changes	**3**	25	**30**	–25	**33**	0
Closing balance	**36**	18	**131**	391	**167**	409

Included in Other provisions in 2008 is a provision for a loss of EUR 292 million relating to the agreed disposal of ING Life Taiwan as disclosed in Note 27 'Companies acquired and companies disposed'.

In general Reorganisation and Other provisions are of a short-term nature.

The amounts included in Other provisions are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation.

Pension and post-employment benefits

Summary of pension benefits

	Pension benefits				
	2009	2008	2007	2006	2005
Defined benefit obligation	**4,975**	5,223	5,245	5,699	5,910
Fair value of plan assets	**5,102**	4,697	5,245	5,063	4,684
	–127	526	0	636	1,226
Unrecognised past service costs	**–3**	–5	–3		
Unrecognised actuarial gains/(losses)	**–635**	–955	–62	–426	–780
	–765	–434	–65	210	446
Presented as:					
– Other liabilities	**348**	236	–65	210	446
– Other assets	**–1,113**	–670			
	–765	–434	–65	210	446

Notes to the consolidated balance sheet of ING Insurance (continued)

Summary of post-employment benefits

	Post-employment benefits				
	2009	2008	2007	2006	2005
Defined benefit obligation	**69**	112	126	176	247
	69	112	126	176	247
Unrecognised past service costs	**7**	1	3	8	–5
Unrecognised actuarial gains/(losses)	**10**	7	7	–2	–14
	86	120	136	182	228

ING Insurance maintains defined benefit retirement plans in its major countries of operation. 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. This 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 governing investments and funding levels.

ING Insurance provides other post-employment employee benefits to certain employees and former employees. These are primarily post-employment healthcare benefits and post-employment defined benefit early-retirement plans provided to employees and former employees.

Certain group companies sponsor defined contribution pension plans. The assets of all ING Insurance'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 2009 was EUR 20 million (2008: EUR 25 million).

Actuarial gains and losses related to pension and post-employment benefits for the year ended 31 December 2009 include EUR 104 million (2008: EUR –969 million; 2007: EUR –306 million; 2006: EUR 98 million) experience gain adjustments for assets and EUR 135 million (2008: EUR 3 million; 2007: EUR 72 million; 2006: nil) experience gain adjustments for liabilities.

Changes in defined benefit obligation

	Pension benefits		Post-employment benefits other than pensions	
	2009	2008	**2009**	2008
Opening balance	**5,223**	5,245	**112**	126
Current service cost	**110**	144	**3**	1
Interest cost	**273**	286	**5**	8
Participants contributions		4		
Benefits paid	**–224**	–230	**–4**	–7
Actuarial gains and losses	**–99**	–66	**–8**	
Past service cost	**–1**	1	**–27**	1
Changes in the composition of the group and other changes	**–283**	–168	**–10**	–18
Effect of curtailment or settlement	**–8**			
Exchange rate differences	**–16**	7	**–2**	1
Closing balance	**4,975**	5,223	**69**	112
Relating to:				
– funded plans	**4,926**	5,171		
– unfunded plans	**49**	52	**69**	112
	4,975	5,223	**69**	112

The estimated unrecognised past service cost and unrecognised actuarial gains/losses for the defined benefit related liability plans to be amortised to pension and other staff costs during 2010 are nil and EUR 9 million respectively.

Notes to the consolidated balance sheet of ING Insurance (continued)

Changes in fair value of plan assets

	Pension benefits	
	2009	2008
Opening balance	**4,697**	5,245
Expected return on plan assets	**296**	321
Employer's contribution	**515**	460
Participants contributions	**1**	4
Benefits paid	**–212**	–224
Actuarial gains and losses	**104**	–970
Changes in the composition of the group and other changes	**–299**	–132
Exchange rate differences		–7
Closing balance	**5,102**	4,697

The actual return on the plan assets amounted to EUR 400 million (2008: EUR –649 million; 2007: EUR 20 million).

No plan assets are expected to be returned to ING Insurance during 2010.

Pension investment strategy
The primary financial objective of ING Employee Benefit Plans (the Plans) is to secure participant retirement benefits. As such, the key objective in the Plans' financial management is to promote stability and, where appropriate, growth in funded status (i.e. the ratio of market value of assets to liabilities).The investment strategy for the Plans' portfolios of assets (the Funds') balances the requirement to generate returns with the need to control risk. The asset mix is recognised as the primary mechanism to influence the reward and risk structure of the Funds in an effort to accomplish the Plans' funding objectives. Desirable target allocations amongst identified asset classes are set and within each asset class, careful consideration is given to balancing the portfolios among industry sectors, geographical areas, interest rate sensitivity, dependence on economic growth, currency and other factors affecting investment returns. The assets are managed by professional investment firms. They are bound by precise mandates and are measured against specific benchmarks. Factors considered by the fund managers include balancing security concentration, investment style, and reliance on particular active investment strategies. The asset mixes of the Funds are reviewed on a regular basis. Generally, the Funds' asset mixes will be rebalanced to the target mixes as individual portfolios approach their minimum or maximum levels.

Categories of plan assets in percentages

	Target allocation	Percentage of plan assets		Weighted average expected long term rate of return	
	2010	**2009**	2008	**2009**	2008
Equity securities	**33**	**35**	38	**7.8**	8.3
Debt securities	**52**	**56**	53	**4.8**	4.9
Other	**15**	**9**	9	**6.3**	7.0
	100	**100**	100	**6.2**	6.4

Equity securities include ING Group ordinary shares of EUR 1 million (0.01% of total plan assets) as at 31 December 2009 (2008: EUR 1 million, 0.01% of total plan assets). Other includes mainly real estate. Real estate occupied by ING Insurance as at 31 December 2009 which is included in Other includes nil (0.0% of total plan assets)(2008: 0.0% of total plan assets).

Determination of expected return on assets
An important aspect of financial reporting is the assumption used for return on assets (ROA). The ROA is updated at least annually, taking into consideration the Plans asset allocations, historical returns on the types of assets held in the Funds, and the current economic environment. Based on these factors, it is expected that the Funds' assets will earn an average annual percentage in the long term. This estimate takes into account a reduction for administrative expenses and non-ING investment manager fees paid from the Funds. For estimation purposes, it is assumed that the long term asset mixes will be consistent with the current mixes. Changes in the asset mixes could have an impact on the amount of recognised pension income or expense, the funded status of the Plan, and the need for future cash contributions.

Notes to the consolidated balance sheet of ING Insurance (continued)

Weighted averages of basic actuarial assumptions in annual % as at 31 December	Pension benefits		Post-employment benefits other than pensions	
	2009	2008	**2009**	2008
Discount rates	**5.70**	5.80	**5.30**	5.90
Mortality rates	**1.30**	1.60	**1.30**	1.60
Expected rates of salary increases (excluding promotion increases)	**2.80**	2.90	**3.10**	3.60
Medical cost trend rates			**6.10**	6.60
Consumer price inflation	**2.00**	2.10	**2.10**	2.20

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.

The presented discount rate is the weighted average of the discount rates that are applied in different countries. These rates are based on AA corporate bond yields of the specific countries with durations matching the pension liabilities.

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 1 million as at 31 December 2009 (2008: EUR 1 million) and no increase in the charge for the year (2008: no increase). A decrease of 1% in the medical cost trend rate for each future year would have resulted in lower defined benefit obligation of EUR 1 million as at 31 December 2009 (2008: EUR 1 million) and no decrease in the charge for the year (2008: no decrease).

Expected cash flows
During 2010 the expected contributions to pension plans is EUR 734 million.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid by the plan:

Benefit payments	**Pension benefits**	**Post-employment benefits other than pensions**
2010	**198**	**5**
2011	**209**	**4**
2012	**219**	**4**
2013	**223**	**4**
2014	**226**	**3**
Years 2015 – 2019	**1,280**	**14**

Additional information to the consolidated balance sheet of ING Insurance, amounts in millions of euros, unless stated otherwise

19 ASSETS BY CONTRACTUAL MATURITY

Assets by contractual maturity

2009	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	9,425						9,425
Financial assets at fair value through profit and loss:							
– trading assets		1	432	5	26	10	474
– investments for risk of policyholders[1]						104,597	104,597
– non-trading derivatives	118	139	259	715	2,437		3,668
– designated as at fair value through profit and loss	13	1	108	89	678	1,489	2,378
Available-for-sale investments	634	3,625	8,341	21,870	53,044	18,007	105,521
Loans and advances to customers	750	476	1,067	6,134	16,406	4,181	29,014
Reinsurance contracts	13	27	122	626	2,591	2,101	5,480
Intangible assets	2	6	31	242	317	3,277	3,875
Deferred acquisition costs	28	20	128	451	2,752	8,019	11,398
Assets held for sale		218	223				441
Other assets	3,498	1,215	1,021	2,694	997	606	10,031
Remaining assets (where maturities are not applicable)[2]						4,107	4,107
Total assets	14,481	5,728	11,732	32,826	79,248	146,394	290,409

[1] Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of ING Insurance.
[2] Included in remaining assets where maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Amounts presented in this table by contractual maturity are the amounts as presented in the balance sheet.

Assets by contractual maturity

2008	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	14,440						14,440
Financial assets at fair value through profit and loss:							
– trading assets	1		3	27		506	537
– investments for risk of policyholders						95,366	95,366
– non-trading derivatives	293	658	325	840	4,181	47	6,344
– designated as at fair value through profit and loss	95	14	226	641	523	2,290	3,789
Available-for-sale investments	457	3,171	6,648	21,328	45,915	31,968	109,487
Loans and advances to customers	1,439	1,941	1,105	2,836	15,780	2,534	25,635
Reinsurance contracts	30	46	204	886	1,148	3,483	5,797
Intangible assets	3	7	89	337	2,268	2,027	4,731
Deferred acquisition costs	11	110	247	390	2,637	8,448	11,843
Assets held for sale		15,312					15,312
Other assets	865	1,833	4,593	2,333	1,978	2,786	14,388
Remaining assets (where maturities are not applicable)						4,551	4,551
Total assets	17,634	23,092	13,440	29,618	74,430	154,006	312,220

Additional information to the consolidated balance sheet of ING Insurance (continued)

20 LIABILITIES BY CONTRACTUAL MATURITY

As a result of amendments made to IFRS 7 the disclosure on the contractual maturity has been revised for 2009. The amendments affect the disclosure of financial liabilities by contractual maturity for 2009 only, as the amendments to IFRS 7 do not require presentation of comparatives. The table below includes all financial liabilities by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable will be included in a separate line and in the relevant maturity bucket. Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included. Reference is made to the Liquidity Risk paragraph in the 'Risk Management' section for a description on how liquidity risk is managed.

Liabilities by contractual maturity

2009	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Adjust-ment	Total
Liabilities								
Subordinated loans					2,250	3,411	82	5,743
Debt securities in issue	1	253		3,342	441		42	4,079
Other borrowed funds:	2,685	516	1,808	784	1,233		10	7,036
Financial liabilities at fair value through profit and loss:								
– non-trading derivatives	373	700	913	2,852	1,898	677	–3,492	3,921
Financial liabilities	3,059	1,469	2,721	6,978	5,822	4,088	–3,358	20,779
Insurance and investment contracts	1,618	1,830	7,300	33,723	90,322	106,065		240,858
Other liabilities	2,626	478	4,701	2,266	1,908	568		12,547
Liabilities held for sale		77	181					258
Total liabilities	7,303	3,854	14,903	42,967	98,052	110,721	–3,358	274,442
Coupon interest due on financial liabilities	36	21	430	1,290	1,355			3,132

The amounts presented in the column Adjustment reconcile the contractual maturity amounts to the balance sheet value.

Liabilities by contractual maturity

2008	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Liabilities							
Subordinated loans					2,361	4,567	6,928
Debt securities in issue	111	512	26	3,534	545		4,728
Other borrowed funds	3,356	4,226	2,607	1,597	1,367		13,153
Insurance and investment contracts	2,345	2,485	9,289	33,569	93,538	99,564	240,790
Financial liabilities as at fair value through profit and loss:							
– trading liabilities				1		3	4
– non-trading derivatives	314	421	176	2,040	2,227	35	5,213
Liabilities held for sale		15,020					15,020
Other liabilities	774	2,456	3,890	3,680	1,869	1,302	13,971
Total liabilities	6,900	25,120	15,988	44,421	101,907	105,471	299,807

21 DERIVATIVES AND HEDGE ACCOUNTING

Use of derivatives and hedge accounting

As described in the 'Risk management section', ING Insurance 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 Insurance'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 on '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, ING Insurance 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; however they do not represent amounts at risk. ING Insurance uses credit derivatives to manage its exposure to credit risk, including total derivatives and return swaps and credit default swaps, to sell or buy protection for credit risk exposures in the loan, investment and trading portfolios. Hedge accounting is not applied in relation to credit derivatives.

Fair value hedge accounting

ING Insurance'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, only the net accounting ineffectiveness has an impact on the net result.

For the year ended 31 December 2009, ING Insurance recognised EUR 191 million (2008: EUR –193 million) of fair value losses on derivatives designated under fair value hedge accounting in the profit and loss account. This amount was offset by EUR –226 million (2008: EUR 164 million) fair value changes recognised on hedged items. This resulted in EUR –35 million (2008: EUR –29 million) net accounting ineffectiveness recognised in the profit and loss account. As at 31 December 2009, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR –179 million (2008: EUR –498 million), presented in the balance sheet as EUR 99 million (2008: EUR 33 million) positive fair values under assets and EUR 278 million (2008: EUR 531 million) negative fair values under liabilities.

Cash flow hedge accounting

ING Insurance'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 recognised in Shareholders' equity. Interest cash flows on these derivatives are recognised in the profit and loss account in interest income consistent with the manner in which the forecast cash flows affect net result. 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 2009, ING Insurance recognised EUR –434 million (2008: EUR 1,350 million) in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity as at 31 December 2009 is EUR 1,192 million (2008: EUR 1,777 million) gross and EUR 926 million (2008: EUR 1,360 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value of 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 44 years with the largest concentrations in the range of 4 years to 9 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting of EUR –9 million (2008: EUR 22 million) was recognised in the profit and loss account.

As at 31 December 2009, the fair values of outstanding derivatives designated under cash flow hedge accounting was EUR 991 million (2008: EUR 1,674 million), presented in the balance sheet as EUR 1,426 million (2008: EUR 2,232 million) positive fair values under assets and EUR 435 million (2008: EUR 558 million) negative fair values under liabilities.

As at 31 December 2009 and 31 December 2008, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes.

Included in Interest income and interest expense on non-trading derivatives is EUR 348 million (2008: EUR 288 million) and EUR 267 million (2008: EUR 216 million), respectively, relating to derivatives used in cash flow hedges.

Hedges of net investments in foreign operations

ING Insurance’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 recognised 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.

As at 31 December 2009, the fair values of outstanding derivatives designated under net investment hedge accounting was EUR –143 million (2008: EUR 225 million), presented in the balance sheet as EUR 5 million (2008: EUR 331 million) positive fair values under assets and EUR 148 million (2008: EUR 106 million) negative fair values under liabilities.

As at 31 December 2009, the fair values of outstanding non-derivatives designated under net investment hedge accounting was nil (2008: EUR –881 million), presented in the balance sheet as negative fair values under liabilities. Non-derivatives designated as hedging instruments consist mainly of loan agreements.

Accounting ineffectiveness recognised in the profit and loss account for the year ended 31 December 2009 on derivatives and non-derivatives designated under net investment hedge accounting was EUR 1 million (2008: EUR –6 million).

Additional information to the consolidated balance sheet of ING Insurance (continued)

22 MAXIMUM CREDIT EXPOSURE

ING Insurance's maximum credit exposure as at 31 December 2009 and 2008 is represented as follows:

Maximum credit exposure

	2009	2008
Cash and cash equivalents	9,425	14,440
Trading assets:		
– debt securities	37	26
– derivatives		5
Non-trading derivatives	3,668	6,344
Designated as at fair value through profit and loss	2,378	3,789
Available-for-sale debt securities	100,350	102,528
Loans and advances to customers:		
– policy loans	2,903	2,960
– loans secured by mortgages	14,003	15,559
– unsecured loans	6,009	5,197
– mortgage backed securities	4,337	
– other	1,760	1,919
Reinsurance contracts	5,480	5,797
Reinsurance and insurance receivables	2,125	3,683
Other receivables	2,131	3,237
Maximum credit exposure on balance sheet	154,606	165,484
Off-balance sheet credit commitments:		
– commitments	1,646	4,220
– guarantees	4,288	3,548
Maximum credit exposure off balance sheet	5,934	7,768
Maximum credit risk	160,540	173,252

The maximum credit exposure for relevant items on the balance sheet is the balance sheet carrying value for the relevant financial assets. For the off balance sheet items the maximum credit exposure is the maximum amount that could be required to be paid. Collateral received is not taken into account.

The manner in which ING Insurance manages credit risk and determines credit risk exposures for that purpose is explained in the 'Risk management' section.

23 ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable relate primarily the loan to the Dutch State in connection with the Illiquid Assets Back-Up Facility agreement as disclosed in Note 30 'Related parties', which is included in Loans and advances to customers, and to investments of EUR 250 million (2008: EUR 284 million) provided as guarantees for certain contingent liabilities. There are no material terms and conditions relating to the collateral represented by such guarantees.

24 CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business ING Insurance 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, ING Insurance offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments

	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total 2009	Total 2008
Commitments	1,218	8	83	292	2	43	1,646	4,220
Guarantees			826		2,504	958	4,288	3,548
	1,218	8	909	292	2,506	1,001	5,934	7,768

Guarantees relate both to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees given by ING Insurance 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. In addition to the items included in contingent liabilities, ING Insurance 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.

Additional information to the consolidated balance sheet of ING Insurance (continued)

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 Insurance'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 include acceptances of bills and are of a short-term nature.

Future rental commitments for operating lease contracts

2010	**17**
2011	**16**
2012	**34**
2013	**103**
2014	**43**
years after 2014	**23**

25 INVESTMENT FUNDS

ING Insurance as fund manager and investor

ING Insurance sets up investment funds for which it acts as a fund manager and sole investor at the inception of the fund. Subsequently, ING Insurance will seek third-party investors to invest in the fund, thereby reducing the interest of ING Insurance. In general, ING Insurance will maintain a small percentage of interest in these funds.

ING Insurance as fund manager

ING Insurance acts as fund manager for several funds. Fees related to these management activities are charged on an arm's-length basis. In general, these funds are generally not included in the consolidated financial statement of the Insurance.

26 PRINCIPAL SUBSIDIARIES

The principal subsidiaries of ING Verzekeringen N.V. are as follows:

ING Vastgoed Belegging B.V.	The Netherlands
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	The Netherlands
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	The Netherlands
Parcom Capital B.V.	The Netherlands
ING Levensverzekering Retail N.V.	The Netherlands
ING Schadeverzekering Retail N.V.	The Netherlands
RVS Levensverzekering N.V.	The Netherlands
RVS Schadeverzekering N.V.	The Netherlands
Movir N.V.	The Netherlands
ING Zivotna Poistovna a.s.	Slovakia
ING Nationale-Nederlanden Polska S.A.	Poland
ING Nationale-Nederlanden Polska Powszechne Towarzystwo Emerytaine S.A	Poland
ING Asigurari de Viata S.A.	Romania
ING Greek Life Insurance Company S.A.	Greece
ING 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 America Insurance Holdings, Inc.	United States of America
ING International Insurance Holdings, Inc.	United States of America
ING Life Insurance and Annuity Company	United States of America
ING North America Insurance Corporation	United States of America
Lion Connecticut Holdings Inc.	United States of America
ReliaStar Life Insurance Company	United States of America
ReliaStar Life Insurance Company of New York	United States of America
Security Life of Denver Insurance Company	United States of America
ING USA Annuity and Life Insurance Company	United States of America
ING Life Insurance Company (Bermuda) Limited	Hong Kong
Security Life of Denver International Limited	Bermuda
ING Seguros de Vida S.A.	Chile
AFP Capital S.A.	Chile
ING Insurance Berhad	Malaysia
ING Afore S.A. de C.V.	Mexico
ING Life Insurance Company (Japan) Limited	Japan
ING Life Insurance Company (Korea) Limited	South Korea
ING Australia Holdings Limited	Australia
ING Re (Netherlands) N.V.	The Netherlands

Additional information to the consolidated balance sheet of ING Insurance (continued)

27 COMPANIES ACQUIRED AND COMPANIES DISPOSED

Most significant companies disposed in 2009

	ING Life Taiwan[5]	ING Canada	Annuity and Mortgage business of Chile	Australia/ New Zealand	Total
Sales proceeds					
Cash proceeds[1]		1,316	217	1,106	2,639
Non-cash proceeds	466				466
Sales proceeds	466	1,316	217	1,106	3,105
Assets					
Cash assets	80	322	2	233	637
Investments	9,801	2,350	1,803	385	14,339
Loans and advances to customers	1,341	79	413		1,833
Financial assets at fair value through profit and loss	1,552	1,075	52	8,370	11,049
Miscellaneous other assets	2,538	2,092	74	639	5,343
Liabilities					
Insurance and investment contracts	14,294	3,761	2,009	8,524	28,588
Miscellaneous other liabilities	260	223	95	334	912
Net assets	758	1,934	240	769	3,701
% disposed	100%	70%[4]	100%	100%	
Net assets disposed	758	1,354	240	769	3,121
Goodwill at date of disposal					
Gain/loss on disposal[2]	–292[3]	–38	–23	337	–16

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial disposals in addition to the cash flows presented.
(2) The gain/loss on disposal comprises the sales proceed, the net assets disposed, the expenses directly related to the disposal and the realisation of the unrealised reserves.
(3) The loss was recognised in 2008.
(4) After disposal of the 70% stake ING has no remaining stake in ING Canada.
(5) Assets and liabilities included in this column were presented as assets/liabilities held for sale as at 31 December 2008.

Disposals effective in 2009
In October 2008 ING reached agreement to sell its entire Taiwanese life insurance business, ING Life Taiwan, to Fubon Financial Holding Co. Ltd. The sale was completed in February 2009 at a final sales price of EUR 466 million (USD 600 million). This differs from the proceeds reported in 2008 of EUR 447 million due to movements in the dollar/euro exchange rate between date of signing the sales agreement and the date of closing. ING was paid in a fixed number of shares with the difference between the fair value of those shares at the closing date and the sale price being paid in subordinated debt securities of the acquirer. This transaction resulted in a loss of EUR 292 million. This loss includes EUR 214 million loss on disposal (recognised in 2008 in 'Net result on disposal of group companies' in the profit and loss account) and EUR 78 million operating loss in the period that ING Life Taiwan was held for sale. ING Life Taiwan was previously included in the segment Insurance Asia/Pacific.

In February 2009, ING completed the sale of its 70% stake in ING Canada for net proceeds of EUR 1,316 million. This differs from the proceeds presented in the annual accounts of 2008 of EUR 1,265 million due to movements in the Canadian dollar/euro exchange rate between date of signing the sales agreements and the date of closing. The sale was effected through a private placement and a concurrent 'bought deal' public offering in Canada. This transaction resulted in a loss of EUR 38 million. ING Canada was previously included in the segment Insurance Americas.

In July 2009 ING reached an agreement to sell its non-core Annuity and Mortgage businesses in Chile to Corp Group Vida Chile, S.A. for EUR 217 million. This sale does not impact ING's Pension, Life Insurance, and Investment Management businesses in Chile where ING remains committed to developing leadership positions. This sale was completed in November 2009 and resulted in a loss of EUR 23 million. These non-core Annuity and Mortgages businesses were previously included in the segment Insurance Americas.

In September 2009 ING reached an agreement to sell its life insurance and wealth management venture in Australia and New Zealand to ANZ, its joint venture partner. Under the terms of the agreement, ING will sell its 51% equity stakes in ING Australia and ING New Zealand to ANZ for EUR 1,106 million cash proceeds. The transaction is part of ING's Back to Basics strategy. The sale was complete in November 2009 and resulted in a profit for ING of EUR 337 million. The joint venture was previously included in the segment Insurance Asia/Pacific.

Additional information to the consolidated balance sheet of ING Insurance (continued)

Acquisitions and disposals announced and occurring or expected to occur in 2010
In November 2009 ING reached an agreement to sell three of its U.S. independent retail broker-dealer units, which comprise three-quarters of ING Advisors Network, to Lightyear Capital LLC. The transaction concerns Financial Network Investment Corporation, based in El Segundo, California., Multi-Financial Securities Corporation, based in Denver, Colorado., PrimeVest Financial Services, Inc., based in St. Cloud, Minnesota, and ING Brokers Network LLC, the holding company and back-office shared services supporting those broker dealers, which collectively do business as ING Advisors Network. The sale was completed in February 2010. The three U.S. independent retail broker-dealer units are included in the segment Insurance Americas.

In December 2009 ING announced it will sell its entire stake in China's Pacific Antai Life Insurance Company Ltd. (PALIC) to China Construction Bank. This is the outcome of a strategic review announced in April 2009 as part of ING's Back to Basics program. The stake in PALIC is included in the segment Insurance Asia/Pacific. The transaction is expected to be closed in the second half of 2010.

The above described disposals will be deconsolidated in 2010 when ING loses control. They qualify as disposal groups held for sale at 31 December 2009 as ING expects to recover the carrying amount principally through the sale transactions. They are available for sale in their immediate condition subject to terms that are usual and customary for sales of such assets and the sales are highly probable.

Most significant companies acquired in 2008

	Chile Pension Business of Santander	CitiStreet	ING Investment Management België	ING Investment Management Luxemburg	Oyak Emeklilik	Total
General						
Date of acquisition	16 January 2008	1 July 2008	1 October 2008	1 October 2008	1 December 2008	
Percentage of voting shares acquired	100%	100%	100%	100%	100%	
Purchase price						
Purchase price	397	578	159	42	110	1,286
Costs directly attributable to the acquisition	4	5				9
Cash purchase price	401	583	159	42	110	1,295
Cash in company acquired		45			35	80
Cash outflow on acquisition(1)	401	538	159	42	75	1,215
Assets						
Cash assets		45			35	80
Investments	8					8
Loans and advances to customers	6		27	34		67
Amounts due from banks			74	4		78
Financial assets at fair value through profit and loss	78					78
Intangible assets	31	73				104
Miscellaneous other assets	2	24	6		8	40
Liabilities						
Insurance and investment contracts	7					7
Miscellaneous other liabilities	6	26	75	30	2	139
Net assets	112	116	32	8	41	309
Net assets acquired determined provisionally	112	116	32	8	41	309
Goodwill recognised(2)	285	462	127	34	69	977
Profit since date of acquisition	3	–7	–1	2		–3
Income if acquisition effected at start of year	17	275	48	9	12	361
Profit if acquisition effected at start of year	1	8	11	7		27

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial acquisitions and real estate portfolios in addition to the cash flows presented herein.
(2) Goodwill recognised in 2008 on immaterial acquisitions and real estate portfolios was EUR 105 million, resulting in total Goodwill recognised in 2008 of EUR 1,082 million as disclosed in Note 8 'Intangible assets'.

Additional information to the consolidated balance sheet of ING Insurance (continued)

Acquisitions effective in 2008

In December 2008, ING Insurance acquired 100% of the voluntary pension fund Oyak Emeklilik for a total consideration of EUR 110 million. Goodwill of EUR 69 million was recognised on the acquisition and is mainly attributable to the operational synergies and the future business potential resulting from the acquisition.

ING Insurance N.V. has bought ING Investment Management Luxemburg and ING Investment Management België from ING Bank N.V. for EUR 201 million.

In July 2008, ING Insurance acquired 100% of CitiStreet, a leading retirement plan and benefit service and administration organisation in the US defined contribution marketplace for a total consideration of EUR 578 million. Goodwill of EUR 462 million was recognised on the acquisition and is mainly attributable to the operational synergies and the future business potential resulting from the acquisition, making ING one of the largest defined contribution businesses in the US.

In January 2008, ING Insurance closed the final transaction to acquire 100% of Banco Santander's Latin American pension and annuity businesses through the acquisition of the pension business in Chile. See Acquisitions effective in 2007 in this note for full details of the entire deal.

Most significant companies disposed in 2008

	NRG	Mexican non-life business	Aconto BV	Total
Sales proceeds				
Sales proceeds	272	950	174	1,396
Cash proceeds	272	950	174	1,396
Cash in company disposed	12	26		38
Cash inflow on disposal(1)	260	924	174	1,358
Assets				
Cash assets	12	26		38
Investments	461	1,146		1,607
Loans and advances to customers	137	65	1,714	1,916
Amounts due from banks			164	164
Financial assets at fair value through profit and loss		41		41
Miscellaneous other assets	26	1,261	21	1,308
Liabilities				
Insurance and investment contracts	210	1,497		1,707
Amounts due to banks			1,527	1,527
Other borrowed funds			154	154
Miscellaneous other liabilities	10	274	44	328
Net assets	416	768	174	1,358
% disposed	100%	100%	100%	
Net assets disposed	416	768	174	1,358
Gain/loss on disposal(2)	–144	182		38

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial disposals in addition to the cash flows presented.
(2) The gain/loss on disposal comprises the sales proceed, the net assets disposed, the expenses directly related to the disposal and the realisation of the unrealised reserves.

Disposals effective in 2008

In December 2007, ING Insurance reached an agreement with Berkshire Hathaway Group to sell its reinsurance unit NRG N.V. for EUR 272 million. The sale resulted in a net loss of EUR 144 million. A loss on disposal of EUR 129 million was reported in 2007.In 2008 EUR 15 million additional losses, predominantly relating to currency exchange rate changes were recognised.

In July 2008, ING Insurance had completed the sale of part of its Mexican business, Seguros ING SA de CV and subsidiaries, to AXA as announced in February 2008, for a total consideration of EUR 950 million (USD 1.5 billion). The sale resulted in a gain of EUR 182 million.

In January 2008 ING Insurance completed the sale of its health business in Chile, ING Salud, to Said Group and Linzor Capital Partners, resulting in a gain on disposal of EUR 55 million.

In April 2008, ING Insurance sold Aconto B.V. to ING Bank for EUR 174 million.

Additional information to the consolidated balance sheet of ING Insurance (continued)

As mentioned in Acquisitions effective in 2007 ING Insurance acquired the AFJP Pension (Origenes AFJP S.A.) company in Argentina as part of the Santander transaction. In November 2008 the Government of Argentina passed legislation to nationalise the private pension system (AFJPs). Under the law, all client balances held by the private pension system have to be transferred to the Argentina Government and AFJP's pension business was terminated. The law became effective in December 2008 when the Argentine Social Security Administration (ANSES) took ownership over the affiliate accounts. The nationalisation impacted the pension assets only, thus leaving ING responsible for the ongoing operating costs and liabilities including severance obligations. This resulted in a loss of EUR 188 million being recognised in 2008.

Most significant companies acquired in 2007

	Landmark	Latin American Pension business of Santander	Total
General			
Date of acquisition	31 July 2007	4 December 2007	
Percentage of voting shares acquired	100%	100%	
Purchase price			
Purchase price	255	692	947
Costs directly attributable to the acquisition	2	8	10
Cash purchase price	257	700	957
Cash in company acquired	29	28	57
Cash outflow on acquisition(1)	228	672	900
Assets			
Cash assets	29	28	57
Investments		86	86
Financial assets at fair value through profit and loss		520	520
Intangible assets		154	154
Miscellaneous other assets	18	85	103
Liabilities			
Insurance and investment contracts		500	500
Miscellaneous other liabilities		182	182
Net assets	47	191	238
Net assets acquired	47	191	238
Goodwill recognised(2)	208	501	709
Profit since date of acquisition	1	8	9
Income if acquisition effected at start of year	15	209	224
Profit if acquisition effected at start of year(3)	4	46	50

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial acquisitions and real estate portfolios in addition to the cash flows presented herein.
(2) Goodwill recognised in 2007 on immaterial acquisitions and real estate portfolios was EUR 199 million, resulting in total Goodwill recognised in 2007 of EUR 908 million as disclosed in Note 8 'Intangible assets'.
(3) Estimate of full year profit of acquired company based on local accounting principles.

Acquisitions effective in 2007

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

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

Additional information to the consolidated balance sheet of ING Insurance (continued)

In July 2007, ING announced that it had reached agreement to acquire full ownership of Landmark Investment Co Ltd, the twelfth largest asset manager in South Korea. The purchase price paid for Landmark was EUR 255 million. Goodwill of approximately EUR 208 million was recognised on acquisition and is mainly attributable to the operational synergies and to the future business potential resulting from the acquisition. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. All significant intangibles were recognised separately from goodwill and are included in Intangible assets. No significant adjustments were made in 2008 to amounts recognised provisionally in 2007.

In November and December 2007, ING acquired the Latin American pension businesses of Banco Santander in Mexico for EUR 349 million, in Columbia for EUR 88 million, in Uruguay for EUR 20 million and in Argentina for EUR 235 million. As mentioned in Acquisitions effective in 2008, the pension business in Chile was acquired in January 2008 for EUR 450 million. The total costs of the entire deal were approximately EUR 1,142 million. Goodwill of approximately EUR 786 million was recognised on acquisition and is mainly attributable to the operational synergies and to the future business potential resulting from the acquisition. The Latin American pension businesses acquired represented the acquisition of leading positions in retirement services in high growth emerging markets, giving ING a sustainable, scalable platform in Latin America. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. All significant intangibles were recognised separately from goodwill and are included in Intangible assets. Except for the effect of the nationalisation of the Argentinean pension business as disclosed in Disposals announced and expected to occur in 2009 above, no significant adjustments were made in 2008 to amounts recognised provisionally in 2007.

Most significant companies disposed in 2007

	Belgian Broker & employee benefits	Nationale Neder-landen Hypotheek Bedrijf	Total
Sales proceeds			
Sales proceeds	777	55	832
Cash proceeds	777	55	832
Cash in company disposed	11		11
Cash inflow on disposal(1)	766	55	821
Assets			
Cash assets	11		11
Investments	4,622	90	4,712
Loans and advances to customers	301	11,388	11,689
Financial assets at fair value through profit and loss	350		350
Miscellaneous other assets	463	28	491
Liabilities			
Insurance and investment contracts	5,075		5,075
Other borrowed funds		11,441	11,441
Miscellaneous other liabilities	178	10	188
Net assets	494	55	549
% disposed	100%	100%	
Net assets disposed	494	55	549
Gain/loss on disposal	418		418

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial disposals in addition to the cash flows presented.
(2) The gain/loss on disposal comprises the sales proceed, the net assets disposed, the expenses directly related to the disposal and the realisation of the unrealised reserves.

Disposals effective in 2007

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

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

Additional information to the consolidated balance sheet of ING Insurance (continued)

28 LEGAL PROCEEDINGS

ING Insurance 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, the Company's management is of the opinion that neither it nor any of its subsidiaries is aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Company.

These proceedings include complaints and lawsuits concerning the performance of certain interest sensitive products that were sold by a former subsidiary of ING in Mexico. Further, purported class litigation has been filed in the United States District Court for the Southern District of New York alleging violations of the federal securities laws with respect to disclosures made in connection with the 2007 and 2008 offerings of ING's Perpetual Hybrid Capital Securities. The challenged disclosures primarily relate to ING Insurance's investments in certain residential mortgage-backed securities. Additional purported class litigation challenges the operation of the ING Americas Savings Plan and ESOP and the ING 401(k) Plan for ILIAC Agents. Litigation also includes a case involving the interest crediting methodology that is used in connection with annuity products, and disclosures about the methodology, in which a state court of appeals has determined that the case can be maintained as a nation-wide class action. A higher appellate court has been asked to review and reverse this decision. These matters are being defended vigorously; however, at this time, ING is unable to assess their final outcome.

In November 2006, the issue of amongst others the transparency of unit-linked products (commonly referred to as 'beleggingsverzekeringen') has received attention both in the Dutch public media and from the Dutch regulator for the insurance industry and consumer protection organisations. In mid-November 2008 ING reached an outline agreement with consumer organisations in the Netherlands to resolve a dispute regarding individual unit-linked products sold to customers in the Netherlands by ING's Dutch insurance subsidiaries. It was agreed that ING's Dutch insurance subsidiaries would offer compensation to policyholders where individual unit-linked policies have a cost charge in excess of an agreed maximum. The costs of the settlement have been valued at EUR 365 million. ING's Dutch insurance subsidiaries are in negotiations with the relevant consumer organisations in order to work out the agreement more in detail. Although the agreement is not binding for policyholders, ING believes a significant step was made towards resolving the issue.

Like many other companies in the mutual funds, brokerage, investment, and insurance industries, several of ING's 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, suitability, contract administration and interpretation, and sales practices. ING is responding to the requests and working to resolve issues with regulators. ING believes 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 Insurance.

Because of the geographic spread of its business, ING may be subject to tax audits in numerous jurisdictions at any point in time. Although ING believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits may result in liabilities which are different from the amounts recognised.

On 28 January 2010 ING lodged an appeal with the General Court of the European Union against specific elements of the European Commission's decision regarding ING's restructuring plan. In its appeal, ING contests the way the Commission has calculated the amount of state aid ING received and the disproportionality of the price leadership restrictions specifically and the disproportionality of restructuring requirements in general.

29 JOINT VENTURES

Joint ventures are included proportionally in the consolidated financial statements as follows:

Most significant joint ventures

2009	Interest held (%)	Assets	Liabilities	Income	Expenses
KB Life Insurance Company	49	748	702	282	277
ING Capital Life Insurance Company Ltd	50	236	214	57	59
ING Vysya Life Insurance Company Ltd [1]	26	342	329	112	122
Total		1,326	1,245	451	458

[1] Accounted for as joint venture because of joint control.

Additional information to the consolidated balance sheet of ING Insurance (continued)

Most significant joint ventures

2008	Interest held (%)	Assets	Liabilities	Income	Expenses
ING Australia Ltd	51	6,690	6,218	406	317
KB Life Insurance Company	49	498	462	254	257
ING (NZ) Holdings Ltd	51	95	3	38	34
ING Capital Life Insurance Company Ltd	50	200	186	94	105
ING Vysya Life Insurance Company Ltd [1]	26	193	186	112	132
Total		7,676	7,055	904	845

[1] Accounted for as joint venture because of joint control.

30 RELATED PARTIES

In the normal course of business, ING Insurance enters into various transactions with related companies. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions have taken place on an arm's length basis, and include rendering and receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral.

Transactions with joint ventures and associates

	Joint ventures		Associates	
	2009	2008	**2009**	2008
Receivables		98		74
Liabilities				84
Income received	**13**	26		
Expenses paid				26

Transactions with ING Groep N.V. and ING Bank N.V.

	ING Groep N.V.		ING Bank N.V.	
	2009	2008	**2009**	2008
Receivables	**7**	2	**7,695**	13,616
Liabilities	**3,412**	4,564	**865**	625
Guarantees issued in favour of			**826**	1,087
Income received			**169**	238
Expenses paid	**299**	248	**231**	253

Receivables on ING Bank N.V. mainly include short term deposits. Liabilities to ING Groep N.V. mainly include long term funding.

In 2009 EUR 2.4 billion (2008: EUR 4.4 billion) ING Bank mortgages were sold through the ING Insurance intermediary sales agents.

In March 2009 ING Insurance and ING Bank agreed to put in place a liquidity facility under which ING Insurance can borrow up to EUR 1.5 billion (USD 2 billion) from ING Bank. The terms of this facility are at arm's length.

Transactions with key management personnel (Executive Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. Transactions with post-employment benefit plans are disclosed in Note 18 'Other liabilities'.

As a result of the change in strategy of ING Groep N.V. the Executive Board of ING Verzekeringen N.V. was reduced from eight to six members during 2009 and is now referred to as Management Board. The effective date of this change was 1 June 2009. Before the change the Executive Board of ING Verzekeringen N.V. consisted of the same Executive Board members as ING Groep N.V. Three of the Management Board members of ING Verzekeringen N.V. are also Executive Board members of ING Groep N.V. The former Executive Board members of ING Verzekeringen N.V became Management Board members of ING Bank N.V.

Similar changes were introduced at the same time for ING Bank N.V. For the year 2009, the total remuneration of the Executive Board of ING Groep N.V. and the Management Boards of ING Bank N.V. and ING Verzekeringen N.V. continued to be borne by ING Groep N.V. Similar to the procedure for the Executive Board of ING Groep N.V. in 2008, the remuneration of the members and former members of the Executive Board, Management Boards and Supervisory Board are charged in full by ING Group to its subsidiaries, on the basis of a general allocation formula.

Additional information to the consolidated balance sheet of ING Insurance (continued)

Key management personnel compensation (Executive Board and Management Boards)				
	Executive Board of ING Groep N.V. [1]	Management Boards of ING Bank N.V. and ING Verzekeringen N.V. [2]		Total
amounts in thousands of euros			**2009**	2008
Base salary and short-term bonus [3]	**4,936**	**2,933**	**7,869**	7,052
Pension costs	**935**	**772**	**1,707**	3,580
Termination benefit		**665**	**665**	
Retirement benefit	**1,353**	**1,200**	**2,553**	
Total compensation	**7,224**	**5,570**	**12,794**	10,632

(1) Comprising eight members from 1 January 2009 to 31 May 2009 and 3 members from 1 June 2009 to 31 December 2009.
(2) As of 1 June 2009, excluding three members that are also members of the Executive Board of ING Groep N.V.
(3) Increase in 2009 due to change in composition

Key management personnel compensation (Supervisory Board)		
amounts in thousands of euros	**2009**	2008
Base salary and short-term bonus	**1,128**	986
Total compensation	**1,128**	986

The disclosures relating to remuneration of the Supervisory Board reflect the amounts relating to ING Group as a whole.

Loans and advances to key management personnel						
	Amount outstanding 31 December		Average interest rate		Repayments	
amounts in thousands of euros	**2009**	2008	**2009**	2008	**2009**	2008
Management/Executive Board members	**380**	999	**4.6%**	4.8%		16
Management Boards members of ING Bank N.V. and ING Verzekeringen N.V.	**244**	1,342	**3.6%**	4.4%	**933**	19
Supervisory Board members	**282**		**8.6%**			
Total	**906**	2,341			**933**	35

The disclosure relating to key management personnel reflect the amounts relating to ING Group as a whole.

The total remuneration costs amounted to EUR 12.8 million (2008: EUR 10.6 million) for members and former members of the Executive Board and Management Boards and EUR 1.1 million (2008: EUR 1.0 million) for members the Supervisory Board. The remuneration costs allocated to ING Insurance amount to EUR 6.4 million (2008: EUR 5.3 million) for members and former members of the Executive Board and Management Boards (former Executive Board) and EUR 0.6 million (2008: EUR 0.5 million) for members and former members of the Supervisory Board.

There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

Transactions with the Dutch State

Illiquid Assets Back-up Facility

ING Group and the Dutch State reached an agreement on an Illiquid Assets Back-Up Facility ('IABF') on 26 January 2009. The transaction closed on 31 March 2009. The IABF covers the Alt-A portfolios of ING Insurance Americas, with a par value of approximately EUR 4 billion. Under the IABF, ING transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. As a result, an undivided 80% interest in the risk and rewards on the portfolio was transferred to the Dutch State. ING retained 100% of the legal ownership of its Alt-A portfolio. The transaction price was 90% of the par value with respect to the 80% proportion of the portfolio of which the Dutch State has become the economic owner. The transaction price remains payable by the Dutch State to ING and will be redeemed over the remaining life. Furthermore, under the IABF ING pays a guarantee fee to the State and receives a funding fee and a management fee. As a result of the transaction ING derecognised 80% of the Alt-A portfolio from its balance sheet and recognised a receivable from the Dutch State. The transferred Alt-A portfolio was previously included in Available-for-sale debt securities. The Dutch State also acquired certain consent rights with respect to the sale or transfer of the 20% proportion of the Alt-A portfolio that is retained by ING.

Under the terms of the transaction as agreed on 26 January 2009, the overall sales proceeds amounted to EUR 2.6 billion. The amortised cost (after prior impairments) at the date of the transaction was also approximately EUR 2.7 billion. The transaction resulted in a loss in the first quarter of 2009 of EUR 154 million after tax (the difference between the sales proceeds and the amortised cost). The fair value under IFRS at the date of the transaction was EUR 1.7 billion.

Additional information to the consolidated balance sheet of ING Insurance (continued)

In order to obtain approval from the European Commission on ING Groep N.V.'s Restructuring Plan (see below), ING agreed in to make additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission to the Dutch State corresponding to an adjustment of the fees for the Illiquid Assets Back-up Facility. In total, these additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission amounted to a net present value of EUR 1.3 billion pre-tax, which was recognised as a one-off charge for ING Groep N.V. (as it was not charged to ING Insurance N.V.) in the fourth quarter of 2009. The remainder of the IABF as agreed in January 2009, including the transfer price of the securities of 90%, remains unaltered.

The difference between the total sales proceeds and the fair value under IFRS-EU represents a 'Government grant' under IAS 20. This government grant is considered to be an integral part of the transaction and is therefore accounted for as part of the result on the transaction.

The transaction resulted in a reduction of the negative revaluation -and therefore an increase in equity- of EUR 0.7 billion (after tax).

The valuation method of the 20% Alt-A securities in the IFRS balance sheet is not impacted by the IABF. The methodology used to determine the fair value for these assets in the balance sheet under IFRS-EU is disclosed in Note 31 'Fair value of financial assets and liabilities'.

European Commission Restructuring Plan
In 2009, ING Groep N.V. submitted a Restructuring Plan to the European Commission as part of the process to receive approval for the government support measures. The Restructuring Plan has formally been approved by the European Commission. The main elements of the Restructuring Plan as announced on 26 October 2009 are as follows:
- ING will eliminate double leverage and significantly reduce its balance sheet;
- ING will divest all Insurance and Investment Management activities;
- that a strategic decision will have to be taken to separate ING Group's Banking and Insurance operations and the divestment of all Insurance and Investment Management activities over time;
- that in order to receive approval from the European Commission ING needs to divest ING Direct USA by the end of 2013;
- ING will create a new company in the Dutch retail market composed of Interadvies (including Westland Utrecht and the mortgage activities of Nationale-Nederlanden) and the existing consumer lending portfolio of ING Retail in the Netherlands. This business, once separated, will be divested;
- that ING has agreed not to be a price leader in any EU country for certain retail and SME banking products and will refrain from the acquisition of financial institutions or other businesses that would delay the repayment of the non-voting equity securities. These restrictions will apply for the shorter period of three years or until the non-voting equity securities have been repaid in full to the Dutch State;
- that ING Groep N.V. has agreed with the Dutch State to alter the repayment terms of 50% of the non-voting equity securities;
- that EUR 5 billion of the non-voting equity securities issued by ING Group N.V. to the Dutch State in November 2008 will be repurchased;
- that additional Illiquid Assets Back-Up Facility payments as part of the overall agreement with the European Commission are to be made to the Dutch State in the form of fee adjustments relating to the Illiquid Assets Back-Up Facility which resulted in a one-off pre-tax charge to ING Groep N.V. of EUR 1.3 billion in the fourth quarter of 2009;
- that ING Groep N.V. launched a EUR 7.5 billion rights issue, in order to finance the repayment of 50% of the non-voting equity securities and to mitigate the capital impact of the additional Illiquid Assets Back-Up Facility payment as part of the overall agreement with the European Commission to the Dutch State of EUR 1.3 billion; and
- ING will execute the Restructuring Plan before the end of 2013.

On 28 January 2010, ING lodged an appeal against specific elements of the European Commission's decision.

Other
Following the transactions as disclosed in this note, the Dutch State is a related party of ING. All other transactions between ING and the Dutch State are of a normal business nature and at arm's length.

In the framework of the transactions with the Dutch State disclosed in this note, certain arrangements with respect to corporate governance and executive remuneration were agreed with the Dutch State which will remain in place as long as the Dutch State owns at least 250 million non-voting equity securities of ING Groep N.V., as long as the Illiquid Assets Back-Up Facility is in place or any of the Government Guaranteed Bonds is outstanding (whichever expires last). These arrangements entail that:
- the Dutch State may recommend two candidates (the 'State Nominees') for appointment to the Supervisory Board of ING Groep N.V.. Certain decisions of the Supervisory Board require approval of the State Supervisory Board members;
- ING will develop a sustainable remuneration policy for the Executive Board and Senior Management that is aligned to new international standards and submit this to its General Meeting for adoption. This remuneration policy shall include incentive schemes which are linked to long-term value creation, thereby taking account of risk and restricting the potential for 'rewards for failure'. The new remuneration policy will, amongst others, include objectives relating to corporate and social responsibility;

Additional information to the consolidated balance sheet of ING Insurance (continued)

- members of the Executive Board will not receive any performance-related payment - either in cash, options, shares or bearer depositary receipts - for the years 2008, 2009 and subsequent years until the adoption of the new remuneration policy mentioned above;
- severance payments to Executive Board members will be limited to a maximum of one year's fixed salary, in line with the Tabaksblat Code;
- ING has undertaken to support the growth of the lending to corporates and consumers (including mortgages) for an amount of EUR 25 billion, on market conforming terms;
- ING agreed to pro-actively use EUR 10 billion of the Dutch Guarantee Scheme over 2009;
- ING has committed itself to maintaining the Dutch payment system PIN on its payment debit cards as long as other market participants, representing a substantial market share, are still making use of this payment system; and
- appointment of the Chief Executive Officer of the Executive Board of ING Groep N.V. requires approval of the State Nominees.

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	2009	2008	**2009**	2008
Financial assets				
Cash and cash equivalents	**9,425**	14,440	**9,425**	14,440
Financial assets at fair value through profit and loss:				
– trading assets	**474**	537	**474**	537
– investments for risk of policyholders	**104,597**	95,366	**104,597**	95,366
– non-trading derivatives	**3,668**	6,344	**3,668**	6,344
– designated as at fair value through profit and loss	**2,378**	3,789	**2,378**	3,789
Available-for-sale investments	**105,521**	109,487	**105,521**	109,487
Loans and advances to customers	**29,237**	25,411	**29,015**	25,635
Other assets(1)	**8,267**	11,294	**8,267**	11,294
	263,567	266,668	**263,345**	266,892
Financial liabilities				
Subordinated loans	**4,815**	4,748	**5,743**	6,928
Debt securities in issue	**4,080**	4,533	**4,079**	4,728
Other borrowed funds	**7,002**	13,168	**7,036**	13,153
Investment contracts for risk of company	**5,896**	9,804	**5,896**	9,804
Investment contracts for risk of policyholders	**5,406**	11,281	**5,406**	11,281
Financial liabilities at fair value through profit and loss:				
– trading liabilities		4		4
– non-trading derivatives	**3,921**	5,213	**3,921**	5,213
Other liabilities(2)	**10,213**	11,174	**10,213**	11,174
	41,333	59,925	**42,294**	62,285

(1) Other assets does not include (deferred) tax assets, property held for sale, property under development for third parties, pension assets and deferred charges.
(2) Other liabilities does not include (deferred) tax liabilities, pension liabilities, insurance provisions, share-based payment plans, other provisions and other taxation and social security contributions.

The estimated fair values correspond to the amounts at which the financial instruments at our best estimate could have been traded at the balance sheet date between knowledgeable, willing parties in arm's length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments various techniques have been developed to estimate the approximate fair values of financial assets and liabilities that are not actively traded. These techniques are subjective in nature and involve various assumptions about the relevant pricing factors, especially for inputs that are not readily available in the market (such as credit spreads for own-originated loans and advances to customers). 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.

Additional information to the consolidated balance sheet of ING Insurance (continued)

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

Financial assets
Cash and cash equivalents
The carrying amount of cash and cash equivalents approximates its fair value.

Financial assets at fair value through profit and loss and Investments
Derivatives
Derivatives contracts can either be exchange traded or over the counter (OTC). The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and those derivatives are classified in Level 1 of the fair-value hierarchy. For those instruments not actively traded, fair values are estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques because quoted market prices in an active market are not available for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. The principle techniques used to value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows, based upon 'no-arbitrage' principles. These models are commonly used in the banking industry. Inputs to valuation models are determined from observable market data wherever possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via valuation model calibration procedures. The inputs used include prices available from exchanges, dealers, brokers or providers of consensus pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

Equity securities
The fair values of public equity securities are based on quoted market prices when available. Where no quoted market prices are available, fair value is determined based on quoted prices for similar securities or other valuation techniques. The fair value of private equity is based on quoted market prices, if available. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects, price, earnings comparisons and revenue multiples and by reference to market valuations for similar entities quoted in an active market.

Debt securities
Fair values for debt securities are based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, industry group, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is determined by management based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using a market interest rate curves, referenced credit spreads, maturity of the investment and estimated prepayment rates where applicable.

Certain asset backed securities in the United States are valued using external price sources that are obtained from third party pricing services and brokers. During 2008 the markets for these assets became inactive and as a result, the dispersion between different prices for the same security became significant. Management applies additional processes to select the most appropriate external price, including an internally developed price validation matrix and a process to challenge the price source. The valuation of these portfolios could have been significantly different had different prices been selected.

In order to determine which independent price in the range of prices obtained best represents fair value under IAS 39, ING Insurance applies a discounted cash flow model to calculate an indicative fair value. The key input to this model is a discount rate derived from an internal matrix that is used to construct the discount rate per security by applying credit and liquidity spreads relevant to the characteristics of such asset class. The main assumptions in this matrix include:
- a base spread;
- a liquidity risk premium;
- an additional credit spread, based on:
  - seniority in the capital structure - an adjustment is applied to each security based on its position in the capital structure;
  - vintage - an adjustment is applied for underwriting guidelines deteriorating from 2004 to 2007 in combination with differences in home price developments for these vintages.

The spreads are expressed in basis points and reflect the current market characteristics for credit and liquidity.

Additional information to the consolidated balance sheet of ING Insurance (continued)

The indicative fair value obtained through the discounted cash flow model is then used to select the independently obtained price that is closest to the indicative price. In addition, judgment is applied in the event that the resulting indicative fair value is closest to the highest obtained vendor price and that price is a significant outlier compared to other obtained vendor prices. In such cases, the second highest obtained vendor price is deemed the most representative of fair value. The indicative price is not itself used for valuing the security; rather, it is used to select the most appropriate price obtained from independent external sources. As a result, each security in the portfolio is priced based on an external price, without modification by ING Insurance.

Loans and receivables
Reference is made to Loans and advances to customers below.

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

The fair values of mortgage loans are estimated by taking into account prepayment behaviour and discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings. The fair values of fixed-rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated calculations purposes. The carrying values of variable rate policy loans approximate their fair value.

Other assets
The carrying amount of other assets is not materially different from their fair value.

Financial Liabilities
Subordinated loans
The fair value of the subordinated loans is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

Investment contracts
For investment contracts for risk of company the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts for risk of policyholder the fair value generally equals the fair value of the underlying assets. For other investment-type contracts, fair values are estimated based on the cash surrender values.

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 valuation techniques using interest rates and credit spreads that apply to similar instruments. Reference is made to Financial assets at fair value through profit and loss above.

Debt securities in issue and other borrowed funds
The fair value of debt securities in issue and other borrowed funds is generally based on quoted market prices or, if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Other liabilities
The other liabilities are stated at their book value which is not materially different to fair value.

Fair value hierarchy
ING Insurance has categorised its financial instruments that are measured in the balance sheet at fair value into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques based on unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis. The fair value hierarchy consists of three levels, depending upon whether fair values were determined based upon quoted prices in an active market (Level 1), valuation techniques with observable parameters (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include for example illiquid debt securities, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available) and asset backed securities for which there is no active market and a wide dispersion in quoted prices.

Additional information to the consolidated balance sheet of ING Insurance (continued)

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on ING Insurance's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads.

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

2009	Level1	Level 2	Level 3	Total
Assets				
Trading assets	67	407		474
Investments for risk of policyholders	100,541	4,002	54	104,597
Non-trading derivatives	31	3,422	215	3,668
Financial assets designated at fair value through profit and loss	337	901	1,140	2,378
Available-for-sale investments	63,580	36,728	5,213	105,521
	164,556	45,460	6,622	216,638
Liabilities				
Non-trading derivatives	64	2,968	889	3,921
Investment contracts (for contracts carried at fair value)	3,040	2,327	39	5,406
	3,104	5,295	928	9,327

Methods applied in determining fair values of financial assets and liabilities

2008	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	141	5	391	537
Investments for risk of policyholders	92,340	2,723	303	95,366
Non-trading derivatives	2,222	4,122		6,344
Financial assets designated at fair value through profit and loss	1,461	759	1,569	3,789
Available-for-sale investments	61,185	40,857	7,445	109,487
	157,349	49,466	9,708	215,523
Liabilities				
Trading liabilities		4		4
Non-trading derivatives	1,916	3,257	40	5,213
Investment contracts (for contracts carried at fair value)	9,352	1,830	99	11,281
	11,268	5,091	139	16,498

Level 1 – Quoted prices in active markets
This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Valuation technique supported by observable inputs
This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable the instrument is still classified in this category, provided that the impact of those unobservable inputs elements on the overall valuation is insignificant.

Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data.

Additional information to the consolidated balance sheet of ING Insurance (continued)

Level 3 – Valuation technique supported by unobservable inputs
This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. Level 3 Available-for-sale include mainly asset backed securities in the US as described above under 'Debt Securities'. Level 3 Trading assets, Non-trading derivatives and Assets designated at fair value through profit and loss account and Level 3 Financial liabilities at fair value through profit and loss include financial instruments with different characteristics and nature, which are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable An instrument in its entirety is classified as valued using significant unobservable inputs if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. More details on the determination of the fair value of these instruments is included above under 'Derivatives', 'Debt securities' and 'Loans and advances to customers'.

Revised IFRS 7 (effective 2009)
IFRS 7 "Financial Instruments: Disclosures" was revised in March 2009 when the IASB published the amendment: "Improving Disclosures about Financial Instruments". The revised IFRS 7 is applicable as of the 2009 Annual Accounts and requires a disclosure of assets and liabilities at fair value in a three-level hierarchy. ING Insurance already provided a disclosure of a three-level hierarchy in its previous years' financial statements as of 2007. Although ING Insurance's previous disclosure is conceptually in line with the new requirements in IFRS 7, the specific requirements of IFRS 7 result in a number of differences. As a result, certain financial instruments that were previously classified in the category "Reference to published price quotations in active markets" (the equivalent of Level 1 in IFRS 7) are classified in Level 2 as of 2009. The 2008 comparatives have been adjusted accordingly, resulting in a reclassification in the 2008 comparatives from Level 1 to Level 2. This mainly relates to derivatives (trading and non-trading) for EUR 4.1 billion (assets) and EUR 3.2 billion (liabilities) and to debt securities (available-for-sale investments, designated at fair value through profit and loss and investments /liabilities for risk of policyholders for EUR 28.9 billion (assets) and EUR 1.8 billion (liabilities).

Derivatives
In previous years, certain non-listed derivatives whose fair value is determined using market-quoted rates in a valuation technique (which qualifies as a quoted price under IAS 39) were classified in the category "Reference to published price quotations in active markets". This included derivatives for which it is market convention to price these based on a single published reference rate (e.g. a published yield curve in the case of plain vanilla interest rate swaps). Under the revised IFRS 7, only derivatives for which quoted prices are directly available (mainly exchange traded derivatives) are classified in Level 1. Other derivatives are classified in Level 2 or 3.

Debt Securities
In previous years, certain debt securities whose fair value is determined using prices from brokers, dealers and/or pricing services (which qualifies as a quoted price under IAS 39) were classified in the category "Reference to published price quotations in active markets" if the market for those securities was actively trading. Under the revised IFRS 7, these securities are only classified in Level 1 if it can be demonstrated by ING on an individual security-by-security basis that these are quoted in an active market, i.e. that the price quotes obtained are representative of actual trades in the market (e.g. through obtaining binding quotes or through corroboration to published market prices). Otherwise, these are now classified in Level 2.

Other changes (2009 compared to 2008)
As a result of changes in portfolios and/or markets during 2009, the following main changes in the fair value hierarchy occurred:

- *Decrease in Level 3 – reclassifications from Available-for-sale investments to Loans and advances:* Certain asset backed securities (approximately EUR 6.1 billion) were reclassified from Level 2 to Level 3 during the first quarter because the relevant markets had become inactive; subsequently these were reclassified to Loans and advances during the second quarter. After reclassification to Loans and advances these are no longer recorded at fair value and therefore no longer subject to disclosure in the fair value hierarchy;
- *Decrease in Level 3 – derecognition of asset backed securities in the United States:* The Illiquid Assets Back-up Facility agreed with the Dutch State resulted in the derecognition of asset backed securities in the United States that were classified in Level 3. As a result of this transaction, financial assets in Level 3 (Available-for-sale investments) decreased by approximately EUR 1.7 billion. This decrease includes the sale proceeds of EUR 2.6 billion and revaluation recognised in equity of EUR 0.9 billion;
- *Decrease in Level 3 –Reclassification of certain private equities to Level 2:* Approximately EUR 0.7 billion of equity securities in the private equity business (included in Trading and Available-for-sale) were transferred from Level 3 to Level 2 as pricing inputs became market observable;
- *Other* – Amounts in each of the levels are impacted by changes in the amount and composition of the relevant balance sheet items during the year.

Additional information to the consolidated balance sheet of ING Insurance (continued)

Changes in Level 3 Assets

2009	Trading assets	Investment for risk of policy-holder	Non-trading derivatives	Financial assets designated at fair value through profit and loss	Available-for-sale investments	Total
Opening balance	391	303		1,569	7,445	9,708
Amounts recognized in profit or loss during year		2	–131	–105	–284	–518
Revaluation recognised in equity during the year		1			885	886
Purchase of assets		65	–2	177	425	665
Sale of assets		–113	95	–314	–2,112	–2,444
Maturity/settlement		–68		–55	–1,146	–1,269
Reclassifications					–6,135	–6,135
Transfers into Level 3		8	248	18	7,092	7,366
Transfers out of Level 3	–391	–124		2	–795	–1,308
Changes in de composition of the group				–90	–79	–169
Exchange rage differences		–20	5	–62	–83	–160
Closing balance	0	54	215	1,140	5,213	6,622

Changes in Level 3 Liabilities

2009	Trading liabilities	Non-trading derivatives	Financial liabilities at fair value through profit and loss	Investment contracts (for contracts carried at fair value)	Total
Opening balance		40		99	139
Amounts recognized in profit or loss during year		–88		2	–86
Issue of liabilities		528		21	549
Early repayment of liabilities		–25		–72	–97
Transfers into Level 3		416		7	423
Transfers out Level 3				–10	–10
Exchange rage differences		18		–8	10
Closing balance		889		39	928

Amounts recognised in profit and loss during the year (Level 3)

2009	Held at balance sheet date	Derecog-nised during the year	Total
Assets			
Investments for risk of policyholders		2	2
Non-trading derivatives	–131		–131
Financial assets designated at fair value through profit and loss	–119	14	–105
Available-for-sale investments	–289	5	–284
	–539	21	–518
Liabilities			
Non-trading derivatives	–156	68	–88
Investment contracts (for contracts carried at fair value)		2	2
	–156	70	–86

Sensitivities of fair values in Level 3

Reasonably likely changes in the non observable assumptions used in the valuation of Level 3 assets and liabilities would not have a significant impact on equity and net result, other than explained below for investments in asset backed securities in the United States.

Asset backed securities in the United States

Level 3 assets include EUR 4.7 billion at 31 December 2009 and EUR 6.4 billion at 31 December 2008 for investments in asset backed securities in the United States. The decrease mainly relates to the transfer of Alt-A securities to the Dutch State as part of the Illiquid Asset Back-Up Facility and a transfer to Level 2 as described above. These assets are valued using external price sources that are obtained from third party pricing services and brokers.

Additional information to the consolidated balance sheet of ING Insurance (continued)

During 2008, the trading volumes in the relevant markets reduced significantly and the market became inactive. The dispersion between prices for the same security from different price sources increased significantly. In order to ensure that the most accurate and relevant sources available are used in determining the fair value of these securities, the valuation process was further enhanced during 2008 by using information from additional pricing sources and enhancing the process of selecting the most appropriate price.

Generally up to four different pricing services are utilised. Management carefully reviews the prices obtained in conjunction with other information available, including, where relevant, trades in the market, quotes from brokers and internal evaluations. If the dispersion between different prices for the same securities is limited, a hierarchy exists that ensures consistent selection of the most appropriate price. If the dispersion between different prices for the same security is significant, additional processes are applied to select the most appropriate price, including an internally developed price validation matrix and a process to challenge the external price source.

Reference is made to section 'Risk management' with regard to the exposure of these asset backed securities as at 31 December 2009 and 2008 and the impact from these asset backed securities on net result in 2009 and 2008.

Furthermore, the 'Risk management' section provides under Impact of financial crisis a breakdown of the methods applied in determining fair values of pressurised assets.

Notes to the consolidated profit and loss account of ING Insurance, amounts in millions of euros, unless stated otherwise

32 GROSS PREMIUM INCOME

Gross premium income	2009	2008	2007
Gross premium income from life insurance policies	**28,720**	38,869	40,732
Gross premium income from non-life insurance policies	**1,772**	4,943	6,086
	30,492	43,812	46,818

Gross premium income decreased as a result of the divestments as disclosed in Note 30 'Company acquired and disposed', including the divestment of ING Life Taiwan, ING Canada, Annuity and Mortgage business of Chile and Australia/New Zealand. Furthermore, gross premium income declined due to ING's decision to limit variable annuity sales in the United States and to cease variable annuity sales in Japan, as well as a lower appetite for investment-linked products.

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			Life			Total
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Direct gross premiums written	**1,746**	4,920	6,062	**27,421**	37,487	39,170	**29,167**	42,407	45,232
Reinsurance assumed gross premiums written	**26**	23	24	**1,299**	1,382	1,562	**1,325**	1,405	1,586
Total gross premiums written	**1,772**	4,943	6,086	**28,720**	38,869	40,732	**30,492**	43,812	46,818
Reinsurance ceded	**–70**	–196	–306	**–1,867**	–1,802	–1,968	**–1,937**	–1,998	–2,274
	1,702	4,747	5,780	**26,853**	37,067	38,764	**28,555**	41,814	44,544

Effect of reinsurance on non–life premiums earned	2009	2008	2007
Direct premiums earned gross	**1,746**	4,889	6,005
Reinsurance assumed premiums earned gross	**26**	20	22
Total gross premiums earned	**1,772**	4,909	6,027
Reinsurance ceded	**–68**	–190	–326
	1,704	4,719	5,701

See Note 39 'Underwriting expenditure' for disclosure on reinsurance ceded.

Notes to the consolidated profit and loss account of ING Insurance (continued)

33 INVESTMENT INCOME

Investment income	2009	2008	2007
Income from real estate investments	**62**	75	80
Dividend income	**173**	646	750
	235	721	830
Income from investment in debt securities	**5,428**	6,534	6,857
Income from loans:			
– unsecured loans	**331**	393	242
– mortgage loans	**873**	850	1,427
– policy loans	**177**	200	215
– other	**167**	159	327
Income from investment in debt securities and loans	**6,976**	8,136	9,068
Realised gains/losses on disposal of debt securities	**–49**	48	–9
Impairments of available-for-sale debt securities	**–585**	–776	–76
Realised gains/losses and impairments of debt securities	**–634**	–728	–85
Realised gains/losses on disposal of equity securities	**387**	685	2,975
Impairments of available-for-sale equity securities	**–360**	–1,587	–36
Realised gains/losses and impairments of equity securities	**27**	–902	2,939
Change in fair value of real estate investments	**–124**	–50	75
Investment income	**6,480**	7,177	12,827

Reference is made to the 'Risk management' section for further information on impairments.

34 NET RESULT ON DISPOSALS OF GROUP COMPANIES

Net result on disposal of group companies in 2009	2009
ING Australia and New Zealand	**337**
ING Canada	**–38**
Annuity and Mortgage business in Chile	**–23**
Other	**2**
	278

Net result on disposal of group companies in 2008	2008
ING Salud, Chile	55
Seguros ING, Mexico	182
NRG	–15
ING Life Taiwan	–214
Other	7
	15

Reference is made to Note 27 'Companies acquired and companies disposed' for more details.

Notes to the consolidated profit and loss account of ING Insurance (continued)

35 COMMISSION INCOME

Gross fee and commission income	2009	2008	2007
Insurance broking	**241**	87	124
Asset management fees	**1,874**	2,129	2,025
Brokerage and advisory fees	**582**	763	1,014
Other	**540**	531	364
	3,237	3,510	3,527

Asset management fees related to the management of investments held for the risk of policyholders of EUR 825 million (2008: EUR 1,174 million; 2007: EUR 1,261 million) are included in Commission Income.

Fee and commission expenses	2009	2008	2007
Insurance broking	**332**	574	687
Management fees	**241**	217	182
Brokerage and advisory fees	**496**	573	672
Other	**233**	76	85
	1,302	1,440	1,626

36 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives	2009	2008	2007
Change in fair value of derivatives relating to:			
– fair value hedges	**191**	–193	–227
– cash-flow hedges (ineffective portion)	**–9**	22	–5
– hedges of net investment in foreign entities (ineffective portion)	**1**	–6	–14
– other non-trading derivatives	**–3,708**	2,422	–753
Net result on non-trading derivatives	**–3,525**	2,245	–999
Change in fair value of assets and liabilities (hedged items)	**–226**	164	223
Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading)	**4**	–432	89
Net valuation results	**–3,747**	1,977	–687

Valuation results on non-trading derivatives is mainly a result of negative fair value changes on derivatives used to hedge direct and indirect equity exposures without applying hedge accounting. Indirect equity exposures relate to certain guaranteed benefits in insurance liabilities in the US, Japan, and the Netherlands. In 2009 the fair value changes on these derivatives were negative, as stock market returns became positive. The fair value changes on the derivatives related to the indirect equity exposures are generally offset by an opposite amount in underwriting expenditure (reference is made to Note 39 ‘Underwriting expenditure’).

37 NET TRADING INCOME

Net trading income	2009	2008	2007
Securities trading results	**155**	–239	246
Foreign exchange transactions results	**182**	–97	174
Derivatives trading results		80	30
Other		–94	–80
	337	–350	370

Securities trading results include 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. Foreign currency exchange transactions results include gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities.

Notes to the consolidated profit and loss account of ING Insurance (continued)

The portion of trading gains and losses for the year ended 31 December 2009 relating to trading securities still held as at 31 December amounted to nil (2008: EUR –1 million; 2007: EUR 80 million).

38 OTHER INCOME

There are no individually significant items within Other income.

39 UNDERWRITING EXPENDITURE

Underwriting expenditure

	2009	2008	2007
Gross underwriting expenditure:			
– before effect of investment result for risk of policyholder	**32,698**	51,239	50,739
– effect of investment result for risk of policyholder	**17,742**	–32,408	1,079
	50,440	18,831	51,818
Investment result for risk of policyholders	**–17,742**	32,408	–1,079
Reinsurance recoveries	**–1,714**	–1,754	–1,906
Underwriting expenditure	**30,984**	49,485	48,833

The investment and valuation results regarding investment results for risk of policyholders of EUR 17,742 million (2008: EUR –32,408 million; 2007: EUR 1,079 million) have not been recognised in investment income and valuation results on assets and liabilities designated as at fair value through profit and loss but are recognised in Underwriting expenditure together with the equal amount of related change in insurance provisions for risk of policyholders.

Underwriting expenditure by class

	2009	2008	2007
Expenditure from life underwriting			
Reinsurance and retrocession premiums	**1,867**	1,802	1,968
Gross benefits	**24,044**	27,159	28,877
Reinsurance recoveries	**–1,708**	–1,662	–1,749
Changes in life insurance provisions for risk of company	**2,692**	17,407	11,979
Costs of acquiring insurance business	**350**	1,877	1,098
Other underwriting expenditure	**460**	462	457
Profit sharing and rebates	**1,029**	–416	424
	28,734	46,629	43,054
Expenditure from non-life underwriting			
Reinsurance and retrocession premiums	**70**	196	306
Gross claims	**1,012**	2,846	3,589
Reinsurance recoveries	**–6**	–92	–157
Changes in the provision for unearned premiums	**–2**	28	79
Changes in the claims provision	**–23**	54	13
Costs of acquiring insurance business	**290**	742	979
Other underwriting expenditure	**–4**	–22	–50
	1,337	3,752	4,759
Expenditure from investment contracts			
Costs of acquiring investment contracts	**3**	9	19
Profit sharing and rebates	**11**		16
Other changes in investment contract liabilities	**899**	–905	985
	913	–896	1,020
	30,984	49,485	48,833

Notes to the consolidated profit and loss account of ING Insurance (continued)

Profit sharing and rebates	2009	2008	2007
Distributions on account of interest or underwriting results	**682**	–576	–133
Bonuses added to policies	**289**	131	411
Deferred profit sharing expense	**58**	29	146
	1,029	–416	424

The total Cost of acquiring insurance business (life and non-life) and investment contracts amounted to EUR 643 million (2008: EUR 2,628 million; 2007: EUR 2,096 million). This includes amortisation and unlocking of DAC of EUR 458 million (2008: EUR 2,026 million; 2007: EUR 1,552 million) and the net amount of commissions paid of EUR 1,815 million (2008: EUR 3,273 million; 2007 EUR 3,598 million) and commissions capitalised in DAC of EUR 1,630 million (2008: EUR 2,671 million; 2007 EUR 3,054 million).

The total amount of commission paid and payable with regard to the insurance operations amounted to EUR 2,483 million (2008: EUR 3,804 million; 2007: EUR 4,275 million). This includes the commissions recognised in Cost of acquiring insurance business of EUR 1,815 million (2008: EUR 3,273 million; 2007 EUR 3,598 million) referred to above and commissions recognised in Other underwriting expenditure of EUR 668 million (2008: EUR 531 million; 2007: EUR 677 million). Other underwriting expenditure also includes reinsurance commissions received of EUR 255 million (2008: EUR 306 million; 2007: EUR 350 million).

The Change in life insurance provisions for risk of company includes an amount related to variable annuity assumption changes in the United States and Japan of approximately EUR 343 million in 2009. These assumptions were updated to reflect lower-than-expected surrenders on policies where the value of the benefit guarantees is significant.

The Change in life insurance provisions for risk of company includes an amount of nil in 2009 (2008: EUR 136 million; 2007: EUR 110 million) in relation to reserve strengthening for Insurance Asia/Pacific as described in further detail under Segment reporting. The 2009 amount is nil following the disposal of ING Life Taiwan.

ING Insurance transferred part of its 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 2009 was EUR 13 million (2008: EUR 12 million; 2007: EUR 15 million). The cumulative amortisation as at 31 December 2009 was EUR 107 million (2008: EUR 96 million; 2007: EUR 81 million). On 23 January 2009, Hannover Re and Scottish Re announced that Hannover Re has agreed to assume the ING individual life reinsurance business originally transferred to Scottish Re in 2004.

40 INTANGIBLE AMORTISATION AND OTHER IMPAIRMENTS

Intangible amortisation, and (reversals of) other impairments	2009	2008	2007
Property and equipment		7	
Goodwill		155	
Software and other intangible assets	**1**	44	
Other			1
(Reversals of) other impairments	**1**	206	1
Amortisation of other intangible assets	**71**	104	13
	72	310	14

Impairment on loans and advances to customers are presented under Investment income. Reference is made to section ‘Risk management’ for further information on impairments.

Amortisation of intangible assets relates to intangible assets recognised as part of companies acquired. Until 2007, these were classified in Other operating expenses. The comparatives for 2007 have been amended to reflect the revised presentation. There is no impact on Total expenses.

No individual principal event or circumstance has led to a material recognition or reversal of the impairment losses.

Notes to the consolidated profit and loss account of ING Insurance (continued)

41 STAFF EXPENSES

Staff expenses

	2009	2008	2007
Salaries	**1,521**	2,068	2,050
Pension and other staff related benefit costs	**142**	140	48
Social security costs	**160**	205	201
Share-based compensation arrangements	**39**	49	53
External employees	**96**	160	160
Education	**8**	11	
Other staff costs	**170**	263	324
	2,136	2,896	2,836

Share-based compensation arrangements includes EUR 33 million (2008: EUR 43 million; 2007: EUR 50 million) relating to equity-settled share-based payment arrangements and EUR 6 million (2008: EUR 6 million; 2007: EUR 3 million) relating to cash-settled share-based payment arrangements.

Pension and other staff-related benefit costs

	Pension benefits			Post-employment benefits other than pensions			Other			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Current service cost	**110**	144	155	**3**	1	1	**–14**	5	7	**99**	150	163
Past service cost	**–1**		–24							**–1**		–24
Interest cost	**273**	286	273	**5**	8	10	**2**	4	2	**280**	298	285
Expected return on assets	**–296**	–321	–327							**–296**	–321	–327
Amortisation of unrecognised past service cost	**2**		–3	**–21**	–2	–5				**–19**	–2	–8
Amortisation of unrecognised actuarial gains/losses	**85**	5	8	**–5**						**80**	5	8
Effect of curtailment or settlement	**–8**		–7							**–8**		–7
Other	**–13**	–18	–62			–7		3	1	**–13**	–15	–68
Defined benefit plans	**152**	96	13	**–18**	7	–1	**–12**	12	10	**122**	115	22
Defined contribution plans										**20**	25	26
										142	140	48

Stock option and share plans

ING Insurance's parent, ING Group, has granted option rights on ING Group shares and conditional rights on depositary receipts (share awards) for ING Group shares to a number of senior executives (members of the Management Board, general managers and other officers nominated by the Management Board) and to a considerable number of employees of ING Insurance. The purpose of the option and share schemes, apart from promoting a lasting growth of ING Insurance, is to attract, retain and motivate senior executives and staff.

ING Group holds its own shares in order to fulfil its 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 2009, 35,178,086 own shares (2008: 32,367,870; 2007: 36,028,881) were held in connection with the option plan compared to 122,334,486 options outstanding (2008: 87,263,381; 2007: 76,888,553). As a result the granted option rights were (delta) hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour. The hedge is rebalanced regularly at predetermined points in time.

In December 2009 ING Groep N.V. completed a rights issue of EUR 7.5 billion. Outstanding stock options and share awards have been amended to reflect the impact of the rights issue through an adjustment factor that reflects the fact that the exercise price of the rights issue was less than the fair value of the shares. As a result, exercise prices and outstanding share options and share awards have been amended through an adjustment factor of approximately 1.3.

Exposure arising out of the share plan is not hedged. The obligations with regard to these plans will in the future be funded either by cash or shares from the delta hedge portfolio at the discretion of the holder. On 31 March 2008, 1,786,762 own shares were issued in relation to the vesting of share plans.

Notes to the consolidated profit and loss account of ING Insurance (continued)

ING Groep N.V. has bought 7,260,000 (depositary receipts for) ordinary shares for its delta hedge portfolio, which is used to hedge employee options. The shares were bought on the open market between 19 March and 23 March 2009 at an average price of EUR 4.24 per share.

ING Groep N.V. has sold 5,230,000 (depositary receipts for) ordinary shares for its delta hedge portfolio, which is used to hedge employee options. The shares were sold on the open market between 2 June and 5 June 2009 at an average price of EUR 7.80 per share.

ING Groep N.V. has sold 1,450,000 (depositary receipts for) ordinary shares for its delta hedge portfolio, which is used to hedge employee options. The shares were sold on the open market on 1 September and 2 September 2009 at an average price of EUR 10.53 per share.

In connection with the rights issue, ING has sold 34.3 million rights it received on (depositary receipts for) shares held in the delta hedge portfolio, which is used to hedge employee options. The rights were sold through private placements at an average price of EUR 1.85 per right. ING used the proceeds to partially fund the purchase of 10.4 million (depositary receipts for) shares at a price of EUR 6.55 per share. These transactions were executed in order to maintain ING's economic position in the delta hedge book.

The option rights are valid for a period of five or ten years. Option rights that are not exercised within this period lapse. Option rights granted will remain valid until the 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 for ING Group shares 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 2009 no shares (2008: 211,049) have been granted to the members of the Executive Board of ING Group, Management Boards of ING Bank and ING Insurance and 6,273,467 shares (2008: 3,80,06) have been granted to senior management and other employees. As per 31 December 2009 the share awards includes 10,810,687 (2008: 5,719,281) share awards relating to equity-settled share-based payment arrangements and 3,842,986 (2008: 2,072,728) share awards relating to cash-settled share-based payment arrangements.

Every year, the ING Group Executive Board will decide as to whether the option and share schemes are to be continued and, if so, to what extent.

Included in the tables below are the disclosures relating to ING Insurance whereas the information above relates to ING Group as a whole.

Changes in option rights outstanding [(1)]

	Options outstanding (in number)			Weighted average exercise price(in euros)		
	2009	2008	2007	**2009**	2008	2007
Opening balance	**34,357,225**	33,383,527	31,795,036	**25.26**	25.90	25.94
Granted	**7,088,225**	6,037,973	5,550,309	**3.88**	21.65	32.14
Exercised and transferred	**306,850**	–3,540,769	–3,599,653	**24.05**	25.89	19.74
Forfeited	**–3,390,502**	–1,523,506	–362,165	**24.07**	28.60	28.60
Rights issue	**11,360,192**					
Expired	**–780,668**			**31.36**		
Closing balance	**48,941,322**	34,357,225	33,383,527	**16.36**	25.26	25.90

(1) 2008 and 2007 reflect original numbers and amounts, not restated for the rights issue adjustment.

As per 31 December 2009 the options outstanding includes 43,502,600 (2008: 29,947,646) options relating to equity-settled share-based payment arrangements and 5,438,722 (2008: 4,409,531) options relating to cash-settled share-based payment arrangements.

The weighted average share price at the date of exercise for options exercised in 2009 is EUR 8.57 (2008: EUR 24.07).

Notes to the consolidated profit and loss account of ING Insurance (continued)

Changes in option rights non–vested [1]

	Options non-vested (in numbers)			Weighted average grant date fair value (in euros)		
	2009	2008	2007	**2009**	2008	2007
Opening balance	**15,521,324**	17,836,752	18,012,343	**6.01**	6.02	4.53
Granted	**7,088,225**	6,037,973	5,550,309	**2.50**	5.29	6.46
Vested and transferred	**–4,439,746**	–7,340,514	–5,104,731	**6.46**	3.95	7.15
Forfeited	**–1,680,996**	–1,012,887	–621,169	**5.55**	5.62	4.80
Rights issue	**4,984,386**					
Closing balance	**21,473,193**	15,521,324	17,836,752	**3.40**	6.01	6.02

[1] 2008 and 2007 reflect original numbers and amounts, not restated for the rights issue adjustment.

Summary of stock options outstanding and exercisable

2009 Range of exercise price in euros	**Options outstanding as at 31 December 2009**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at 31 December 2009**	**Weighted average remaining contractual life**	**Weighted average exercise price**
0.00 – 5.00	**8,786,032**	**9.19**	**2.90**			
5.00 – 10.00	**2,667,660**	**3.51**	**8.64**	**2,535,133**	**3.19**	**8.64**
10.00 – 15.00	**5,611,119**	**3.57**	**14.14**	**5,465,327**	**3.43**	**14.14**
15.00 – 20.00	**14,982,085**	**6.20**	**17.24**	**7,973,451**	**4.46**	**17.74**
20.00 – 25.00	**9,409,619**	**4.90**	**23.69**	**4,009,411**	**1.81**	**22.36**
25.00 – 30.00	**7,484,807**	**5.13**	**25.58**	**7,484,807**	**5.13**	**25.58**
	48,941,322			**27,468,129**		

Summary of stock options outstanding and exercisable [1]

2008 Range of exercise price in euros	Options outstanding as at 31 December 2008	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2008	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 15.00	2,241,922	4.20	11.53	2,241,922	4.20	11.53
15.00 – 20.00	4,743,789	4.40	18.69	4,634,676	4.27	18.69
20.00 – 25.00	12,474,163	7.24	22.51	6,583,240	5.48	23.23
25.00 – 30.00	3,906,379	2.43	28.58	3,906,379	2.43	28.58
30.00 – 35.00	9,577,988	7.69	32.48	56,700	2.68	33.26
35.00 – 40.00	1,412,984	2.19	35.31	1,412,984	2.19	35.31
	34,357,225			18,835,901		

[1] 2008 reflects original numbers and amounts, not restated for the rights issue adjustment.

The aggregate intrinsic value of options outstanding and exercisable as at 31 December 2009 was EUR 35 million and nil, respectively.

As at 31 December 2009 unrecognised compensation costs related to stock options amounted to EUR 26 million (2008: EUR 38 million; 2007: EUR 29 million). These costs are expected to be recognised over a weighted average period of 1.6 years (2008: 1.8 years; 2007: 1.7 years).

The fair value of options granted is recognised 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 model. This model takes the risk free interest rate into account (2.6% to 4.6%), as well as the expected life of the options granted (from 4.5 years to 8.0 years), the exercise price, the current share price (EUR 2.90 EUR 26.05), the expected volatility of the certificates of ING Group shares (24.57%- 83.50%) and the expected dividends yield (0.94%-8.99%).

The source for implied volatilities used for the valuation of the stock options is ING's trading system. The implied volatilities in this system are determined by ING's traders and are based on market data implied volatilities, not on historical volatilities.

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 recognised in Shareholders' equity.

Notes to the consolidated profit and loss account of ING Insurance (continued)

42 INTEREST EXPENSES

Interest expenses mainly consist of interest on the subordinated loans.

Total interest income and total interest expense for items not valued at fair value through the profit and loss for 2009 were EUR 6,976 million and EUR 949 million respectively (2008: EUR 8,136 million and EUR 1,121 million respectively). Net interest income of EUR 6,027 million is presented in the following lines in the profit and loss account.

Net interest income

	2009	2008	2007
Investment income	**6,976**	8,136	9,068
Interest expense	**–949**	–1,121	–1,445
	6,027	7,015	7,623

43 OTHER OPERATING EXPENSES

Other operating expenses

	2009	2008	2007
Depreciation of property and equipment	**84**	94	97
Amortisation of software	**59**	70	104
Computer costs	**270**	297	289
Office expenses	**475**	598	661
Travel and accommodation expenses	**66**	101	102
Advertising and public relations	**90**	204	210
External advisory fees	**290**	373	456
Addition/(releases) of provision for reorganisations and relocations	**258**	7	11
Other	**663**	834	679
	2,255	2,578	2,609

Other operating expenses include lease and sublease payments for the amount of EUR 8 million (2008: EUR 6 million; 2007: EUR 5 million) in respect of operating leases in which ING Insurance is the lessee. Other operating expenses also include EUR 22 million related to the integration costs of CitiStreet, EUR 21 million related to the sale of ING Advisors Network and EUR 59 million related to premium taxes.

For Addition/(releases) of provision for reorganisation and relocations reference is made to the disclosure on the reorganisation provision in Note 18 ‘Other liabilities’.

No individual operating lease has terms and conditions that materially effect the amount, timing or certainty of the consolidated cash flows of ING Insurance.

44 TAXATION

Taxation by type

	Netherlands			International			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Current taxation	**79**	54	–30	**174**	11	396	**253**	65	366
Deferred taxation	**–250**	–64	115	**45**	–500	301	**–205**	–564	416
	–171	–10	85	**219**	–489	697	**48**	–499	782

Notes to the consolidated profit and loss account of ING Insurance (continued)

Reconciliation of the weighted average statutory income tax rate to ING Insurance's effective income tax rate

	2009	2008	2007
Result before taxation	**–465**	–1,726	6,615
Weighted average statutory tax rate	**40.0%**	41.2%	28.1%
Weighted average statutory tax amount	**–186**	–711	1,859
Associates exemption	**–127**		–800
Other income not subject to tax	**15**	–50	–251
Expenses not deductible for tax purposes	**22**	11	20
Impact on deferred tax from change in tax rates		–25	–3
Deferred tax benefit from previously unrecognised amounts			–7
Current tax benefit from previously unrecognised amounts			–25
Write down/reversal of deferred tax assets	**308**	316	
Adjustments to prior periods	**16**	–40	–11
Effective tax amount	**48**	–499	782
Effective tax rate	**–10.3%**	28.9%	11.8%

The weighted average statutory tax rate slightly decreased in 2009 compared to 2008 but still remains high. This is caused by the fact that a relative large part of the losses was incurred in high tax jurisdictions.

The weighted average statutory tax rate increased significantly in 2008 compared to 2007 caused by the fact that most of the losses in 2008 were incurred in high tax jurisdictions.

The effective tax rate in 2009 was much lower that the weighted average statutory tax rate because for part of the losses no tax benefit could be recognised. This was only partly offset by an increase of exempt income.

The effective tax rate in 2008 was lower than the weighted average statutory tax rate because for part of the losses no tax benefit could be recognised.

45 OPERATING SEGMENTS

ING Insurance has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of ING Insurance that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. The identification of ING Insurance's reportable segments has not changed as a result of the adoption of IFRS 8.

ING Insurance's operating segments relate to the internal segmentation by business lines. These include the business lines: Insurance Europe, Insurance Americas and Insurance Asia/Pacific. Other mainly includes items not directly attributable to the business lines.

Each business line is headed by a member of the Management Board. The Management Board sets the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policies in conformity with the strategy and performance targets set by the Management Board.

The accounting policies of the operating 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.

The Corporate Line Insurance is included in Other. This is not a separate reportable segment as it does not qualify as an operating segment that engages in business activities from which it may earn revenue and incur expenses.

The Corporate Line Insurance includes items related to capital management, capital gains on public equities (net of impairments) and run-off portfolios. All capital gains and losses on public equities net of equity impairments realised in the business units are transferred to the Corporate Line. In return, a 3% notional return on those equities is transferred back to the business units. The remainder is presented on the Corporate Line.

With regard to investments in equity securities, a fixed return of 3% is allocated to the insurance business lines. The differences between the actual dividend income, capital gains and impairments and the allocated return are included in Other.

ING Insurance evaluates the results of its operating segments using a financial performance measure called underlying result. The information presented in this note is in line with the information presented to the Management Board. Underlying result is defined as result under IFRS excluding the impact of divestments and special items.

The following table specifies the main sources of income of each of the segments.

Specification of the main sources of income of each of the segments

Segment	Main source of income
Insurance Europe	Income from premium and investment from life insurance, non-life insurance, investment management, asset management and retirement services in Europe.
Insurance Americas	Income from life insurance, investment management, asset management and retirement services in the US and Latin America.
Insurance Asia/Pacific	Income from life insurance, investment management, asset management and retirement services in Asia/Pacific.

This note does not provide information on the revenue specified to each product or service is not reported internally and is therefore not readily available.

Segment reporting (continued)

Operating segments

2009	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Other	Total segments	Elimina-tions	Total
Underlying income:							
– Gross premium income	9,750	13,973	6,422	34	30,179		30,179
– Commission income	494	1,194	107	6	1,801		1,801
– Total investment and other income	2,405	1,069	1,089	1,663	6,226	–2,990	3,236
Total underlying income	12,649	16,236	7,618	1,703	38,206	–2,990	35,216
Underlying expenditure:							
– Underwriting expenditure	10,163	14,365	5,877	33	30,438		30,438
– Operating expenses	1,502	1,611	599	147	3,859		3,859
– Other interest expenses	318	225	922	2,474	3,939	–2,990	949
– Other impairments				70	70		70
Total underlying expenses	11,983	16,201	7,398	2,724	38,306	–2,990	35,316
Underlying result before taxation	666	35	220	–1,021	–100		–100
Taxation	139	146	80	–268	97		97
Minority interest	27	6	2	1	36		36
Underlying net result	500	–117	138	–754	–233		–233

While the reserves for the segment Insurance Americas are adequate at the 50% confidence level, a net reserve inadequacy exists using a prudent (90%) confidence level. In line with Group Policy, Insurance Americas 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.

Reconciliation between IFRS and Underlying income, expenses and net result

2009	Income	Expenses	Net result
Underlying	35,216	35,316	–233
Divestments	836	754	73
Special Items	–121	326	–390
IFRS as applied by ING Insurance	35,931	36,396	–550

Divestments in 2009 mainly includes the net impact of the sale of ING's 70% stake in ING Canada, the Nationale Nederlanden Industry Pension fund portfolio, the annuity and mortgage businesses in Chile, three U.S. independent retail broker-dealer units (three quarters of ING Advisors Network) and ING Australia PTY Limited.

Special items in 2009 reflects mainly the net impact of transaction result on the Illiquid Asset Back-up Facility and restructuring costs.

Impairments on investments are presented within Investment income, which is part of Total income. In 2009, total impairments of EUR 945 million are included in the following segments: EUR 244 million in Insurance Europe, EUR 501 million in Insurance Americas, and EUR 12 million in Insurance Asia/Pacific and EUR 188 million in Other.

Segment reporting (continued)

Operating segments

2008	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Elimina-tions	Total
Underlying income:							
– Gross premium income	10,194	18,935	8,591	40	37,760		37,760
– Commission income	491	1,201	116	5	1,813		1,813
– Total investment and other income	3,607	2,903	2,730	1,460	10,700	–2,613	8,087
Total underlying income	14,292	23,039	11,437	1,505	50,273	–2,613	47,660
Underlying expenditure:							
– Underwriting expenditure	11,560	22,022	10,017	5	43,604		43,604
– Operating expenses	1,762	1,753	702	108	4,325		4,325
– Other interest expenses	512	221	719	2,281	3,733	–2,613	1,120
– Other impairments	1			80	81		81
Total underlying expenses	13,835	23,996	11,438	2,474	51,743	–2,613	49,130
Underlying result before taxation	457	–957	–1	–969	–1,470		–1,470
Taxation	110	–240	20	–267	–377		–377
Minority interest	–6	5	19	–3	15		15
Underlying net result	353	–722	–40	–699	–1,108		–1,108

Reconciliation between IFRS and Underlying income, expenses and net result

2008	Income	Expenses	Net result
Underlying	47,660	49,130	–1,108
Divestments	7,004	7,167	–97
Special Items		93	–60
IFRS as applied by ING Insurance	54,664	56,390	–1,265

Divestments in 2008 relate to the sale of Chile Health business (ING Salud), part of the Mexican business (ING Seguros SA) and the Taiwanese life insurance business (ING Life Taiwan).

Special items in 2008 relate to the nationalisation of the annuity business in Argentina.

Impairments on investments are presented within Investment income, which is part of Total income. In 2008, total impairments of EUR 2,363 million are included in the following segments: EUR 241 million in Insurance Europe, EUR 692 million in Insurance Americas, and EUR 224 million in Insurance Asia/Pacific and EUR 1,206 million in Other.

Segment reporting (continued)

Operating segments

2007	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Elimina- tions	Total
Underlying income:							
– Gross premium income	10,253	19,156	9,347	47	38,803		38,803
– Commission income	476	978	120	6	1,580		1,580
– Total investment and other income	4,740	4,280	1,007	3,676	13,703	–1,673	12,030
Total underlying income	15,469	24,414	10,474	3,729	54,086	–1,673	52,413
Underlying expenditure:							
– Underwriting expenditure	11,206	20,825	9,181	52	41,264		41,264
– Operating expenses	1,720	1,705	690	56	4,171		4,171
– Other interest expenses	581	328	175	2,025	3,109	–1,673	1,436
– Other impairments	2				2		2
Total underlying expenses	13,509	22,858	10,046	2,133	48,546	–1,673	46,873
Underlying result before taxation	1,960	1,556	428	1,596	5,540		5,540
Taxation	282	409	120	–226	585		585
Minority interest	16	8	44	6	74		74
Underlying net result	1,662	1,139	264	1,816	4,881		4,881

As at 31 December 2007, the segment Insurance Asia/Pacific had a net reserve inadequacy using a prudent (90%) confidence level. This inadequacy was offset by reserve adequacies in other segments, so that at Group level there is a net adequacy at the prudent (90%) confidence level. Following the agreement to sell ING Life Taiwan the inadequacy in Insurance Asia/Pacific has disappeared at 31 December 2008.

Reconciliation between IFRS and Underlying income, expenses and net result

2007	Income	Expenses	Net result
Underlying	52,413	46,873	4,881
Divestments	9,939	8,864	769
IFRS as applied by ING Insurance	62,352	55,737	5,650

Divestments in 2007 mainly relate to the sale of NRG and the sale of the Belgium broker business.

Interest income (external) and interest expense (external) breakdown by business line

2009	**Insurance Europe**	**Insurance Americas**	**Insurance Asia/ Pacific**	**Other**	**Total segments**
Investment income	**2,461**	**3,579**	**658**	**278**	**6,976**
Interest expense	**43**	**284**	**3**	**619**	**949**
	2,418	**3,295**	**655**	**–341**	**6,027**

Interest income (external) and interest expense (external) breakdown by business line

2008	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments
Investment income	2,543	4,311	912	370	8,136
Interest expense	87	333	4	697	1,121
	2,456	3,978	908	–327	7,015

Interest income (external) and interest expense (external) breakdown by business line

2007	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments
Investment income	3,025	4,603	975	254	8,857
Interest expense	84	376	4	862	1,326
	2,941	4,227	971	–608	7,531

46 INFORMATION ON GEOGRAPHICAL AREAS

ING Insurance's three business lines operate in seven main geographical areas: Netherlands, Belgium, Rest of Europe, North America, Latin America, Asia and Australia. The Netherlands is ING Insurance's country of domicile. Geographical distribution of income is based on the origin of revenue. A geographical area is a distinguishable component of ING Insurance engaged in providing products and services within a particular economic environment that is subject to risks and returns that are different from those of segment operating in other economic environments. The geographical analyses are based in the location of the office from which the transaction is originated.

Geographical areas

2009	Netherlands	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Total income	8,402	1,675	2,585	15,308	981	7,589	750	1,709	–3,068	35,931
Total assets	75,536	10,203	12,276	137,855	3,504	45,276	202	37,810	–32,253	290,409

Geographical areas

2008	Netherlands	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Total income	9,692	1,474	3,126	25,291	2,446	13,540	619	1,144	–2,668	54,664
Total assets	76,137	8,815	11,635	136,217	5,139	57,797	8,432	45,314	–37,266	312,220

Geographical areas

2007	Netherlands	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Total income	10,820	2,484	3,071	26,595	3,086	13,717	667	3,661	–1,749	62,352
Total assets	77,767	8,942	11,730	151,162	8,519	49,621	11,813	36,141	–33,612	322,083

Notes to the consolidated statement of cash flows of ING Insurance

amounts in million of euros, unless stated otherwise

47 NET CASH FLOW FROM INVESTING ACTIVITIES

Information on the impact of companies acquired or disposed of is presented in Note 27 'Companies acquired and companies disposed'.

48 INTEREST AND DIVIDEND INCLUDED IN NET CASH FLOW

Interest and dividend received and paid			
	2009	2008	2007
Interest received	**6,998**	8,045	8,973
Interest paid	**–986**	–1,145	–1,438
	6,012	6,900	7,535
Dividend received	**173**	646	750
Dividend paid	**–363**	–2,842	–4,640

Risk management

amounts in millions of euros, unless stated otherwise

STRUCTURE OF RISK MANAGEMENT SECTION

- Risk Management in 2009
- Market developments in 2009
- Introduction
  Risk Governance
  Risk Profile
- Market risks
- Insurance risks
- Credit risks
- Non-financial Risks
  Operational risks
  Compliance risk
- Model Disclosures

RISK MANAGEMENT IN 2009

Taking measured risks is part of ING Insurance's business. As a financial services company active in investments, life insurance and retirement services ING Insurance is naturally exposed to a variety of risks. To ensure measured risk-taking ING Insurance has integrated risk management in its daily business activities and strategic planning. Risk Management assists with the formulation of risk appetite, strategies, policies and limits and provides a review, oversight and support function throughout the Insurance on risk-related issues. The main financial risks ING Insurance is exposed to are credit risk (including transfer risk), market risk (including interest rate, equity, real estate, and foreign exchange risks), insurance risk and liquidity risk. In addition, ING Insurance is exposed to non-financial risks, e.g. operational and compliance risks. The way ING Insurance manages these risks on a day-to-day basis is described in this risk management section.

During 2009 the focus remained on risk mitigation and de-leveraging. However a number of upgrades to methodologies were realised as well, and based on the experiences from the past two years more effort was put in stress testing. Besides the regularly performed stress tests, stress testing was also used for the mid-term planning. Furthermore, the economic capital model for credit risk is being updated to bring it more in line with the regulatory capital framework, which excludes diversification benefits. The updated model will be implemented in 2010.The risk appetite framework was revised as well and better aligned with the capital management targets for the capital ratios. Lastly, the most notable change in terms of risk governance during 2009 was the creation of the Risk Committee. The Risk Committee is a sub-committee of the Supervisory Board, dedicated to risk governance, risk policies and risk appetite setting..

MARKET DEVELOPMENTS IN 2009

After the turmoil on the financial markets during 2008, the financial markets improved considerably during 2009, with the exception of direct and indirect Real Estate investments. The volatility levels came down sharply, with volatility levels at year end 2009 similar to the levels in the first half of 2008. Throughout the world the prices of most major asset classes recovered strongly. Equity markets went up significantly: year on year the S&P 500 increased 23% and the Dutch Amsterdam Exchange Index (AEX) increased 36%. Real Estate prices remained under pressure, however. At 31 December 2009 the S&P Case-Shiller Index, the most prominent Real Estate index in the United States, was 3% lower than at the end of 2008. In December 2009, the price index of Dutch owner-occupied residential real estate, as reported by Statistics Netherlands (CBS) and the Dutch Land Registry Office ("Kadaster"), was 5.3% lower than in December 2008. This decline pertained to all types of residential real estate and to all Dutch provinces. Furthermore, after the credit spread widening during 2008, the credit spreads in the financial and corporate sector narrowed in 2009, both in the US and in Europe. Both in the US and Europe short term interest rates decreased further during 2009, with the exception of the 3 month T-bill which remained at a near zero level. Long term interest rates increased in the US, but in Europe they decreased slightly compared to year end 2008.

Risk mitigation

Anticipating a further downturn in the markets in 2009, ING took additional actions to reduce risk across major asset classes. First, the de-risking activities that started in 2008, were continued and increased during 2009. Second, the Back to Basics initiative further reduced risk through the sale of businesses in order to focus more on ING's core activities and markets.

The first de-risking step of 2009 was taken at the start of the year when ING and the Dutch state entered into the Illiquid Asset Back-Up Facility (IABF) term sheet. The IABF covers ING's Alt-A residential mortgage backed securities (RMBS) portfolio. Through this transaction the Dutch State became the economic owner of 80% of the Alt-A RMBS portfolio. This transaction was concluded at 90% of the par value per year end 2008. Par value of the portfolio was approximately EUR 4 billion at that point in time. ING remains exposed to 20% of the result of the Alt-A RMBS portfolios, as well as the legal owner of 100% of the securities. As such the transaction significantly reduced the uncertainty regarding the impact on ING of any future losses in the portfolio. In addition, as a result of the IABF, 80% of the Alt-A RMBS portfolios was derecognised from ING's balance sheet under IFRS. Therefore, 80% of the negative revaluation reserve on the securities was reversed, resulting in an increase of EUR 0.7 billion in Shareholders' equity.

The ING Insurance Available-for-Sale (AFS) portfolio was reduced by EUR 4.0 billion in 2009. The reduction was realised through maturing bonds and pre-payments, but also due to reclassifications out of this category to loans and advances. EUR 6.1 billion of AFS exposure was reclassified to loans and advances. This reclassification is related to ABS securities and was done at the beginning of the second quarter of 2009. Next to the fact that ING's revaluation reserve improved significantly during 2009, ING is now also less sensitive for revaluation reserve changes.

ING continued to de-risk its product offering in 2009. This was accomplished through the redesign of products, and by removing products from our product range in line with the Back to Basics strategy. The re-design of products mainly relates to US and European Variable Annuity products, and was done in stages, based on lower risk and more sustainable product design. The Single Premium Variable Annuity product is no longer part of the product range in Japan.

ING also hedged the listed equity exposure of ING Insurance via put options on the Eurostoxx 50. The nominal hedged amount was EUR 3.0 billion at 31 December 2009, partly via a collar structure.

A more detailed disclosure of outstanding risk factors facing ING and the financial industry is given in the Risk Factor section in the Additional Information part of the Annual Report.

Impact of financial crisis

Impact on pressurised asset classes

As a result of the fact that some markets remained distressed throughout 2009 ING Insurance incurred negative revaluations on its investment portfolio, which impacted shareholders' equity. Furthermore, ING Insurance incurred impairments, fair value changes and trading losses, which impacted its profit and loss account (P&L).

The table below shows the exposures and negative revaluations and losses taken on US sub-prime and US Alt-A residential mortgage backed securities (RMBS), Collateralised Debt Obligations (CDOs), Collateralised Loan Obligations (CLOs) and Commercial Mortgage Backed Securities (CMBS) during 2009.

US Subprime RMBS, US ALT-A RMBS, CDOs/CLOs, and CMBS exposures, revaluations and losses

	31 December 2009	Change in 2009			31 December 2008	
	Fair value	**Revaluation through equity (pre-tax)**	**Write-downs through P&L (pre-tax)**	**Other changes**	Fair value	Revaluations through equity (pre-tax)
US Subprime RMBS	**1,368**	**210**	**–190**	**–326**	1,674	–1,015
US Alt-A RMBS	**337**	**1,142**	**–160**	**–2,766**	2,121	–1,204
CDOs/CLOs	**3,231**	**206**	**134**	**–528**	3,419	–259
CMBS	**5,155**	**1,037**	**–25**	**–957**	5,100	–2,584
Total	**10,091**	**2,595**	**–241**	**–4,577**	12,314	5,062

- ING Insurance's total EUR 1.4 billion exposure to US sub-prime assets relates to non originated loans acquired as investments in RMBS and represents 0.1% of total assets. At 31 December 2009 approximately 46% of ING's US sub-prime portfolio was rated A or higher. ING Insurance does not originate sub-prime mortgages. (Residential) mortgages that are not classified as sub-prime are the vast majority of the total mortgage backed securities (MBS).
- ING Insurance's total US Alt-A RMBS exposure at 31 December 2009 was EUR 0.3 billion. About 42% of this portfolio was A rated or higher. ING's Available-for-Sale Alt-A investments are measured at fair value in the balance sheet. The significant reduction in exposure as indicated by "Other changes" is primarily due to the Illiquid Asset Back-Up Facility. The substantial amount of the negative pre-tax revaluation reserve in equity is mainly a result of the decline of market prices in illiquid markets. Under applicable accounting standards, impairments on debt securities are triggered by credit events only. Upon impairment, the full unrealised revaluation on the impaired security (including the amount attributable to market illiquidity) is recognised in the profit and loss account. The amount of impairments recognised in the profit and loss statement is principally a reflection of an illiquid market and occurred credit events.
- Net investments in CDOs/CLOs at 31 December 2009 were 0.4% of total assets. The vast majority of the CDOs/CLOs has investment grade corporate credit as underlying assets Other changes includes purchases and sales of CDOs/CLOs, as well as foreign currency effects.
- The CMBS portfolio had a market value of EUR 5.2 billion at 31 December 2009 (2008: EUR 5.1 billion). The current fair value is 81% of original purchase price. Improvements in the portfolio were mainly visible in the super senior and AAA tranches, however ING still had to book EUR 25 million of impairments on the CMBS portfolio during 2009.

Of the EUR 10.1 billion exposure on US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS EUR 9.2 billion is measured at fair value (with the revaluation recognised in equity, except impairments on these trades going through P&L). At 31 December 2009 the fair value of US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS was as provided in the tables below, where the following split is made:
Level 1 – Quoted prices in active markets

Level 2 – Valuation technique supported by observable inputs
Level 3 – Valuation technique supported by unobservable inputs
An analysis of the method applied in determining the fair values of financial assets and liabilities is provided in Note 31 'Fair value of financial assets and liabilities'.

Fair value of US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS

2009	Level 1	Level 2	Level 3	Total
US Subprime RMBS			1,368	1,368
US Alt-A RMBS		257	80	337
CDOs/CLOs	2,295	328	22	2,645
CMBS		4,871		4,871
Total	2,295	5,456	1,470	9,221

Fair value of US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS

2008	Level 1	Level 2	Level 3	Total
US Subprime RMBS	20		1,654	1,674
US Alt-A RMBS		10	2,111	2,121
CDOs/CLOs	3,366	53		3,419
CMBS	4,883	146		5,029
Total	8,269	209	3,765	12,243

Impact on Real Estate
By the end of 2009 ING Insurance's total exposure to Real Estate was EUR 6.1 billion (2008: EUR 6.6 billion) of which EUR 4.4 billion (2008: 4.9 billion) is in the accounting class fair value through profit and loss. In 2009, ING recorded EUR 469 million pre-tax negative revaluations and impairments. ING's Real Estate portfolio has high occupancy rates and is diversified over sectors and regions, but is clearly affected by the ongoing negative Real Estate markets throughout the world.

Impact on Equity securities – available for sale
Direct equity exposure at 31 December 2009 was EUR 3.3 billion (listed) and EUR 1.9 billion (non-listed). During 2009 ING recognised EUR 360 million of pre-tax impairments on equity exposure. ING generally decides to impair a listed equity security based on two broad guidelines: when the fair value of the security is below 75% of the cost price or when the market price of the security is below the cost price for longer than six months.

Ongoing changes in the regulatory environment
After the turmoil in the financial markets over the last couple of years and the need for governments to provide aid to financial institutions, financial institutions have been under more scrutiny from the public, supervisors and regulators. During 2009 several proposals were made to change regulations governing financial institutions. These revised regulations are intended to make sure that a crisis in the financial system can be avoided in the future. To accomplish this Insurance regulations focus primarily at the following issue:

- Solvency II: In 2009 the Solvency II Framework Directive was formally approved by the European Commission and European Parliament, with a specified deadline for implementation of October 2012. ING has always been a firm supporter of the Solvency II initiative, being an economic, risk-based solvency system that is based on commonly agreed principles, empirical insights and the economic reality in the financial markets. The detailed legislative implementing measures are currently under development. However industry participants have significant concerns on several aspects of the current proposals, which would be detrimental to consumers, the insurance industry, and the European economy. ING is committed to work actively together with all stakeholders to develop pragmatic solutions that would result in Solvency II meeting its original intent.

The following paragraphs provide a high level overview of the risk management governance and risk profile from an ING Insurance perspective. This is followed by a more detailed overview, split into the different risk types (credit, market, liquidity, insurance, operational and compliance risk) for ING Insurance. The section concludes with disclosures on models for Economic Capital (EC).

INTRODUCTION

To ensure measured risk-taking throughout the organisation, ING Insurance operates through a comprehensive risk management framework. This ensures the identification, measurement and control of risks at all levels of the organisation so that ING Insurance's financial strength is safeguarded.

The mission of ING Insurance's risk management function is to build a sustainable competitive advantage by fully integrating risk management into daily business activities and strategic planning. This mission is fully embedded in ING Insurance's business processes.

The following principles support this objective:
- Products and portfolios are structured, underwritten, priced, approved and managed appropriately and compliance with internal and external rules and guidelines is monitored;
- ING Insurance's risk profile is transparent, managed to avoid surprises, and is consistent with delegated authorities;
- Delegated authorities are consistent with the overall Insurance strategy and risk appetite;
- Transparent communication to internal and external stakeholders on risk management and value creation.

RISK GOVERNANCE

ING's risk management framework is based on the 'three lines of defence' concept which ensures that risk is managed in line with the risk appetite as defined by the ING Group Executive Board (and ratified by the Supervisory Board) and is cascaded throughout ING Insurance. This concept provides a clear allocation of responsibilities for the ownership and management of risk, to avoid overlaps and/or gaps in risk governance. Business line management and the regional and local managers have primary responsibility for the day-to-day management of risk and form the first line of defence. The risk management function, both at corporate and regional/local level, belongs to the second line of defence and has the primary responsibility to align risk taking with strategic planning e.g. in limit setting. Risk managers in the business lines have a functional reporting line to the Corporate Risk General Managers described below. The internal audit function provides an ongoing independent (i.e. outside of the risk organisation) and objective assessment of the effectiveness of internal controls, including financial and operational risk management and forms the third line of defence.

Risk Management Function

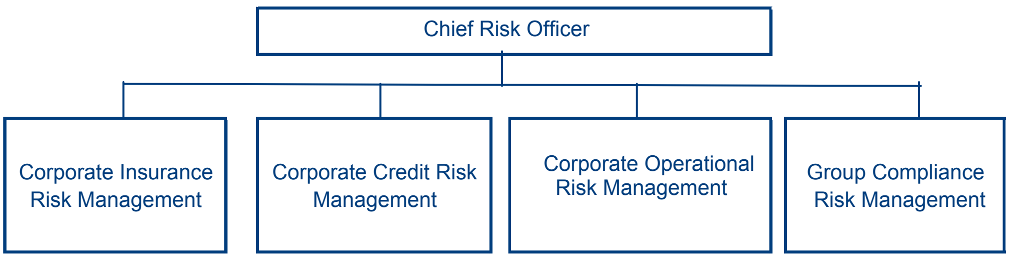
The risk management function is embedded in all levels of the ING Insurance organisation.

Chief Risk Officer

The Chief Risk Officer (CRO), who is a member of the ING Group Executive Board, bears primary overall responsibility for the Insurance risk management function. The CRO is responsible for the management and control of risk on a consolidated level to ensure that ING's Insurance risk profile is consistent with its financial resources and the risk appetite defined by the Executive Board of ING Group. The CRO is also responsible for establishing and maintaining a robust organisational basis for the management of risk throughout the ING organisation.

Risk Organisation

The organisation chart below illustrates the functional reporting lines within the ING Insurance risk organisation.



The risk organisation is structured independently from the business lines and is organised through five risk departments:
- Corporate Credit Risk Management (CCRM) is responsible for the credit risk management of ING Insurance;
- Corporate Insurance Risk Management (CIRM) is responsible for the insurance, market and liquidity risk management of ING Insurance;
- Corporate Operational Risk Management (CORM) is responsible for the operational risk management of ING Insurance;
- Group Compliance Risk Management (GCRM) is responsible for (i) identifying, assessing, monitoring and reporting on the compliance risks faced by ING, (ii) supporting and advising management on fulfilling its compliance responsibilities, and (iii) advising employees on their (personal) compliance obligations.

The heads of these departments (Corporate Risk General Managers) report to the CRO and bear direct responsibility for risk (mitigating) decisions at the Insurance level. The Corporate Risk General Managers and the CRO are responsible for the harmonisation and standardisation of risk management practices.

In addition two staff departments report to the CRO:
- The Risk Integration and Analytics department is responsible for inter-risk aggregation processes and for providing group-wide risk information to the CRO and Executive Board of ING Group;
- The Model Validation department. This department carries out periodic model validations of all material risk models used by ING. To ensure independence from the business and the other risk departments, the head of this department reports directly to the CRO.

Risk Committees

The risk committees described below are also part of the second line of defence. They act within the overall risk policy and delegated authorities granted by the ING Group Executive Board and have an advisory role to the CRO. To ensure a close link between the business lines and the risk management function, the business line heads and the respective Corporate Risk General Managers are represented on each committee (except for the Operational and Residual Risk Committee where the business is not represented).

- ING Group Credit Committee – Policy (GCCP): Discusses and approves policies, methodologies and procedures related to credit, country and reputation risks within ING Group. The GCCP meets on a monthly basis;
- ING Group Credit Committee – Transaction Approval (GCCTA): Discusses and approves transactions which entail taking credit risk (including issuer investment risk). The GCCTA meets twice a week;
- ING Group Investment Committee (GIC): Discusses and approves investment proposals for ING Real Estate. The GIC meets on a monthly basis;
- Asset and Liability Committee ING Insurance (ALCO Insurance): Discusses and approves all risks associated with ING's Insurance activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. ALCO Insurance meets ten times a year;
- Operational and Residual Risk Committee (ORRC): Discusses and approves issues related to Methods, Models and Parameters related to Operational risk, inter-risk diversification and consistency across risk types and businesses. The committee meets at least twice a year.

In addition, the Finance and Risk Committee (F&RC) is a platform for the CRO and the CFO, along with their respective direct reports, to discuss and decide on issues that relate to both the finance and risk domains.

ING Insurance uses risk assessment and risk measurement to guide decision making. As a result, the quality of risk models is important. The governance process for approval of risk models, methods and parameters ensures business and regulatory requirements, via a clear assignment of responsibility and accountability.

Board level risk oversight

ING Insurance has a two-tier board structure consisting of the Insurance Management Board and the Supervisory Board; both tiers play an important role in managing and monitoring the risk management framework.

- The Insurance Management Board is responsible for managing risks associated with the activities of ING Insurance. As ING Bank is a 100% subsidiary of ING Groep N.V. ("ING"), its strategic planning and risk management are to observe the frameworks set by ING; in addition, some of its strategic planning and risk management functions, reporting lines and reports are shared with or integrated into those of ING. At the highest level of the ING organisation, there are board committees which oversee risk taking of ING in its entirety, including ING Bank and which have ultimate approval authority. Taking into account the foregoing, the Management Board's responsibilities include ensuring that internal risk management and control systems are effective and that ING Insurance complies with relevant legislation and regulations. On a regular basis, the Management Board reports on these issues and discusses the internal risk management and control systems with the Supervisory Board. On a quarterly basis, the Management Board reports on the Insurance's risk profile versus its risk appetite to the Audit Committee, explaining changes in the risk profile.
- The Supervisory Board is responsible for supervising the policy of the Management Board, the general course of affairs of the Company and its business (including its financial policies and corporate structure). The Supervisory Board has several sub-committees related to specific topics. Of these, two sub-committees are relevant for the risk management organisation and risk reporting, which are:
  - The Audit Committee, which assists the Supervisory Board in reviewing and assessing ING Insurance's major risk exposures and the operation of internal risk management and control systems, as well as policies and procedures regarding compliance with applicable laws and regulations.
  - The Risk Committee, which assists the Supervisory Board on matters related to risk governance, risk policies and risk appetite setting. The committee was established in 2009. It reports in the Supervisory Board on the main risk issues within ING Insurance.

  Committee membership is organised such that specific business know-how and expertise relating to the activities of ING and ING Insurance and the subject matter of the committees is available. The CRO attends the meetings of the Audit Committee and the Risk Committee.

The CRO makes sure that the boards are well informed and understand ING Insurance's risk position at all times. Every quarter the CRO reports to the board committees on ING's risk appetite levels and on ING Insurance's risk profile. In addition the CRO briefs the board committees on developments in internal and external risk related issues and makes sure the board committees understand specific risk concepts.

Risk management (continued)

ING has integrated its risk management into the annual strategic planning process. This process aligns strategic goals, business strategies and resources throughout ING, and accordingly, throughout ING Insurance. The process is such that the Executive Board of ING issues a Planning Letter which provides the organisation with the corporate strategic direction, and addresses key risk issues. Based on this Planning Letter the business lines and business units develop their business plans which align with the Insurance's strategic direction. The process includes a qualitative and quantitative assessment of the risks involved in the plans. It is part of the process to explicitly discuss strategic limits and risk appetite levels. At each level, strategies and metrics are identified to measure success in achieving objectives and to assure adherence to the strategic plan. Based on the business unit and line of business plans, the Executive Board formulates the ING Strategic Plan which is submitted to the Supervisory Board for approval.

Risk policies
ING has a framework of risk management policies, procedures and standards in place to create consistency throughout the organisation, and to define minimum requirements that are binding on all business units. The governance framework of the business units aligns with the ING Insurance framework and meets local (regulatory) requirements. Senior Management is responsible to ensure policies, procedures and standards are implemented and adhered to. Employees globally have access to the Group's governance framework through an internal website. Policies, procedures and standards are regularly reviewed and updated via the relevant risk committees to reflect changes in markets, products and emerging best practices.

RISK PROFILE
ING uses an integrated risk management approach. ING's risk appetite is defined by the ING Group Executive Board as part of the strategic planning process. Strict boundaries are established with regard to acceptable risk types and levels. ING's 'three lines of defence' governance framework ensures that risk is managed in line with the risk appetite as defined by the Executive Board of ING Group. Risk appetite is cascaded throughout the Bank, thereby safeguarding controlled risk taking. The role of the business lines is to maximise the value within established risk boundaries. Each quarter, the ING Group Executive Board monitors that the financial and non-financial risks are within the boundaries of the risk appetite as set in the strategic planning process.

During 2009 the risk appetite framework for ING Group was revised, and approved by the ING Group Executive Board. It now more closely aligns the risk appetite setting with the capital management targets for the capital ratios. This new framework will be implemented in 2010.

Economic Capital ING Insurance
The objective of the ING Insurance Economic Capital framework is to achieve an advanced risk and capital measurement and management structure that:
- Covers all the risks in the business units and is applied consistently across all risks and business units;
- Facilitates and encourages adequate risk and capital management, including the proper pricing of products and sound capital allocation decisions.

The ING Insurance Economic Capital model is based on a 99.95% one-year Value at Risk framework. It is important to note that since industry practice relating to Economic Capital is still evolving and moreover Solvency II standards are still under discussion, ING Insurance models are expected to evolve as a result. Solvency II currently calls for a 99.5% Value at Risk standard for internal models which is a lower risk threshold than used in ING's model.

The ING Insurance Economic Capital model is described in more detail in the Model Disclosure section.

Economic Capital disclosures relating to ING Insurance include diversification benefits that arise within ING Insurance. The following table provides an Economic Capital break down by risk category with diversification benefits proportionally allocated to the risk types:

Economic Capital break-down ING Insurance by risk category(1)

	2009	2008
Credit risk (including Transfer risk)	**1,319**	891
Market risk	**11,552**	8,455
Insurance risk	**1,666**	1,557
Other risks (2)	**3,568**	2,779
Total Insurance operations	**18,105**	13,682

(1) The Economic Capital outcomes do not reflect any potential tax benefit resulting from the loss that occurs under the specified circumstances.
(2) Other risk includes operational risk as well as business risk (covering expense risk and lapse risk).

Total diversification across these risk types is 32% for 2009 (34% for 2008).
The Economic Capital for ING Insurance is mostly related to market risks, both hedgeable and non-hedgeable. Overall, Economic Capital and risk profile increased during 2009. The primary change came from increased market risk, relating to a recovery in financial markets in combination with improved modelling of our interest rate and credit spread risk

exposure. In addition there were several changes to the risk profile due to selling of business units and increases in business risk due to improved lapse risk modelling.

The following table provides the Economic Capital breakdown by business line with diversification benefits proportionally allocated to the business lines.

Economic Capital break-down ING Insurance business line		
	2009	2008
Insurance Americas	**9,705**	6,049
Insurance Asia/Pacific	**2,256**	2,817
Insurance Europe	**3,969**	2,985
Corporate Line Insurance[(1)]	**2,175**	1,831
Total Insurance operations	**18,105**	13,682

(1) Corporate Line includes funding activities at ING Insurance level, explicit internal transactions between business unit and Corporate Line, managed by Capital Management, and corporate reinsurance. The responsibility (and risk) of free assets located within the business line for which there is no explicit transfer via a Corporate Line transaction remain at the business unit level.

While the figures above are shown by business line, the diversification of risks across ING businesses is calculated across business units. Total diversification between ING Insurance's business units and the Corporate Line Insurance is 32% for 2009 (39% in 2008).

Insurance Americas is the largest user of Economic Capital. Improved modelling of interest rate guarantees embedded in liabilities and credit spread risk on assets has increased EC exposure. Asia Pacific exposure dropped partially due to divested business units in Australia and New Zealand. Economic Capital in Asia/Pacific and Europe has now an equal balance for financial and non-financial risks, while capital in Americas is still primarily driven by interest rate, credit spread and client fund related equity risk. The corporate line risk relates mostly to foreign exchange translation risk related to the potential loss of market value surplus in non-EUR denominated business units.

Economic capital is a non accounting measure which is inherently subject to dynamic changes and updates as a result of ING's portfolio mix and general market developments. ING is in the process of recalibrating the underlying assumptions to its economic capital models to bring closer alignment of the economic capital framework with the regulatory capital framework, and to include the effects of the extreme market influences over the last year. As of the first of January 2010, this may have a material impact on the economic capital values for credit risk going forward.

ING INSURANCE RISK MANAGEMENT

Insurance Risk management governance

ING's Insurance Risk Management (IRM) is organised along a functional line comprising three levels within the organisation: the corporate, business line and business unit levels. The General Manager of CIRM, the Chief Insurance Risk Officer, heads the functional line and reports to the Corporate CRO. Each of the business lines and business units has a similar function headed by a Chief Insurance Risk Officer (business line and business unit CIRO). This layered, functional approach ensures consistent application of guidelines and procedures, regular reporting and appropriate communication vertically through the risk management function, as well as providing ongoing support for the business. The scope, roles, responsibilities and authorities of the risk management function at different levels are clearly described in an Insurance Risk Management Governance Framework to which all consolidated business units and business lines must adhere.

The objective of the insurance risk management function is to provide the business a sustainable competitive advantage by fully integrating risk management into the tactical daily business activities as well as ING's broader business strategy. Insurance Risk Management accomplishes this through four core activities. First, the IRM function ensures that products and portfolios are structured, underwritten, priced, approved and managed appropriately in compliance with internal and external rules and guidelines. Second, IRM ensures that the ING Insurance risk profile is transparent and well understood by management and stays within delegated authorities, with a 'no surprises' approach to reporting and monitoring risks. Third, IRM ensures that both risk and reward are adequately considered in the development of business strategy, for example by supporting the planning and allocation of Economic Capital and limits during the strategic planning process. Finally, IRM ensures that these steps are understood by ING's stakeholders, including shareholders, rating agencies, regulators and policy holders.

Insurance Risk management policies and tools

To ensure appropriate risk management, CIRM in close co-operation with the business line CIROs, has developed Standards of Practice guidelines and tools to manage risks. While these standards are principle based, they include mandatory requirements to which the business unit CIROs must adhere.

A critical aspect of risk management is that all new products are designed, underwritten and priced appropriately. This is explicitly covered by the Standard of Practice for the Product Approval and Review Process (PARP). This standard includes requirements related to risk profile, traditional and value-oriented pricing metrics and targets, and documentation. As part of the Back to Basics strategy Customer Suitability is integral part of the PARP requirements since December 2009. In addition to insurance and market risks, the requirements refer to operational risk, legal and compliance risk, etc. For these risks, the IRM network works closely together with the other relevant risk departments. The PARP also includes requirements to assess sensitivities to changes in financial markets, insurance risk (e.g. mortality and claims development), compliance risks and operational risks, as well as assessment of the administration and accounting aspects of the product.

Other standards prescribe quarterly insurance risk reporting, ALM procedures and reporting, actuarial and economic assumption setting, reserve adequacy testing and embedded value measurement and reporting, amongst others.

ING Insurance has developed an Economic Capital approach as one of its core risk measurement tools. More details on the Economic Capital model are described below. In 2007, ING Insurance introduced ECAPS, a new intranet-based Economic Capital reporting system which is based on replicating portfolio techniques. The ECAPS system provides a well controlled and automated basis for Economic Capital and risk reporting, and also provides greatly enhanced market risk analysis tools for the insurance group and corporate reporting purposes. ECAPS relies on an innovative replicating portfolio methodology. CIRM expects this system to be the foundation of its internal fair value and solvency model, including the calculation of capital requirements following the introduction of Solvency II. Through 2009 the system has been enhanced and functionality expanded.

To further manage risk, ING Insurance has implemented several limit structures. Examples include but are not limited to the following:

- Market Value at Risk (MVaR) limits that provide the fundamental framework to manage the market and credit risks resulting from the Insurance operations' asset / liability mismatch;
- Credit risk concentration limits;
- Mortality concentration limits;
- Catastrophe and mortality exposure retention limits for its insurance risk; and
- Investment and derivative guidelines.

More information on some of these limits is included in the sections below.

Reserve adequacy

CIRM instructs and supervises all ING entities to ensure that the total insurance liabilities of ING Insurance (both reserves and capital) are tested for adequacy taking into account the insurance premium rate levels and the uncertainty of future returns on investments. This is done by evaluating insurance liabilities on current best estimate actuarial assumptions plus a risk margin, ensuring that the reserves remain adequate based on current assumptions. The assumed investment earnings are a combination of the run-off of portfolio yields on existing assets and new money and reinvestment rates. For new money and reinvestments long-term best estimate assumptions are taken into account, although current new money rates are used for the short-term reinvestments. For most products stochastic testing is required, taking the 90% point as the testing outcome. In the case where deterministic testing is used the 90% confidence level is achieved by subtracting risk margins of 20% of the best-estimate interest rates or 1%, whichever is higher.

ING's policy for reserve adequacy testing is disclosed in the 'Principles of valuation and determination of results' section. As of 31 December 2009 (and 31 December 2008), reserves for ING's insurance businesses in aggregate are adequate at a 90% confidence level. All business lines are adequate on a stand alone basis at a 90% confidence level, except business line Americas, that is inadequate by EUR 1.6 billion (0.6 billion adequate as at 31 December 2008). The deterioration in reserve adequacy is largely driven by changes to assumed surrender rates for certain US legacy retail annuity products.

MARKET RISKS

ING Insurance is exposed to market risk to the extent to which the market value of surplus can be adversely impacted due to movements in financial markets; these include interest rates, equity prices, implied volatilities of options, foreign exchange rates and Real Estate prices. Changes in financial market prices impact the market value of ING's current asset portfolio and hedging derivatives directly as well as the calculated market value of ING's insurance liabilities. The following table provides information on Economic Capital split by risk category:

Economic Capital insurance market risks		
	2009	2008
Interest rate risk	**4,244**	2,739
Credit spread risk	**1,914**	880
Equity risk	**1,836**	1,293
Real Estate risk	**239**	252
Implied volatility risk	**1,451**	1,857
Foreign exchange risk	**1,868**	1,434
Total	**11,552**	8,455

Interest rate risks are the largest market risks for ING Insurance. Interest rate risks are most significant in the United States. In general, the primary risk is to falling interest rates. The table shows a notable increase in the interest rate risk during 2009 mainly as a consequence of the improved modelling of interest rate guarantees in US variable annuities.

Credit spread risk relates to potential increases in credit spreads from investments in fixed income securities. Real Estate risk exists mostly in the Netherlands and relates in a large part to direct Real Estate investments. Implied volatility risk is the risk that market values of assets or liabilities change due to movements in market option prices. In general, ING is exposed to increases in implied volatility as the guarantees provided to customers become more expensive. Foreign exchange risk is small in the business units. Hence, most of the exposure relates to the risk of change in the market value surplus of non-EUR businesses.

The equity risk has become more dominant due to unwinding of hedging activities, relating to both direct and indirect exposure and a higher equity value due to the market recovery in 2009. Direct exposure relates to the holding of shares and is most significant for ING in the Netherlands. Indirect exposure relates to the potential loss of fee income from unit linked, variable annuity, and pension fund business across all regions. Direct exposure represents approximately 25% of the equity risk, after taking the hedge positions into account.

The credit spread risk has become more dominant due to higher credit spread shocks applied to our assets and improved risk modelling of structured bond assets.

ING continues to manage the market and credit risks resulting from its global Insurance operations by setting Market Value at Risk (MVaR) limits. On at least an annual basis, ALCO Insurance sets an aggregate MVaR limit for ING Insurance and sub-limits for each of the business lines, which are ultimately allocated to the business units. The MVaR limit is measured in a manner consistent with the Economic Capital measure, i.e. based on a 99.95% confidence level over a one-year horizon.

The MVaR limits are managed by ALCO Insurance at the relevant organisational level. The Insurance ALCO determines the aggregate limit and ensures that ING Insurance, as a whole, stays within the limit and allocates the sub-limits to business lines, with similar roles for the business line and business unit ALCOs. Limit breaches by business lines are reported to ALCO Insurance and resolved in accordance with the policy within the next quarter.

CIRM consolidates and monitors the MVaR exposures of the business lines including diversification effects on a quarterly basis. Together with ING Capital Management, MVaR is managed within the limits.

In 2009 there was a breach of the overall ING Insurance MVaR limit, due to breaches in USFS and Corporate Line. Both breaches were waived temporarily to be able to resolve regulatory issues which had a higher priority than economic capital. Actions to reduce interest rate risk would have had an adverse effect on regulatory capital and as such a waiver for the limit breaches was temporarily given.

Real Estate

Real Estate price risk arises from the possibility that the value of Real Estate assets fluctuate because of a change in earnings related to Real Estate activities and/or a change in required investor yield.

ING Insurance has two different categories of Real Estate exposure on its insurance books. First, ING Insurance owns buildings it occupies. Second, ING Insurance has invested capital in several Real Estate funds and direct Real Estate assets. A decrease in Real Estate prices will cause the value of this capital to decrease and as such ING Insurance is exposed to Real Estate price shocks.

The second category can be divided on the one hand in minority stakes in Real Estate assets that are revalued through equity and on the other hand stakes in funds managed by ING and direct Real Estate revalued through P&L. Only for the last category Real Estate price shocks will have a direct impact on reported net profit.

The crisis in the financial markets has led to a further slowdown of the world economy in general. These global economic factors also had negative consequences for the value of Real Estate assets.

Risk management (continued)

As of Q4 2009 ING Insurance has EUR 3.7 billion of Real Estate related investments. ING Insurance' Real Estate exposure (i.e. including leverage) is EUR 6.1 billion of which EUR 4.4 billion is recognised as fair value through P&L and EUR 1.7 billion is not revalued through P&L, but is either booked at cost or is revalued through equity (with impairments going through P&L). In total, Real Estate exposure decreased by EUR 0.4 billion mainly as a result of negative fair value changes (EUR 396 million), impairments (EUR 77 million) and compensated by net investments (EUR 22 million) and FX appreciation (EUR 42 million).

Real Estate Exposure recognised as fair value through P&L

2009	Residential	Office	Retail	Industrial	Other	Total
Europe	379	1,366	1,958	450	83	4,236
Americas					94	94
Australia					25	25
Asia					68	68
Total	379	1,366	1,958	450	270	4,423

Real Estate Exposure recognised as fair value through P&L

2008	Residential	Office	Retail	Industrial	Other	Total
Europe	438	1,609	2,207	522	28	4,804
Americas					93	93
Australia						
Asia						
Total	438	1,609	2,207	522	121	4,897

Real Estate Exposure not revalued through P&L

2009	Residential	Office	Retail	Industrial	Other	Total
Europe	747	228	3	5	541	1,524
Americas		125				125
Australia						
Asia		20				20
Total	747	373	3	5	541	1,669

Real Estate Exposure not revalued through P&L

2008	Residential	Office	Retail	Industrial	Other	Total
Europe	781	250	9	20	469	1,529
Americas		149				149
Australia						
Asia		21				21
Total	781	420	9	20	469	1,699

Earnings sensitivities

Complementing Economic Capital, which is based on a market value analysis, ING Insurance also measures risk based on IFRS earnings. More specifically, using scenario analysis, ING Insurance measures the potential sensitivity of realised pre tax earnings of the insurance operations to an increase/decrease in different risk factors over a full year. Interpretation of the underlying earnings sensitivities must be done individually as ING does not assume that all of the scenarios presented below will happen concurrently.

Earnings sensitivities are defined on a shock scenario at the 90% confidence level on pre-tax IFRS earnings, projected one year forward from the calculation date. Therefore the table below provides earnings sensitivities to an instantaneous shock at the 90% confidence level projected through to 31 December 2010.

Earnings sensitivities for insurance market risks

	2009	2008
Interest rate (1% up)	–222	–67
Interest rate (1% down)	270	82
Equity (25% (US 15%) down)	–814	–795
Real Estate (8% down)	–434	–533
Foreign Exchange (10% worst case)	–224	–224

The table presents figures before diversification between risks and business units. For interest rate risk, the effect of a parallel shock of 1% across all regions is determined and the sum of the shocks is presented. For the Japan business, a shock of 0.5% is applied since this business operates in a lower interest rate environment. Foreign exchange risk includes the sum of both local business currency risk plus translation risk for earnings of non-Euro business units.

The table shows that Real Estate fluctuations can have a relatively large impact on earnings since most price volatility is fully reflected in earnings for Real Estate investments. The impact on earnings of interest rates and equity price changes are normally lower than the economic and shareholder's equity impact given the fact that current accounting rules are not fully market value based. The sensitivity results do reflect the impacts of asymmetric accounting whereby the hedges must be marked-to-market through the earnings while the liability value is not market-to-market through earnings.

Earnings sensitivities provide an indicator of future earnings that are at risk in case markets deteriorate. Earnings can deteriorate significantly when certain thresholds have been reached for impairment and DAC unlocking. At the moment the increase in equity Earnings Sensitivity - despite de-risking - is driven by DAC unlocking and negative revaluations being close to hitting or at impairment triggers. Offset from the hedging programs existing at year end is taken into account.

Liquidity risk

As with other ING Insurance market risk, liquidity risk falls under the supervision of the ALCO function. Liquidity risk is the risk that ING Insurance or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner. ING Insurance monitors structural, tactical and contingency liquidity risk and tests adverse scenarios to measure its resiliency against these risks. The severe economic downturn has caused liquidity risk to increase substantially. To manage these risks, ING Insurance has increased its allocation to liquid assets

INSURANCE RISKS

GENERAL

Actuarial and underwriting risks are risks such as mortality, longevity, morbidity, adverse motor or home claims development, etc., which result from the pricing and acceptance of insurance contracts. In general, these risks cannot be hedged directly in the financial markets and tend to be mitigated by diversification across large portfolios. They are therefore primarily managed at the contract level through standard underwriting policies, product design requirements as set by ING's IRM function, independent product approval processes and risk limitations related to insurance policy terms and conditions agreed with the client.

MEASUREMENT

For portfolio risks which are not mitigated by diversification, the risks are managed primarily through concentration and exposure limits and through reinsurance and/or securitisation. Aggregate portfolio level limits and risk tolerance levels are set in reference to potential losses stemming from adverse claims in ING's insurance portfolios which are reviewed annually by the ING Group Executive Board. ING has established actuarial and underwriting risk tolerance levels in specific areas of its insurance operations as described below. For non-life insurance, risk tolerance levels are set by line of business for catastrophic events (e.g. natural perils such as storms, earthquakes and floods) and for individual risks.

For the main non-life units (in the Benelux) the risk tolerance for property and casualty (P&C) business is generally set at 2.5% of the ING Insurances's expected after-tax earnings. For 2009, this translated into an aggregated (pre-tax) risk tolerance level of EUR 190 million for the Benelux (2008: EUR 265 million).

In order to determine how much reinsurance protection is required, these risk tolerance levels are compared to the estimated maximum probable loss resulting from catastrophic events with a 1 in 250 probability of occurrence which is in line with industry practice. The maximum probable loss estimates for Fire business are based on risk assessment models that are widely accepted in the industry.

For the smaller non-life units, the (pre-tax) risk tolerance level for catastrophe related events for 2009 was set at EUR 5 million (2008: EUR 5 million) per event per business unit.

With respect to life business, ING Insurances's (pre-tax) risk tolerance level for 2009 was set at EUR 22 million (2008: EUR 22 million) per insured life for mortality risk. While life insurance risks are considered to be naturally diversifiable by virtue of each life being a separate risk, group contracts may result in significant exposures. For potential losses, resulting from significant mortality events (e.g. pandemics or events affecting life insurance contracts involving multiple lives), ING applies a separate risk tolerance level which equalled EUR 1,100 million in 2009 (2008: EUR 1,100 million). The potential impact of pandemics continues to be modelled by ING based on studies published by respected international organisations.

Due to the substantial lower earnings ING is currently reviewing the way to set risk tolerance levels for insurance risks in the future. ING is considering whether these risk limits should be derived from Economic Capital and Available Financial Resources at Risk.

Overall exposures and concentrations are actively managed within limits and risk tolerance levels through the purchase of external reinsurance from approved reinsurers in accordance with ING's reinsurance credit risk policy. Particularly for the property and casualty portfolio, ING purchases protection which substantially mitigates ING's exposure due to natural catastrophes. ING believes that the credit risks to which it is exposed under reinsurance contracts are minor, with exposures being monitored regularly and limited by a reinsurance credit risk policy.

For catastrophic losses arising from events such as terrorism, ING believes that it is not possible to develop models that support inclusion of such events in underwriting in a reliable manner. The very high uncertainty in both the frequency and severity of these events makes them, in ING's opinion, uninsurable. For the non-life business, losses that result from these events are generally not covered unless required by law. In various countries industry pools have been established to mitigate the terrorism risk to which the individual insurers are nevertheless still exposed. ING participates in such pools.

The following table provides an overview of the Economic Capital for insurance risks, split into mortality risk, morbidity risk and risk related to P&C products:

Economic Capital Insurance risk

	2009	2008
Mortality	**981**	781
Morbidity	**505**	483
P&C	**180**	293
Total	**1,666**	1,557

The mortality risk relates to the potential for increasing deaths (life risk) or decreasing deaths (longevity risk). This risk relates to a potential mortality catastrophe or to changes in long term mortality rates. As noted, ING manages these risks via limits and external reinsurance. Morbidity risk relates to disability products in the Netherlands and some health riders sold in Asia. Finally, property and casualty risk exists primarily in the Benelux.

Through scenario analyses, ING Insurance measures the sensitivity of pre-tax earnings of the insurance operations to an increase/decrease of the insurance risk factors over a one year period. These changes to earnings can relate to realised claims or any other profit item that would be affected by these factors. ING assumes that not all the shifts presented below will happen at the same time.

Earnings sensitivities are defined on a shock scenario at the 90% confidence level on pre-tax IFRS earnings, projected one year forward from the calculation. Therefore the table below provides earnings sensitivities to an instantaneous shock at the 90% confidence level projected through to 31 December 2010.

Earnings sensitivities for Insurance risk

	2009	2008
Mortality	**–39**	–61
Morbidity	**–113**	–105
P&C	**–42**	–49

The table above presents figures after diversification between insurance risks and diversification across business units of ING Insurance. The largest earnings sensitivity to P&C claims relates to health and P&C claims in the Netherlands. Earnings sensitivity from Mortality and Morbidity are more evenly spread over the regions.

CREDIT RISKS

Credit risk is the risk of loss from default by debtors (including bond issuers) or trading counterparties. Credit risks are split into five principal risk categories: a) lending (including guarantees and letters of credit); b) investments; c) pre-settlement (derivatives, securities financing and foreign exchange trades); d) money markets and e) settlement. Corporate Credit Risk Management (CCRM) is responsible for the measurement and management of credit risk incurred by all ING Insurance entities, including country-related risks. CCRM is organised along the three business lines of ING Insurance. The CCRM General Manager is functionally responsible for the global network of credit risk staff, while the heads of the credit risk management functions for the business lines report directly to him.

Credit risk management is supported by dedicated credit risk information systems and internal credit risk measurement methodologies for debtors, issuers and counterparties. CCRM creates consistency throughout the credit risk organisation by providing common credit risk policies, methodologies, manuals and tools across ING Insurance.

ING's credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the business lines by means of top-down concentration limits for countries, individual borrowers and borrower groups.

Credit analysis is risk/reward-oriented in that the level of credit analysis is a function of the risk amount, tenor, structure (e.g. covers received) of the facility, and the risks entered into. For credit risk management purposes, financial obligations are classified into lending, investments, pre-settlement, money market and settlement. ING's credit analysts make use of publicly available information in combination with in-house analysis based on information provided by the customer, peer group comparisons, industry comparisons and other quantitative techniques.

Lending risk
Lending risk arises when ING grants a loan to a customer, or issues guarantees on behalf of a customer. This is the most common risk category, and includes term loans, mortgages, revolving credits, overdrafts, guarantees, letters of credit, etc. The risk is measured at the notional amount of the financial obligation that the customer has to repay to ING, excluding any accrued and unpaid interest, discount/premium amortisations or impairments.

Investment risk
Investment risk is the credit default and risk rating migration risk that is associated with ING's investments in bonds, commercial paper, securitisations, and other similar publicly traded securities. Investment risk arises when ING purchases a (synthetic) bond with the intent to hold the bond for a longer period of time (generally through maturity). Bonds that are purchased with the intent to re-sell in a short period of time are considered to be trading risks, which are measured and monitored by the Corporate Market Risk Management department. For credit risk purposes, Investment risk is measured at original cost (purchase price) less any prepayments or amortisations and excluding any accrued and unpaid interest or the effects of any impairment.

Money market risk
Money market risk arises when ING places short term deposits with a counterparty in order to manage excess liquidity, as such, money market deposits tend to be short term in nature (1-7 days is common). In the event of a counterparty default, ING may lose the deposit placed. Money market risk is therefore measured simply as the notional value of the deposit, excluding any accrued and unpaid interest or the effect of any impairment.

Pre-settlement risk
Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk (potential or expected risk) is the cost of ING replacing a trade in the market. This credit risk category is associated with dealing room products such as options, swaps, and securities financing transactions. Where there is a mutual exchange of value, the amount of credit risk outstanding is generally based on the replacement value (mark-to-market) plus a potential future volatility concept, using an historical 7 year time horizon and a 99% confidence level.

Settlement risk
Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING has paid or delivered its side of the trade. The risk is that ING delivers, but does not receive delivery from the counterparty. Settlement risk can most commonly be contained and reduced by entering into transactions with delivery-versus-payment (DVP) settlement methods, as is common with most clearing houses, or settlement netting agreements.

For those transactions where DVP settlement is not possible, ING establishes settlement limits through the credit approval process. Settlement risk is then monitored and managed by the credit risk management units. Risk is further mitigated by operational procedures requiring trade confirmations to counterparties with all transaction details, and by entering into internationally accepted documentation, such as International Swaps and Derivatives Association (ISDA) Master Agreements for derivative transactions. Additionally, ING regularly participates in projects with other financial institutions to improve and develop new clearing systems and clearing mechanisms to further reduce the level of settlement risk. Due to the very short term nature of settlement exposure (daily), settlement risks do not attract economic or regulatory capital and are excluded from risk reporting disclosures.

Country risk
Country risk is the risk specifically attributable to events in a specific country (or group of countries). It can occur within each of the five above described risk categories. All transactions and trading positions generated by ING include country risk which is further divided into economic and transfer risk. Economic risk is the concentration risk relating to any event in the risk country which may affect transactions and any other exposure in that country, regardless of the currency. Transfer risk is the risk incurred through the inability of ING or its counterparties to meet their respective foreign currency obligations due to a specific country event.

In countries where ING is active, the relevant country's risk profile is regularly evaluated, resulting in a country rating. Country limits are based on this rating and ING's risk appetite. Exposures derived from lending, investment pre-settlement and money market activities are then measured and reported against these country limits on a daily basis. Country risk limits are assigned for transfer risk mainly for emerging markets.

Determination of credit risk outstandings
Figures associated with Money Market and Lending activities are generally the nominal amounts, while amounts associated with Investment activities are based on the original amount invested less repayments. Off-Balance Sheet exposures include the letters of credits and guarantees, which are associated with the Lending Risk Category. Additionally, Off-Balance Sheet exposures include a portion of the unused limits, associated with the statistically expected use of the unused portion of the limit between the moment of measurement and the theoretical moment of statistical default. Collectively, these amounts are called "credit risk oustandings".

Exposures associated with Securitisations (Asset Backed Financing, Commercial/Residential Mortgage Backed Securities and Covered Bonds) are shown separately. These amounts also relate to the amount invested prior to any impairment activity or mark-to-market adjustments. This amount is also considered to be "outstandings".

Collateral policies
As with all financial institutions and banks in particular, ING is in the business of taking credit risks in an informed and measured fashion. As such, the creditworthiness of our customers, trading partners and investments is continually evaluated for their ability to meet their financial obligations to ING. During the assessment process of creating new loans, trading limits, or making 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 is determined by the structure of the loan or position. Consequently, since ING's portfolio is diversified, the profile of collateral it receives is also diversified in nature and does not reflect any particular collateral type more than others.

CREDIT RISK PROFILE
ING Insurance's credit exposure arises from the investment of insurance premiums in assets subject to credit risk, largely in the form of unsecured bond investments, and smaller amounts of residential mortgages and structured finance products. In addition, credit exposure also arises from derivatives, sell/repurchase transactions, securities lending/borrowing and reinsurance contracts used to hedge the portfolio. ING Insurance has a policy of maintaining a high quality investment grade portfolio.

Overall portfolio credit risk limits are established and integrated into investment mandates by ALCO Insurance based on asset or investment category and risk classes. Individual issuer limits are determined based on the obligor's rating. These limits are managed by the region where the parent company is domiciled but may be sub-allocated to regional or local portfolios. In addition, each Insurance company has one or more investment mandates that may differ by insurance portfolio specify credit risk appetite by issuer type and quality.

The credit risk classification of issuers, debtors and counterparties within the Insurance companies' credit risk portfolios continues its transition to the methodology used by the banking operations. ING Insurance uses risk classes which are calibrated to the probability of default of the underlying issuer, debtor or counterparty. These ratings are defined based upon the quality of the issuer in terms of creditworthiness, varying from investment grade to problem grade expressed in S&P equivalents.

Risk classes: ING Insurance portfolio, as % of total outstandings(1)

		Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
		2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
1	(AAA)	**24.8%**	27.5%	**39.8%**	34.8%	**3.5%**	5.3%	**28.1%**	27.2%
2-4	(AA)	**13.1%**	19.6%	**16.0%**	20.2%	**21.9%**	29.6%	**15.4%**	21.1%
5-7	(A)	**22.7%**	18.9%	**22.5%**	23.5%	**56.7%**	43.1%	**26.9%**	23.7%
8-10	(BBB)	**20.1%**	20.0%	**11.7%**	9.3%	**7.4%**	9.6%	**15.1%**	14.8%
11-13	(BB)	**8.0%**	5.2%	**7.2%**	10.7%	**0.8%**	0.9%	**6.8%**	6.6%
14-16	(B)	**5.0%**	5.0%	**1.2%**	1.2%	**7.1%**	9.4%	**3.7%**	4.2%
17-22	(CCC & Problem Grade)	**6.3%**	3.8%	**1.6%**	0.3%	**2.6%**	2.1%	**4.0%**	2.4%
		100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.

ING Insurance risk class distribution deteriorated during 2009, mostly due to downgrades. The increase in the CCC and Problem Grade class was largely due to downgraded securitisations. This category also includes unrated private equity investments. The shift from AA to AAA at Insurance Europe is caused by an increase in outstandings to governments as a result of derisking.

Risk management (continued)

Risk concentration: ING Insurance portfolio, by economic sector[(1) (2)]	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Non-Bank Financial Institutions	**47.9%**	53.3%	**23.9%**	26.4%	**14.0%**	18.7%	**34.0%**	39.1%
Central Governments	**12.1%**	3.2%	**42.2%**	33.7%	**39.1%**	22.7%	**27.7%**	16.6%
Commercial Banks	**3.8%**	6.2%	**10.5%**	12.8%	**15.1%**	23.7%	**7.9%**	10.8%
Private Individuals	**3.5%**	3.5%	**10.1%**	10.5%	**7.0%**	11.8%	**6.6%**	7.1%
Real Estate	**9.1%**	8.7%	**0.9%**	1.7%	**1.3%**	2.0%	**4.8%**	5.4%
Utilities	**4.0%**	4.0%	**1.8%**	1.7%	**4.4%**	4.0%	**3.1%**	3.2%
Natural Resources	**3.6%**	3.5%	**0.8%**	0.6%	**2.4%**	1.6%	**2.3%**	2.2%
Other	**16.0%**	17.6%	**9.8%**	12.6%	**16.7%**	15.5%	**13.6%**	15.6%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.
(2) Economic sectors below 2% are not shown separately but grouped in Other.

Overall risk concentrations within ING Insurance shifted towards Central Governments in 2009, especially in Europe. The relative share of Central Governments in the total portfolio also increased due to drops in other parts of the portfolio, especially mortgage backed securities at Insurance Americas.

Largest economic exposures: ING Insurance portfolio, by country[(1)]	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
Amounts in EUR billion	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
United States	**54.3**	58.6	**2.4**	2.0	**1.2**	1.1	**57.9**	61.7
Netherlands	**2.6**	0.8	**14.7**	14.6	**0.2**	0.2	**17.5**	15.6
France	**0.3**	0.3	**8.1**	6.8	**0.1**	0.1	**8.5**	7.2
South Korea	**0.1**	0.1			**7.4**	6.2	**7.5**	6.3
Germany	**0.2**	0.3	**6.0**	5.3	**0.1**	0.1	**6.3**	5.7
Italy	**0.3**	0.3	**5.0**	5.9		0.2	**5.3**	6.4
United Kingdom	**1.4**	1.8	**3.2**	3.5	**0.3**	0.4	**4.9**	5.7
Japan	**0.2**	0.4	**0.1**		**4.3**	4.5	**4.6**	4.9

(1) Only covers total exposures in excess of EUR 4 billion, including intercompany exposure with ING Bank.
(2) Country is based on the country of residence of the obligor.

The declining portfolio in the United States is primarily the result of the currency depreciation of the US dollar against the Euro, impairments and the Alt-A transaction with the Dutch government. The portfolio in the Netherlands increased due to the IABF Receivable. There were no other significant shifts in the portfolio concentration.

NON-FINANCIAL RISKS

In addition to the above financial risks (credit, market, insurance and liquidity risk) the next paragraphs describe the non-financial risks, being operational and compliance risks.

GENERAL

Policy implementation

To ensure robust non-financial risk management ING monitors the full implementation of ING's risk policies and Minimum Standards. Business units have to demonstrate that the appropriate steps have been taken to control their operational and compliance risk. ING applies scorecards to measure the quality of the internal control within a business unit. Scoring is based on the ability to demonstrate that the required risk management processes are in place and effective within the business units.

Enhancements of the Non-financial Risk Dashboard

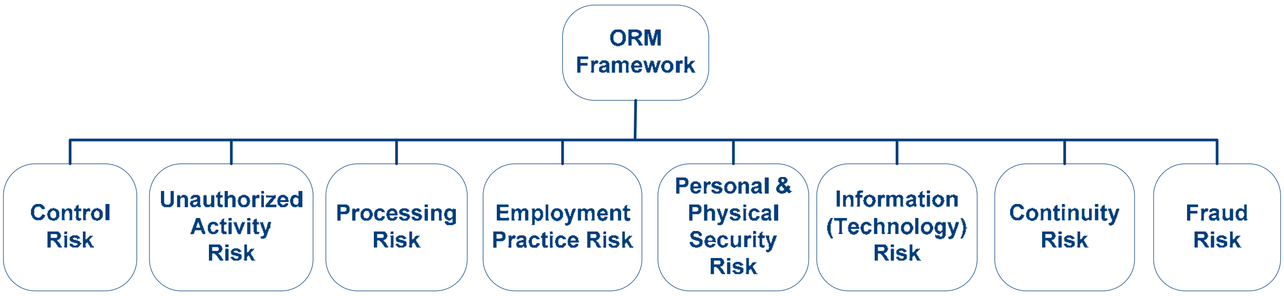
The Non Financial Risk Dashboard (NFRD) is a report, that is standard on the agenda for the meetings of the Management Board Insurance and the Risk Committee. NFRD provides management at all organisational levels with integrated risk information on Operational, Compliance and Legal Risks. ORM, Compliance Risk Management and Legal work closely together to prepare the NFRD, using a consistent approach and risk language. NFRD gives management an overview of key risks based on their own risk tolerance within their business and a clear description of the risks and responses enabling management to better prioritise and to manage operational, compliance and legal risks.

OPERATIONAL RISKS

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the related risk of reputation loss, as well as legal risk whereas strategic risks are not included. Effective operational risk management leads to more stable business processes (including IT systems) and lower operational risk costs. Generic mandatory controls are described in the ORM policy house. Most of the policies have been updated in 2009 and are structured in line with the risk areas. Each policy has one or more minimum standards.

ING recognises the following operational risk policy areas:



- *Control risk* is the risk of loss due to not complying with controls set through governance procedures and/or project management methods. Control risk deals with, for example, identifying potential flaws in the set-up or structure of the governance process, maintaining a proper control and governance structure, having clear roles and responsibilities, an adequate reporting structure, ensuring good risk response on identification of risks. Control risk events typically deal with a deficiency in the governance framework. Control risks can lead to losses incurred due to non-compliance with controls established in connection with items such as governance procedures, new product approval procedures, and/or project management methods. Control risk can stem from improper or insufficient monitoring of entities or activities.
- *Unauthorised activity risk* is the risk of a loss caused by unauthorised employee activities, including -but not limited to- unauthorised approvals or overstepping of authority.
- *Processing risk* is the risk of losses due to human errors or omissions during (transaction) processing caused by unexpected or unforeseen problems. Processing risk deals with the risk of losses due to failed transaction processing or process management. These events are normally not intentional and usually occur when documenting or completing current business transactions.
- *Employment practice risk* is the risk of loss due to actions which are inconsistent with employment, health or safety laws, or agreements, from payment of personal injury claims or from diversity /discrimination events.
- *Personal and physical security risk* is the risk of criminal and environmental threats that might endanger the security of ING personnel (within and outside ING locations, while travelling or being expatriated) and ING assets or might have an impact on the ING organisation.
- *Information (Technology) risk* is the risk of loss due to inadequate information security, resulting in a loss of information confidentiality and/or integrity and/or availability. Aspects of information (technology) risks are user access controls, IT resilience, platform security controls, change management controls, sourcing controls, security monitoring controls and fundamental information security controls.
- *Continuity risk* is the risk of events (e.g. natural disasters, power outages, terrorism) leading to a situation that threatens the continuation of business (including people and assets).
- *Internal and external fraud risk* is the risk of loss due to deliberate abuse of procedures, systems, assets, products and/or services of ING by those who intend to deceitfully or unlawfully benefit themselves or others.

Clear and accessible policies and minimum standards are embedded in ING business processes in all business lines. An infrastructure is in place to enable management to track incidents and operational risk issues. A comprehensive system of internal controls creates an environment of continuous improvement in managing operational risk. ING uses this knowledge (including lessons learned from incidents) to improve the control of key processes.

Organisation of Operational Risk Management

The General Manager Corporate Operational Risk Management (CORM) reports directly to the CRO and is responsible for managing operational risks and developing and establishing the Operational Risk Framework within ING. The General Manager Corporate ORM also establishes and approves the policies and minimum standards, and assists and supports the ING Group Executive Board in managing ING's operational risks. The ORM function is organised along functional reporting lines. The Business Line operational risk managers report functionally to the General Manager CORM.

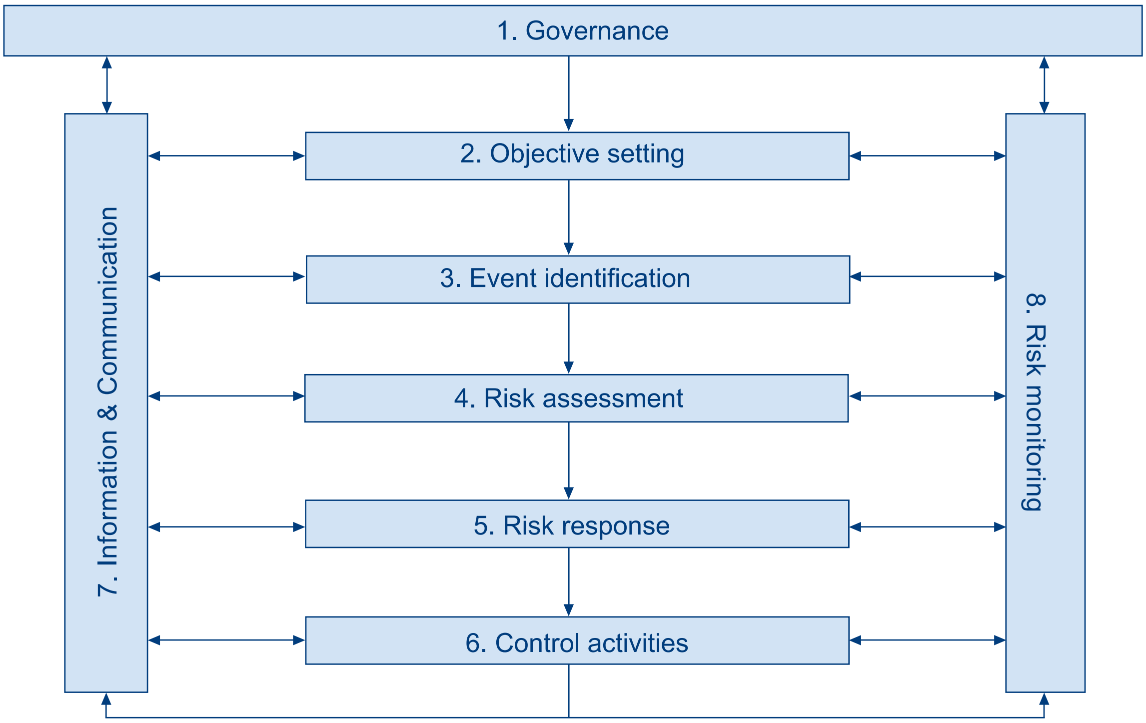
The CORM function consists of functional departments for Operational risks (including policies, systems, SOX testing, capital allocation and reporting), for Information (Technology) risks and for Security & Investigations. The CORM function is responsible for developing and communicating ING's operational risk framework, policies, minimum standards and guidelines. The corporate function advises the ING Group Executive Board and senior management, supports the business line ORM staff, monitors the quality of operational risk management and leads the group-wide reporting of operational risks to the Board.

ORM uses a layered functional approach within business lines to ensure systematic and consistent implementation of the group-wide ORM framework, policies and minimum standards. The local and regional/division ORM Officer has the responsibility to assist local and regional/division management in managing operational risk. The business line ORM officer has a monitoring role in the operational risk management process and manages and supervises all functional activities of the ORM officers in the business line and region/division.

To avoid potential conflicts of interests, it is imperative that the ORM officer is impartial and objective when advising business management on operational risk matters in their business unit or business line. To facilitate this, a strong functional reporting line to the next higher level ORM officer is in place. The functional reporting line has clear accountabilities with regard to objective setting, remuneration, performance management and appointment of new ORM staff.

Operational risk framework

ING has developed a comprehensive framework supporting and governing the process of identifying, mitigating, measuring and monitoring operational risks thus reflecting the stages described in the Enterprise Risk Management model of COSO (Committee of Sponsoring Organisations of the Treadway Commission).



At all levels in the organisation Operational Risk Committees (ORC's) are established that identify, measure and monitor the operational risks of the region or business unit with appropriate quality of coverage (granularity) and to ensure that appropriate management action is taken by the responsible line managers at the appropriate level of granularity. ORC's, chaired by the business management, steer the risk management activities of the first and second line of defence in their entities. The Operational & Residual Risk Committee approves the operational risk capital model.

IT Risk Governance: IT risk management has become more and more important because of the increasing dependency on IT and the increase of IT risk due to amongst others cybercrime. In 2009 the Executive Board has established an Executive IT Risk Steering Committees for Insurance, to be able to steer and monitor ING Insurance's IT Risk Management process and results more closely.

The operational risk appetite within ING is defined as the acceptable and authorised maximum level of risk, in each of the operational risk areas that must be adhered to in order for ING to achieve its business plan within approved budgets. This risk appetite is monitored quarterly through the Non-Financial Risk Dashboard which reports the key risk exposures.

Processes are in place to identify key threats, vulnerabilities and the associated risks which might cause adverse events. Event identification is performed proactively and precedes a risk assessment. Different techniques for event identification exist within ING, e.g. the structured team approach, scenario analysis, external events inventories, internal incident analysis (e.g. based on information from incident reporting), key risk indicator events and threat scans.

At least once a year business units and departments perform an integrated risk assessment with involvement of other departments such as Operational Risk, Compliance, Legal and Finance.
Based on the results of the risk assessment, response measures must be determined for the identified risks. Risk response actions balance the expected cost for implementing these measures with the expected benefits regarding the risk reduction. Risk response can be achieved through several combinations of mitigation strategies, for example reducing likelihood of occurrence, reducing impact, risk avoidance, risk acceptance or through the transfer of risk. Tracking takes place through a global Action Tracking system.

Certain operational risks can best be transferred to the insurance market if risks are high but difficult to mitigate internally. In order to protect ING against financial consequences of uncertain operational events ING has acquired insurance policies issued by third-party insurers with world-wide cover for (Computer) Crime, Professional Liability, Directors and Officers Liability, Employment Practices Liability and Fiduciary Liability. The portion of the risks that ING retains is of a similar magnitude to the risk retained for casualty business-related catastrophe exposures.

Control activities are defined as the control measures that have been implemented and are maintained. Generic mandatory controls are described in the ORM policy house.

Management at all levels in the organisation periodically need information on their key operational risks (including compliance and legal risks) and mitigating actions. In order to make it easier for management to access this kind of information, business units periodically report through the Non-Financial Risk Dashboard (NFRD).

The yearly objective setting process for both business management and ORM professionals aims to keep improving the management of operational risk throughout ING to ensure that ING stays in control of its current and future operational risks. ING's ORM Framework is further maturing towards an integrated controls framework according to pre-agreed requirements and development stages in the individual business units. This development is measured through the scorecard process. The scorecards are an integral part of ING's operational risk capital model.

The Operational Risk Capital calculation model of ING Insurance calculates the amount of capital that is required to absorb unexpected operational risk losses in times of severe stress. The Operational Risk Capital model of ING is based on a Loss Distribution Approach (LDA). The Loss Distribution is based on both external and internal loss data exceeding EUR 1 million. The model is adjusted for the scorecard results taking into account the specific quality of control in a business line and the occurrence of large incidents ('bonus/malus'). This provides an incentive to local (operational risk) management to better manage operational risk.

Main developments in 2009

Control risk policy

A new Control Risk policy was developed which now provides overall-policy direction for control-risk related areas from ORM, Finance and Legal, such as governance, new product approval, project management, financial reporting, outsourcing and operational control. This policy integrates the control-risk related standards of the contributing functions and is part of ING's efforts to work towards a more integrated risk management.

Fraud risks

Based on the Corporate Anti-Fraud policy each business unit had to complete the implementation of anti-fraud key controls for the identified top three fraud risks. Furthermore fraud patterns and fraud alerts (red flags) had to be identified and communicated to staff. Generic anti-fraud training has been rolled out to ensure that all staff (including management) will be trained. To make the ORM community more streetwise an e-learning training anti-fraud has been developed and rolled out via the ING learning centre.

Information (Technology) risk

ING has fully reviewed and updated its IT risk policy and minimum standards and aligned it with regulatory and (external) international ISO standards. All IT-related staff worldwide were informed about the changes in policy and standards and e-learning is being developed. ING's quarterly monitoring process through NFRD was also aligned with the new policy and standards.

Continued risk mitigation efforts were made in the IT risk domain worldwide as IT is a key resource and enabler for ING businesses. Managing IT risk is amongst ING's key management priorities. The Executive IT Risk Steering Committee is chaired by ING's CEO.

ING developed a Risk Forecasting methodology that shows over time the effects on the risk profile of Business Units from ongoing and intended mitigating actions. In the course of 2009 forecasting has been implemented successfully for the Information (Technology) area.

Continuity risk

A continuity risk forecasting model has been introduced. Through this model, Management can determine if current actions are sufficient to maintain the continuity risks at an acceptable level or if additional mitigation projects are necessary. Furthermore an overall value chain ranking list for critical products and services has been introduced in which management can prioritise supporting activities. Because of the worldwide influenza (H1N1) pandemic outbreak special focus has been put on business continuity planning and crisis management using a realistic scenario of a staff absence of 50%.

COMPLIANCE RISKS

Compliance Risk is defined as the risk of damage to ING's integrity as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies, procedures and ethical standards. In addition to reputational damage, failure to effectively manage Compliance Risk could expose ING to fines, civil and criminal penalties, and payment of damages, court orders and suspension or revocation of licenses, which would adversely impact customers, staff and shareholders of ING.

ING believes that fully embedded Compliance Risk Management preserves and enhances the trust of its customers, shareholders and staff. Being trusted is essential to building sustainable businesses. ING's Business Principles set the foundation for the high ethical standards ING expects of all our business activities.

ING's Business Principles require all staff at every level to conduct themselves, not only in compliance with laws and regulations, but also by acting with integrity, being open and clear, respectful, and responsible.

Clear and practical policies and procedures are embedded in ING business processes in all Business Lines. Systems are in place to enable management to track current and emerging Compliance Risk issues, to communicate these to internal and external stakeholders, and to drive continuous improvement. ING understands that good Compliance Risk Management involves understanding and delivering on the expectations of customers and other stakeholders, thereby strengthening the quality of key relationships.

The Scope of the Compliance Risk Management function

The Compliance Risk Management function focuses on managing the risks arising from laws, regulations and standards which are specific to the financial services industry. The Compliance Risk Management function actively educates and supports the business in managing areas including anti-money laundering, preventing terrorist financing, conflicts of interest, proper sales and trading conduct and protection of customer interest.

ING separates Compliance Risk into four conduct-related integrity risk areas. These are shown below with examples of the sub-risks in each risk area:

Client Related Integrity Risk	Personal Conduct Related Integrity Risk	Organisational Conduct Related Integrity Risk	Financial Services Conduct Related Integrity Risk
• Money laundering • Terrorist financing • Political or reputational exposed person • Client engagements or transactions with (ultra) high risk countries	• Market abuse & personal trading • Breaches of the ING Business Principles or local code of conduct • Outside positions by ING officers • Gifts or entertainment given or received; bribery. • External incident reporting	• Organisational conflicts of interest, market abuse and insider trading. • Anti-trust/competition law • New or modified products and services (e.g. customer base, design) and governance changes • Agreed sector /industry standards. • Regulatory registration and reporting requirements • Third party intermediaries as representatives of ING	• Marketing, sales & trading conduct • Conduct of advisory business • Complaint handling • Transparency of product offerings (e.g. costs, disclosures).

In addition to effective reporting systems, ING has a Whistleblower procedure which encourages staff to speak up if they know of or suspect a breach of external regulations or internal policies or Business Principles.

The Compliance Risk Management function

The Chief Compliance Officer (CCO) reports directly to the Chief Risk Officer who is a member of the ING Group Executive Board. The CCO is responsible for developing and establishing the company-wide Compliance Risk Management Charter & Framework, establishes the Minimum Standards for managing Compliance Risks and assists and supports the Board in managing ING's Compliance Risks.

ING uses a functional approach within Business Lines to ensure systematic and consistent implementation of the company-wide Charter & Framework, policies, Minimum Standards and related procedures. The Local Compliance Officer has the responsibility to assist local management in managing Compliance Risk within that business unit. The regional or division Compliance Officer has a management and supervisory role over all functional activities of the Compliance Officers in the respective region or division. Reporting functionally into the CCO, the Business Line

Risk management (continued)

Compliance Officers perform this task for their Business Line and also provide leadership and overall direction to the regional or divisional Compliance Officers.

To avoid potential conflicts of interest, it is imperative that the Compliance Officers are impartial and objective when advising business management on Compliance Risk in their Business Unit, region, division or Business Line. To facilitate this, a strong functional reporting line to the next higher level Compliance Officer is in place. The functional reporting line has clear accountabilities relating to objective setting, remuneration, performance management and the appointment of new Compliance Risk Management staff as well as obligations to veto and escalate.

Compliance Risk Management Policies and Tools
The responsibility of the Compliance Risk Management function is, in accordance with the Charter and Framework, to proactively:
- Identify, assess, monitor and report on the Compliance Risks faced by ING;
- Assist, support and advise management in fulfilling its responsibilities to manage Compliance Risks;
- Advise any employee or officer with respect to their (personal) obligations to manage Compliance Risks.

The Framework consists of three key components: the Compliance Chart, an Advisory component and the Scorecard as illustrated below:

Compliance Risk Management Framework

1. The Chart
The Chart is an output from five key activities carried out in accordance with the requirements of the Framework:

A. Identification of Compliance Risk Obligations;
B. Risk Assessment;
C. Compliance Risk Mitigation (includes Training and Education);
D. Compliance Risk Monitoring (includes Action Tracking);
E. Compliance Risk Reporting (includes Incident Management).

2. Advisory
Compliance Officers proactively advise their CEO, Management, local boards and committees, the next higher level Compliance Officer, and employees on Compliance Risk, responsibilities, obligations and concerns.

The Compliance Risk Management function participates in the Operational Risk Management Scorecard process which measures how the risk management framework including Compliance Risk Management is embedded in each business. Scoring is based on the ability of the business unit to demonstrate that the required policies and procedures are implemented.

3. Scorecard
The Compliance Risk Management function works with the Operational Risk Management Scorecard process to evaluate how well the Compliance Risk Management Framework is embedded in each business. Scoring is based on the ability of the business unit to demonstrate that the required policies and procedures are implemented. The scoring

indicates the level of control within the business units and the result is integrated with the Operational Risk Management results into ING's Dutch Central Bank approved regulatory capital model (AMA).

Extra-territorial regulations

As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives ING continues to believe that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba.

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

MAIN DEVELOPMENTS IN 2009

Building Customer Trust

Group Compliance Risk Management and Corporate Operational Risk Management have worked closely together with the business lines to strengthen ING's Product Approval and Review Process. This work demonstrates ING's commitment to treating customers fairly and ensuring alignment with the various regulatory initiatives.

Regulator relationships

Group Compliance Risk Management continued to invest in pro-active relationships with regulators in the jurisdictions where ING operates, striving for an open approach and cooperation in identifying and mitigating compliance risks for ING.

Further embedding of Financial Economic Crime & Extra-Territorial Laws

ING's commitment to prevent any involvement in criminal activity was reinforced by the review and updating of the Financial Economic Crime and Extra-territorial policies.
In keeping with our obligation to provide consistent relevant education a series of specialised face-to-face training sessions were held for over 250 Money Laundering Reporting Officers. These global events not only provided information on the updated policies but also gave a valuable opportunity to share best practices.

Learning

The "Leading Compliance Risk Management in your business" workshop targeted the top four echelons of ING Insurance management worldwide. It helped provide over 5,000 Managers with a deeper understanding of the effective embedding of ING's Three Lines of Defence model and the strategic value of Compliance Risk Management. Managers also learned in practical steps what actions they can take to strengthen the management of Compliance Risk as well as how to apply the Framework and tools.
Additionally over 300 Compliance Officers world-wide completed a five day face-to-face Compliance Officer training focused on raising technical knowledge and enhancing personal effectiveness.

Compliance risk reporting - Quality Assurance – Challenging Process

The embedding of policies in all ING's Business Units is vital to the effectiveness of ING's Compliance Risk Management strategy.
To ensure that ING has clarity on the status of policy embedding and what actions are planned or in place to ensure all policies are operationally effective, all ING Business Units produce quarterly progress reports.
To ensure the quality of the policy embedding data, Group Compliance Risk Management has formalised a robust Risk Challenging and verification process. The process is lead by the Chief Compliance Officer and is conducted with members of the Business units and the Group Compliance Reporting and Analytics team.

Communication

Communication in 2009 focused on delivering clear messages and useable knowledge to the Compliance Risk Management community through vehicles such as E-Bulletins, workshops and poster campaigns. The Group Compliance Risk Management intranet site was re-designed to provide all employees with an easier more engaging tool to find reference material, policies and Compliance Risk Management news. When communicating to all ING's' employees, Group Compliance Risk Management embraced all forms of media from high tech intranet to engaging cartoons that convey the key messages on how to apply compliance risk management policies in their work environment.

MODEL DISCLOSURES

The risk profile of ING Insurance, as described in the risk management section is captured by the key risk metric Economic Capital.

The analyses set out in the risk management section provide a valuable guide to investors as to the risk profile of ING Insurance. Users of the information should bear in mind that the analyses provided are forward looking measures that rely on assumptions and estimates of future events, some of which are considered extreme and therefore unlikely to occur. In the normal course of business ING continues to develop, recalibrate and refine the various models that support risk metrics, which may result in changes to the risk metrics as disclosed.

This model disclosure section explains the models applied in deriving Economic Capital for ING Insurance. The models used for ING Insurance Economic Capital calculations are reviewed on a periodical basis and validated by the internal Model Validation department.

INSURANCE AND MARKET RISK

Economic Capital, 'EC', is defined by ING as the amount of assets that needs to be held in addition to the market value of liabilities to assure a non-negative surplus at a 99.95% level of confidence on a 1 year time horizon. ING measures Economic Capital by quantifying the impact on the market value surplus (MVS) as a result of adverse events that occur with a specified probability related to the AA rating. Therefore ING's Economic Capital model is based on a 'Surplus-at-Risk' concept. The confidence level consistent with an AA rating has been defined as the 99.95% one-sided confidence level over a one-year horizon. The change in market value surplus (MVS) is the combined effect of changes in Market Value of Assets (MVA) minus market value of liabilities (MVL) and an adjustment for illiquidity spreads due to current dislocated asset markets. The MVS is adjusted to correct this asymmetry by applying an illiquidity spread to the insurance liability cash flows.

ING continues to adjust AFR to reflect the illiquidity in its insurance portfolios as reporting AFR with MVLs discounted at the swap rates results in an asymmetry between the assets and liabilities in terms of reflection of illiquidity premiums. In addition to valuing assets at current market values, the Euro denominated liability illiquidity risk profile has been proxied by applying a Bloomberg composite Euro AAA spread (weighed average of 44 bps over swaps). For the US illiquid liabilities the Bloomberg composite Euro AAA spread is adjusted by the Basis swap curve, which gives a further +20 bps average illiquid premium over USD swaps.

The adjustment of the MVS for the illiquidity of our insurance liabilities impacts the market risk in our Economic Capital model in the following ways:

- Interest Rate Risk: The illiquidity spread applied on our liability cash flows effectively reduces the duration of our liabilities and therefore reduces the duration mismatch between our assets and liabilities resulting in a reduced interest rate risk.
- Credit Spread Risk: The Economic Capital model stresses both the asset spreads and the illiquidity spread on our liabilities. The netting of asset spread risk with illiquidity liability spread risk results in a lower credit spread risk.
- During 2009 the modelling of the illiquidity spread has been refined and illiquidity spreads have significantly declined resulting in a lower impact on our Economic Capital compared with 2008. Discussions have also started within the industry and with regulators to achieve a consistent application of illiquidity across the industry.
- Foreign Exchange Risk: The adjustment of the MVS for illiquidity results in a reduced net exposure to foreign currency movements and in particular the US dollar. This results in a lower foreign exchange risk.

The MVL consist of the Financial Component of Liabilities (FCL) and a Market Value Margin (MVM) for non-hedgeable risks (e.g. insurance risk). The MVM is calculated using a Cost-of-Capital approach based on an estimate of required shareholder return on Economic Capital.

The following fundamental principles have been established for the model:

- Economic Capital requirements are calculated to achieve a target AA rating for policyholder liabilities;
- All sources of risk should be considered;
- The best estimate actuarial assumptions should be as objective as possible and based on a proper analysis of economic, industry, and company-specific statistical data. There is one set of best-estimate assumptions per product to be used for all purposes at ING;
- Valuation of assets and liabilities is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;
- The Economic Capital and valuation calculations should reflect the embedded options in insurance contracts;
- The Economic Capital and valuation calculations are on a pre-tax basis and do not consider the effect of local regulatory accounting and solvency requirements on capital levels. Capital is assumed to be fully transferable between legal entities;
- The framework does not include any franchise value of the business. It does, however, include the expense risk associated with the possibility of reduced sales volume in the coming year.

ING quantifies the impact of the following types of risk in its Economic Capital model:

- Market risk for ING Insurance is the change in value based on changes in interest rates, equity prices, Real Estate prices, credit spreads, implied volatilities (interest rate and equity), and foreign exchange rates. It occurs when there is less than perfect matching between assets and liabilities. Market risk may exist in the insurance activities as a result of selling products with guarantees or options (guaranteed crediting rates, surrender options, profit sharing, etc.) that cannot be hedged given the assets available in a certain market. Market risk may also occur when there is an intentional mismatch between asset and liability cash flows even when it is possible to match or hedge the cash flows;
- Credit risk is the risk of changes in the credit quality of issuers due to defaults or credit migration of securities (in the investment portfolio), counter parties (e.g. on reinsurance contracts, derivative contracts or deposits given) and intermediaries to whom ING has an exposure. In addition to credit risk, ING includes a calculation of transfer risk for the risk of being unable to repatriate funds when required due to government restrictions;
- Business risk is defined as the exposure to the possibility that experience differs from expectations with respect to expenses, the runoff of existing business (persistency) and future premium re-rating;
- Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk capital is difficult to quantify, since it is driven by infrequent events of high severity, and can be significantly mitigated or exacerbated by the quality of internal controls and guidelines. It may be partially managed through the purchase of insurance;
- Life risk relates to deviations in timing and amount of the cash flows (premium payments and benefits) due to the incidence or non-incidence of death. The risk of non-incidence of death is also referred to as longevity risk to distinguish it from the risk associated with death protection products. ING notes risks due to uncertainty of best estimate assumptions concerning level and trend of mortality rates, volatility around best estimates, and potential calamities and recognises external reinsurance;
- Morbidity risk is the risk of variations in claims levels and timing due to fluctuations in policyholder morbidity (sickness or disability) recognising external reinsurance. A wide variety of policy classes are subject to morbidity risk, including disability, accidental death and disability, accelerated death benefits, workers compensation, medical insurance, and long-term care insurance;
- P&C risk comprises the risk of variability of size, frequency and time to payment of future claims, development of outstanding claims and allocated loss adjustment expenses for P&C product lines recognising external reinsurance.

Strategic business risk has been excluded from the EC calculations of ING Insurance.

Economic Capital Model

The ING Economic Capital calculation is calculated based on a ‘Surplus-at-Risk’ concept. ‘Surplus-at-Risk’ is calculated based on the steps:

- Calculate the complete balance sheet (all assets and liabilities) on a Market Value basis;
- Generate Monte-Carlo shock scenarios for all of the relevant risk factors (market and non-market);
- Recalculate the complete balance sheet (all assets and liabilities) on a Market Value basis for each shock scenario. For practical purposes, the MVM is not recalculated under shock scenarios;
- Calculate the 99.95% worst case decrease in the Market Value Surplus over all the shock scenarios. This value will be the EC. Note that the shock scenario resulting in the Economic Capital will differ by business unit, business line, and at an ING Insurance level.

In 2007, ING Insurance introduced ECAPS as an intranet-based Economic Capital reporting system utilising replicating portfolio techniques. The ECAPS system provides a well controlled and automated basis for Economic Capital and risk measurement. Each business unit enters the risk characteristics of its assets and liabilities into the ECAPS system on a regular basis. These risk characteristics are then translated to a uniform basis in the form of replicating portfolios of standardised financial instruments. Based on the constellation of replicating portfolios (including representations of non-market risks), the ECAPS system then is capable of calculating Economic Capitals at every level of aggregation. The following is a brief description of the model.

Risk management (continued)

1. Market Data and Scenario Generation

- Automated retrieval of all current and historical market data
- 500 Risk scenarios sent to each business unit to locally develop stochastic asset and liability cash flows
- 20,000 Real World Monte-Carlo scenarios for Economic Capital calculation

2. Stochastic Cash flows and Non-market Risk Capital

- Actuarial software used to produce the stochastic cash flows by scenario
- Business units upload stochastic asset and liability cash flows for optimised replicating portfolio
- Non-market risk capitals calculated in accordance with ING Standards of Practice submitted to ECAPS for risk aggregation

3. Replicating Portfolio

- Capture the risk profile of the financial component of insurance liabilities by mapping onto a small set of standard financial instruments
- Standard instruments contain discount bond, swaption, callable bonds, equity forward/option and FX option
- Find a replicating portfolio that matches the cash flows as closely as possible for the 500 risk scenarios

4. Economic Capital Calculation

- Replicating portfolio used to capture the risk profile of Insurance assets and liabilities
- EC market shocks and diversification benefits from Real World Monte-Carlo scenarios
- Non-market risk aggregation
- Total diversified EC

Further details on Economic Capital model

Market Data and Scenario Generation

ING Insurance uses ING Bank's Global Market Database (GMDB) as a provider of market price and risk data for financial risk drivers. All market data is obtained from reputable data providers such as Reuters and Bloomberg. The GMDB operational team then validates the market data and calculates relevant risk parameters. This validated data is then automatically delivered to the ECAPS system.

Since ING Insurance operates in many developing financial markets, extrapolation algorithms are in place for extending beyond observable market data when this is needed for the calculation of the Market Value Liabilities and the Economic Capital. These algorithms are based on comparable data in mature markets.

Based on the market data from GMDB, ING calibrates two economic scenario generators:

- Risk Neutral Economic Scenario Generator (RN ESG): capable of generating multiple equity indices and exchange rates, consistent with a multi-currency dynamic term structure model. Scenarios are used in the cash flow projection to determine replicating portfolios. RN ESG scenarios are consistent with observed market prices of equity, FX and interest options;
- Real World Economic Scenario Generator (RW ESG): capable of jointly simulating all risk types, i.e. all market risks, credit risk, business risk, operational risk, life risk, morbidity risk and P&C risk. Diversification between risks is taken into account through a Gaussian copula, allowing for different marginal probability distributions at the risk driver level. RW ESG scenarios are consistent with historical time series of the market risk drivers using 5 years of weekly data observations. The volatilities are scaled from weekly to quarterly and the weekly correlations are used directly as estimates of quarterly correlations.

Stochastic Cash Flows and Non-Market Risk Capital

The market risks in assets and liabilities are captured in and represented by stochastic cash flows in 500 scenarios. Business units are responsible for generating these cash flows, the modelling of embedded options and guarantees and a proper mapping of risk drivers in the scenario set to cash flow determinants such as policyholder behaviour and management actions restricted to dynamic hedge programs and setting of crediting rates/profit sharing. To better capture the behaviour in the tails of the distribution, the set of scenarios consist of 300 Risk Neutral scenarios and 200 'Risk Volatile' scenarios with double volatilities. The average of the 300 Risk Neutral scenarios provides a check on the market value of the replicating portfolio. It should be noted that this serves only as a check, and that the actual market value of liabilities is derived directly from the replicating portfolio. The 200 Risk Volatile scenarios ensure that the replicating portfolio is calibrated against enough extreme scenarios such that it can be used safely in Economic Capital calculations.

Non-market risk Economic Capital is calculated by business units, Corporate Credit Risk Management and Corporate Operational, Information and Security Risk Management and inputted into ECAPS at the sub risk level. ECAPS than aggregates 21 sub-risk types (e.g. mortality and trend risk) to 9 non-market risk types using a bottom-up Economic Capital diversification approach based on a matrix of tail correlations. The information inputs relate to 9 sub risk types:

- Credit risk;
- Business risk;
- Operational risk;
- Life risk catastrophe;
- Life risk non-catastrophe;
- Morbidity risk catastrophe;
- Morbidity risk non-catastrophe;
- P&C risk catastrophe;
- P&C risk non-catastrophe.

The inputs are used to calibrate marginal distributions for these risk types. These distributions, in combination with the Gaussian copula, are then used in the Economic Capital Calculation to measure diversification between market and non-market risks.

Replicating Portfolios

To handle the full complexity of calculating diversification by Monte Carlo simulation, ING maps its assets and liabilities to a set of standard financial instruments. The set of standard instruments consists of zero coupon bonds, market indices, equity forwards, swaptions, callable bonds, FX options and equity options. Assets and the financial components of the liabilities are represented by a portfolio of this standard set of instruments. A user interface allows the selection of different types of replicating instruments for different cash flow types. Then an optimal replicating portfolio is created that matches the risk profile of the stochastically generated cash flows as good as possible. The resulting replicating portfolio is used in the calculation of Economic Capital.

Through the inclusion of equity options, FX options and swaptions in the set of replicating instruments, ING is able to incorporate implied volatility risk in the considered risk types. The same holds for the credit spread risk through the inclusion of credit risk bearing zero coupon bonds in the set of replicating instruments.

The quality of the replicating portfolio is monitored by several statistical criteria including R-squared and benchmarked against market value sensitivities such as duration, convexity, and changes in value for larger interest rate and equity shocks. High quality replicating portfolios are important in several ways. First, they ensure a good reflection of the actual risk profile and an accurate calculation of Economic Capital. Second, they assist business units in hedging strategies and management of Economic Capital. Third, the process of replicating portfolio calculations increases the understanding of the complex nature of insurance liabilities in a market consistent environment.

Replicating portfolios are currently determined from a single factor RN ESG interest rate model. This limits the ability of the replicating portfolios to pick up sensitivity to non-parallel shifts of the term structure of interest rates. Hence RW ESG interest rate scenarios for the Value at Risk calculations are generated using a single factor model as well. However both RN ESG and RW ESG models are consistent with respectively, the RN ESG and RW ESG volatility structure of interest rates.

Economic Capital Calculation

ECAPS uses Monte-Carlo simulation to determine diversification benefits for the complete 'portfolio hierarchy', from business unit level up to an ING Insurance level. All diversification calculations are done within ECAPS and are driven by the Gaussian copula of all risk drivers using the underlying distributions applicable for each risk type.

For the calculation of Economic Capital ING uses a one-year time horizon. In practice, the model calculates instantaneous quarterly shocks and then annualises the resulting VaR statistic to determine an annualised EC. The quarterly shock is used to stabilise the results, to ensure the shocks are within a range that can be more credibly valued for assets and liabilities, to better capture the impact of dynamic hedge strategies, to more reasonably use weekly correlations of risk factors, and to get closer to actual risk practices and reporting cycles.

Using Monte-Carlo simulation, ING's Economic Capital model generates 20,000 possible 'states-of-the-world', by randomly simulating all risk drivers - simultaneously. For each state-of-the-world, the market value of assets and liabilities are recalculated and the change in value of the Market Value Surplus (MVS) is stored. All these changes in MVS are then sorted, and the 99.95% worst-case change in MVS is identified, to provide the Economic Capital level for the given level of aggregation.

CREDIT AND TRANSFER RISK

Economic Capital for credit risk and for transfer risk is the portion of Economic Capital held to withstand unexpected losses inherent in the credit portfolios related to (unexpected) changes in the underlying creditworthiness of debtors or the recovery value of underlying collateral (if any). Credit risk and transfer risk capital are calculated on all portfolios which contain credit or transfer risk, including investment portfolios.

Economic Capital for credit risk and for transfer risk are calculated using internally developed models with a 99.95% confidence level and a time horizon of one year, which represents ING's desired credit rating.

ING uses a series of credit risk models that can be grouped into three principal categories: Probability of Default (PD) models, which measure the standalone creditworthiness of individual debtors; Exposure at Default models (EAD) which estimate the size of the financial obligation at the moment of default in the future; and Loss Given Default Models (LGD), which estimate the recovery value of the underlying collateral or guarantees received (if any) and the unsecured part. Collectively, ING uses over 100 models for credit risk. The various models can be grouped into three categories: statistical, expert and hybrid. Each model is individually reviewed and validated annually by the Model Validation department (MV), in order to determine the continued viability or need to adjust each individual model.

The Economic Capital formula for credit and transfer risks relies on seven different risk drivers. In addition to the PD, EAD, and LGD models mentioned above, the formula also considers the industry and the country of the debtor as well as the remaining term of the respective underlying transactions. Lastly, the formula considers the correlation of the individual transactions to the portfolio as a whole. ING uses Monte Carlo simulation tools to determine certain parameters which are then applied to individual transactions in determining the level of Economic Capital related to credit and transfer risk in a bottom up approach. The correlations, which are updated quarterly, are determined at a business line level, and diversification effects are applied at the transactional level.

The underlying formulas and models that are used for determining Economic Capital for credit and transfer risk are similar to those used for determining the level of regulatory capital that is required under Basel II (Pillar 1). Despite the fact that the same underlying formulas are used, (internal) Economic Capital and regulatory capital are not the same, due to various specific rules imposed by Basel II, such as regulatory caps and floors, and the use of the standardised approach for certain portions of ING's portfolio. These differences are permitted under the Basel II guidelines.

Risk management (continued)

The table below summarises different capital measures used for different purposes and shows the difference in key elements and purposes.

Credit Risk Capital Measurements	Methodology	Location	Confidence level	Inputs	Purpose
Regulatory Capital	Basel II Formula	Vortex Basel Engine ('VBE') in the Central Risk Database	99.90%	Basel II model outputs	RWA
Economic Capital	Risk Adjusted Capital (RAC) Closed Algebraic Formula	Vortex Risk Engine ('VRE') in the Central Risk Database	99.95%	Basel II model outputs excluding Basel II caps and floors, maturity, repayment schedules, correlation factors, migration matrix. Some inputs come from EC-MC portfolio calculator but with 99.95% confidence level.	Pricing, Economic Capital for credit at transactional level and above
Capital and earnings at risk	Monte Carlo simulation based on aggregate portfolio ('EC-MC portfolio calculator')	Stand alone tool using same data from Central Datawarehouse as VRE	90.00%	Basel II model outputs excluding Basel II caps and correlation factors, migration matrix country and industry.	Risk Dashboard at Line of Business Level and above

With regard to methodology, the EC-MC Portfolio calculator provides a sophisticated and consistent framework to measure capital numbers for credit risk. Because of its complexity and required calculation time the EC-MC Portfolio calculator is more suited for portfolio calculation, rather than to be implemented in an environment requiring real time reporting at a transactional level for day-to-day management, pricing of new transactions and limit setting. As a result, Economic Capital figures are based on RAC figures that are derived from the EC-MC Portfolio calculator but are not fully equivalent. The main characteristics are:

- RAC is calculated at facility level with closed algebraic formulas rather than from a Monte Carlo Simulation. The RAC algebraic formula includes parameters which incorporate the impact of portfolio dynamics, such as correlations and diversification effects. These parameters are derived through a regression of the outputs of the EC-MC portfolio calculator;
- Due to its proprietary nature the inputs in the EC-MC Portfolio calculator are subject to certain technical caps and floors (LGD/EAD is constant and PD migration matrix is capped) which are not applicable in RAC. Also, due to the implemented mathematical routines the EC-MC portfolio calculator is subject to a minimum Probability of default (PD) and maximum tenor, which are not applicable in RAC.

For consumer loans, residential mortgages, credit cards, and the insurance portfolios, the calculations are made on a monthly basis. On a quarterly basis, the Economic Capital for credit risk and transfer risk figures are consolidated with the corresponding Economic Capital components from other disciplines.

Governance of Economic Capital for Credit and Transfer Risk

All PD, EAD and LGD models are approved by the Credit Risk Committee (CRC) after thorough review of documentation by the Model Development Steering Committee (MDSG) and MV. In addition, each model is validated on an annual basis by MV. Each model has both a credit risk and a front office co-sponsor. Both the MDSG and the CRC have participation from both credit risk officers as well as the front office to ensure maximum acceptance by the organisation.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss, as well as legal risk, whereas strategic risks are not included. While operational risk can be limited through management controls and insurance, operational risk incidents may have a substantial impact on the profit and loss account of financial institutions.
The capital model, an actuarial model, consists of a combination of three techniques:

- Loss Distribution approach (LDA), which applies statistical analysis to historical loss data;
- Scorecard approach, which focuses on the quality of risk control measures within a specific business unit;
- 'Bonus/Malus' approach, which focuses on the actual operational incidents of a specific business unit.

Loss Distribution approach

The main objective of the LDA approach is to derive an objective capital amount based on the size and the risk appetite of an institution and its business units. This approach estimates the likely (fat-tailed) distribution of operational risk losses over some future horizon for each combination of business line and loss event type. The main characteristic of the LDA is the explicit derivation of a loss distribution, which is based on separate distributions for event frequency (Poisson) and severity (Inverse Gaussian). The model uses both external and internal loss data above one million EUR.

The calculation of operational risk capitals for the units follows five basic principles:

- Principle 1: If the world gets riskier, the business units need more Economic Capital;
- Principle 2: If a business unit's size increases, so does its capital;
- Principle 3: If the business of a business unit is more complex, it needs more capital;
- Principle 4: If the level of control of a business unit is higher, it needs less capital;
- Principle 5: If the business units' losses from internal incidents exceed the level of expected loss accounted for in the first four framework principles, it needs more capital.

The capital calculated according to the first three is 'generic': if two business units operate in the same markets and have the same size, the resulting capital will be the same. The specific capital adjustments mentioned below adjust the generic capital of a specific institution to its specific operational risk capital.

Scorecard approach (principle 4)

The scorecard adjustment reflects the level of quality of control in a specific institution. Scorecards aim to measure the quality of key operational risk management processes. The scorecard procedure concerns questions that require quantitative data, qualitative judgements or simple yes/no questions (e.g. indicating compliance with certain ING policies). The scorecards are completed by all business units using self-assessment and reviewed by an expert panel who determines the final score. The set of scorecards then leads to an increase or decrease of the capital of the specific institution.

'Bonus/Malus' approach (principle 5)

Units are assigned additional capital in case losses from internal incidents exceed the level of expected losses that have been accounted for in the LDA. When the actual loss of a business unit is lower than expected based on a comparison with external losses of peers, the capital of the related business unit is reduced.

Capital management

amounts in million of euros, unless stated otherwise Capital management (continued)

OBJECTIVE

ING Group Capital Management (Capital Management) is responsible for the sufficient capitalisation of ING Group entities at all times in order to manage the risk associated with ING's business activities. This involves the management, planning and allocation of capital within ING Group. ING's Corporate Treasury is part of Capital Management. It executes the necessary capital market transactions, term (capital) funding and risk management transactions. Capital Management monitors and plans capital adequacy on a consolidated basis at three levels: ING Group, ING Insurance and ING Bank. The rating objective for these three entities is AA. Capital Management takes into account the metrics and requirements of regulators (EU Solvency, Tier-1 and BIS ratios and limits for hybrid capital), rating agencies (leverage ratios, Adjusted Equity) and internal models such as the economic capital and market value balance sheet approach for ING Insurance including Available Financial Resources (AFR).

ING uses the following main capital definitions:

- Adjusted Equity – This rating agency concept is defined as shareholders' equity plus core Tier-1 securities, hybrid capital, prudential filters and an adjustment for Value in Force and Deferred Acquisition Cost. See 'Capital Base' disclosures in this section. This capital definition is applied in comparing available capital to core debt (leverage) for ING Group and ING Insurance.
- Available Financial Resources – This is a market value concept, defined as market value of assets (MVA) less the market value of liabilities (MVL) on the balance sheet. The liabilities do not include perpetual hybrid capital which are included in AFR as equity. The valuation of ING Insurance includes an adjustment for portfolio illiquidity. AFR is used as the measure of available capital in comparison with EC employed. EC, or Economic Capital, is the amount of capital that is required to absorb unexpected losses in times of severe stress given the 'AA' target rating of ING Insurance.

For ING Insurance, AFR continues to be important but is a lower priority than in prior years. For ING Insurance, the main focus is now on ensuring operating entities are adequately capitalized based on local regulatory and rating agency requirements and ensuring that on a consolidated basis, the leverage of ING Insurance (debt/equity) is appropriate.

DEVELOPMENTS

In 2009 Capital Management's main focus was to strengthen the capital position of ING Group, ING Bank and ING Insurance. To achieve this ING Group did not pay a dividend in 2009 and launched a rights issue in November of EUR 7.5 billion. The proceeds of the rights issue were largely used to repay EUR 5 billion of the core Tier-1 securities issued in November 2008 to the Dutch State and to provide for additional pre-tax EUR 1.3 billion future payments to the Dutch State for the Illiquid Assets Back-up Facility (IABF) as agreed with the European Commission.

POLICIES

The activities of Capital Management are executed on the basis of established policies, guidelines and procedures. The main documents that serve as guidelines for capital planning are the Capital Letter (comprising the approved targets and limits for capital), the Capital Planning Policy, the Dividend Policy and the Capital Request Policy. For the Corporate Treasury there are many policies and limits that guide the management of the balance sheets and the execution of capital market transactions.

The above capital definitions and policies have been approved by the ING Group Executive Board or delegated authorities.

PROCESSES FOR MANAGING CAPITAL

In addition to measuring capital adequacy, Capital Management also ensures that sufficient capital is available through setting targets and limits relevant to the above mentioned metrics for ING Bank, ING Insurance and ING Group and ensuring adherence to the set limits and targets through planning and executing capital management transactions. The process is supplemented by stress testing and scenario analysis. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management's capital planning process and results in a quarterly Capital Adequacy Assessment Report which is presented to both the ING Group Finance and Risk Committee and the ING Group Executive and Supervisory Boards. The main objective of the assessment is to ensure that ING Group as a whole has sufficient capital relative to its risk profile both in the short and the medium term.

CAPITAL ADEQUACY ASSESSMENT

As at 31 December 2009 and 2008, ING Insurance met all key target capital ratios and metrics and regulatory requirements. As at 31 December 2009 and 2008, ING Insurance was adequately capitalised in relation to their risk profile and strategic objectives.

ING Insurance

European Union directives require insurance companies established in member states of the European Union to maintain minimum capital positions. The ING Insurance companies outside the EU have to comply with their respective local requirements. ING Insurance's companies comply with local regulatory requirements. The table below shows the global required capital of ING Insurance measured on the basis of the European Union requirement. This requirement is compared with ING Insurance consolidated available capital.

Capital management (continued)

Capital position of ING Insurance		
amounts in thousands of euros	**2009**	2008
Available capital[1]	**21,022**	22,010
Required capital	**7,774**	8,582
Surplus capital	**13,248**	13,428
Ratio of available versus required capital	**270%**	256%

[1] For breakdown of available capital see Capital base table

AFR/EC Ratio of ING Insurance was 105% at year-end (2008: 106%)

Capital base		
amounts in thousands of euros	**2009**	2008
Shareholders' equity (parent)	**15,887**	11,893
Group hybrid capital [1]	**3,410**	4,560
Total capitalisation	**19,297**	16,453
Adjustments to equity:		
– Revaluation reserve debt securities	**2,334**	8,271
– Revaluation reserve crediting to life policyholders	**–156**	–2,235
– Revaluation reserve cashflow hedge	**–926**	–1,360
– Goodwill	**–1,857**	–1,889
– Revaluation reserves fixed income & other	**–605**	–2,787
– Insurance hybrid capital [2]	**2,250**	2,250
– Minorities	**80**	520
Available capital	**21,022**	22,010
DAC/ViF adjustments (50%) [3]	**2,931**	1,893
Adjusted Equity (a)	**23,954**	23,902
Ratios		
Core debt (b)	**2,586**	2,301
Debt/Equity ratio (b/(a+b))	**9,74%**	8,78%

[1] Tier-1 instruments issued by ING Group (e.g. perpetual debt securities and preference shares), at nominal value. Group hybrid Tier-1 instruments other than preference shares are provided as hybrid capital to ING Insurance or ING Bank.
[2] Dated subordinated debt issued by ING Insurance at nominal value.
[3] Mainly includes 50% of the excess of the present value of future profits generated by policies in force (Value in Force) over the after-tax deferred acquisition costs.

Main credit ratings of ING at 31/12/2009			
	Standard & Poor's	**Moody's**	**Fitch**
ING Insurance			
– short term	A–2	P–1	
– Long term	A-	A1	A-

ING's long-term credit ratings and their outlooks are shown in the table above. Each of these ratings and outlooks reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency.

A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.

AUTHORISATION OF ANNUAL ACCOUNTS
Amsterdam, 15 March 2010

THE SUPERVISORY BOARD
Peter A.F.W. Elverding, *chairman*
Jeroen van der Veer, *vice-chairman*
Tineke (J.) P. Bahlman
Henk W. Breukink
Claus Dieter Hoffmann
Piet Hoogendoorn
Piet C. Klaver
Godfried J.A. van der Lugt
Harish Manwani
Aman Mehta
Joan Spero
Jackson P. Tai
Karel Vuursteen
Lodewijk de Waal

THE MANAGEMENT BOARD
Jan H.M. Hommen, *chairman*
Patrick G. Flynn, *CFO*
Koos (J.) V. Timmermans, *CRO*
Tom J. McInerney, *CCO*
Matt Rider,*CAO*

Parent company balance sheet of ING Insurance

as at 31 December before appropriation of result

amounts in millions of euros	2009	2008
Assets		
Investments in wholly owned subsidiaries 1	19,138	16,790
Other assets 2	12,259	19,116
Total assets	31,397	35,906
Equity 3		
Share capital	174	174
Share premium	10,374	9,824
Legal reserves [1]	–1,533	–5,921
Other reserves	7,422	9,081
Unappropriated result	–550	–1,265
	15,887	11,893
Liabilities		
Subordinated loans 4	5,743	6,928
Other liabilities 5	9,767	17,085
Total equity and liabilities	31,397	35,906

[1] Legal reserves includes Share of associates reserve of EUR –534 million (2008: EUR –5,275 million) and Currency translation reserve of EUR –999 million (2008: EUR –646 million).

References relate to the notes starting on page 129. These form an integral part of the parent company annual accounts.

Parent company profit and loss account of ING Insurance

for the years ended 31 December

amounts in millions of euros	2009	2008
Result of group companies after taxation	–261	–1,291
Other results after taxation	–289	26
Net result	–550	–1,265

Parent company changes in equity of ING Insurance

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 2008	174	4,374	3,481	–1,025	10,907	17,911
Unrealised revaluations after taxation			–12,415		679	–11,736
Realised gains/losses transferred to profit and loss			898			898
Transfer to insurance liabilities/DAC			2,193			2,193
Change in cash flow hedge reserves			1,350			1,350
Unrealised revaluations from net investment hedges				209		209
Exchange rate differences			–484	170		–314
Total amount recognised directly in equity			–8,458	379	679	–7,400
Net result			–187		–1,078	–1,265
			–8,645	379	–399	–8,665
Employee stock option and share plans					–3	–3
Dividend			–111		–2,689	–2,800
Capital Injection		5,450				5,450
Balance as at 31 December 2008	174	9,824	–5,275	–646	7,816	11,893
Unrealised revaluations after taxation			**6,802**		**–154**	**6,648**
Realised gains/losses transferred to profit and loss			**529**			**529**
Transfer to insurance liabilities/DAC			**–2,079**			**–2,079**
Change in cash flow hedge reserves			**–434**			**–434**
Unrealised revaluations from net investment hedges			**–237**	**43**		**–194**
Exchange rate differences			**270**	**–396**		**–126**
Total amount recognised directly in equity			**4,851**	**–353**	**–154**	**4,344**
Net result					**–550**	**–550**
			4,851	**–353**	**–704**	**3,794**
Transfer to share of associates reserve			**–110**		**110**	
Dividend					**–350**	**–350**
Capital Injection		**550**				**550**
Balance as at 31 December 2009	**174**	**10,374**	**–534**	**–999**	**6,872**	**15,887**

[1] Other reserves includes Retained earnings, Other reserves and Unappropriated result.

In 2009, an amount of EUR 550 million (2008: EUR 5,450 million) additional share premium was received from ING Group to strengthen solvency.

Accounting policies for the parent company balance sheet and profit and loss account of ING Insurance

BASIS OF PRESENTATION

The parent company accounts of ING Insurance are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The accounting policies applicable 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 recognised at net asset value with goodwill, if any, recorded under intangible assets.

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 reserves of 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 Insurance 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 the Share of associates reserve.

A legal 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, which forms part of Shareholders' equity.

Notes to the parent company balance sheet of ING Insurance

amounts in millions, unless stated otherwise

ASSETS

1 INVESTMENTS IN WHOLLY OWNED SUBSIDIARIES

Investments in wholly owned subsidiaries

	2009	2008
ING Verzekeringen Nederland N.V.		5,892
Nationale Nederlanden Nederland B.V.	**5,915**	
ING America Insurance Holding Inc	**4,069**	1,007
ING Insurance International B.V.	**7,228**	8,162
ING Continental Europe B.V.	**1,777**	1,416
Other	**149**	313
	19,138	16,790

In 2009 the assets and liabilities of ING Verzekeringen Nederland N.V. have been transferred to Nationale Nederlanden Nederland B.V.

Changes in investments in wholly owned subsidiaries

	2009	2008
Opening balance	**16,790**	22,502
Repayments-capital contribution	**–2,899**	–1,276
Disposals of group companies		–175
Revaluations	**4,510**	–7,475
Result of the group companies	**–261**	–1,291
Capital contribution	**2,400**	5,932
Dividend	**–1,402**	–1,427
	19,138	16,790

2 OTHER ASSETS

Other assets

	2009	2008
Receivables from group companies	**12,192**	18,856
Other receivables, prepayments and accruals	**67**	260
	12,259	19,116

Notes to the parent company balance sheet of ING Insurance (continued)

EQUITY
3 EQUITY

Equity

	2009	2008
Share capital	174	174
Share premium	10,374	9,824
Share of associates reserve	–534	–5,275
Currency translation reserve	–999	–646
Other reserves	6,872	7,816
Equity	15,887	11,893

The Share of associates reserve includes the following components: Reserve for non-distributable profit of associates of nil (2008: EUR 67 million) and Revaluation reserve of associates of EUR –534 million (2008: EUR –5,342 million).

Share capital

	Ordinary shares (par value EUR 1.13)			
	Number x 1,000		Amount	
	2009	2008	2009	2008
Authorised share capital	680,000	680,000	768	768
Unissued share capital	526,116	526,116	594	594
Issued share capital	153,884	153,884	174	174

Changes in other reserves and unappropriated result

2009	Retained earnings	Other reserves	Total Other reserves	Unappro–priated result	Total
Opening balance	9,100	–19	9,081	–1,265	7,816
Result for the year				–550	–550
Unrealised revaluations	–154		–154		–154
Transfer to Share of associates reserve	110		110		110
Transfer to retained earnings	–1,615		–1,615	1,615	
Dividend				–350	–350
Closing balance	7,441	–19	7,422	–550	6,872

Changes in other reserves and unappropriated result

2008	Retained earnings	Other reserves	Total Other reserves	Unappro-priated result	Total
Opening balance	5,276	–19	5,257	5,650	10,907
Result for the year				–1,265	–1,265
Unrealised revaluations	679		679		679
Transfer to Share of associates reserve	298		298		298
Transfer to retained earnings	2,850		2,850	–2,850	
Dividend				–2,800	–2,800
Other	–3		–3		–3
Closing balance	9,100	–19	9,081	–1,265	7,816

Positive components of 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, except for an amount equal to the negative balance in each of the components in the Currency translation reserve and Share of associates reserve. Unrealised gains and losses on derivatives, other than those used in cash flow hedges, are presented in the profit and loss account and are therefore part of Retained earnings.

Notes to the parent company balance sheet of ING Insurance (continued)

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 Share or associates reserve 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 Share or associates reserve in the parent company accounts;
- Revaluations on investment property and certain participations recognised in income and consequently presented in Retained earnings in the consolidated accounts, is presented in the Share or associates reserve in the parent company accounts.

The total amount of non-distributable reserves is EUR 1,533 million (2008: EUR 6,055 million).

See Note 12 'Shareholders' equity (parent)' in to the consolidated annual accounts for additional information.

Notes to the parent company balance sheet of ING Insurance (continued)

LIABILITIES
4 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of Issue	Due date	Notional amount in original currency	Balance sheet value 2009	Balance sheet value 2008
8.500%	2008	Perpetual	USD 1,500		1,075
8.000%	2008	Perpetual	EUR 750	**750**	750
Variable	2008	Perpetual	USD 1,100	**764**	788
7.375%	2007	Perpetual	USD 1,000	**694**	716
5.775%	2005	Perpetual	USD 1,000	**695**	717
4.176%	2005	Perpetual	EUR 300	**303**	297
6.125%	2005	Perpetual	USD 200	**133**	149
6.125%	2005	Perpetual	USD 100	**66**	75
6.375%	2002	7 May 2027	EUR 1,000	**1,069**	1,077
6.250%	2001	21 June 2021	EUR 1,250	**1,269**	1,284
				5,743	6,928

5 OTHER LIABILITIES

Other liabilities by type

	2009	2008
Debenture loans	**3,508**	4,111
Amounts owed to group companies	**5,394**	11,702
Other amounts owed and accrued liabilities	**865**	1,272
	9,767	17,085

Debenture loans

Interest rate	Year of Issue	Due date	Balance sheet value 2009	Balance sheet value 2008
2.500%	2006	Apr 2012	**206**	205
Floating	2006	Sep 2013	**1,000**	1,000
4.000%	2006	Sep 2013	**1,017**	1,018
3.500%	2005	Nov 2012	**504**	509
4.750%	2005	Mar 2010	**264**	250
2.000%	2005	Nov 2011	**212**	211
2.000%	2005	Nov 2011	**202**	201
3.500%	2005	Nov 2012	**103**	101
3.750%	2004	Feb 2009		506
6.250%	1994	Jan 2009		110
			3,508	4,111

Amounts owed to group companies by remaining term

	2009	2008
Within 1 year	**5,329**	11,702
More than 1 year but less than 5 years	**65**	
	5,394	11,702

Guarantees
As at 31 December 2009, ING Verzekeringen N.V. had guarantees given on behalf of third parties of EUR 5,685 million (2008: EUR 5,775 million).

ING Verzekeringen N.V. has issued statements of liabilities in connection with Section 403, Book 2 of the Dutch Civil Code and other guarantees for a number of group companies.

REMUNERATION OF SENIOR MANAGEMENT, MANAGEMENT BOARD AND SUPERVISORY BOARD

See Note 30 'Related parties' to the consolidated Annual Accounts for additional information.

AUTHORISATION OF PARENT COMPANY ANNUAL ACCOUNTS

Amsterdam, 15 March 2010

THE SUPERVISORY BOARD
Peter A.F.W. Elverding, *chairman*
Jeroen van der Veer, *vice-chairman*
Tineke (J.) P. Bahlmann
Henk W. Breukink
Claus Dieter Hoffmann
Piet Hoogendoorn
Piet C. Klaver
Godfried J.A. van der Lugt
Harish Manwani
Aman Mehta
Joan E. Spero
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Koos (J.) V. Timmermans, *CRO*
Tom J. McInerney, *COO*
Matt Rider, *CAO*

Auditor's report

To the Shareholders, the Supervisory Board and the Management Board of ING Verzekeringen N.V.

REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts 2009 of ING Verzekeringen N.V., Amsterdam (as set out on pages 12 to 134). 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 2009, the profit and loss account, statement of comprehensive income, 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 2009, 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 Management 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. 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 Verzekeringen N.V. as at 31 December 2009, 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 Verzekeringen N.V. as at 31 December 2009, 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 f of the Dutch Civil Code, we report, to the extent of our competence, that the report of the Management Board is consistent with the annual accounts as required by 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 15 March 2010

for Ernst & Young Accountants LLP

signed by C.B. Boogaart

Proposed appropriation of result

PROPOSED APPROPRIATION OF RESULT

The result is appropriated pursuant to Article 21 of the Articles of Association of ING Verzekeringen N.V., the relevant stipulations of which state that the part of the result remaining after the cash dividend to the preference shareholders is made payable, shall be at the disposal of the General Meeting of Shareholders. For 2009, the Management Board, with the approval of the Supervisory Board, has determined to appropriate the entire result -except for the interim dividend paid in 2009 of EUR 350 million - to reserves, so that no final dividend will be paid.

Proposed appropriation of result

amounts in millions of euros	
Net result	**–550**
Deducted from to reserves pursuant to Article 21(2) of the Articles of Association	**–900**
At the disposal of the General Meeting of Shareholders pursuant to Articles 21(2) and 21(3) of the Articles of Association	**350**

DISCLAIMER

Certain of the statements contained in this Annual Report are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING's core markets, (ii) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, and (x) changes in the policies of governments and/or regulatory authorities. ING assumes no obligation to update any forward-looking information contained in this document.

232432

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