2007

ING Insurance

Annual Report

ING

In this report

Management

COMPOSITION OF THE BOARDS

on 31 December 2007

ING Insurance has a two tier board system, consisting of a Supervisory Board and an Executive Board. The Supervisory Board consists of independent non-executives. Its task is to supervise the policy of the Executive Board and the general course of events in the company and to assist the Executive Board by providing advice. The Executive Board is responsible for the daily management of the company. The composition of the Executive Board and the Supervisory Board of ING Verzekeringen N.V. was as follows:

EXECUTIVE BOARD

Michel J. Tilmant (55), chairman
Eric F. Boyer de la Giroday (1) (55)
Dick H. Harryvan (54)
John C.R. Hele (49), CFO
Eli P. Leenaars (1) (46)
Tom J. McInerney (51)
Hans van der Noordaa (46)
Koos (J.V.) Timmermans (47), CRO
Jacques M. de Vaucleroy (46)

(1) Nominated for reappointment as of 22 April 2008

SUPERVISORY BOARD

Cor A.J. Herkströter (1) (70), chairman (until 1 January 2008)
Jan H.M. Hommen (64) (chairman as of 1 January 2008)
Eric Bourdais de Charbonnière (2) (68), vice-chairman
Henk W. Breukink (57)
Peter A.F.W. Elverding (59)
Luella Gross Goldberg (3) (70)
Claus Dieter Hoffmann (65)
Piet Hoogendoorn (62)
Piet C. Klaver (62)
Wim Kok (69)
Godfried J.A. van der Lugt (67)
Karel Vuursteen (66)

(1) Retirement as of 1 January 2008

(2) Nominated for reappointment as of 22 April 2008

(3) Retirement as of 22 April 2008

ING at a glance

ING INSURANCE IS PART OF ING GROUP

ING GROUP

Our mission

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

Our profile

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

Our strategy

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

Our stakeholders

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

Our corporate responsibility

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

ING INSURANCE

ING Insurance has three business lines.

Insurance Europe

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

Insurance Americas

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

Insurance Asia/Pacific

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

Overview and Insurance Europe

OVERVIEW

ING manages its business on an underlying profit basis. Underlying profit before taxation is defined as profit before taxation excluding the impact of divestments and special items. A reconciliation of net profit to underlying profit can be found in Note 42 ‘Primary reporting format - Business segments’.

Financial results

Total profit before tax from insurance operations increased 33.4%. Underlying profit before tax (excluding the impact of divestments and special items) from insurance rose 26.2% to EUR 6,192 million due primarily to EUR 2,087 million gains on the sale of ING’s stakes in ABN Amro and Numico. Underlying profit before tax from life insurance increased by 48.3%. The life-insurance activities in the US, Central and Rest of Europe and Latin America showed strong profit growth, supported by increased sales, growth in assets under management and investment gains. The underlying profit before tax from non-life insurance declined 22.5%. In the Netherlands, the deterioration was mainly caused by lower revaluations on real estate and private equity investments as well as pressure on premium levels and high one-off claims provision releases last year. Canada’s result declined due to lower underwriting results and a decrease in investment gains.

Underlying gross premium income from life insurance policies increased 1.1%, or 8.1% excluding currency effects, mainly driven by the US, Asia and Central and Rest of Europe. Underlying gross premium income from non-life insurance policies decreased 2.1%, or 1.2% excluding currency effects, as lower premiums in Europe were only partly offset by higher premiums in Canada and Latin America.
Underlying operating expenses from the insurance operations increased 4.8% to EUR 5,416 million, mainly caused by costs to support the ongoing growth of the business in US Wealth Management, Asia/Pacific and Central Europe.

The embedded value of ING’s life insurance businesses increased 9.2% to EUR 32,460 million in 2007. After the dividend payment of EUR 5,467 million to ING Group, the year-end embedded value was EUR 26,993 million. Embedded value profit, an important measure of value creation, increased 41.4% to EUR 2,802 million .The value of new business increased 37.9% to EUR 1,113 million in 2007, with the largest contributions coming from the developing markets in Asia/Pacific and Central and Rest of Europe. The largest increases were in Central and Rest of Europe, where the Romanian second-pillar pension fund added EUR 150 million, and in the Americas, mainly in the US and in Mexico’s pension business. New sales, measured in annual premium equivalent, rose 13.3% to EUR 7,320 million, while the internal rate of return improved to 14.3% from 13.3% in 2006.

INSURANCE EUROPE

Insurance Europe is an important profit and value contributor to ING Group. It showed a solid financial performance in 2007, by improving efficiency and optimising distribution channels in the Benelux, by accelerating growth in Central Europe and by reinforcing ING’s position as a specialist provider of investments and retirement services across Europe.

Insurance Europe’s underlying profit before tax declined 16.7% to EUR 1,961 million in 2007 (life 15.7%, non-life 25.4%). Stronger life insurance results in Belgium and Central & Rest of Europe did not fully offset lower results in the Netherlands, which were impacted by lower gains and revaluations on real estate and private equity investments.

Underlying premium income increased by 4.0% to EUR 10,253 million, mainly due to higher life premiums in Belgium and Central & Rest of Europe. Premiums in the Netherlands decreased slightly following re-pricing of immediate annuities as well as rate pressure in the non-life market. Underlying operating expenses increased by 1.4%. The slight decrease in the Netherlands of 1.6% was more than offset by an increase in Central & Rest of Europe of 16.5%, fully explained by higher start-up investments for the life insurance operation in Russia and the second-pillar pension fund in Romania. Expense growth in the Netherlands was tempered by ongoing staff reductions and last year’s software impairments, as the release of employee benefits provisions in 2007 was matched by last year’s releases.

The value of new business (VNB) increased strongly by 82.6% to EUR 400 million and new sales (APE) increased by 21.1% to EUR 969 million, particularly due to higher sales in Central & Rest of Europe, notably Romania.

Overall strategic approach

Insurance Europe is tailoring the specific strategies of its individual insurance companies to the maturity of the markets in which they operate. In the mature markets of the Benelux where there is moderate growth, ING focuses on improving efficiency and optimising distribution, whereas in the fast-growing markets of Central Europe, the focus is on accelerating growth. Across all regions, ING Insurance Europe is taking advantage of the opportunities created by ageing populations and is reinforcing its position.

Developments in mature markets

In the Benelux region, ING is improving cost and capital efficiency, actively managing its business portfolio, enhancing customer satisfaction and leveraging its solid distribution power across the various distribution channels. Nationale-Nederlanden (NN) made substantial progress to improve its cost efficiency. It has reduced internal staff by 1,200 FTEs over the last three years. Important changes in regulations (such as the Dutch pension act) temporarily increased the number of external staff needed to meet expectations from customers and regulators, slightly mitigating the overall impact of the cost efficiency program. In the coming years, large cost reductions can be further realised by standardising and rationalising the current IT applications, as a major part of the cost reductions is IT related.

Insurance Europe and Insurance Americas

The business portfolio in the Benelux was actively managed in 2007 with the sale of the non-core broker and employee benefits business of ING Belgium to P&V Verzekeringen. ING will continue to sell life and non-life insurance products in Belgium exclusively through its proprietary retail bank channels (ING Bank and Record Bank).

With access to brokers (NN), tied agents (RVS) and retail banks (ING Bank and Postbank), ING is well-positioned to take advantage of current trends such as increasing bank distribution and the strong distinction between commodity products and advisory products.

Accelerating growth in Central Europe
Central Europe is enjoying sustained high economic growth, which together with the low life insurance penetration and favourable demographics, make it a growth market for life insurance and pensions. Insurance Central Europe achieved strong increases in the value of new business and new sales and continued to show steady growth in premiums, pension fund inflows and profit. Building on its first-mover advantage, at year-end 2007 ING had organically created an embedded value of EUR 3.9 billion since the start of its operations in Central Europe in the early 1990s. ING's continued strong performance in the region is based on the successful implementation of an accelerated growth strategy, based on four pillars: broadening the distribution base, extending the product range, establishing new greenfields and increasing operational efficiency.

Looking ahead
Looking ahead, ING will continue to respond to emerging trends in the insurance industry, in particular by addressing changing client needs, the move to a multi-distribution approach, more competition and the growing need for cost efficiency. In the Benelux, ongoing volume and margin pressure will require a continued focus on cost reduction to retain attractive pricing as well as improved customer satisfaction. ING will increasingly shift the emphasis towards life insurance and pensions and will, within its multi-distribution approach, expand bank distribution. In Central Europe, ING aims to expand its leading position by executing its four-pillar accelerated growth strategy.

INSURANCE AMERICAS

Insurance Americas achieved growth in pre-tax profit and value of new business in 2007 for the fifth consecutive year, despite challenging market conditions. This strong performance was led by better results across all business lines in the US, and by very good results in South America. During the year, Insurance Americas continued to hone its strategy, focusing resources on higher-growth markets including those for investment products, retirement services and variable annuities in the US, Mexico and South America.

Underlying profit before tax rose 3.4% to EUR 2,059 million during a period of difficult financial market conditions in the US and an adverse currency trend. The result was also impacted by lower non-life profits in Canada and Mexico following lower underwriting results. Excluding currency effects, underlying profit before tax rose 11% led by strong results in the US and Latin America.

Premium income at Insurance Americas fell 2.4% to EUR 23,537 million, although excluding currency effects, premium income grew 6.0% through higher life and non-life results across all countries. Operating expenses in the Americas increased 1.2% to EUR 2,519 million, or 9.2% excluding currencies. This expense growth was related to the acquisition of the pension and annuity businesses from Latin American Pension business of Santander in Latin America, higher sales, strategic investments in technology and distribution as well as organic business growth, especially in the United States.

Developments in the United States
In 2007, ING's leading market position in retirement services and variable annuities resulted in both business lines contributing to 46% of US earnings. US Retirement Services is a market leader in earnings, number of retirement plans and participants. In US Variable Annuity, strong sales of new products and good retention rates together with enhanced distribution fuelled solid asset growth. Variable Annuity assets now stand at almost USD 50 billion. The Asset Management and Insurance businesses in the US both experienced a very strong 2007, with strong growth in mutual fund and institutional asset management sales, and a more than 49% increase in new life insurance sales from the launch of new universal life and term life products.

ING vaults into a leading position in Latin America
In the second half of the year, ING announced the acquisition of Banco Santander's pension businesses in Argentina, Chile, Colombia, Mexico and Uruguay for EUR 1.15 billion. These businesses, together with ING's existing Latin American pension operations, make ING the second-largest pension fund manager in Latin America. With this significant investment, ING has become a major player in the pension and life insurance markets of Latin America. ING will have EUR 40 billion in assets under management in the region, more than double the pre-acquisition assets.

Looking ahead
ING will continue to focus on investing for growth in investments, retirement services, annuities and asset management and life insurance in the Americas. ING's market strength in key businesses puts it in a good position to achieve this goal. In the US, the impending retirement of baby boomers is dramatically increasing their focus on saving for retirement. By 2020, two-thirds of the investable assets in the US will be controlled by baby boomers. This unprecedented amount of money (USD 44 trillion) creates major opportunities for financial service companies with scale. In Latin America, ING plans to aggressively grow assets under management organically, but will also look for acquisition opportunities.

Insurance Asia/Pacific

INSURANCE ASIA/PACIFIC

With economic growth and wealth creation in Asia continuing to outpace other regions, Insurance Asia/Pacific is well-positioned to capitalize on opportunities for further growth. As is a key value creator for ING, Insurance Asia/Pacific has a strong footprint in the region with a comprehensive product portfolio and multi-distribution capabilities.

Underlying profit before tax decreased by 7.2% to EUR 576 million in 2007 from EUR 621 million in 2006. Higher profits in South Korea and Australia were more than offset by a decrease in Japan. During the year, Insurance Asia/Pacific continued to invest in ongoing expansion of its businesses, especially in the high-growth markets of China, India and Thailand.

On the income side, gross premium income increased 4.1% to EUR 12,632 million, as higher premiums in South Korea, Australia and Taiwan were partly offset by lower premiums in Japan. Double-digit growth rates in premium income were recorded in local currency terms in most of Insurance Asia/Pacific's other markets.

Underlying operating expenses increased 15.5% to EUR 1,115 million, reflecting the increase of business volumes and the focus on building organisational capabilities and infrastructure, and investing in greenfield operations.

The value of new business (VNB) written by Insurance Asia/Pacific was EUR 442 million, up 5.0% compared with 2006, driven by Taiwan, Australia and Rest of Asia.

Strengthening multiple distribution channels

ING sells its life insurance products in the Asia/Pacific region via tied agents, banks, direct channels and several innovative alternative channels. The tied agent channel has been the strongest, but distribution through banks is growing fast. ING continually works to broaden its distribution methods and increase the efficiency of existing channels.

Bank distribution becoming a significant channel

While tied agency is currently ING's strongest channel, we continue to develop third party channels, in particular bank distribution. In Malaysia, ING recently signed an exclusive regional distribution agreement with Public Bank, and in Thailand an exclusive bank distribution agreement has been signed with the fourth largest bank, TMB.

ING offers a total solution provider approach to its bank partners, including marketing and organisational support. One of our greatest strengths is our understanding of both the banking and insurance businesses, and how the two can augment each other.

Introducing more profitable new product offerings

Most insurance markets are showing a shift to investment-oriented life insurance products. In several countries ING introduced new products, such as in Japan, with the introduction of a new SPVA product. Also South Korea and Taiwan showed increased sales of investment-oriented products and annuities.

Expanding organisational capabilities

Building and improving organisational capabilities, with particular focus on recruitment, management development and training, was an absolute priority in 2007. Along with the tremendous economic growth in Asia, the demand for talent is huge. Human resources remains a key priority, and ING is investing in improving and broadening long-term incentive programmes to attract and retain talent.

Enhancing brand awareness

Efforts to enhance brand awareness have been initiated and implemented successfully. ING reached an audience of almost 500 million people in the Asia/Pacific region with Formula One events in Australia, China, Japan and Malaysia, and the sponsorship of the AFC (Asian Football Confederation) Asian Cup. F1 generated valuable business leads. Increased brand awareness levels were registered, especially in Malaysia and South Korea.

Looking ahead

The focus on investment-oriented insurance products continues to sharpen, as customer demand increases. Through customer segmentation, we will offer customers a growing suite of products geared towards their particular needs. The tied agency model remains important and we will continue to improve it. In addition, more initiatives will be taken to strengthen multi-channel distribution capabilities, especially bank distribution, and direct and new alternative channels.

THE EXECUTIVE BOARD
Amsterdam, 17 March 2008

Report of the Supervisory Board

TO THE SHAREHOLDER,
The Supervisory Board hereby presents you the 2007 Annual Report of ING Verzekeringen N.V. This Annual Report includes the report of the Executive Board, the Annual Accounts and Other Information.

Annual accounts and dividend
The Annual Accounts have been prepared by the Executive Board and have been discussed by the Supervisory Board. They are presented to you for adoption. Approval of the Annual Accounts will serve to ratify the actions of the Executive Board in respect of their management and the members of the Supervisory Board in respect of their supervision during the past financial year. Subject to adoption of the Annual Accounts, a dividend for 2007 is proposed of EUR 4,600 million. This amount has already been partly paid as interim dividend to the holders of ordinary shares.

Meetings
The Supervisory Board met nine times during the year, while the Audit Committee held six meetings.

In January, the Supervisory Board held its annual full-day meeting on ING's strategy and medium-term plan including the related risks. In February, the 2006 annual figures were discussed, including the related reports from the external auditors. The quarterly figures of the first three quarters of 2007 were discussed in May, August and November respectively based on the verbal report on the discussions in the preceding Audit Committee meeting, as in every meeting. In May and in November the assessment of the Executive Board of the adequacy and effectiveness of the risk management and control systems of ING as well as the significant changes made thereto was discussed.

The management of Nationale-Nederlanden gave a presentation to the Supervisory Board in the August meeting about the development of Nationale-Nederlanden and the main challenges lying ahead. An updated ING Insider Regulation as well as the ING Regulation on Financial Instruments was also approved in this meeting. These regulations were updated due to changes in Dutch legislation. Upon request of the Supervisory Board the restructuring of IT systems within ING in the Netherlands was discussed in the November meeting.

The Audit Committee discussed the quarterly and year-end figures in its meetings, as well as the half-year results on the basis of US GAAP.

Composition of the Supervisory Board
Paul van der Heijden retired from the Supervisory Board after the Annual General Meeting of Shareholders in April 2007.

Cor Herkströter and Luella Gross Goldberg both agreed to stay on longer to ensure a balanced composition in the Board, although both would have retired at reaching the age of 70 in 2007. Henk Breukink, Peter Elverding, and Piet Hoogendoorn were appointed as new members. Cor Herkströter retired as member and chairman of the Supervisory Board on 1 January 2008. Jan Hommen succeeded Cor Herkströter as chairman of the Supervisory Board and Wim Kok succeeded Jan Hommen as chairman of the Audit Committee, both on 1 January 2008. For this reason Wim Kok will not retire in 2008. Luella Gross Goldberg will retire at the Annual General Meeting of Shareholders in 2008 having stayed on one year longer.

The Supervisory Board nominates four candidates for appointment: Mr. Harish Manwani (1953, Indian nationality, as per 22 April 2008), Mr. Aman Metha (1946, Indian nationality, as per 22 April 2008) Ms. Joan Spero (1944, US nationality, as per 22 April 2008) and Mr. Jackson Tai (1955, US nationality, as per 22 April 2008). The proposed appointments were approved by the Dutch Central Bank

Composition of the Executive Board
In April 2007, Cees Maas, vice-chairman and chief financial officer, retired from the Executive Board. The Annual General Meeting of Shareholders appointed John Hele and Koos Timmermans as chief financial officer and chief risk officer respectively.

Appreciation for the Executive Board and the ING employees
The Supervisory Board would like to thank Cor Herkströter for his significant and valuable contribution to ING, and Luella Goldberg for her commitment and valuable contribution to ING. Finally the Supervisory Board would like to thank the Executive Board members for the strong performance in 2007. The Supervisory Board would also like to express its appreciation to the 125,000 employees of ING who each serve the interests of customers, shareholders and other ING stakeholders.

THE SUPERVISORY BOARD
Amsterdam, 17 March 2008

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Consolidated balance sheet of ING Insurance as at 31 December

amounts in millions of euros	2007	2006
ASSETS		
Cash and cash equivalents 1	**3,115**	3,017
Financial assets at fair value through profit and loss 2		
– trading assets	**1,008**	965
– investments for risk of policyholders	**114,827**	110,547
– non-trading derivatives	**1,232**	1,888
– designated as at fair value through profit and loss	**3,805**	1,268
Available-for-sale investments 3	**132,266**	140,490
Loans and advances to customers 4	**27,529**	37,559
Reinsurance contracts 15	**5,874**	6,529
Investments in associates 5	**3,189**	3,151
Real estate investments 6	**1,302**	3,310
Property and equipment 7	**907**	1,051
Intangible assets 8	**3,942**	3,232
Deferred acquisition costs 9	**10,692**	10,163
Other assets 10	**12,395**	10,601
Total assets	**322,083**	333,771
EQUITY		
Shareholders' equity (parent) 11	**17,911**	21,917
Minority interests	**890**	1,770
Total equity	**18,801**	23,687
LIABILITIES		
Subordinated loans 12	**4,493**	4,043
Debt securities in issue 13	**4,636**	5,439
Other borrowed funds 14	**11,355**	16,015
Insurance and investment contracts 15	**265,712**	268,683
Financial liabilities at fair value through profit and loss		
– trading liabilities	**101**	51
– non-trading derivatives 16	**1,704**	879
Other liabilities 17	**15,281**	14,974
Total liabilities	**303,282**	310,084
Total equity and liabilities	**322,083**	333,771

References relate to the notes starting on page 32 which 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	2007	2007	2006	2006	2005	2005
Gross premium income 30		**46,818**		46,835		45,758
Investment income 31		**12,827**		10,473		9,991
Net gains/losses on disposals of group companies		**299**		46		–36
Gross commission income	**3,527**		3,073		2,596	
Commission expense	**–1,626**		–1,438		–1,250	
Commission income 32		**1,901**		1,635		1,346
Valuation results on non-trading derivatives 33		**–687**		–48		–191
Net trading income 34		**370**		272		6
Share of profit from associates 5		**530**		465		401
Other income 35		**294**		–10		131
Total income		**62,352**		59,668		57,406
Gross underwriting expenditure	**51,818**		53,065		54,594	
Investment income for risk of policyholders	**–1,079**		–2,702		–5,074	
Reinsurance recoveries	**–1,906**		–2,175		–2,400	
Underwriting expenditure 36		**48,833**		48,188		47,120
Other impairments 37		**1**		11		22
Staff expenses 38		**2,836**		2,810		2,804
Interest expenses 39		**1,445**		1,231		1,100
Other operating expenses 40		**2,622**		2,471		2,352
Total expenses		**55,737**		54,711		53,398
Profit before tax		**6,615**		4,957		4,008
Taxation 41		**782**		706		455
Net profit (before minority interests)		**5,833**		4,251		3,553
Attributable to:						
Shareholders of the parent		**5,650**		3,960		3,291
Minority interests		**183**		291		262
		5,833		4,251		3,553

References relate to the notes starting on page 70 which form an integral part of the consolidated annual accounts.

	2007	2006	2005
Dividend per ordinary share (in euros)	**29.89**	10.72	10.36
Total amount of dividend paid (in millions of euros)	**4,600**	1,650	1,595

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

amounts in millions of euros		2007	2006	2005
Profit before tax		**6,615**	4,957	4,008
Adjusted for	– depreciation	**213**	210	235
	– deferred acquisition costs and VOBA	**–1,338**	–1,317	–1,141
	– increase in provisions for insurance and investment contracts	**26,494**	17,689	21,250
	– other	**–2,654**	–4,493	–3,697
Taxation paid		**–514**	–793	–761
Changes in	– trading assets	**–43**	–1,062	–210
	– non-trading derivatives	**165**	–22	46
	– other financial assets at fair value through profit and loss	**–771**	–50	24
	– loans and advances to customers	**–3,390**	–81	–3,205
	– other assets	**–1,794**	–1,313	–1,879
	– trading liabilities		41	
	– other financial liabilities at fair value through profit and loss	**2**	265	582
	– other liabilities	**133**	–262	2,899
Net cash flow from operating activities		**23,118**	13,769	18,151
Investments and advances	– group companies	**–1,217**	–136	–167
	– associates	**–490**	–175	–495
	– available-for-sale investments	**–188,146**	–188,184	–165,894
	– real estate investments	**–623**	–1,300	–1,039
	– property and equipment	**–190**	–209	–166
	– investments for risk of policyholders	**–54,438**	–44,116	–41,781
	– other investments	**–106**	–108	–1
Disposals and redemptions	– group companies	**1,042**	219	35
	– associates	**826**	87	660
	– available-for-sale investments	**180,876**	182,079	153,128
	– real estate investments	**170**	983	534
	– property and equipment	**82**	82	164
	– investments for risk of policyholders	**47,136**	37,945	34,464
	– other investments	**6**	35	4
Net cash flow from investing activities 44		**–15,072**	–12,798	–20,554
Proceeds from issuance of subordinated loans		**707**		1,400
Proceeds from borrowed funds and debt securities		**51,399**	85,300	71,705
Repayments of borrowed funds and debt securities		**–55,402**	–84,115	–68,821
Issuance of ordinary shares				105
Payments to acquire treasury shares		**–29**	–23	
Sales of treasury shares		**24**	37	
Dividends paid		**–4,640**	–1,684	–1,595
Net cash flow from financing activities		**–7,941**	–485	2,794
Net cash flow 45		**105**	486	391
Cash and cash equivalents at beginning of year		**3,017**	2,745	1,967
Implementation IAS 32/39				692
Effect of exchange rate changes on cash and cash equivalents		**–7**	–214	–305
Cash and cash equivalents at end of year		**3,115**	3,017	2,745

References relate to the notes starting on page 82 which 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 2005	174	4,374	8,731	13,279	1,708	14,987
Implementation IAS 32/39 and IFRS 4			2,223	2,223	69	2,292
Unrealised revaluations after taxation			1,989	1,989	–16	1,973
Realised gains/losses transferred to profit and loss			–501	–501		–501
Changes in cash flow hedge reserve			526	526		526
Transfer to insurance liabilities/DAC			–89	–89	17	–72
Employee stock option and share plans			33	33		33
Exchange rate difference			1,471	1,471	100	1,571
Total amount recognised directly in equity			3,429	3,429	101	3,530
Net profit			3,291	3,291	262	3,553
			6,720	6,720	363	7,083
Changes in composition of the group					–913	–913
Dividends			–1,595	–1,595		–1,595
Balance as at 31 December 2005	174	4,374	16,079	20,627	1,227	21,854
Unrealised revaluations after taxation			–3	–3	–8	–11
Realised gains/losses transferred to profit and loss			–575	–575	–1	–576
Changes in cash flow hedge reserve			–273	–273		–273
Transfer to insurance liabilities/DAC			820	820	–3	817
Employee stock option and share plans			51	51	2	53
Exchange rate difference			–1,076	–1,076	–72	–1,148
Other revaluations			36	36		36
Total amount recognised directly in equity			–1,020	–1,020	–82	–1,102
Net profit			3,960	3,960	291	4,251
			2,940	2,940	209	3,149
Changes in composition of the group					368	368
Dividends			–1,650	–1,650	–34	–1,684
Balance as at 31 December 2006	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**
Employee stock option and share plans			**49**	**49**		**49**
Exchange rate difference			**–1,029**	**–1,029**	**23**	**–1,006**
Other revaluations					**31**	**31**
Total amount recognised directly in equity			**–5,056**	**–5,056**	**–51**	**–5,107**
Net profit			**5,650**	**5,650**	**182**	**5,832**
			594	**594**	**131**	**725**
Changes in composition of the group					**–914**	**–914**
Dividends			**–4,600**	**–4,600**	**–40**	**–4,640**
Other					**–58**	**–58**
Balance as at 31 December 2007	**174**	**4,374**	**13,363**	**17,911**	**889**	**18,800**

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

In 2007, deferred taxes for the year with regard to unrealised revaluations amounted to EUR 620 million (2006: EUR 737 million). For details on deferred tax see Note 17 ‘Other liabilities’.

Reserves include Revaluation reserve of EUR 2,834 million (2006: EUR 7,098 million; 2005: EUR 6,994 million), Currency translation reserve of EUR –1,086 million (2006: EUR –257 million; 2005: EUR 744 million) and Other reserves of EUR 11,615 million (2006: EUR 10,528 million; 2005: EUR 8,341 million). Changes in individual components are presented in Note 11 ‘Shareholders’ equity (parent)’.

For details on Implementation IAS 32/39 and IFRS 4 refer to Section ‘Implementation of IAS 32, IAS 39 and IFRS 4’ at the end of the Accounting policies section.

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 2007 were authorised for issue in accordance with a resolution of the Executive Board on 17 March 2008. ING Verzekeringen N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principle 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').

IFRS 7 'Financial Instruments: Disclosure' became effective as of 1 January 2007. Also during the year IFRIC 11 'Group and treasury share transactions' became effective. Neither of these recent standards and interpretations has had a material effect on equity nor profit for the period. Recently issued standards and interpretations that became effective after 1 January 2007 are not expected to have a material effect on equity or profit for the period. ING Insurance has not early adopted any new International Financial Reporting Standards or interpretation.

International Financial Reporting Standards as adopted by the EU provide several options in accounting policies. ING Insurance's accounting policies under International Financial Reporting Standards as adopted by the EU and its decision on the options available are set out in the section 'Principles of valuation and determination of results' below.

In this document the term 'IFRS-EU' is used to refer to International Financial Reporting Standards as adopted by the EU including the decisions ING Insurance made with regard to the options available under International Financial Reporting Standards as adopted by the EU.

As permitted by IFRS-EU ING Group adopted IAS 32 and IAS 39 and IFRS 4 for the accounting period beginning on 1 January 2005. For the resulting changes in policies made as at 1 January 2005 see section 'Implementation of IAS 32, IAS 39 and IFRS 4' at the end of the 'Accounting policies' section.

CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

As of 1 January 2007, the level at which the adequacy test of the provision for insurance contracts is evaluated has been aligned to the business lines, which is the level at which performance is evaluated and segments are reported. Previously, if it was determined using a best estimate (50%) confidence level that a shortfall existed in a business unit, then this shortfall was immediately recorded in the profit and loss account. Under the new policy, if it is determined using a best estimate (50%) confidence level that a shortfall exists in a business unit, and there are no offsetting amounts within other business units in the Business Line, then this shortfall is immediately recorded in the profit and loss account. This change in accounting policy has no effect on the equity or profit for any of the years presented in these annual accounts.

The presentation of, and certain terms used in, the balance sheet, the profit and loss account, cash flow statement, statement of changes in equity and certain notes have been changed in 2007 to provide additional and more relevant information. Certain comparative amounts have been reclassified to conform with the current period presentation.

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 financial assets and liabilities and employee benefits. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce materially different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the consolidated financial statements and the information below under 'Principles of valuation and determination of results'.

INSURANCE PROVISIONS 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 expense. Changes in assumptions may lead to changes in the insurance provisions over time. Furthermore, some of these assumptions can be volatile.

In addition, the adequacy of provision for life policies, net of DAC and VOBA, is evaluated regularly. The test involves comparing the established insurance provision with current best estimate assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour and other factors, and mortality and morbidity trends. The use of different assumptions in this test could lead to a different outcome.

Insurance provisions also include the impact of minimum guarantees which are contained within certain variable annuity products. This impact is dependant upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, 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 expense.

See section 'Risk management' for a sensitivity analysis of net profit and shareholders' equity to insurance, interest rate, equity, foreign currency and real estate risks. These sensitivities are based on changes in assumptions that management considers reasonably likely at the balance sheet data.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values of financial assets and liabilities are determined using quoted market prices where available. Market prices are obtained from independent market vendors, brokers, or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated. Furthermore, additional fair value adjustments may be necessary for liquidity or outdated data because transactions in a particular financial instrument do not take place on a regular basis.

For certain financial assets and liabilities no quoted market prices are available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations, credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

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

Price testing is done to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the profit and loss account. Price testing is performed to minimise the potential risks for economic losses due to materially incorrect or misused models.

See Note 29 'Fair values of financial assets and liabilities' for the basis of the determination of the fair values of financial instruments.

EMPLOYEE BENEFITS

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

The liability 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, health care costs trend rates, consumer price index and the expected return on plan assets. The assumptions are based on available market data and the historical performance of plan assets, and are updated annually.

The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan liabilities and future pension costs. The effects of changes in actuarial assumptions and experience adjustments are not recognised in the profit and loss account unless the accumulated changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets, the excess is then amortised over the employees' expected average remaining working lives. See Note 17 '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 24 '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's financial interests for own risk and its role as investment manager.

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

All intercompany transactions, balances and 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 result 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 differ from these estimates.

The process of setting assumptions is subject to internal control procedures and approvals, and takes into account internal and external studies, industry statistics, environmental factors and trends, and regulatory requirements.

SEGMENTAL REPORTING

A business segment is a distinguishable component of ING Insurance engaged in providing products or services that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of 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. The business lines of ING Insurance are the business segments and the primary segment reporting format. The geographical segments are considered the secondary.

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

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 the Company’s functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, measured at fair value through profit and loss are reported as part of the fair value gain or loss. Non-monetary items are retranslated at the date fair value is determined. Translation differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

Translation differences in the profit and loss account are generally included in Net trading income. Refer to Note 34 ‘Net trading income’, which discloses the amounts included in profit and loss. Translation differences relating to the disposal of Available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in Investment income. As mentioned in Group companies below any translation differences deferred in equity are recognised in the profit and loss account in Net gains and losses on disposals of group companies. Refer also to Note 11 ‘Shareholders equity (parent)’, which discloses the amounts included in profit and loss.

Group companies
The results and financial position of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
– Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet;
– Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
– All resulting exchange rate differences are recognised in a separate component of equity.

On consolidation exchange rate differences arising from the translation of a monetary item that forms part of the net investment in a foreign operation, and of borrowings and other instruments designated as hedges of such investments, are taken to shareholders’ equity. When a foreign operation is sold such exchange rate differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate ruling at the balance sheet date.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES
The fair values of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by 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.

See note 29 ‘Fair value of financial assets and liabilities’ for the basis of determination of the fair value of financial instruments.

DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, such as discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Some credit protection contracts that take the legal form of a derivative, such as certain credit default swaps, are accounted for as financial guarantees.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. 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.

ING Insurance documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions together with the methods selected to assess hedge effectiveness. 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. Assessment is made when ING Insurance first becomes party to the contract. Subsequent reassessment is made only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit and loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss account.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit and loss account, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortised in the profit and loss account over the remaining term of the original hedge or recognised directly when the hedged items is derecognised. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognised in the profit and loss account only when the hedged item is derecognised.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated, and qualify, as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item will affect net profit. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity and the gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Gains and losses accumulated in equity are included in the profit and loss account when the foreign operation is disposed of.

Non-trading derivatives that do not qualify for hedge accounting

Derivative instruments that are used by ING Insurance as part of its risk management strategies, but 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.

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

FINANCIAL ASSETS

Recognition of financial assets

All purchases and sales of financial assets classified as fair value through profit and loss, held-to-maturity and available-for-sale that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that ING Insurance commits to purchase or sell the asset. Loans and deposits are recognised at settlement date, which is the date the 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.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss comprise two sub-categories: financial assets held for trading and other financial assets designated at fair value through profit and loss by management, including investments for risk of policyholders. A financial asset is classified as at fair value through profit and loss if acquired principally for the purpose of selling in the short term or if so designated by management. Designated by management will only take place if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. Investments for risk of policyholders are investments against insurance liabilities for which all changes in fair value of invested assets are offset by similar changes in insurance liabilities. Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit and loss is 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 recognised in Investment income in the profit and loss account generally when the dividend has been declared. For all financial assets classified as at fair value through profit and loss changes in fair value are 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 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 recognised in Investment income in the profit and loss account generally 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.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity for which the 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.

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 are included in the balance sheet line Loans and advances to customers and other assets. Interest income from loans and receivables is recognised in Investment income in the profit and loss account using the effective interest method.

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.

Credit risk management classification
In relation to credit risk management disclosures provided in the Risk management section, classification follows the credit risk management characteristics of the instrument. The relationship between risk classifications and the classifications above is explained below:

- Lending risk arises when ING grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the balance sheet classification Loans and advances to customers and credit commitments in respect of off balance sheet items e.g. financial guarantees.
- Investment risk comprises the credit default and migration risk that is associated with ING's investment portfolio and mainly relates to the balance sheet classification Investments (available-for-sale and held-to-maturity).
- Money market risk arises when ING places short term deposits with a counterparty in order to manage excess liquidity and mainly relates to the balance sheet classification Amounts due from banks.
- Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk classification mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives).
- Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING has paid or delivered its side of the trade. Settlement risk mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and Investments (available-for-sale and held-to-maturity).

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

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 or delays repayment of the financial asset.
- The borrower has failed in the repayment of principal, interest or fees and the payment failure has remained unsolved for a certain period.
- The borrower has demonstrated significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset.
- The credit obligation has been restructured for non-commercial reasons. ING has granted concessions, for economic or legal reasons relating to the borrower's financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset.
- Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by the 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 exist currently. Losses expected as a result of future events, no matter how likely, are not recognized.

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 the 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 the ING Insurance's loan loss provision. Though the loss confirmation periods are inherently uncertain, the Group applies estimates to sub-portfolios (e.g. large corporations, small and medium size enterprises and retail portfolios) that reflect factors such as the frequency with which customers in the sub-portfolio disclose credit risk sensitive information and the frequency with which they are subject to review by the 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.

When a loan is uncollectible, it is written off against the related loan loss provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the loan loss provision and are recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the profit and loss account.

IMPAIRMENT OF OTHER FINANCIAL ASSETS

ING Insurance assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any objective evidence exists for available-for-sale debt and equity investments, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in net profit - is removed from equity and recognised in the profit and loss account. Impairment losses on equity instruments can never be reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, 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 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.

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 the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by 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 recorded in the profit and loss account. On disposal the difference between the sale proceeds and book value is recognised in the profit and loss account.

Fair value of real estate investments is based on regular appraisals by independently qualified valuers. Each year a valuation is made, either by an independent valuer or internally, of every property. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions, and disposals made by the Group, are monitored as part of the procedures to back test the indexation methodology. All properties are valued independently at least every 5 years.

PROPERTY AND EQUIPMENT

Property in own use

Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying amount arising on revaluation of land and buildings held for own use are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognised in net profit are recognised in the profit and loss account. Depreciation is recognised based on the fair value and the estimated useful life (in general 20-50 years). Depreciation is calculated on a straight-line basis. On disposal the related revaluation reserve is transferred to retained earnings.

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

Property under construction

Land and buildings under construction (including real estate investments) are stated at the directly attributable purchase and construction costs incurred up to the balance sheet date plus borrowing costs incurred during construction and ING Insurance's own development and supervision expenses, where necessary, less impairment losses.

Property held for sale

Property held for sale comprises properties obtained from foreclosures. These properties are stated at the lower of cost and net realisable value. Cost includes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where the net realisable value is lower than the carrying amount, the impairment is recorded in the profit and loss account.

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

Property under development for third parties
Property under development where there is not yet a specifically negotiated contract is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and ING Insurance's own directly attributable development and supervision expenses less any impairment losses. Profit is recognised using the completed contract method (on completion date of the property).

Property under development where there is a specifically negotiated contract is valued using the percentage of completion method (pro rata profit recognition).

Equipment
Equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over their estimated useful lives, which are generally as follows: for data processing equipment 2 to 5 years, and 4 to 10 years for fixtures and fittings. Expenditures for maintenance and repairs are charged to the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

Disposals
The difference between the proceeds on disposal and net book value is recognised in the profit and loss account.

Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

LEASES
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. 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 date of implementing IFRS-EU (1 January 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on those acquisitions were charged directly to shareholders' equity. Goodwill is allocated to cash-generating units for the purpose of impairment testing. These cash-generating units represent the lower 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 cash generating units (including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

Adjustments to the fair values as of the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recorded as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. However, recognition of deferred tax assets after the acquisition date is recorded as an adjustment to goodwill even after the first year. On disposal of group companies, the difference between the sale proceeds and book value (including goodwill) and the 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 amortisation of deferred acquisition costs as described in the section 'Deferred acquisition costs'.

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

DEFERRED ACQUISITION COSTS
Deferred acquisition costs (DAC) are an asset and represent costs of acquiring insurance and investment contracts that are deferred and amortised. The deferred costs, all of which vary with (and are primarily related to) the production of new and renewal business, consist principally of commissions, certain underwriting and contract issuance expenses, and certain agency expenses. DAC is amortised over the life of the underlying contracts.

For traditional life insurance contracts, certain types of flexible life insurance contracts and non-life contracts, DAC is amortised over the premium payment period in proportion to the premium revenue recognised.

For other types of flexible life insurance contracts DAC is amortised over the lives of the policies in relation to the emergence of estimated gross profits. Amortisation is adjusted retrospectively when estimates of current or future gross profits, to be realised from a group of products, are revised. The estimates and the assumptions are reassessed at the end of each reporting period. For DAC on flexible insurance contracts the approach is that in determining the estimate of future gross profits ING assumes the short-term and long-term separate account growth rate assumption to be the same. Higher/lower expected profits (e.g. reflecting stock market performance or a change in the level of assets under management) may cause a lower/higher amortisation of DAC due to the catch-up of amortisation in previous and future years. This process is known as DAC unlocking. The impact of the DAC unlocking is recorded in the profit and loss account of the period in which the unlocking occurs.

DAC is evaluated for recoverability at issue. Subsequently it is tested on a regular basis together with the provision for life insurance liabilities and VOBA. The test for recoverability is described in the section 'Insurance, Investment and Reinsurance Contracts'.

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

TAXATION
Income tax on the net profit for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account but 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
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 comprise two sub-categories: financial liabilities held for trading, and other liabilities designated at fair value through profit and loss by management. Designation by management will only take place if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. All other financial liabilities are measured at amortised cost.

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

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 are presented as insurance contracts. Provisions for liabilities under insurance contracts represent estimates of future payouts that will be required in respect of life and non-life insurance claims, including expenses relating to such claims. For some insurance contracts the measurement reflects current market assumptions.

Provision for life insurance

The Provision for life insurance is calculated on the basis of a prudent prospective actuarial method, taking into account the conditions for current insurance contracts. Specific methodologies may differ between business units as they may reflect local regulatory requirements and local practices.

Insurance provisions on traditional life policies are calculated using various assumptions, including assumptions on mortality, morbidity, expenses, investment returns and surrenders. Assumptions for insurance provisions on traditional life insurance contracts, including traditional whole life and term life insurance contracts, are based on best estimate assumptions including margins for adverse deviations. The assumptions are set initially at the policy issue date and remain constant throughout the life of the policy, except in the case of loss recognition.

Insurance provisions for universal life, variable life and annuity contracts, unit-linked contracts, etc. are generally set equal to the balance that accrues to the benefit of the policyholders. Certain variable annuity products contain minimum guarantees on the amounts payable upon death and/or maturity. The insurance provisions include the impact of these minimum guarantees, taking into account the difference between the potential minimum benefit payable and the total account balance, expected mortality and surrender rates.

The as yet unamortised interest rate rebates on periodic and single premium contracts are deducted from the Provision for life insurance. Interest rate rebates granted during the year are capitalised and amortised in conformity with the anticipated recovery pattern and are recognised in the profit and loss account.

Provision for unearned premiums and unexpired insurance risks

The provision is calculated in proportion to the unexpired periods of risk. For insurance policies covering a risk increasing during the term of the policy at premium rates independent of age, this risk is taken into account in determining the provision. Further provisions are made to cover claims under unexpired insurance contracts, which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provision

The Claims provision is calculated either on a case-by-case basis or by approximation on the basis of experience. Provisions have also been made for claims incurred but not reported and (IBNR) 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 liability

For insurance contracts with discretionary participation features a deferred profit sharing liability is recorded for the full amount of the unrealised revaluation on allocated investments. Upon realisation, the profit sharing on unrealised revaluations is reversed and a deferred profit sharing liability is recorded for the share in realised results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing liability is reduced with the actual allocation of profit sharing to individual policyholders.

Provisions for life insurance for risk of policyholders

The Provisions for life insurance for risk of 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.

Reinsurance contracts
Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in the same way as the original contracts for which the reinsurance was concluded. To the extent that the assuming reinsurers are unable to meet their obligations, the Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectible.

Adequacy test
The adequacy of the Provision for life insurance, net of unamortised interest rate rebates, DAC and VOBA (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, then the shortfall is immediately recorded in the profit and loss account.

If, for any business unit, the net insurance liabilities are not adequate using a prudent (90%) confidence level, but there are offsetting amounts within other 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 then any shortfall at the 90% confidence level is immediately recorded in the profit and loss account.

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

Investment contracts
Insurance policies without discretionary participation features which do not bear significant insurance risk are presented as Investment contracts. Provisions for liabilities under investment contracts are determined either at 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 revenue when due from the policyholder. For non-life insurance policies, gross premium income is recognised on a pro-rata basis over the term of the related policy coverage. Receipts under investment contracts are not recognised as gross premium income.

Interest
Interest income and expense are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, 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 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 reliable.

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 generally provided equity-settled share-based payment transactions. However from 2007 ING Insurance generally provides cash-settled share-based payment transactions

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

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.

IMPLEMENTATION OF IAS 32, IAS39 AND IFRS 4

ING Insurance applies IFRS-EU since 2004. However, as permitted by IFRS 1 ING Insurance implemented IAS 32, IAS 39 and IFRS 4 as of 1 January 2005.

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

Implementation IAS 32/39 and IFRS 4

amounts in millions of euros	As at 1 January 2005
Available-for-sale debt securities	5,999
Insurance provisions	–3,126
Derivatives/hedge accounting/fair value option	–58
Loans and advances to customers	167
Loan loss provisions	147
Venture capital investments	90
Other	63
Taxation	–1,059
IFRS-EU impact on net profit and shareholders' equity	2,223
Minority interests in equity	69
IFRS-EU impact on net profit and group equity	2,292

Available-for-sale debt securities

Under IFRS-EU, quoted debt securities (non-trading) other than those designated as being held-to-maturity are reported at fair value, with changes in fair value recognised in a revaluation reserve in equity; realised results are recognised directly in the profit and loss account. Under Dutch GAAP, debt securities were reported at amortised cost; realised results were deferred and amortised over the remaining term.

Insurance provisions

Under IFRS-EU contracts that do not contain significant insurance risk are presented as investment contracts and measured either at amortised cost or at fair value.

For insurance contracts with discretionary participation features, a deferred profit sharing liability is recorded under IFRS-EU for the full amount of unrealised results on allocated investments. In addition, a deferred profit sharing liability is recorded for the policyholders' share in other differences between Dutch GAAP and IFRS-EU as at 1 January 2005.

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

Derivatives

Under IFRS-EU, all derivatives (including embedded derivatives that are not closely related to the host contract) are reported at fair value. Under Dutch GAAP, non-trading derivatives were valued similarly to the item being hedged (mainly at cost); realised results were deferred and amortised over the remaining term.

Hedge accounting

Under IFRS-EU, for derivatives qualifying as cash flow hedges and net investment hedges, the fair value movements are initially deferred in equity and subsequently released to the profit and loss account in the same period in which the hedged item affects profit and loss. For fair value hedges, the valuation of the hedged item is adjusted to reflect the hedged risk; this fair value adjustment on the hedged item is reported in the profit and loss account and (partly) offsets the fair value impact of the derivative that is also reported in the profit and loss account. Under Dutch GAAP, non-trading derivatives used for risk management purposes were valued similarly to the item being hedged (mainly at cost).

Fair value option

As an alternative to hedge accounting under IFRS-EU, financial assets and liabilities may be designated at fair value through profit and loss, which results in these being presented at fair value, with all changes in fair value recognised directly in the profit and loss account. Furthermore, the fair value option is applied to certain financial liabilities that are subject to market-making activities.

Loans and advances to customers

Under both Dutch GAAP and IFRS-EU loans are measured at amortised cost. Under IFRS-EU, certain fees/costs are capitalised and amortised whilst under Dutch GAAP they were expensed immediately (e.g. mortgage broker fees). The

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

amortisation of premiums, discounts and fees under IFRS-EU is based on effective yield whereas under Dutch GAAP these were amortised on a straight-line basis. Under IFRS-EU, realised results are reported in net profit. Under Dutch GAAP these were amortised over the remaining term (e.g. certain prepayment penalties on mortgages).

Loan loss provisions
Under IFRS-EU loan loss provisions are determined under a revised methodology based on a narrow interpretation of an incurred loss model. The application of the IFRS-EU methodology has reduced the amount of the unallocated provision for loan losses that ING Insurance provided in prior years to adequately capture various subjective and judgemental aspects of credit risk assessment which were not considered on an individual basis.

Venture capital investments
Under Dutch GAAP, venture capital investments were reported at the lower of cost or fair value. Under IFRS-EU, venture capital investments are reported at fair value.

Equity securities
Under Dutch GAAP, negative revaluations on equity securities were only charged to the profit and loss account as on impairment when triggered by the financial condition of the issuer. Under IFRS-EU, an impairment is also triggered by a significant or prolonged decline of the market value below cost. This did not affect Group equity at the date of transition to IFRS-EU.

Taxation
Deferred taxation was adjusted for the (deferred) tax effect of the above differences between Dutch GAAP and IFRS-EU.

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

The cash flow statement has been drawn up in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the profit before tax is adjusted for those items in the profit and loss account, and changes in balance sheet items, which do not result in actual cash flows during the year.

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

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

	2007	2006
Cash and bank balances	**2,648**	2,683
Short term deposits	**467**	334
	3,115	3,017

2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss

	2007	2006
Trading assets	**1,008**	965
Investments for risk of policyholders	**114,827**	110,547
Non-trading derivatives	**1,232**	1,888
Designated as at fair value through profit and loss	**3,805**	1,268
	120,872	114,668

Trading assets by type

	2007	2006
Equity securities	**983**	958
Debt securities	**15**	5
Derivatives	**10**	1
Loans and receivables		1
	1,008	965

Investments for risk of policyholders by type

	2007	2006
Equity securities	**106,061**	102,775
Debt securities	**7,398**	7,100
Loans or receivables	**122**	59
Other investments	**1,246**	613
	114,827	110,547

In 2007 and 2006 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 fair value of credit derivatives included in trading assets and held to mitigate exposure to credit risk was EUR –7 million (2006: nil), and the change in their fair value in the period was EUR –7 million (2006: nil).

The cost of investments for risk of policyholders as at 31 December 2007 was EUR 105,625 million (2006: EUR 98,863 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

	2007	2006
Derivatives used in		
– fair value hedges	**31**	33
– cash flow hedges	**264**	942
– hedges of net investments in foreign operations	**258**	3
Other non-trading derivatives	**679**	910
	1,232	1,888

Designated as at fair value through profit and loss by type

	2007	2006
Equity securities	**9**	1
Debt securities	**1,852**	85
Other	**1,944**	1,182
	3,805	1,268

The fair value of credit derivatives included in non-trading derivatives and held to mitigate exposure to credit risk on dept securities was nil (2006: nil), and the change in their fair value in the period was nil (2006: nil).

Other includes alternative asset investments and limited partnerships.

3 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments by type

	2007	2006
Equity securities	**16,322**	16,327
Debt securities	**115,944**	124,163
	132,266	140,490

Changes in available-for-sale investments

	Equity securities		Debt securities		Total	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**16,327**	14,319	**124,163**	130,189	**140,490**	144,508
Additions	**6,928**	6,208	**181,218**	181,977	**188,146**	188,185
Amortisation			**100**	–309	**100**	–309
Transfers	**526**	–177	**–1,408**	–146	**–882**	–323
Changes in the composition of the group	**–328**	–6	**–4,184**	2	**–4,512**	–4
Changes in unrealised revaluations	**1,484**	1,813	**–3,840**	–2,379	**–2,356**	–566
Impairments	**–36**	–25	**–76**	36	**–112**	11
Disposals and redemptions	**–8,410**	–5,423	**–172,466**	–176,656	**–180,876**	–182,079
Exchange rate differences	**–169**	–382	**–7,563**	–8,551	**–7,732**	–8,933
Closing balance	**16,322**	16,327	**115,944**	124,163	**132,266**	140,490

Available-for-sale equity securities

	2007	2006
Listed	**14,082**	14,376
Unlisted	**2,240**	1,951
	16,322	16,327

As at 31 December 2007, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 13 million (2006: EUR 20 million) and nil (2006: nil), respectively, and debt securities which were lent or sold in repurchase transactions amounting to EUR 479 million (2006: EUR 795 million) and EUR 2,199 million (2006: 2,446 EUR million), respectively.

Included in transfers of available-for-sale investments

	Equity securities		Debt securities		Total	
	2007	2006	**2007**	2006	**2007**	2006
To/from available-for-sale	**18**	49	**–18**	–24		25
To/from loans and advances	**–1**			–122	**–1**	–122
To/from fair value though profit and loss	**52**	–63	**–1,386**		**–1,334**	–63
To/from Investment in associates	**446**	–141			**446**	–141
To/from Other assets/Other liabilities	**11**	–22	**–4**		**7**	–22
	526	–177	**–1,408**	–146	**–882**	–323

The reclassification from Available-for-sale to Financial assets designated as at fair value through profit and loss relates to debt securities backing insurance contracts where current market assumptions were implemented in the measurement of the insurance contracts.

As at 31 December 2007 nil investments were classified as held-to-maturity (2006: nil).

Borrowed debt securities are not recognised in the balance sheet and amounted to nil as at 31 December 2007 (2006: nil).

Investments with a combined carrying value of EUR 69 million (2006: EUR 43 million) were non-income-producing for the year ended 31 December 2007.

4 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by type

	Netherlands		International		Total	
	2007	2006	**2007**	2006	**2007**	2006
Policy loans	**54**	55	**3,414**	3,511	**3,468**	3,566
Loans secured by mortgages	**8,532**	18,335	**8,772**	9,539	**17,304**	27,874
Personal loans	**2,851**	3,736	**2,555**	866	**5,406**	4,602
Other	**378**	507	**1,003**	1,047	**1,381**	1,554
	11,815	22,633	**15,744**	14,963	**27,559**	37,596
Loan loss provisions	**–14**	–12	**–16**	–25	**–30**	–37
	11,801	22,621	**15,728**	14,938	**27,529**	37,559

Changes in loan loss provisions

	2007	2006
Opening balance	**37**	47
Changes in the composition of the group	**–3**	
Write–offs	**–11**	–4
Recoveries	**1**	
Increase in loan loss provisions	**8**	4
Exchange rate differences	**–1**	–2
Other changes	**–1**	–8
Closing balance	**30**	37

5 INVESTMENTS IN ASSOCIATES

Investments in associates

2007	Interest held (%)	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Lionbrook Property Partnership	28	295	1,243	176	–60	27
ING Winkels Basisfonds	24	333	1,617	209	192	22
ING Woningen Basisfonds	25	237	1,116	112	135	48
Property Fund Iberica	30	185	1,959	1,331	313	188
ING PF Brittanica	20	93	864	402	–7	42
Q-Park N.V.	19	191	3,911	2,914	458	403
B.V. Petroleum Maatschappij 'Moeara Enim'	30	130	461		19	2
ING Vastgoed Winkels C.V.	10	86	870	8	130	19
Retail Property Fund France Belgium (RPFFB)	15	81	1,597	1,069	304	189
ING Vastgoed Woningen C.V.	10	56	557	1	68	15
ING Dutch Office Master Fund C.V.	24	348	1,718	257	202	24
ING Vastgoed Kantoren C.V.	10	103	1,033	7	124	34
ING Logistics Property Fund Europe	25	78	574	263	76	31
ING Retail Property Partnership Southern Europe	23	66	1,150	857	111	78
ING Property Fund Central and Eastern Europe	23	66	761	478	40	39
ING Re Nordic Property Fund	22	104	1,089	623	70	47
Property Fund Central Europe	25	73	649	358	119	41
Lion Structured Finance	20	171	180	1	5	2
Other investments in associates		493				
		3,189				

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

None of these associates are listed.

Accumulated impairments have been recognised of EUR 4 million (2006: nil).

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

Investments in associates

2006	Interest held (%)	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Vesteda	25	810	4,610	1,371	362	51
Lionbrook Property Partnership	30	355	1,276	106	214	20
ING Winkels Basisfonds	25	311	1,326	80	212	9
ING Woningen Basisfonds	25	227	990	84	93	8
Property Fund Iberica	30	186	1,792	1,160	319	175
ING PF Brittanica	20	115	1,093	522	162	59
Q-Park N.V.	19	166	1,995	1,120	95	86
B.V. Petroleum Maatschappij 'Moeara Enim'	33	141	2,901	2,475	52	6
ING Vastgoed Winkels C.V.	10	80	803	4	146	11
ING Logistic Property Fund Europe	25	74	552	255	90	29
ING Convent Garden	32	59	318	130	76	9
Retail Property Fund France Belgium (RPFFB)	15	63	1,096	678	142	60
ING Vastgoed Woningen C.V.	10	54	541		71	9
Other investments in associates		510				
		3,151				

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

Changes in investments in associates

	2007	2006
Opening balance	**3,151**	2,463
Additions	**546**	219
Changes in the composition of the group	**1,402**	127
Transfers to and from Investments	**–446**	141
Revaluations	**–448**	24
Share of results	**534**	465
Dividends received	**–173**	–126
Disposals	**–1,275**	–196
Impairments	**–4**	
Exchange rate differences	**–98**	34
Closing balance	**3,189**	3,151

Change in composition of the group relates mainly to the change in status of Real estate funds as a result of the reduction of ING's shareholding in these funds.

In 2007, share of results of EUR 534 million and impairments of EUR –4 million are presented in the profit and loss account in the Share of profit from associates (EUR 530 million).

6 REAL ESTATE INVESTMENTS

Changes in real estate investments

	2007	2006
Opening balance	**3,310**	3,254
Additions	**624**	1,301
Changes in the composition of the group	**–2,469**	
Transfers to and from Property in own use	**–60**	44
Transfers to and from Other assets	**14**	–406
Fair value gains/(losses)	**75**	108
Disposals	**–170**	–983
Exchange rate differences	**–22**	–8
Closing balance	**1,302**	3,310

In 2007 changes in the composition of the group relate mainly to the deconsolidation of Real estate funds as a result of the reduction of ING's shareholding in these funds.

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2007 was EUR 95 million (2006: EUR 266 million). The total amount of contingent rent recognised in the profit and loss account for the year ended 31 December 2007 was EUR 14 million (2006: EUR 14 million).

The total amount of direct operating expenses (including repairs and maintenance) arising from Real estate investments that generated rental income for the year ended 31 December 2007 was EUR 15 million (2006: EUR 72 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 2007 was EUR 14 million (2006: EUR 23 million).

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

year of appraisal	
2007	**93**
2006	**6**
2005	**1**
2004	**0**
2003	**0**
	100

7 PROPERTY AND EQUIPMENT

Property and equipment by type

	2007	2006
Property in own use	**603**	694
Equipment	**304**	357
	907	1,051

Changes in property in own use

	2007	2006
Opening balance	**694**	788
Additions	**57**	8
Changes in the composition of the group	**–109**	
Transfers to and from real estate investments	**60**	–44
Transfers to and from other assets	**64**	12
Depreciation	**–8**	–11
Revaluations	**–59**	7
Disposals	**–61**	–36
Exchange rate differences	**–35**	–30
Closing balance	**603**	694
Gross carrying amount as at 31 December	**696**	779
Accumulated depreciation as at 31 December	**–41**	–33
Accumulated impairments as at 31 December	**–52**	–52
Net book value	**603**	694
Revaluation surplus		
Opening balance	**109**	90
Revaluation in year	**22**	20
Released in year	**–81**	–1
Closing balance	**50**	109

The cost or purchase price amounted to EUR 646 million (2006: EUR 670 million). Cost less accumulated depreciation would have been EUR 605 million (2006: EUR 637 million).

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

year of appraisal	
2007	**61**
2006	**8**
2005	**14**
2004	**5**
2003	**12**
	100

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

Changes in equipment

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**51**	57	**306**	264	**357**	321
Additions	**51**	33	**82**	168	**133**	201
Changes in the composition of the group	**4**	–1	**2**	–1	**6**	–2
Disposals	**–5**	–4	**–16**	–43	**–21**	–47
Depreciation	**–31**	–31	**–58**	–60	**–89**	–91
Impairments				–1	**0**	–1
Exchange rate differences	**–3**	–3	**–11**	–20	**–14**	–23
Other changes	**–2**		**–66**	–1	**–68**	–1
Closing balance	**65**	51	**239**	306	**304**	357
Gross carrying amount as at 31 December	**314**	269	**584**	593	**898**	862
Accumulated depreciation as at 31 December	**–249**	–218	**–344**	–286	**–593**	–504
Accumulated impairments as at 31 December			**–1**	–1	**–1**	–1
Net book value	**65**	51	**239**	306	**304**	357

8 INTANGIBLE ASSETS

Changes in intangible assets

	Value of business acquired		Goodwill		Software		Other		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Opening balance	**2,641**	2,986	**264**	180	**163**	196	**164**	108	**3,232**	3,470
Additions (bought)	**93**	107	**908**	104	**106**	93	**96**	42	**1,203**	346
Capitalised expenses					**24**				**24**	
Amortisation	**–229**	–175			**–104**	–100	**–13**	–7	**–346**	–282
Impairments						–10	**–1**		**–1**	–10
Effect of unrealised revaluations in equity	**32**	18							**32**	18
Changes in the composition of the group	**25**	–5	**–28**			–7	**154**	46	**151**	34
Exchange rate differences	**–261**	–290	**–68**	–20	**–5**	–9	**–13**	–25	**–347**	–344
Disposals					**–6**				**–6**	
Closing balance	**2,301**	2,641	**1,076**	264	**178**	163	**387**	164	**3,942**	3,232
Gross carrying amount as at 31 December	**2,946**	3,057	**1,076**	264	**607**	488	**425**	188	**5,054**	3,997
Accumulated amortisation as at 31 December	**–645**	–416			**–414**	–310	**–37**	–24	**–1,096**	–750
Accumulated impairments as at 31 December					**–15**	–15	**–1**		**–16**	–15
Net book value	**2,301**	2,641	**1,076**	264	**178**	163	**387**	164	**3,942**	3,232

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.

Additions to goodwill in 2007 include mainly EUR 709 million related to the acquisition of Landmark and Latin American Pension business of Santander. The increase in Other intangibles in 2007 include mainly EUR 154 million related to the acquisition of Latin American Pension business of Santander. Reference is made to Note 25 ‘Companies acquired and companies disposed’.

9 DEFERRED ACQUISITION COSTS

Changes in deferred acquisition costs

	Investment contracts		Life insurance		Non–life insurance		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Opening balance	**83**	71	**9,645**	9,043	**435**	490	**10,163**	9,604
Capitalised	**31**	25	**2,766**	2,544	**257**	259	**3,054**	2,828
Amortisation	**–12**	–11	**–1,266**	–1,178	**–274**	–255	**–1,552**	–1,444
Unlocking			**–28**	–11			**–28**	–11
Effect of unrealised revaluations in equity			**43**	43			**43**	43
Changes in the composition of the group					**–5**		**–5**	
Exchange rate differences	**–1**	–2	**–938**	–812	**10**	–43	**–929**	–857
Disposal of portfolios			**–39**	16	**–15**	–16	**–54**	
Closing balance	**101**	83	**10,183**	9,645	**408**	435	**10,692**	10,163

For flexible life insurance contracts the growth rate assumption used for calculating the amortisation of the deferred acquisition costs for 2007 is 6.6% gross and 5.6% net of investment management fees (2006: 7.6% gross and 6.1% net of investment management fees).

10 OTHER ASSETS

Other assets by type

	2007	2006
Reinsurance and insurance receivables	**3,664**	4,105
Deferred tax assets	**472**	119
Property held for sale	**13**	10
Property under development for third parties		96
Income tax receivable	**475**	342
Accrued interest and rents	**3,217**	3,012
Other accrued assets	**513**	402
Other receivables	**4,041**	2,515
	12,395	10,601

Disclosures in respect of deferred tax assets are provided in Note 17 ‘Other liabilities’.

Included in the above table are assets measured at amortised cost under the IAS 39 classification Loans and receivables. These amount to EUR 2,648 million and are included in the line accrued interest and rents above.

Property held for sale consists of property obtained from foreclosures.

The total amount of borrowing costs relating to Property under development for third parties capitalised in 2007 is nil (2006: EUR 2 million).

Reinsurance and insurance receivables

	2007	2006
Receivables on account of direct insurance from		
– policyholders	**2,211**	2,390
– intermediaries	**283**	239
Reinsurance receivables	**1,170**	1,476
	3,664	4,105

EQUITY

11 SHAREHOLDERS' EQUITY (PARENT)

Shareholders' equity (parent)

	2007	2006	2005
Share capital	**174**	174	174
Share premium	**4,374**	4,374	4,374
Revaluation reserve	**2,834**	7,098	6,994
Currency translation reserve	**–1,086**	–257	744
Other reserves	**11,615**	10,528	8,341
Shareholders' equity (parent)	**17,911**	21,917	20,627

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		
	2007	2006	2005	**2007**	2006	2005
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 2007, 2006 or 2005.

Ordinary shares
All shares are in registered form. No share certificates have been issued. Shares may be transferred by means of a deed of transfer, subject to the approval of the Executive Board of ING 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 2007 154 million have been issued and fully paid. There were no changes in issued share capital during 2007, 2006 or 2005.

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

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 revaluation reserve

2006	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	98	5,927	969	6,994
Unrealised revaluations after taxation	–16	187		171
Realised gains/losses transferred to profit and loss		–620		–620
Change in cash flow hedge reserve			–267	–267
Transfer to insurance liabilities/DAC		820		820
Closing balance	82	6,314	702	7,098

Changes in revaluation reserve

2005	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	85	1,080		1,165
Implementation IAS 32/39 and IFRS 4		3,330	443	3,773
Unrealised revaluations after taxation	13	1,857		1,870
Realised gains/losses transferred to profit and loss		–501		–501
Change in cash flow hedge reserve			526	526
Transfer to insurance liabilities/DAC		–89		–89
Other revaluations		250		250
Closing balance	98	5,927	969	6,994

Changes in currency translation reserve

	2007	2006	2005
Opening balance	**–257**	744	–435
Implementation IAS 32/39 and IFRS 4			2
Unrealised revaluations after taxation	**200**	75	
Exchange rate differences	**–1,029**	–1,076	1,177
Closing balance	**–1,086**	–257	744

Changes in other reserves

2007	**Retained earnings**	**Share of associates reserve**	**Other reserves**	**Total**
Opening balance	**9,885**	**570**	**73**	**10,528**
Profit 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**		
Closing balance	**10,987**	**567**	**61**	**11,615**

Changes in other reserves

2006	Retained earnings	Share of associates reserve	Other reserves	Total
Opening balance	8,147	–2	196	8,341
Profit for the year	3,260	700		3,960
Dividend	–1,522	–128		–1,650
Other			–123	–123
Closing balance	9,885	570	73	10,528

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

Changes in other reserves

2005	Retained earnings	Share of associates reserve	Other reserves	Total
Opening balance	7,999	2		8,001
Implementation IAS 32/39 and IFRS 4	–1,552			–1,552
Profit for the year	3,291			3,291
Dividend	–1,595			–1,595
Other	4	–4	196	196
Closing balance	8,147	–2	196	8,341

LIABILITIES

12 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of Issue	Due date	Notional amount in original currency		Balance sheet value 2007	2006
7.375%	2007	Perpetual	USD	1,000	**680**	
5.775%	2005	Perpetual	USD	1,000	**680**	759
4.176%	2005	Perpetual	EUR	300	**276**	284
6.125%	2005	Perpetual	USD	200	**130**	143
6.125%	2005	Perpetual	USD	100	**65**	71
6.375%	2002	7 May 2027	EUR	1,000	**1,048**	1,100
7.200%	2002	Perpetual	USD	500	**340**	379
6.250%	2001	21 June 2021	EUR	1,250	**1,274**	1,307
					4,493	4,043

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.

13 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

	2007	2006
Fixed rate debt securities		
Within 1 year	**76**	776
More than 1 year but less than 2 years	**647**	
More than 2 years but less than 3 years	**313**	653
More than 3 years but less than 4 years	**361**	
More than 4 years but less than 5 years	**766**	706
More than 5 years	**2,473**	3,304
Total fixed rate debt securities	**4,636**	5,439
Total debt securities	**4,636**	5,439

As of 31 December 2007, ING Insurance had unused lines of credit available including the payment of commercial paper borrowings relating to the debt securities in issue, totalling EUR 37 million (2006: EUR 607 million).

14 OTHER BORROWED FUNDS

Other borrowed funds by remaining term

2007	2008	2009	2010	2011	2012	There after	Total
Loans contracted	4,792	1,054	1,306			1,274	8,426
Loans from credit institutions	1,365	2	353	279	167	763	2,929
	6,157	1,056	1,659	279	167	2,037	11,355

Other borrowed funds by remaining term

2006	2007	2008	2009	2010	2011	There after	Total
Loans contracted	4,926	690	505	1,188	500	842	8,651
Loans from credit institutions	5,094	1,133	357	280	164	336	7,364
	10,020	1,823	862	1,468	664	1,178	16,015

15 INSURANCE AND INVESTMENT CONTRACTS, REINSURANCE CONTRACTS

The provisions for insurance and investment contracts, net of reinsurance (i.e. the provision for the company's own account) 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 contract	
	2007	2006	2007	2006	2007	2006
Provision for non-participating life policy liabilities	70,149	78,772	4,481	4,930	74,630	83,702
Provision for participating life policy liabilities	54,645	52,914	175	187	54,820	53,101
Provision for (deferred) profit sharing and rebates	1,601	2,956	5	5	1,606	2,961
Provision for life insurance for risk of policyholders	100,753	97,304	639	651	101,392	97,955
Life insurance provisions	227,148	231,946	5,300	5,773	232,448	237,719
Provision for unearned premiums and unexpired risks	2,564	2,631	99	156	2,663	2,787
Reported claims provision	5,051	5,503	475	600	5,526	6,103
Claims incurred but not reported (IBNR)	1,121	1,148			1,121	1,148
Claims provisions	6,172	6,651	475	600	6,647	7,251
Other insurance provisions	302	176			302	176
Total provisions for insurance contracts	236,186	241,404	5,874	6,529	242,060	247,933
Investment contracts for risk of company	9,520	7,505			9,520	7,505
Investment contracts for risk of policyholders	14,132	13,245			14,132	13,245
Total provisions for investment contracts	23,652	20,750			23,652	20,750
Total	259,838	262,154	5,874	6,529	265,712	268,683

Changes in life insurance provisions

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contract	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**231,946**	225,351	**5,773**	6,638	**237,719**	231,989
Changes in the composition of the group	**–3,475**	83	**2**	23	**–3,473**	106
	228,471	225,434	**5,775**	6,661	**234,246**	232,095
Current year provisions	**27,224**	28,863	**139**	1,525	**27,363**	30,388
Change in deferred profit sharing liability	**–1,546**	–1,241			**–1,546**	–1,241
Prior year provisions:						
– benefit payments to policyholders	**–21,933**	–13,166	**–82**	–366	**–22,015**	–13,532
– interest accrual	**6,794**	4,791	**–40**	18	**6,754**	4,809
– valuation changes for risk of policyholders	**5,612**	2,702			**5,612**	2,702
– effect of changes in other assumptions	**2**	–21			**2**	–21
	–9,525	–5,694	**–122**	–348	**–9,647**	–6,042
Exchange rate differences	**–15,583**	–15,874	**–501**	–535	**–16,084**	–16,409
Other changes	**–1,893**	458	**9**	–1,530	**–1,884**	–1,072
Closing balance	**227,148**	231,946	**5,300**	5,773	**232,448**	237,719

Included in Changes in the composition of the group is EUR 4,017 million relating to the disposal of portfolios in connection with the sale of Belgian Broker and Employee Benefits insurance business as disclosed in Note 25 ‘Companies acquired and companies disposed’.

Where discounting is used in the calculation of life insurance provision the rate is within the range of 2.9% to 6.0% (2006: 2.9% to 6.8%) based on weighted averages.

ING transferred part of their life insurance business to Scottish Re in 2004 by means of a co-insurance contract. This business continues to be included in Life insurance provisions. The related asset from the co-insurance contract is recognised under Reinsurance contracts.

To the extent that the assuming reinsurers are unable to meet their obligations, the Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectible. The life reinsurance market is highly concentrated and, therefore, diversification of exposure is inherently difficult. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer.

As at 31 December 2007, the total Reinsurance exposure, including Reinsurance contracts and Receivables from reinsurers (presented in Other assets) amounted to EUR 7,044 million (2006: EUR 8,005 million) after the provision for uncollectible reinsurance of EUR 5 million (2006: EUR 6 million).

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

Changes in provision for unearned premiums and unexpired risks

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contract	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**2,631**	2,835	**156**	258	**2,787**	3,093
Changes in the composition of the group	**–194**	–9	**3**		**–191**	–9
	2,437	2,826	**159**	258	**2,596**	3,084
Premiums written	**5,780**	5,994	**306**	339	**6,086**	6,333
Premiums earned during the year	**–5,701**	–5,929	**–326**	–377	**–6,027**	–6,306
Exchange rate differences	**15**	–245	**–10**	–22	**5**	–267
Other changes	**33**	–15	**–30**	–42	**3**	–57
Closing balance	**2,564**	2,631	**99**	156	**2,663**	2,787

Changes in claims provisions

	Provision net of reinsurance		Reinsurance contract		Insurance and investment contract	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**6,651**	8,202	**600**	1,389	**7,251**	9,591
Changes in the composition of the group	**–667**	–4	**–18**		**–685**	–4
	5,984	8,198	**582**	1,389	**6,566**	9,587
Additions						
– for the current year	**3,356**	3,261	**78**	124	**3,434**	3,385
– for prior years	**–282**	–525	**14**	–18	**–268**	–543
– interest accrual of provision	**32**	54			**32**	54
	3,106	2,790	**92**	106	**3,198**	2,896
Claim settlements and claim settlement costs						
– for the current year	**1,747**	1,569	**–42**	33	**1,705**	1,602
– for prior years	**1,343**	1,458	**151**	388	**1,494**	1,846
	3,090	3,027	**109**	421	**3,199**	3,448
Exchange rate differences	**84**	–381	**–14**	–93	**70**	–474
Other changes	**88**	–929	**–76**	–381	**12**	–1,310
Closing balance	**6,172**	6,651	**475**	600	**6,647**	7,251

ING Insurance had an outstanding balance of EUR 66 million at 31 December 2007 (2006: EUR 66 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 the current state of the law and coverage litigation. Liabilities are recognised for IBNR claims and for known claims (including the costs of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities are reviewed and updated regularly.

The release of the provision from prior years in 2006 is as a result of favourable underwriting results in several business units; in particular, the Netherlands business units benefited from changes in legal requirements for disability benefits, favourable results and reserving methodology changes and Canada benefited from favourable experience mostly from automobile pools.

Where discounting is used in the calculation of the claims provision the rate is, based on weighted averages, within the range of 3.8% to 4.3% (2006: 3.0% to 4.0%).

Changes in investment contracts liabilities

	2007	2006
Opening balance	**20,750**	18,633
Changes in the composition of the group	**–277**	–42
	20,473	18,591
Current year liabilities	**12,890**	8,432
Prior year provisions		
– payments to contract holders	**–9,697**	–6,667
– interest accrual	**408**	344
– valuation changes investments	**576**	948
	–8,713	–5,375
Exchange rate differences	**–1,147**	–1,021
Other changes	**149**	123
Closing balance	**23,652**	20,750

Gross claims development table

	Underwriting year				
	2004	**2005**	**2006**	**2007**	**Total**
Estimate of cumulative claims					
At the end of underwriting year	**2,773**	**3,010**	**2,678**	**3,007**	
1 year later	**2,428**	**2,856**	**2,623**		
2 years later	**2,228**	**2,703**			
3 years later	**2,169**				
Estimate of cumulative claims	**2,169**	**2,703**	**2,623**	**3,007**	**10,502**
Cumulative payments	**–1,638**	**–1,929**	**–1,587**	**–1,053**	**–6,207**
	532	**773**	**1,036**	**1,954**	**4,295**
Effect of discounting	**–55**	**–66**	**–85**	**–130**	**–336**
Liability recognised	**477**	**707**	**951**	**1,824**	**3,959**
Liability relating to prior underwriting years					**2,688**
Total amount recognised in the balance sheet					**6,647**

ING Insurance applies the exemption in IFRS-EU not to present Gross claims development for annual periods beginning before 1 January 2004 (the date of transition to IFRS-EU) as it is impracticable to obtain such information.

16 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial liabilities at fair value through profit and loss

	2007	2006
Trading liabilities	**101**	51
Non-trading derivatives	**1,704**	879
	1,805	930

Trading liabilities by type

	2007	2006
Equity securities	**43**	41
Derivatives	**58**	10
	101	51

Non-trading derivatives by type

	2007	2006
Derivatives used in:		
– fair value hedges	**143**	11
– cash flow hedges	**401**	289
– hedges of net investments in foreign operations	**267**	3
Other non-trading derivatives	**893**	576
	1,704	879

17 OTHER LIABILITIES

Other liabilities by type

	2007	2006
Deferred tax liabilities	**1,615**	1,822
Income tax payable	**432**	186
Pension and post-employment liabilities	**71**	392
Other staff-related liabilities	**159**	14
Other taxation and social security contributions	**185**	297
Deposits from reinsurers	**427**	462
Accrued interest	**1,223**	937
Costs payable	**909**	936
Amounts payable to brokers	**114**	238
Amounts payable to policyholders	**2,283**	3,105
Reorganisation and other provisions	**324**	357
Share-based payment plan liabilities	**7**	5
Other	**7,532**	6,223
	15,281	14,974

Other staff-liabilities include vacation leave, 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 2006	**Change through equity**	**Change through net profit**	**Changes in the composition of the group**	**Exchange rate differences**	**Other**	**Net liability 2007**
Investments	1,179	**–686**	**200**	**–17**	**11**	**–67**	**620**
Financial assets and liabilities at fair value through profit and loss	34	**–4**	**9**	**–11**	**1**	**1**	**30**
Deferred acquisition costs and VOBA	3,177	**3**	**158**		**–312**	**–7**	**3,019**
Fiscal equalisation reserve	3		**1**			**5**	**9**
Depreciation	–5	**3**	**–23**		**1**	**–2**	**–26**
Insurance provisions	–1,490	**116**	**339**		**93**	**71**	**–871**
Other provisions	–897	**209**	**–189**	**–9**	**108**	**–238**	**–1,016**
Receivables	122		**–10**	**1**	**–3**	**28**	**138**
Loans and advances to customers	2		**7**		**–1**	**1**	**9**
Unused tax losses carried forward	–420	**–4**	**–32**	**2**	**48**	**–43**	**–449**
Other	–2	**–307**	**–44**	**60**	**–2**	**–25**	**–320**
	1,703	**–670**	**416**	**26**	**–56**	**–276**	**1,143**
Comprising:							
– deferred tax liabilities	1,822						**1,615**
– deferred tax assets	–119						**–472**
	1,703						**1,143**

In 2006, the deferred tax changes through equity includes a deferred tax charge of EUR –981 million relating to unrealised valuations, EUR –242 million relating to changes in the cash flow hedge reserve, EUR 486 million relating to transfers to insurance liabilities and DAC, and nil relating to stock options and share plans. These items are presented in the Deferred tax by origin table in Investments and Insurance provisions respectively. Other changes in deferred tax are included in the profit and loss

Deferred tax in connection with unused tax losses carried forward

	2007	2006
Total unused tax losses carried forward	**1,907**	1,637
Unused tax losses carried forward not recognised as a deferred tax asset	**–487**	–400
Unused tax losses carried forward recognised as a deferred tax asset	**1,420**	1,237
Average tax rate	**31.6%**	34.0%
Deferred tax asset	**449**	420

Deferred income tax assets are recognised for tax loss carry forwards and unused tax credits only to the extent that realisation of the related tax benefit is probable. The uncertainty of the recoverability of the tax losses and tax credits is taken into account in establishing the deferred tax assets. The following tax loss carry forwards and tax credits will expire as follows at 31 December:

Total unused tax losses carried forward analysed by expiry terms

	No deferred tax asset recognised		Deferred tax asset recognised	
	2007	2006	**2007**	2006
Within 1 year	**21**	16	**16**	15
More than 1 year but less than 5 years	**94**	40	**51**	58
More than 5 years but less than 10 years	**205**		**552**	300
More than 10 years but less than 20 years	**66**	247	**707**	708
Unlimited	**101**	97	**94**	156
	487	400	**1,420**	1,237

Changes in reorganisation and other provisions

	Reorganisations		Other		Total	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**47**	69	**310**	399	**357**	468
Changes in the composition of the group		–2	**31**	–2	**31**	–4
Additions	**26**	14	**180**	120	**206**	134
Interest				5		5
Releases	**–15**	–30	**–149**		**–164**	–30
Charges	**–20**	–12	**–79**	–197	**–99**	–209
Exchange rate differences	**–1**	–1	**–5**	–15	**–6**	–16
Other changes	**–1**	9			**–1**	9
Closing balance	**36**	47	**288**	310	**324**	357

The additions to the provision for reorganisations and relocations in 2006 relate mainly to reorganisations in the Dutch Insurance operations.

Included in Other provisions is a provision for a loss of EUR 129 million relating to the disposal of NRG as disclosed in Note 25 ‘Companies acquired and companies disposed’.

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

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

Pension and post-employment liabilities

ING Insurance maintains defined benefit retirement plans in the major countries in which it operates. These plans generally cover all employees and provide benefits that are related to the remuneration and service of employees upon retirement. The benefits in some of these plans are subject to various forms of indexation. This indexation is in some cases at the discretion of management, in other cases it is dependant upon the sufficiency of plan assets.

Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in all countries comply with applicable local regulations concerning investments and funding levels.

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.

Summary of pension and post-employment liabilities

	Pension benefits			Post-employment benefits other than pensions			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Defined benefit obligation	**5,245**	5,699	5,910	**126**	176	247	**5,371**	5,875	6,157
Fair value of plan assets	**5,245**	5,063	4,684				**5,245**	5,063	4,684
		636	1,226	**126**	176	247	**126**	812	1,473
Unrecognised past service costs	**–3**			**3**	8	–5		8	–5
Unrecognised actuarial gains/(losses)	**–62**	–426	–780	**7**	–2	–14	**–55**	–428	–794
Amount included in Other liabilities	**–65**	210	446	**136**	182	228	**71**	392	674

Actuarial gains and losses for the year ended 31 December 2007 includes EUR –306 million (2006: EUR 98 million) experience gain adjustments for assets and EUR 72 million (2006: nil) experience gain adjustments for liabilities.

During 2006 certain plans were reclassified from Other to Pension benefits. This reclassification did not have an effect on total pension liabilities and other staff related liabilities. This reclassification is included in the line changes in the composition group and other changes in the table below.

Changes in defined benefit obligations

	Pension benefits		Post-employment benefits other than pensions	
	2007	2006	**2007**	2006
Opening balance	**5,699**	5,910	**176**	247
Current service cost	**156**	160	**1**	12
Interest cost	**273**	251	**10**	8
Employer’s contribution				1
Participants contributions		-24		5
Benefits paid	**–214**	–196	**–11**	–44
Actuarial gains and losses	**–658**	–187	**–7**	–12
Past service cost	**–24**			–2
Changes in the composition of the group and other changes	**128**	–36	**–33**	35
Effect of curtailment or settlement	**–7**			–60
Exchange rate differences	**–108**	–179	**–10**	–14
Closing balance	**5,245**	5,699	**126**	176
Relating to:				
– funded plans	**5,199**	5,670		
– unfunded plans	**46**	29	**126**	176
	5,245	5,699	**126**	176

The estimated unrecognised past service cost and unrecognised actuarial gains/losses for the defined benefit related liability plans that will be amortised into pension and other staff costs during 2008 are nil and nil respectively.

Changes in fair value of plan assets

	Pension benefits	
	2007	2006
Opening balance	**5,063**	4,684
Expected return on plan assets	**326**	290
Employer’s contribution	**246**	257
Participants contributions	**4**	3
Benefits paid	**–209**	–193
Actuarial gains and losses	**–306**	98
Changes in the composition of the group and other changes	**197**	57
Exchange rate differences	**–76**	–133
Closing balance	**5,245**	5,063

The actual return on the plan assets amounted to EUR 20 million (2006: EUR 388 million; 2005: EUR 235 million).

It is not expected that any plan assets are returned to ING Insurance during 2008.

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

Pension investment strategy
The primary financial objective of ING Employee Benefit Plans (the Plans) is to secure participant retirement benefits. As such, the key objective in the Plans financial management is to promote stability and, to the extent appropriate, growth in funded status (i.e. the ratio of market value of assets to liabilities).The investment strategy for the Plans portfolios of assets (the Funds) balances the requirement to generate returns with the need to control risk. The asset mix is 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	
	2008	**2007**	2006	**2007**	2006
Equity securities	**37**	**35**	38	**8.2**	8.3
Debt securities	**49**	**51**	53	**5.0**	5.5
Other	**14**	**14**	9	**6.7**	7.4
	100	**100**	100	**6.4**	6.7

Equity securities include ING Group ordinary shares of EUR 2 million (0.1% of total plan assets) at 31 December 2007 (2006: EUR 5 million, 0.1% of total plan assets). Real estate, which is included in Other, includes nil (0.1% of total plan assets) at 31 December 2007.

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

Weighted averages of basic actuarial assumptions in annual % as at 31 December

	Pension benefits		Post-employment benefits other than pensions	
	2007	2006	**2007**	2006
Discount rates	**5.60**	4.90	**6.00**	5.40
Expected rates of salary increases (excluding promotion increases)	**2.90**	2.75	**3.70**	3.50
Medical cost trend rates			**7.00**	5.90
Consumer price inflation	**2.20**	2.00	**2.50**	2.25

The assumptions above are weighted by defined benefit obligations. The rates used for salary developments, interest discount factors and other adjustments reflect specific country conditions.

An increase of 1% in the assumed medical cost trend rate for each future year would have resulted in an additional accumulated defined benefit obligation of nil at 31 December 2007 (2006: EUR 2 million) and no increase in the charge for the year (2006: 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 nil at 31 December 2007 (2006: EUR 2 million) and no decrease in the charge for the year (2006: no decrease).

Expected cash flows
During 2008 the expected contributions to pension plans is EUR 262 million (2007: EUR 264 million).

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

Benefit payments

	Pension benefits	Post-employment benefits other than pensions
2008	**184**	**7**
2009	**190**	**7**
2010	**204**	**8**
2011	**215**	**8**
2012	**222**	**8**
Years 2013 – 2017	**1,182**	**35**

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

18 ASSETS AND LIABILITIES BY CONTRACTUAL MATURITY

Assets and liabilities by contractual maturity

2007	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	3,115						3,115
Financial assets at fair value through profit and loss							
– trading assets[1]						1,008	1,008
– investments for risk of policyholders[2]						114,827	114,827
– non-trading derivatives	92	45	167	214	713	1	1,232
– designated as at fair value through profit and loss			181	741	1,052	1,831	3,805
Available-for-sale investments	839	395	3,141	22,183	65,002	40,706	132,266
Loans and advances to customers	208	150	951	6,487	14,542	5,191	27,529
Reinsurance contracts	21	36	308	307	2,725	2,477	5,874
Intangible assets	2	4	13	195	1,120	2,608	3,942
Deferred acquisition costs						10,692	10,692
Other assets						12,395	12,395
Remaining assets (where maturities are not applicable)[3]						5,398	5,398
Total assets	4,277	630	4,761	30,127	85,154	197,134	322,083
Liabilities							
Subordinated loans						4,493	4,493
Debt securities in issue	14		62	2,087	2,473		4,636
Other borrowed funds	380	4,902	874	3,162	2,037		11,355
Insurance and investment contracts	1,855	3,907	10,712	33,854	99,425	115,959	265,712
Financial liabilities at fair value through profit and loss							
– trading liabilities[1]						101	101
– non-trading derivatives	20	27	103	773	780	1	1,704
– designated as at fair value through profit and loss							
Other liabilities	1,260	1,189	5,805	2,404	1,505	3,118	15,281
Total liabilities	3,529	10,025	17,556	42,280	106,220	123,672	303,282

[1] Trading assets and trading liabilities have been presented in the above table as 'maturity not applicable', because they are held for short term profit taking. The majority of items are debt instruments and equity instruments where the contractual maturity is generally more than 5 years.
[2] Investment for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of ING.
[3] Included in remaining assets where maturities are not applicable are:
- property and equipment;
- real estate investments;
- investments in associates.

Note: Due to their nature remaining assets consists mainly of assets expected to be recovered after more than 12 months

Assets and liabilities by contractual maturity

2006	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	3,017						3,017
Financial assets at fair value through profit and loss							
– trading assets[1]			1	6		958	965
– investments for risk of policyholders						110,547	110,547
– non-trading derivatives	37	59	139	420	1,226	7	1,888
– designated as at fair value through profit and loss			85		1,183		1,268
Available-for-sale investments	1,168	1,321	3,802	23,629	69,308	41,262	140,490
Loans and advances to customers	595	453	2,606	10,166	20,451	3,288	37,559
Reinsurance contracts	23	60	440	571	2,281	3,154	6,529
Intangible assets						3,232	3,232
Deferred acquisition costs						10,163	10,163
Other assets						10,601	10,601
Remaining assets (where maturities are not applicable)[2]						7,512	7,512
Total assets	4,840	1,893	7,073	34,792	94,449	190,724	333,771
Liabilities							
Subordinated loans						4,043	4,043
Debt securities in issue	436		340	1,359	3,304		5,439
Other borrowed funds	3,379	4,773	1,868	4,817	1,178		16,015
Insurance and investment contracts	2,327	3,556	11,677	34,003	103,524	113,596	268,683
Financial liabilities as at fair value through profit and loss							
– trading liabilities[1]						51	51
– non-trading derivatives	91	38	88	244	380	38	879
Other liabilities	603	712	4,270	3,954	1,162	4,273	14,974
Total liabilities	6,836	9,079	18,243	44,377	109,548	122,001	310,084

[1] Trading assets and trading liabilities have been presented in the above table as 'maturity not applicable', because they are held for short term profit taking. The majority of items are debt instruments and equity instruments where the contractual maturity is generally more than 5 years.
[2] included in remaining assets where maturities are not applicable are:
- property and equipment;
- real estate investments;
- investments in associates.

Note: Due to their nature remaining assets consists mainly of assets expected to be recovered after more than 12 months

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

Fair value hedge accounting
ING 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 impacts the net profit.

For the year ended 31 December 2007, ING Insurance recognised in the profit and loss account EUR –227 million (2006: EUR –162 million) of fair value losses on derivatives designated under fair value hedge accounting. This amount was offset by EUR –223 million (2006: EUR 211 million) fair value changes recognised on hedged items. This resulted in EUR –4 million net accounting ineffectiveness recognised in the profit and loss account. At 31 December 2007, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR –112 million (2006: EUR 22 million), presented in the balance sheet as EUR 31 million (2006: EUR 33 million) positive fair values under assets and EUR 143 million (2006: EUR 11 million) negative fair values under liabilities.

ING Insurance applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. The EU 'carve-out' macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket.

Cash flow hedge accounting
ING 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 recorded in Shareholders' equity. Interest cash flows on these derivatives are recognised in the profit and loss account in interest income consistently with the manner in which the forecast cash flows affect net profit. The gains and losses on ineffective portions of such derivatives are recognised immediately in the profit and loss account.

For the year ended 31 December 2007, ING Insurance recognised EUR –692 million (2006: EUR –267 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 at 31 December 2007 is EUR –28 million (2006: EUR 883 million) gross and EUR 10 million (2006: EUR 702 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value on the underlying derivatives and will be reflected in the profit and loss account under Interest income/expense over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities up to 40 years with the largest concentration in the range of 20 years to 25 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting of EUR –5 million (2006: nil) was recognised in the profit and loss account.

At 31 December 2007, the fair values of outstanding derivatives designated under cash flow hedge accounting was EUR –137 million (2006: EUR 653 million), presented in the balance sheet as EUR 264 million (2006: EUR 942 million) positive fair values under assets and EUR 401 million (2006: EUR 289 million) negative fair values under liabilities.

At 31 December 2007 and 31 December 2006, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes.

Included in Interest income and interest expense on non-trading derivatives is EUR 976 million (2006: EUR 684 million) and EUR 959 million (2006: EUR 647 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 recorded in Shareholders' equity. The balance in equity is recognised in the profit and loss account when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognised immediately in the profit and loss account.

At 31 December 2007, the fair values of outstanding derivatives designated under net investment hedge accounting was EUR –9 million (2006: nil), presented in the balance sheet as EUR 258 million (2006: EUR 3 million) positive fair values under assets and EUR 267 million (2006: EUR 3 million) negative fair values under liabilities.

At 31 December 2007, the fair values of outstanding non-derivatives designated under net investment hedge accounting was EUR –1,318 million (2006: EUR –1,520 million), presented in the balance sheet as negative fair values under liabilities. Non-derivatives designated as hedging instruments consist mainly of loan agreements.

Accounting ineffectiveness recognised in the profit and loss account for the year ended 31 December 2007 on derivatives and non-derivatives designated under net investment hedge accounting was EUR –14 million (2006: EUR –12 million).

20 MAXIMUM CREDIT EXPOSURE

ING Insurance's maximum credit exposure as at 31 December 2007 and 2006 is represented as follows:

Maximum credit exposure

	2007	2006
Cash and cash equivalents	3,115	3,017
Trading assets:		
– debt securities	15	5
– loans and receivables		1
– derivatives	10	1
Non-trading derivatives	1,232	1,888
Designated as at fair value through profit and loss	3,805	1,268
Available-for-sale debt securities	115,944	124,163
Loans and advances to customers:		
– policy loans	3,468	3,566
– secured by mortgages	17,304	27,874
– personal loans	5,406	4,602
– other	1,351	1,517
Reinsurance contracts	5,874	6,529
Reinsurance and insurance receivables	3,664	4,105
Other receivables	4,041	2,515
Total credit exposure on balance sheet	165,229	181,051
Off-balance sheet credit commitments:		
– commitments	4,477	4,636
– guarantees	1,692	2,101
Total credit exposure off balance sheet	6,169	6,737
Total credit risk	171,398	187,788

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.

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

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

21 ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable primarily relate to investments of EUR 403 million (2006: EUR 606 million) provided as guarantees for certain contingent liabilities. There are no material terms and conditions relating to the collateral represented by such guarantees.

22 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

	2007	2006
Commitments	**4,477**	4,636
Guarantees	**1,692**	2,101
	6,169	6,737

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. The guarantees are generally of a short-term nature. 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.

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

2008	**47**
2009	**38**
2010	**29**
2011	**26**
2012	**24**
years after 2012	**79**

23 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.

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

ING Verzekeringen Nederland N.V.	The Netherlands
ING Vastgoed Belegging B.V.	The Netherlands
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	The Netherlands
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	The Netherlands
Parcom Ventures B.V.	The Netherlands
Postbank Levensverzekering N.V.	The Netherlands
Postbank Schadeverzekering N.V.	The Netherlands
RVS Levensverzekering N.V.	The Netherlands
RVS Schadeverzekering N.V.	The Netherlands
Movir N.V.	The Netherlands
ING Zivotna Poistovna a.s.	Slovakia
ING Nationale-Nederlanden Polska S.A.	Poland
ING Nationale-Nederlanden Polska Powszechne Towarzystwo Emerytaine S.A.	Poland
ING Asigurari de Viata S.A.	Romania
ING Greek Life Insurance Company S.A.	Greece
ING Greek General Insurance Company S.A.	Greece
ING Nationale-Nederlanden Magyarorszagi Biztosito Rt.	Hungary
Nationale Nederlanden Vida, Compañia de Seguros y Reaseguros S.A.	Spain
Nationale Nederlanden Generales, Compañia de Seguros y Reaseguros S.A.	Spain
ING Canada Inc.	Canada
Belair Insurance Company Inc.	Canada
ING Insurance Company of Canada	Canada
ING Novex Insurance Company of Canada	Canada
ING America Insurance Holdings, Inc.	U.S.A.
ING International Insurance Holdings, Inc.	U.S.A.
ING Life Insurance and Annuity Company	U.S.A.
ING North America Insurance Corporation	U.S.A.
Lion Connecticut Holdings Inc.	U.S.A.
ReliaStar Life Insurance Company	U.S.A.
ReliaStar Life Insurance Company of New York	U.S.A.
Security Life of Denver Insurance Company	U.S.A.
ING USA Annuity and Life Insurance Company	U.S.A.
ING Life Insurance Company of America	U.S.A.
ING Seguros de Vida S.A.	Chile
ING Afore S.A. de C.V.	Mexico
Seguros Comercial America S.A. de C.V.	Mexico
ING Life Insurance Company (Japan) Limited	Japan
ING Life Insurance Company (Korea) Limited	South Korea
ING Australia Holdings Limited	Australia
ING Australia Pty Limited	Australia
ING Re (Netherlands) N.V.	The Netherlands

25 COMPANIES ACQUIRED AND COMPANIES DISPOSED

The initial accounting for the fair value of the net assets of the companies acquired during the year has been determined only provisionally at 31 December 2007 given the proximity of the dates of acquisition to the year end. Also, the analysis of the contributory factors relating to goodwill will only be performed once the final values have been determined. The initial accounting shall be completed within a year of acquisition in accordance with IFRS 3 and the policies, procedures and risk management of the companies acquired shall be brought in line with ING during 2008.

Most significant companies acquired in 2007

	Landmark	Latin American Pension business of Santander	Total
General			
Primary line of business	Insurance	Insurance	
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 priciples.

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

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

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

In November and December 2007 ING acquired the Latin American pension businesses of Banco Santander in Mexico for EUR 349 million, Columbia for EUR 88 million, Uruguay for EUR 20 million and Argentina for EUR 235 million. The pension business in Chile was acquired in January 2008 for EUR 450 million. The total cost of the entire deal was approximately EUR 1,142 million.

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.

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.

Disposals announced and expected to occur in 2008
In December 2007 ING announced that agreement had been reached to sell NRG a reinsurance unit, to Berkshire Hathaway. The sale for approximately EUR 300 million will result in a loss of approximately EUR 129 million. A provision has been recognised for this loss in other liabilities. The net assets of NRG at 31 December 2007 amounted to EUR 397 million. Individually significant assets and liabilities consisted of Investments of EUR 578 million and Technical provisions of EUR 194 million, respectively.

In February 2008, ING Group announced that it has reached an agreement with AXA to sell part of its Mexican business, Seguros ING SA de CV and subsidiaries, for a price of approximately EUR 1.0 billion. Under the terms of the agreement, ING will divest companies that comprise its non-life businesses of P&C and Auto, plus its Health and Life insurance

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

lines, its Health Maintenance Organization (ISES) and its Bonding Business. This sale, which is subject to regulatory approval and is expected during the course of 2008, will allow ING to focus on growing its existing Mexican pension (Afore) and Annuities businesses. Seguros ING SA de CV and subsidiaries are presented within the Insurance Americas segment in Note 42 ‘Primary reporting format – business segments’.

Most significant companies acquired in 2006

	ABN AMRO Asset Management (Taiwan), Ltd	Total
General		
Primary line of business	Insurance	
Date of acquisition	27 October 2006	
Percentage of voting shares acquired	100%	
Purchase price		
Purchase price	65	65
Cash purchase price	65	65
Cash in company acquired	19	19
Cash outflow on acquisition[1]	46	46
Assets		
Cash assets	23	23
Investments	2	2
Amounts due from banks	1	1
Financial assets at fair value through profit and loss	2	2
Liabilities		
Miscellaneous other liabilities	4	4
Net assets	24	24
Net assets acquired	24	24
Goodwill recognised[2]	41	41
Profit since date of acquisition	–1	–1
Income if acquisition effected at start of year	2	2

(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 2006 on immaterial acquisitions was EUR 63 million, resulting in total Goodwill recognised in 2006 of EUR 104 million as disclosed in Note 8 ‘Intangible assets’.

In October 2006 ING acquired 100% of ABN AMRO Asset Management (Taiwan) Ltd, a registered Securities Investment Trust Enterprise, for EUR 65 million. The purchase will strengthen ING’s existing position as the Taiwanese largest overall asset manager.

Disposals

There were no material disposals of companies in 2006.

Total of companies acquired and total of companies disposed in 2005

	New Zealand	Total acquisitions	Life of Georgia	Total disposals
General				
Primary line of business	Life Insurance		Life Insurance	
PURCHASE PRICE				
Purchase price	98	98	235	235
Cash in company acquired/disposed			118	118
Cash outflow/inflow on acquisition/disposal	98	98	353	353
Assets				
Investments			1,809	1,809
Miscellaneous other assets	151	151		
Liabilities				
Insurance and investment contracts			1,503	1,503
Net assets	151	151	306	306
Minority interests				
Net assets acquired/disposed	151	151	306	306

In May 2005, ING Insurance sold Life Insurance Company of Georgia to Prudential PLC's subsidiary, Jackson National Life Insurance Company. The loss from this transaction amounts to EUR 32 million after tax.

In November 2005, ING Insurance sold its stake in Austbrokers Holdings in an initial public offering. Austbrokers is one of the leading insurance brokers in Australia. The decision to sell the business follows ING's sale of its 50% stake in general insurer QBE Mercantile Mutual to QBE in 2004.

26 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, employers, investors and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, management does not believe that their outcome will have a material adverse effect on the ING Insurance's financial position or results of operations.

These legal proceedings included a dispute over certain hurricane damages claimed by a Mexican fertilizer producer Grupo Fertinal ("Fertinal") against ING Comercial América (now known as Seguros ING S.A. de C.V. and referred to hereinafter as "Seguros"), a wholly owned subsidiary of ING Insurance. Fertinal claimed EUR 204 million (USD 300 million), the maximum coverage under the insurance policy of their mining operations. A judge in Mexico ruled in favour of Fertinal. This decision was appealed to a Mexican Court of Appeal, which reduced the judgment to EUR 64 million (USD 94 million) plus interest. This decision was appealed by all parties involved. Seguros' appeal was rejected and the decision of the Court of Appeal regarding the amount owed was affirmed. Seguros has paid the principal and interest into court, bringing the case to a close. Seguros also has been the subject of complaints and suits concerning the performance of certain interest sensitive life insurance products. These matters are being defended vigorously; however, at this time, we are unable to assess their final outcome.

In November 2006, the issue of amongst others the costs charged by the insurance industry to customers in respect of universal life insurance products (commonly referred to as 'beleggingsverzekeringen', 'beleggingspolissen' or 'beleggingshypotheken') has received attention both in the Dutch public media and from the Dutch regulator for the insurance industry and consumer protection organisations. The Dutch insurance industry (including subsidiaries of the ING Groep N.V., primarily Nationale-Nederlanden) sold these products to customers either directly or through intermediaries. In July 2007 a class action was lodged against Nationale-Nederlanden in relation to these products. The subject of this procedure is not a specific claim for compensation, but a request to the judge to pronounce that Nationale-Nederlanden provided clients with incomplete or misleading information about costs and risks. Such legal proceedings can also be lodged against other subsidiaries of ING Groep N.V. involved. Discussions are ongoing between the insurance industry and consumer organisations to find an out of court solution. Early March 2008 the Ombudsman Financial Services published a recommendation for an industrywide solution. This recommendation is not binding on the parties involved. While ING believes that it has complied with all relevant laws and regulations regarding consumer rights and consumer protection, ING's Dutch insurance companies will accept the recommendation. A provision has been taken to contribute to this possible solution. As consumer organisations criticize the recommendation and the policy holders have not formally agreed with the proposed solution, it is difficult to predict when and how the issue will be solved.

Like many other companies in the mutual funds, brokerage, investment, and insurance industries, several of our companies have received informal and formal requests for information from various governmental and self-regulatory agencies or have otherwise identified issues arising in connection with fund trading, compensation, conflicts of interest, anti-competitive practices, insurance risk transfer and sales practices. ING is responding to the requests and working to resolve issues with regulators. We believe that any issues that have been identified thus far do not represent a systemic problem in the ING businesses involved and in addition that the outcome of the investigations will not have a material effect on ING 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 recorded

27 JOINT VENTURES

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

Most significant joint ventures

2007	**Interest held (%)**	**Assets**	**Liabilities**	**Income**	**Expenses**
ING Australia Ltd	**51**	**9,735**	**9,252**	**474**	**348**
KB Life Insurance Company	**49**	**412**	**394**	**231**	**228**
ING (NZ) Ltd	**51**	**128**	**14**	**44**	**33**
Pacific-Antai Life Insurance Company Ltd	**50**	**150**	**117**	**42**	**36**
Total		**10,425**	**9,777**	**791**	**645**

Most significant joint ventures

2006	Interest held (%)	Assets	Liabilities	Income	Expenses
ING Australia Ltd	51	8,617	8,266	402	295
KB Life Insurance Company	49	292	279	167	166
ING (NZ) Ltd	51	132	28	38	29
Pacific-Antai Life Insurance Company Ltd	50	136	106	37	36
Total		9,177	8,679	644	526

28 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 includes 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	
	2007	2006	**2007**	2006
Receivables	**120**	120	**107**	191
Liabilities			**17**	11
Income received	**11**	8		26
Expenses paid			**31**	

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

	ING Groep N.V. 2007	ING Groep N.V. 2006	ING Bank N.V. 2007	ING Bank N.V. 2006
Receivables		35	**1,675**	283
Liabilities	**2,315**	2,604	**243**	1,520
Guarantees issued in favour of			**1,519**	1,781
Income received		5	**163**	68
Expenses paid	**112**	120	**259**	180

In addition, in 2007, EUR 11.8 billion mortgages were transferred from ING Insurance to ING Bank. Related funding with related parties was repaid. These transaction were concluded on market consistent terms. The overall result for ING Insurance was not significant.

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 17 ‘Other liabilities’. There are no significant provisions for doubtful debts nor individually significant bad debt expenses.

Key management personnel compensation

amounts in thousands of euros	Executive Board 2007	Executive Board 2006	Supervisory Board 2007	Supervisory Board 2006	Total 2007	Total 2006
Base salary and short-term bonus	**16,898**	18,250	**673**	578	**17,571**	18,828
Pension costs	**3,334**	3,113			**3,334**	3,113
Retirement benefit	**1,222**	4,082			**1,222**	4,082
Fair market value of long-term incentives	**9,072**	8,576			**9,072**	8,576
Total compensation	**30,526**	34,021	**673**	578	**31,199**	34,599

Loans and advances to key management personnel

amounts in thousands of euros	Amount outstanding 31 December 2007	Amount outstanding 31 December 2006	Average interest rate 2007	Average interest rate 2006	Repayments 2007	Repayments 2006
Executive Board members	**2,376**	2,023	**4.8%**	4.3%	**216**	20
Total	**2,376**	2,023			**216**	20

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

The remuneration of the members and former members of the Executive Board and Supervisory Board, who are also members and former members of the Executive Board and Supervisory Board of ING Group, including pension contributions, is paid by ING Group. These and other expenses of ING Group are charged in full by ING Group to its subsidiaries, on the basis of a general allocation formula.

The remuneration costs of ING Group amounted to EUR 30.5 million (2006: EUR 34.0 million) for members of the Executive Board and EUR 0.7 million (2006: EUR 0.6 million) for members the Supervisory Board. The remuneration costs allocated to ING Insurance amount to EUR 10.7 million (2006: EUR 12.7 million) for members of the Executive Board and EUR 0.3 million (2006: EUR 0.3 million) for members of the Supervisory Board.

29 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	
	2007	2006	**2007**	2006
Financial assets				
Cash and cash equivalents	**3,115**	3,017	**3,115**	3,017
Financial assets at fair value through profit and loss				
– trading assets	**1,008**	965	**1,008**	965
– investments for risk of policyholders	**114,827**	110,547	**114,827**	110,547
– non-trading derivatives	**1,232**	1,888	**1,232**	1,888
– designated as at fair value through profit and loss	**3,805**	1,268	**3,805**	1,268
Available-for-sale investments	**132,266**	140,490	**132,266**	140,490
Loans and advances to customers	**26,522**	38,505	**27,529**	37,559
Other assets[(1)]	**11,435**	10,220	**11,435**	10,220
	294,210	306,900	**295,217**	305,954
Financial liabilities				
Subordinated loans	**4,493**	4,148	**4,493**	4,043
Debt securities in issue	**4,547**	5,468	**4,636**	5,439
Other borrowed funds	**9,169**	15,136	**11,355**	16,015
Investment contracts for risk of company	**9,520**	7,505	**9,520**	7,505
Investment contracts for risk of policyholders	**14,132**	13,245	**14,132**	13,245
Financial liabilities at fair value through profit and loss				
– trading liabilities	**101**	51	**101**	51
– non-trading derivatives	**1,704**	879	**1,704**	879
Other liabilities[(2)]	**12,495**	12,092	**12,495**	12,092
	56,161	58,524	**58,436**	59,269

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

The estimated fair values correspond with the amounts at which the financial instruments at our best estimate could have been traded at the balance sheet date between knowledgeable, willing parties in arm's-length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. Because substantial trading markets do not exist for all of these financial instruments various techniques have been developed to estimate their approximate fair values. These techniques are subjective in nature and involve various assumptions about the relevant pricing factors. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net 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.

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
The fair values of securities in the trading portfolio and other assets at fair value through profit and loss are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal valuation techniques.

Investments
The fair values of equity securities are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained

from private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment.

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

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

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

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

Investment contracts
For investment contracts for risk of company the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities 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 valuation techniques.

Debt securities in issue and other borrowed funds
The fair value of debt securities in issue and other borrowed funds is generally based on quoted market prices or, if unquoted, on estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity.

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

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

The fair values of the financial instruments carried at fair value were determined as follows:

Methods applied in determining fair values of financial assets and liabilities

2007	Reference to published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs	Total
Assets				
Trading assets	593	9	406	1,008
Investments for risk of policyholders	111,723	2,976	128	114,827
Non-trading derivatives	1,225	7		1,232
Financial assets designated at fair value through profit and loss	1,605	461	1,739	3,805
Available-for-sale investments	115,132	16,546	588	132,266
	230,278	19,999	2,861	253,138
Liabilities				
Trading liabilities	63	38		101
Financial liabilities designated at fair value through profit and loss	1,489	212	3	1,704
Investment contracts (for contracts carried at fair value)	12,066	2,058	8	14,132
	13,618	2,308	11	15,937

Methods applied in determining fair values of financial assets and liabilities

2006	Reference to published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs	Total
Assets				
Trading assets	746	1	218	965
Investments for risk of policyholders	109,465	813	269	110,547
Non-trading derivatives	98	518	1,272	1,888
Financial assets designated at fair value through profit and loss	197	2	1,069	1,268
Available-for-sale investments	129,482	10,707	301	140,490
	239,988	12,041	3,129	255,158
Liabilities				
Trading liabilities		51		51
Financial liabilities designated at fair value through profit and loss	178	276	425	879
Investment contracts (for contracts carried at fair value)	13,235		10	13,245
	13,413	327	435	14,175

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

This category includes instruments for which a model is used to determine fair value instead of using an externally available quoted price, but for which a quoted price is available and the outcome of the model is evaluated regularly against that quoted price, resulting in no or only an insignificant deviation from the quoted price. Furthermore, it also includes financial instruments for which it is market convention to price these based on a single published reference rate (e.g. a published yield curve in the case of plain vanilla interest rate swaps).

Valuation technique supported by market inputs
This category includes financial instruments whose fair value is determined using a valuation technique (a model), where inputs in the model are taken from an active market or are market observable. If certain inputs in the model are not market observable, but all significant inputs are, the instrument is still classified in this category, provided that the impact of those elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are (more than insignificantly) modified based on other market observable external data.

Valuation technique not supported by market inputs
This category includes financial assets/liabilities whose fair value is determined using a valuation technique (model) for which more than an insignificant level of the input in terms of the overall valuation are not market observable.

The total amount of changes in fair value estimated using a valuation technique not supported by market inputs recognised in net profit in 2007 was EUR 89 million (2006: EUR 19 million) .

Sensitivities of fair values
Reasonably likely changes in the assumptions used in the valuation techniques not supported by recent market transactions would not have a significant impact on equity and net profit.

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

30 GROSS PREMIUM INCOME

Gross premium income

	2007	2006	2005
Gross premium income from life insurance policies	**40,732**	40,502	39,145
Gross premium income from non-life insurance policies	**6,086**	6,333	6,613
	46,818	46,835	45,758

Gross premium income has been presented before deduction of reinsurance and retrocession premiums granted. Gross premium income excludes premium received for investment contracts, for which deposit accounting is applied.

Effect of reinsurance on premiums written

			Non-life			Life			Total
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Direct premiums written gross	**6,062**	6,279	6,556	**39,170**	38,838	37,644	**45,232**	45,117	44,200
Reinsurance assumed premiums written gross	**24**	54	57	**1,562**	1,664	1,501	**1,586**	1,718	1,558
Total gross premiums written	**6,086**	6,333	6,613	**40,732**	40,502	39,145	**46,818**	46,835	45,758
Reinsurance ceded	**–306**	–339	–526	**–1,968**	–2,004	–2,031	**–2,274**	–2,343	–2,557
	5,780	5,994	6,087	**38,764**	38,498	37,114	**44,544**	44,492	43,201

Effect of reinsurance on non–life premiums earned

	2007	2006	2005
Direct premiums earned gross	**6,005**	6,248	6,712
Reinsurance assumed premiums earned gross	**22**	58	57
Total gross premiums earned	**6,027**	6,306	6,769
Reinsurance ceded	**–326**	–377	–636
	5,701	5,929	6,133

31 INVESTMENT INCOME

Investment income

	2007	2006	2005
Income from real estate investments	**80**	184	206
Dividend income	**750**	604	479
	830	788	685
Income from investment in debt securities	**6,857**	6,359	5,759
Income from loans			
– personal loans	**242**	200	260
– mortgage loans	**1,427**	1,659	1,736
– policy loans	**215**	212	223
– other	**327**	420	441
Income from investment in debt securities and loans	**9,068**	8,850	8,419
Realised gains/losses on disposal of debt securities	**–9**	–56	245
Reversals/Impairments of available-for-sale debt securities	**–76**	36	34
Realised gains/losses and impairments of debt securities	**–85**	–20	279
Realised gains/losses on disposal of equity securities	**2,975**	772	511
Impairments of available-for-sale equity securities	**–36**	–25	–46
Realised gains/losses and impairments of equity securities	**2,939**	747	465
Change in fair value of real estate investments	**75**	108	143
Investment income	**12,827**	10,473	9,991

32 COMMISSION INCOME

Gross fee and commission income

	2007	2006	2005
Insurance broking	**1,124**	992	584
Management fees	**1,025**	860	1,420
Brokerage and advisory fees	**1,014**	951	473
Other	**364**	270	119
	3,527	3,073	2,596

Fee and commission expenses

	2007	2006	2005
Insurance broking	**687**	551	250
Management fees	**182**	188	686
Brokerage and advisory fees	**672**	624	260
Other	**85**	75	54
	1,626	1,438	1,250

33 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives

	2007	2006	2005
Change in fair value of derivatives relating to:			
– fair value hedges	**–227**	–162	87
– cash-flow hedges (ineffective portion)	**–5**		
– hedges of net investment in foreign entities (ineffective portion)	**–14**	–12	–16
– other non-trading derivatives	**–753**	–85	–164
Net result on non-trading derivatives	**–999**	–259	–93
Change in fair value of assets and liabilities (hedged items)	**223**	211	–98
Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading)	**89**		
Net valuation results	**–687**	–48	–191

34 NET TRADING INCOME

Net trading income

	2007	2006	2005
Results from securities trading	**246**	159	84
Results from foreign exchange transactions	**174**	120	–87
Other	**–50**	–7	9
	370	272	6

Results from securities trading includes the results of making markets in instruments such as government securities, equity securities, corporate debt securities, money-market instruments, and interest rate derivatives such as swaps, options, futures and forward contracts. Results from foreign currency exchange transactions include gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities.

The portion of trading gains and losses for the year ended 31 December 2007 that related to trading securities still held at 31 December, amounts to EUR 80 million (2006: EUR 26 million; 2005: nil).

35 OTHER INCOME

There are no individually significant items within Other income.

36 UNDERWRITING EXPENDITURE

Underwriting expenditure

	2007	2006	2005
Gross underwriting expenditure	**51,818**	53,065	54,594
Investment income for risk of policyholders	**–1,079**	–2,702	–5,074
Reinsurance recoveries	**–1,906**	–2,175	–2,400
Total underwriting expenditure	**48,833**	48,188	47,120

Underwriting expenditure by class

	2007	2006	2005
Expenditure from life underwriting			
Reinsurance and retrocession premiums	**1,968**	2,004	2,031
Gross benefits	**28,877**	26,234	22,129
Reinsurance recoveries	**–1,749**	–1,705	–1,625
Changes in life insurance provisions for risk of company	**11,979**	13,420	14,650
Costs of acquiring insurance business	**1,098**	1,083	1,060
Other underwriting expenditure	**457**	439	364
Profit sharing and rebates	**424**	801	2,214
	43,054	42,276	40,823
Expenditure from non-life underwriting			
Reinsurance and retrocession premiums	**306**	339	526
Gross claims	**3,589**	3,848	4,343
Reinsurance recoveries	**–157**	–470	–775
Changes in the provision for unearned premiums	**79**	65	–46
Changes in the claims provision	**13**	–209	–49
Costs of acquiring insurance business	**979**	1,043	1,012
Other underwriting expenditure	**–50**	–71	–52
	4,759	4,545	4,959
Expenditure from investment contracts			
Costs of acquiring investment contracts	**19**	31	53
Profit sharing and rebates	**16**	64	17
Other changes in investment contract liabilities	**985**	1,272	1,268
	1,020	1,367	1,338
Total underwriting expenditure	**48,833**	48,188	47,120

Profit sharing and rebates

	2007	2006	2005
Distributions on account of interest or underwriting results	**–133**	458	1,824
Bonuses added to policies	**411**	369	379
Deferred profit sharing expense	**146**	–26	11
	424	801	2,214

Underwriting expenditure includes an amount of EUR 4,275 million in 2007 (2006: EUR 4,141 million; 2005: EUR 3,956 million) in respect of commission paid and payable with regard to the insurance operations. Amortisation of deferred acquisition costs amounted to EUR 1,552 million in 2007 (2006: EUR 1,444 million; 2005: EUR 1,475 million).

Expenditure from Life underwriting includes an amount of EUR 110 million in 2007 (2006: EUR 181 million; 2005: EUR 220 million) in relation to reserve strengthening for Insurance Asia/Pacific as further described under Segment reporting.

The investment income and valuation results regarding investment income for risk of policyholders of EUR 1,079 million (2006: EUR 2,702 million; 2005: EUR 5,074 million) has not been recognised in investment income and valuation results on assets and liabilities designated as at fair value through profit and loss but is recognised in Underwriting expenditure together with the equal amount of related change in insurance provisions for risk of policyholders.

ING Insurance transferred part of their life insurance business to Scottish Re in 2004 by means of a co-insurance contract. A loss amounting to EUR 160 million was recognised in Underwriting expenditure in 2004 on this transaction. This loss represented the reduction of the related deferred acquisition costs. In addition, an amount of EUR 240 million is being amortised over the life of the underlying business, starting in 2005 and gradually decreasing in subsequent years as the business tails off. The amount amortised in 2007 was EUR 15 million (2006: EUR 32 million; 2005: EUR 34 million). The cumulative amortisation as at 31 December 2007 was EUR 81 million (2006: EUR 66 million; 2005: EUR 34 million).

37 OTHER IMPAIRMENTS

Other impairment losses recognised in the profit and loss account

	2007	2006	2005
Property and equipment		1	1
Goodwill			
Other intangible assets		10	21
Other	**1**		
	1	11	22

Impairment on loans and advances to customers are presented under Investment income.

38 STAFF EXPENSES

Staff expenses

	2007	2006	2005
Salaries	**2,050**	2,012	1,982
Pension and other staff related benefit costs	**48**	101	134
Social security costs	**201**	196	208
Share-based compensation arrangements	**53**	54	36
Other staff costs	**484**	447	444
	2,836	2,810	2,804

Share-based compensation arrangements includes an amount of EUR 49 million (2006: EUR 52 million; 2005: EUR 32 million) relating to equity-settled share-based payment arrangements and EUR 3 million (2006: EUR 2 million; 2005: 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		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Current service cost	**155**	160	177	**1**	12	15	**7**	2	2	**163**	174	194
Past service cost	**–24**		56					1		**–24**	1	56
Interest cost	**273**	251	250	**10**	8	18	**2**	1		**285**	260	268
Expected return on assets	**–327**	–290	–267							**–327**	–290	–267
Amortisation of unrecognised past service cost	**–3**		2	**–5**	–5					**–8**	–5	2
Amortisation of unrecognised actuarial gains/losses	**8**	9								**8**	9	
Effect of curtailment or settlement	**–7**		–1		–60	–126		4		**–7**	–56	–127
Other	**–62**			**–7**			**1**			**–68**		
Defined benefit plans	**13**	130	217	**–1**	–45	–93	**10**	8	2	**22**	93	126
Defined contribution plans										**26**	8	8
										48	101	134

Stock option and share plans

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

ING Group holds its own shares in order to fulfil the obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned (so-called delta hedge). As at 31 December 2007 36,028,881 own shares (2006: 52,722,755; 2005: 38,722,934) were held in connection with the option plan compared to 76,888,553 options outstanding. 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.

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 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 2007 139,113 shares (2006: 52,100) have been granted to the members of the Executive Board and 2,415,649 shares (2006: 2,432,686) have been granted to senior management and other employees remaining in the service of ING Group.

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

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

	Options outstanding			Weighted average exercise price		
	2007	2006	2005	**2007**	2006	2005
Opening balance	**31,795,036**	35,743,649	31,743,611	**25.94**	24.10	24.33
Granted	**5,550,309**	6,357,773	7,882,022	**32.14**	32.79	23.32
Exercised	**–3,599,653**	–7,002,953	–2,351,541	**19.74**	21.98	20.93
Forfeited	**–362,165**	–670,783	–182,825	**28.60**	24.82	22.60
Expired		–2,632,650	–1,347,618		28.35	30.80
Closing balance	**33,383,527**	31,795,036	35,743,649	**25.90**	25.94	24.10

The weighted average share price at the date of exercise for options exercised in 2007 is EUR EUR 32.48.

Changes in option rights non–vested

	Options non-vested			Weighted average grant date fair value		
	2007	2006	2005	**2007**	2006	2005
Opening balance	**18,012,343**	17,416,026	20,893,607	**4.53**	3.56	4.72
Granted	**5,550,309**	6,357,773	7,882,022	**6.46**	6.48	3.56
Vested	**–5,104,731**	–5,349,325	–11,185,078	**7.15**	4.32	5.67
Forfeited	**–621,169**	–412,131	–174,525	**4.80**	4.10	3.50
Closing balance	**17,836,752**	18,012,343	17,416,026	**6.02**	4.53	3.56

Summary of stock options outstanding and exercisable

2007 **range of exercise price in euros**	**Options outstanding as at 31 December 2007**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at 31 December 2007**	**Weighted average exercise price**
0.00 – 15.00	**2,686,303**	**5.21**	**11.39**	**2,686,303**	**11.39**
15.00 – 20.00	**5,490,369**	**5.33**	**18.39**	**5,490,369**	**18.39**
20.00 – 25.00	**7,741,201**	**6.55**	**23.03**	**1,327,063**	**21.82**
25.00 – 30.00	**4,458,381**	**3.46**	**28.62**	**4,367,384**	**28.67**
30.00 – 35.00	**11,391,817**	**8.66**	**32.49**	**60,200**	**33.26**
35.00 – 40.00	**1,615,456**	**3.20**	**35.33**	**1,615,456**	**35.33**
	33,383,527			**15,546,775**	

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

Summary of stock options outstanding and exercisable

2006 range of exercise price in euros	Options outstanding as at 31 December 2006	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2006	Weighted average exercise price
0.00 – 15.00	3,137,231	6.19	12.81	3,137,231	12.81
15.00 – 20.00	4,899,227	7.20	18.71	80,878	18.44
20.00 – 25.00	6,889,513	8.24	23.28	16,950	23.12
25.00 – 30.00	7,292,909	4.49	27.70	7,195,372	28.73
30.00 – 35.00	6,304,028	9.17	32.79	80,134	33.09
35.00 – 40.00	3,272,128	4.16	35.60	3,272,128	35.60
	31,795,036			13,782,693	

The aggregate intrinsic value of options outstanding and exercisable at 31 December 2007 was EUR 117 million and EUR 94 million, respectively.

As of 31 December 2007 there was EUR 29 million of total unrecognised compensation costs related to stock options (2006: EUR 41 million; 2005: EUR 50 million). These costs are expected to be recognised over a weighted average period of 1.7 years (2006: 1.9 years; 2005: 2 years).

The fair value of options granted is recorded as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined by using a Monte Carlo simulation model. This model takes the risk free interest rate into account, as well as the expected life of the options granted (from 1 year to 7 years), the exercise price (EUR 30.02 to EUR 33.10), the current share price, the expected volatility of the certificates of ING Groep N.V. shares (25%–27%) and the expected dividends yield (3.98%–4.63%).

Due to timing differences in granting option rights and buying shares to hedge them, an equity difference can occur if shares are purchased at a different price than the exercise price of the options. However, ING Group does not intentionally create a position and occurring positions are closed as soon as possible. If option rights expire, the results on the (sale of) shares which were bought to hedge these option rights are recorded in Shareholders' equity.

39 INTEREST EXPENSES

Interest expenses mainly consists 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 2007 were EUR 9,068 million and EUR 1,445 million respectively (2006: EUR 8,850 million and EUR 1,231 million respectively). Net interest income of EUR 7,623 million is presented in the following profit and loss account captions.

Net interest income

	2007	2006	2005
Investment income	**9,068**	8,850	8,419
Interest expense	**–1,445**	–1,231	–1,100
	7,623	7,619	7,319

40 OTHER OPERATING EXPENSES

Other operating expenses

	2007	2006	2005
Depreciation of property and equipment	**97**	102	113
Amortisation of intangible assets	**117**	107	108
Computer costs	**393**	331	319
Office expenses	**661**	629	595
Travel and accommodation expenses	**102**	102	104
Advertising and public relations	**210**	177	150
External advisory fees	**456**	581	505
Addition/(releases) of provision for reorganisations and relocations	**11**	–16	38
Other	**575**	458	420
	2,622	2,471	2,352

Other operating expenses include lease and sublease payments for the amount of EUR 5 million (2006: EUR 3 million; 2005: nil) in respect to operating leases in which ING Insurance is the lessee.

41 TAXATION

Taxation by type

	Netherlands			International			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Current taxation	**76**	84	344	**290**	319	–25	**366**	403	319
Deferred taxation	**126**	99	–2	**290**	204	138	**416**	303	136
	202	183	342	**580**	523	113	**782**	706	455

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

	2007	2006	2005
Result before taxation	**6,615**	4,957	4,008
Weighted average statutory tax rate	**28.1%**	31.1%	32.2%
Weighted average statutory tax amount	**1,859**	1,542	1,295
Associates exemption	**–800**	–276	–142
Other income not subject to tax	**–251**	–58	–77
Expenses not deductible for tax purposes	**20**	12	37
Impact on deferred tax from change in tax rates	**–3**	–108	–2
Deferred tax benefit from previously unrecognised amounts	**–7**		–172
Current tax benefit from previously unrecognised amounts	**–25**	–396	–475
Write down/reversal of deferred tax assets			2
Adjustments to prior periods	**–11**	–10	–11
Effective tax amount	**782**	706	455
Effective tax rate	**11.8%**	14.2%	11.4%

As of 2007, the reconciliation is prepared on the basis of the weighted average statutory tax rate. Until 2006, it was prepared on the basis of the Dutch statutory tax rate for the entire Group. The 2006 and 2005 comparatives have been restated to reflect this change.

The effect of the change in tax rates in 2006 is mainly attributable to a reduction in the tax rate in the Netherlands from 29.6% to 25.5%.

Tax benefits from previously unrecognised amounts include releases of tax provisions resulting from settlements with tax authorities. Significant amounts included relate to closing of tax audits in the main tax jurisdictions of the Group.

Segment reporting

amounts in millions of euros, unless stated otherwise

42 PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

ING Insurance's business 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 Executive Board. The Executive Board sets the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Executive Board.

The accounting policies of the business segments are the same as those described under Accounting policies for the consolidated balance sheet and profit and loss account. Transfer prices for inter-segment transactions are set at arm's length. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, or on the basis of income and/or assets of the segment.

With regard to capital gains on the shares portfolio, a fixed revaluation return of 3% is allocated to the insurance business lines. The differences between the actual capital gains on the shares portfolio and the allocated revaluation return are included in other insurance results.

ING Insurance evaluates the results of its business segments using a financial performance measure called underlying profit before taxation. Underlying profit before taxation is defined as profit before taxation excluding the impact of divestments and special items.

Business segments

2007	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Elimina-tions	Total
Income							
– external	16,018	29,565	14,105	2,664	62,352		62,352
– inter-segment	357	116	278	998	1,749	–1,749	
Total income	16,375	29,681	14,383	3,662	64,101	–1,749	62,352
Segment profit before taxation	2,421	2,152	576	1,466	6,615		6,615
Divestments	–460	–93		130	–423		–423
Underlying profit before taxation	1,961	2,059	576	1,596	6,192		6,192
Segment assets	98,214	159,679	61,433	36,141	355,467	–33,384	322,083
Segment liabilities	89,436	150,769	55,996	17,878	314,079	–10,797	303,282
Share in profit or loss of associates	316	191		23	530		530
Book value of associates	2,815	252	1	121	3,189		3,189
Cost incurred in 2007 to acquire property, equipment, and intangibles	219	766	122	341	1,448		1,448
Significant non-cash expenses							
– Depreciation and amortisation	255	1,102	573		1,930		1,930
– Impairments	4	114	1		119		119
– Reversal of impairments		5			5		5
– Deferred acquisition costs and VOBA	900	6,874	5,219		12,993		12,993
– Increase in provisions for Insurance and investment contracts	4,339	12,036	10,060	59	26,494		26,494

The segment Insurance Asia/Pacific has a net reserve inadequacy using a prudent (90%) confidence level, and, in line with Group Policy, is taking measures to improve adequacy in that region. This inadequacy was offset by reserve adequacies in other segments, such that at the Group level there is a net adequacy at the prudent (90%) confidence level.

Business segments

2006	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Eliminations	Total
Income							
– external	15,918	29,775	13,310	665	59,668		59,668
– inter-segment	278	4	68	794	1,144	–1,144	
Total income	16,196	29,779	13,378	1,459	60,812	–1,144	59,668
Segment profit before taxation	2,389	1,992	636	–60	4,957		4,957
Divestments	–113		–15		–128		–128
Underlying profit before taxation	2,276	1,992	621	–60	4,829		4,829
Segment assets	117,303	162,229	54,454	44,413	378,399	–44,628	333,771
Segment liabilities	102,759	152,599	50,204	22,110	327,672	–17,588	310,084
Share in profit or loss of associates	447	8		10	465		465
Book value of associates	2,975	14	2	160	3,151		3,151
Cost incurred in 2006 to acquire property, equipment, and intangibles	1,322	243	90		1,655		1,655
Significant non-cash expenses							
– Depreciation and amortisation	286	915	657		1,858		1,858
– Impairments	1		10		11		11

Business segments

2005	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Eliminations	Total
Income							
– external	15,804	28,030	13,161	411	57,406		57,406
– inter-segment	201	4	31	641	877	–877	
Total income	16,005	28,034	13,192	1,052	58,283	–877	57,406
Segment profit before taxation	2,032	1,941	478	–443	4,008		4,008
Divestments	–87	38	–31		–80		–80
Underlying profit before taxation	1,945	1,979	447	–443	3,928		3,928
Segment assets	113,966	165,719	48,326	43,804	371,815	–43,005	328,810
Segment liabilities	101,065	158,330	44,697	22,878	326,970	–20,014	306,956
Share in profit or loss of associates	346	12	34	9	401		401
Book value of associates	2,421	15	1	26	2,463		2,463
Cost incurred in 2005 to acquire property, equipment, and intangibles	1,081	142	46		1,269		1,269
Significant non-cash expenses							
– Depreciation and amortisation	372	934	613		1,919		1,919
– Impairments	29	15	19	1	64		64

Special items in 2005 comprise results from foreign currency hedges and a gain on old insurance business.

Segment reporting (continued)

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**

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

2006	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments
Investment income	3,373	4,604	911	223	9,111
Interest expense	32	466	4	729	1,231
	3,341	4,138	907	–506	7,880

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

2005	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments
Investment income	3,497	4,492	856	54	8,899
Interest expense	113	341	4	642	1,100
	3,384	4,151	852	–588	7,799

43 SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

ING Insurance's three business lines operate in seven main geographical areas: Netherlands, Belgium, Rest of Europe, North America, Latin America, Asia and Australia. Geographical distribution of income is based on the origin of revenue.

Geographical segments of ING Insurance

2007	**Netherlands**	**Belgium**	**Rest of Europe**	**North America**	**Latin America**	**Asia**	**Australia**	**Other**	**Eliminations**	**Total**
Income										
– external	**10,506**	**2,450**	**3,062**	**26,480**	**3,085**	**13,507**	**599**	**2,663**		**62,352**
– inter-segment	**314**	**34**	**9**	**115**	**1**	**210**	**68**	**998**	**–1,749**	
Total income	**10,820**	**2,484**	**3,071**	**26,595**	**3,086**	**13,717**	**667**	**3,661**	**–1,749**	**62,352**
Segment profit before taxation	**1,566**	**523**	**332**	**1,826**	**326**	**361**	**215**	**1,466**		**6,615**
Segment assets	**77,767**	**8,942**	**11,730**	**151,162**	**8,519**	**49,621**	**11,813**	**36,141**	**–33,612**	**322,083**
Cost incurred in 2007 to acquire property, equipment, and intangibles	**158**		**61**	**87**	**679**	**73**	**49**	**341**		**1,448**

Geographical segments of ING Insurance

2006	Netherlands	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Income										
– external	11,046	2,321	2,541	26,922	2,852	12,772	538	676		59,668
– inter-segment	243	33	2	4		42	26	794	–1,144	
Total income	11,289	2,354	2,543	26,926	2,852	12,814	564	1,470	–1,144	59,668
Segment profit before taxation	1,937	137	315	1,808	184	460	176	–60		4,957
Segment assets	91,990	14,635	10,678	155,106	7,139	44,877	9,577	–231		333,771
Cost incurred in 2006 to acquire property, equipment, and intangibles	1,286	1	34	204	39	50	41			1,655

Geographical segments of ING Insurance

2005	Nether- lands	Belgium	Rest of Europe	North America	Latin America	Asia	Aus- tralia	Other	Elimi- nations	Total
Income										
– external	11,180	2,473	2,151	25,354	2,676	12,650	511	411		57,406
– inter-segment	173	27	1	4			31	641	–877	
Total income	11,353	2,500	2,152	25,358	2,676	12,650	542	1,052	–877	57,406
Segment profit before taxation	1,600	174	258	1,782	159	278	200	–443		4,008
Segment assets	90,485	14,301	9,180	158,019	7,719	39,421	8,905	780		328,810
Cost incurred in 2005 to acquire property, equipment, and intangibles	1,068		13	103	39	29	17			1,269

Profit before taxation by geographical area

	Life			Non–life			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Netherlands	**1,122**	1,373	1,230	**444**	564	370	**1,566**	1,937	1,600
Belgium	**504**	123	127	**19**	14	47	**523**	137	174
Rest of Europe	**324**	303	251	**8**	12	7	**332**	315	258
North America	**1,356**	1,136	1,111	**470**	672	671	**1,826**	1,808	1,782
Latin America	**216**	138	99	**110**	46	60	**326**	184	159
Asia	**358**	456	272	**3**	4	6	**361**	460	278
Australia	**215**	176	200				**215**	176	200
Other	**1,271**	–114	–492	**195**	54	49	**1,466**	–60	–443
Total	**5,366**	3,591	2,798	**1,249**	1,366	1,210	**6,615**	4,957	4,008

Geographical analysis of claims ratio, expense ratio and combined ratio for non–life insurance policies

	Claims ratio			Expense ratio			Combined ratio		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Netherlands	**50.2**	44.7	56.0	**41.2**	40.3	39.0	**91.4**	85.0	95.0
Belgium	**70.3**	65.0	66.8	**31.5**	33.7	34.1	**101.8**	98.7	100.9
Rest of Europe	**44.1**	46.8	51.5	**44.8**	41.3	41.8	**88.9**	88.1	93.3
North America	**65.7**	59.2	59.7	**28.5**	29.9	29.4	**94.2**	89.1	89.1
Latin America	**81.6**	74.2	75.8	**27.3**	26.8	28.4	**108.9**	101.0	104.2
Asia	**50.2**	50.2	52.5	**42.6**	40.7	40.3	**92.8**	90.9	92.8
Other	**144.3**	60.1	119.7	**18.7**	–36.4	14.6	**163.0**	23.7	134.3
Total	**65.3**	58.6	62.7	**31.8**	31.8	31.9	**97.1**	90.4	94.6

The claims ratio is the claims, including claims handling expenses, expressed as a percentage of net earned premiums. The expense ratio is the costs expressed as a percentage of net premiums written. The claims ratio and the expense ratio together form the combined ratio. A combined ratio of more than 100% does not necessarily mean that there is a loss on non-life insurance policies, because the result also includes the allocated investment income.

Notes to the consolidated statement of cash flows of ING Insurance amounts in million of euros, unless stated otherwise

44 NET CASH FLOW FROM INVESTING ACTIVITIES
Information on the impact of companies acquired or disposed of is presented in Note 25 'Companies acquired and companies disposed'.

45 INTEREST AND DIVIDEND INCLUDED IN NET CASH FLOW

Interest and dividend received and paid

	2007	2006	2005
Interest received	**8,973**	9,112	8,899
Interest paid	**–1,438**	–1,224	–1,096
	7,535	7,888	7,803
Dividend received	**750**	604	479
Dividend paid	**–4,640**	–1,684	–1,595

Risk management
amounts in million of euros, unless stated otherwise

STRUCTURE OF RISK MANAGEMENT SECTION

- Key Developments Risk Management 2007
- Introduction
- Risk Governance
- ING Insurance Risk Profile
- Market Risks
- Insurance Risks
- Credit Risks
- Compliance and Operational Risks
    - *Compliance Risk*
    - *Operational Risks*
- Model disclosures

KEY DEVELOPMENTS RISK MANAGEMENT 2007

Taking measured risks is part of ING Insurance's business. Like other financial services companies, ING Insurance faces several categories of risk, including credit, interest rate, real estate, equity and insurance. Beyond that, there are also operational, information, security and compliance risks attached to doing business.

ING Insurance has systematically invested in improving its risk management capabilities over the past years, including investments in people, governance, processes, measurement tools and systems, etc. Recent examples are the introduction of the risk dashboard (discussed below) at the ING Group level, the company-wide embedding of the Compliance and Financial Economic Crime policies and the roll-out of an intranet-based Economic Capital reporting system based on replicating portfolio techniques (ECAPS) to consistently calculate Economic Capital for ING Insurance. The addition of the position of ING Group Chief Risk Officer as part of the ING Group Executive Board in April 2007 provides a strong commitment to ensuring that risk is a key component of management decisions. To show the commitment and improvements to its risk management ING Group chose risk management as its theme for its 14th Investor Relations Symposium in London on 20 September 2007.

Effects of market developments during 2007

Throughout 2007, significant market turmoil was experienced in the credit markets, beginning with concerns over US sub-prime mortgages. For the year ended 31 December 2007, this crisis had only limited impact on the profit and loss account as a result of ING Insurance's investments in pressurised assets classes e.g. US sub-prime and Alt-A residential mortgage backed securities (RMBS), Collateralized Debt Obligations (CDOs) and Collateralized Loan Obligations (CLOs). Unrealised gains (losses) relating to available for sale (fixed income) asset backed securities, including RMBS, are taken to the revaluation reserve in shareholders equity, unless there is evidence of impairment, in which case the negative revaluation reserve is recognised in the profit and loss account.

ING Insurance's risk management organisation and its liquidity position helped it to manage the problems that occurred in the credit and other financial markets in 2007. It has been ING Insurance's policy to maintain a high quality and well diversified portfolio. To that effect ING Insurance has limits and investment policies in place which are defined in mandates for every portfolio. Investment and trading decisions are based on internal research, and not only on published ratings. Some limits were at more stringent levels since early 2007, in anticipation of a potential downturn of the market. As a result ING Insurance's exposure to the pressurised asset classes is of high quality and has not led to major impairments. The total direct pre-tax negative impact on ING Insurance's 2007 profit and loss account was EUR 61 million as a result of exposures in sub-prime RMBS, CDOs/CLOs and Structured Investments Vehicles (SIVs). Pre-tax revaluation (via equity) for the pressurised asset classes (US sub-prime RMBS, Alt-A RMBS and CDOs/CLOs) at year-end 2007 was EUR –431 million. On an after-tax basis this runs through shareholders' equity in the balance sheet.

ING Insurance's total exposure to US sub-prime assets, representing less than 0.8% of total assets, relates to non originated loans acquired as investments in RMBS. At 31 December 2007 approximately 96% of ING Insurance's US sub-prime portfolio was rated AA or higher. ING Insurance does not originate sub-prime mortgages. The vast majority of the total mortgage backed securitisations (MBS) contain (residential) mortgages that are not classified as sub-prime.

As at 31 December 2007, the total exposure to Alt-A RMBS for ING insurance was 1.2% of total assets. ING Insurance's available for sale Alt-A investments are measured at fair value in the balance sheet.

Net investments in CDOs/CLOs at the year ended 2007 were 0.2% of total assets and are measured at fair value in the balance sheet. An analysis of the method applied in determining the fair values of financial assets and liabilities is provided in Note 29 'Fair value of financial assets and liabilities'.

ING Insurance has a limited exposure to monoline insurers, approximately 0.16% of total assets which is mostly indirect exposure. ING Insurance's indirect exposure relates to embedded financial guarantees ('wrapped bonds') or to credit derivatives where changes in the monoline insurer's rating (and as a result the asset's fair value) directly impacts the profit and loss account for financial assets at fair value through profit and loss. Underlying wrapped bonds in the available for sale securities portfolio are monitored through the regular credit review process and were not impaired at 31 December 2007.

ING Insurance's credit risk management is described below. ING Insurance's exposure to credit risk and the resulting credit risk losses in 2007 have been mitigated by maintaining a well diversified portfolio.

ING Insurance's capital management is described in the Capital Management Section below. Throughout the market turmoil experienced during 2007, capital levels of ING Insurance exceeded those required by regulators.

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

INTRODUCTION
To ensure measured risk taking throughout the organisation, ING Insurance operates through a comprehensive risk management framework. This ensures the proper 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, 'no surprises', and consistent with delegated authorities;
– Delegated authorities are consistent with the overall ING Insurance strategy and risk appetite;
– Transparent communication to internal and external stakeholders on risk management and value creation.

RISK GOVERNANCE
ING Insurance's risk management framework is based on the 'three lines of defence' concept which ensures that risk is managed in line with the risk appetite as defined by the Executive Board and is cascaded throughout 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, operational, compliance and 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 ING Group Chief Risk Officer (CRO), who is a member of the ING Group Executive Board, bears primary overall responsibility for the ING Insurance risk management function. The ING Group CRO is responsible for the management and control of risk on a consolidated level to ensure that the ING Insurance's risk profile is consistent with its financial

resources and the risk tolerance defined by the ING Group Executive Board. The ING Group CRO is also responsible for establishing a robust organisational basis for the management of risk throughout the ING Insurance organisation.

ING Insurance 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 four 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 and market risk management of ING Insurance;
- Corporate Operational, Information and Security Risk Management (COISRM) is responsible for managing operational, information, and security risks within ING Insurance;
- Group Compliance assists, supports and advises Management in fulfilling its compliance responsibilities, advises employees on their (personal) compliance obligations and oversees the embedding of Compliance Policies in ING Insurance.

The heads of these departments (Corporate Risk General Managers) report to the ING Group CRO and bear direct responsibility for risk (mitigating) decisions The Corporate Risk General Managers and the ING Group CRO are responsible for the harmonisation and standardisation of risk management practices. The risk management function assists with the formulation of risk appetite, strategies, policies and limits. It also provides a review, oversight and support function throughout ING Insurance on risk related issues.

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

ING Insurance 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 Executive Board and have an advisory role to the ING Group CRO. To ensure a close link between the business lines and the risk management function, the business line heads and the respective General Managers Corporate Risk are represented on each committee.
- ING Group Credit Committee - Policy (GCCP): Discusses and approves policies, methodologies and procedures related to credit, country and reputation risks within ING Insurance. The GCCP meets on a monthly basis;
- ING Group Credit Committee - Transaction Approval (GCCTA): Discusses and approves transactions which entail taking credit risk (including issuer investment risk). The GCCTA meets two times a week;
- ING Provisioning Committee (IPC): Discusses and approves specific and collective loan loss provisions figures for ING Insurance. The IPC meets on a quarterly basis. The membership of the IPC, which is chaired by the ING Group CFO, consists of both Risk and Finance representatives and reflects the responsibilities of both departments;
- Asset and Liability Committee ING Insurance (ALCO Insurance): Discusses and approves all risks associated with ING's Insurance activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. ALCO Insurance meets six times a year.

In addition, at an ING Group level a Finance and Risk Committee has been established as a platform for the ING Group CRO and CFO, along with their respective staffs, to discuss and decide on issues that relate to both the finance and risk domains.

ING Insurance has over the past several year increased its use of risk assessment and risk measurement to guide decision making. As a result, the quality of risk models becomes increasingly important. To meet sophisticated business and regulatory requirements ING Insurance revised its governance process for approval of risk models, methods and parameter setting in 2007. The governance process ensures a clear assignment of responsibility and accountability.

ING Group board level risk oversight
At the highest level of the ING organisation (ING Group level), there are board committees which oversee risk taking, and have ultimate approval authority. ING Group has a two-tier board structure consisting of the ING Group Executive Board and the ING Group Supervisory Board; both bodies play a crucial role in managing and monitoring the risk management framework of ING Group (including Insurance).

– The ING Group Executive Board is responsible for managing risks associated with the activities of ING Insurance. Its 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 ING Group Executive Board reports on these issues and discusses the internal risk management and control systems with the ING Group Supervisory Board. On a quarterly basis, the ING Group Executive Board reports on the ING Insurance's risk profile versus its risk appetite to the ING Group Audit Committee, explaining changes in the risk profile.
– The ING Group Audit Committee is a sub-committee of the ING Group Supervisory Board. It assists the ING Group Supervisory Board in reviewing and assessing ING Insurance's major risk exposures and the operation of internal risk management and control systems. ING Group Audit Committee membership is such that specific business know-how and expertise relating to the activities of ING Insurance is available. The ING Group CRO attends the ING Group Audit Committee meetings.

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

ING Insurance has fully integrated risk management into the annual strategic planning process. This process aligns strategic goals, business strategies and resources throughout ING Insurance. The process is such that the ING Group Executive Board 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 ING Insurance's strategic direction. The process includes a qualitative and quantitative assessment of the risks involved with the plans. It is part of the process to explicitly discuss strategic limits and group risk appetite levels. At each level, strategies and metrics are identified to measure success in achieving objectives, and to assure adherence to the strategic plan. Based on the business unit and line of business plans, the ING Group Executive Board formulates the Strategic Plan for ING Insurance which is submitted to the ING Group Supervisory Board for approval.

RISK POLICIES
ING Insurance 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 framework of ING Insurance 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 ING Insurance governance framework through an internal website. Policies, procedures and standards are regularly reviewed and updated via the relevant risk committees to reflect changes in markets, products and emerging best practice.

Risk profile
In 2007, ING Group made a significant step forward with its integrated risk management approach. At the Investor Day on 20 September 2007, the ING Group CRO presented for the first time the ING Group risk dashboard. This risk dashboard captures the risks in all Banking and Insurance business lines in terms of Earnings at Risk and Capital at Risk, and shows the impact of diversification across ING Group. The Group Executive Board uses the risk dashboard to monitor and manage the actual risk profile in relation to the ING Group risk appetite. It enables the Group Executive Board to identify possible risk concentrations and to support strategic decision making. The risk dashboard is reported to the Group Executive Board on a quarterly basis and is subsequently presented to the Group Audit Committee.

ING Group's risk appetite is defined by the Group Executive Board as part of the strategic planning process. Strict boundaries are established with regard to acceptable risk types and levels. The 'three lines of defence' governance framework ensures that the risk appetite is cascaded through the ING Group, thereby safeguarding proper and controlled risk taking. The role of the business lines is to maximise the value within established risk boundaries. Each quarter, the 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.

The overall ING Group risk appetite is translated into specific operational limits which are cascaded down into the ING Insurance organisation, e.g.
– Credit risk limits;
– Market Value at Risk limits

ING INSURANCE RISK PROFILE

GENERAL

ING Insurance is engaged in selling a broad range of life and non-life insurance products. Risks from these products arise with respect to the adequacy of insurance premium rate levels and provisions for insurance liabilities and capital position, as well as uncertainty as to the future returns on investments of the insurance premiums. Risks are classified as insurance risk (actuarial and underwriting), market risk, credit risk, business risk and operational risk.

The responsibility for measurement and management of credit risk and operational risk resides with Corporate Credit Risk Management (CCRM) and Corporate Operational Information and Security Risk Management respectively. Corporate Insurance Risk Management (CIRM) is responsible for insurance (actuarial and underwriting) and market risk measurement and management, business risk measurement, as well as for ensuring that investment mandates adequately address credit portfolio risk.

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. As the General Manager of CIRM (Corporate IRM), the Chief Insurance Risk Officer (corporate CIRO) heads the functional line, reporting into the ING Group 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 Group's broader business strategy. Insurance Risk Management accomplishes this through four core activities. First, the IRM function ensures that products and portfolios are structured, underwritten, priced, approved and managed appropriately in compliance with internal and external rules and guidelines. Second, IRM ensures that the ING Insurance risk profile is transparent and well understood by management and that it stays within delegated authorities, with a 'no surprises' approach to reporting and monitoring risks. Third, IRM ensures that both risk and reward are adequately considered in the development of business strategy, for example by supporting the planning and allocation of Economic Capital and limits during the strategic planning process. Finally, IRM ensures that these steps are understood by ING Insurance's stakeholders, including shareholders, rating agencies, regulators and policy holders.

Risk management policies and tools

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

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

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

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

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

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

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

Reserve adequacy

CIRM instructs and supervises all ING Insurance's entities so as to make sure that the total insurance liabilities of ING Insurance (both reserves and capital) are tested for adequacy taking into account the insurance premium rate levels and the uncertainty of future returns on investments. This is done by evaluating insurance liabilities on current best estimate actuarial assumptions plus a risk margin, ensuring that the reserves remain adequate based on current assumptions.

ING Insurance's policy for reserve adequacy testing is disclosed in the 'Principles of valuation and determination of results' section. As of 31 December 2007 (and 31 December 2006), reserves for ING Insurance's life insurance businesses in aggregate are adequate at a 90% confidence level. All business lines are adequate on a stand alone basis at a 90% confidence level. Although the Asia/Pacific business line reserves were adequate as a whole at the end of 2007 at a 90% confidence level, there is a reserve inadequacy in Taiwan at the 90% confidence level. At the end of 2006 the inadequacy in Taiwan caused the reserves of the business line Asia/Pacific to be inadequate by EUR 1.0 billion.

Taiwan

As of 31 December 2007, the inadequacy for Taiwan is EUR 1.5 billion (2006: EUR 2.4 billion) based on a 90% confidence level, on a Taiwan reserve level (net of DAC and VOBA) of EUR 11.1 billion. The inadequacy results from a material exposure to a sustained low interest rate environment in Taiwan. This is due to long term interest rate guarantees of 6–8% embedded in the life and health contracts sold by the business until 2001. These long term interest rate guarantees together with the future anticipated premiums on these contracts (which have a present value of approximately EUR 15 billion) create a liability for the portfolio with an effective duration of approximately 32, compared to an asset duration of approximately 11. ING Insurance stopped selling these high guarantees in its Taiwan life insurance products since 2002.

The post 2001 business is adequate at a 90% confidence level, which partially compensates for the inadequacy related to the business sold until 2001. Furthermore, ING Insurance has over time strengthened reserves by EUR 828 million (2006: EUR 770 million) for this exposure and increased the internal capital allocation for this business.

The outcome of the reserve adequacy test for Taiwan is inherently uncertain given the use of various assumptions and the long term nature of the liability. The outcome can only be reliably estimated within broad ranges which are bound to vary significantly from period to period. The outcome of the test for Taiwan is especially sensitive to (changes in) interest rate assumptions. The reserve adequacy test at 31 December 2007 is based on the current 10-year swap rate in Taiwan at 31 December 2007 of 2.68% (2006: 2.21%), with the assumption that, in the long term, this swap rate will move to 5.75% (2006: 5.75%).

The Taiwan regulator currently allows mortality profits to be offset against losses from negative interest rate experience, thus eliminating the need to pay mortality dividends, and this practice is reflected in the reserve adequacy test.

Economic Capital ING Insurance

The objective of the Economic Capital framework is to achieve an advanced risk and capital measurement and management structure that:

- Covers all the risks in the business units and is applied consistently across all risks and business units;
- Facilitates and encourages adequate risk and capital management, including the proper pricing of products and sound capital allocation decisions.

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

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

Economic capital break-down ING Insurance by risk category [1]

	2007	2006
Credit risk (including Transfer risk)	**1,021**	1,411
Market risk	**15,258**	14,555
Insurance risk	**3,293**	3,110
Non-financial risk [2]	**3,627**	3,334
Total insurance operations	**23,199**	22,410

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

Total diversification across these risk types is 31% for 2007 (31% for 2006).

The overall Economic Capital and risk profile remained stable during 2007. The primary increase came from model corrections/refinements and the acquisition of pension business in Latin America. There were offsetting changes to the risk profile in various businesses, but the overall impact to the ING Insurance risk profile was not large. Credit risk decreased during 2007 primarily due to refinements to the credit risk Economic Capital model. The Economic Capital for ING Insurance is mostly related to market risks, both hedgeable and non-hedgeable.

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

Economic capital break-down by ING Insurance business line

	2007	2006
Insurance Americas	**6,541**	5,987
Insurance Asia/Pacific	**7,033**	7,463
Insurance Europe	**5,890**	5,942
Corporate Line Insurance [1]	**3,735**	3,018
Total insurance operations	**23,199**	22,410

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

While the figures above are shown by business line, the diversification of risks across ING Insurance's businesses is calculated across business units. Total diversification between ING Insurance's business units and the Corporate Line Insurance is 33% for 2007 (36% in 2006).

The overall split of Economic Capital is roughly similar across all three business lines. Asia/Pacific has the largest Economic Capital due to the significant non-hedgeable interest rate and morbidity risks in Taiwan. Taiwan Economic Capital was in the range 65–75% of the Asia/Pacific total. The Economic Capital in the Americas and Europe is driven primarily by interest rate, credit spread, and equity risk. The corporate line risk relates mostly to foreign exchange translation risk related to the potential loss of market value surplus in non-Euro denominated business units and an internal-only transaction with Taiwan relating to interest rate and foreign exchange risks.

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 Insurance's current asset portfolio and hedging derivatives directly as well as the calculated market value of ING Insurance's insurance liabilities. The following table provides information on Economic Capital split by risk category:

Economic capital insurance market risks

	2007	2006
Interest rate	**6,021**	6,362
Credit Spread	**1,012**	1,098
Equity	**3,357**	2,512
Real Estate	**669**	480
Implied Volatility	**2,091**	2,154
Foreign Exchange	**2,108**	1,949
Total	**15,258**	14,555

Interest rate and equity risks are the largest market risks for ING Insurance. Interest rate risks are most significant in Taiwan, United States, and Europe. In all cases, the primary exposure is to falling interest rates. The equity risk relates to both direct and indirect exposure. Direct exposure relates to the holding of shares and is most significant for ING Insurance in the Netherlands. Indirect exposure relates to the potential loss of fee income from unit linked, variable annuity, and pension fund business across all regions. Direct exposure represents approximately 60–70% of the equity risk. The table shows a notable increase in equity risk during 2007, but this is related to improved modelling of risk during 2007 and not in material changes to actual risk taking.

Credit spread risk relates to potential increases in credit spreads from investments in fixed income securities. ING Insurance does not adjust the market value of liabilities for credit spread widening. Real estate risk exists mostly in the Netherlands and relates in a large part to direct real estate investments. Implied volatility risk is the risk that market values of assets or liabilities change due to movements in market option prices. In general, ING Insurance is exposed to increases in implied volatility as the guarantees provided to customers become more expensive. Foreign exchange risk is small in the business units accordingly most of the exposure relates to the risk of change in the market value surplus of non-Euro businesses.

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

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

CIRM consolidates and monitors the MVaR exposures of the business lines including diversification effects on a quarterly basis. Together with ING Capital Management, MVaR is managed within the limits. In 2007 and 2006 there were no breaches of the overall ING Insurance MVaR limit.

Complementing Economic Capital, which is based on a market value analysis, ING Insurance also measures risk based on accounting earnings. More specifically, using scenario analysis, ING Insurance measures the potential sensitivity of realised pre tax earnings of the insurance operations to an increase/decrease of different risk factors over a full year. Interpretation of the underlying earnings sensitivities must be done individually as ING Insurance does not assume that all of the scenarios presented below will happen concurrently. Further, under ING Insurance's accounting policy, accounting results in Taiwan are currently used to strengthen the provision for life insurance. Future earnings may therefore be (partly) offset by increases/decreases to the cumulative reserve strengthening balance. The offsetting effect of increases/decreases to the cumulative reserve strengthening balance are not reflected in the earnings sensitivities below.

Earnings sensitivities are defined based on a shock scenario at the 90% confidence level on pre tax accounting earnings, projected one year forward from the calculation date. Therefore the table below provides earnings sensitivities to an instantaneous shock at the 90% confidence level projected through to 31 December 2008.

Earnings sensitivities for Insurance market risks

	2007	2006
Interest rate (1% up)	**–161**	–166
Interest rate (1% down)	**125**	172
Equity (15% down)	**–613**	–262
Real Estate (8% down)	**–570**	–553
Foreign Exchange (10% worst case)	**–338**	–359

Note: The table above includes similar sensitivities to the 2006 risk management sections, but the figures represent different impacts than in 2006. Specifically, the figures include fully forward looking twelve month sensitivities, have different shock percentages, and are pre-tax. In addition, the interest rate risk sensitivities for 2006 and 2007 reflect the change in accounting policy for evaluating reserve adequacy at the business line level.

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

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

The increase in earnings at risk from a 15% downward equity shock is mostly due to four factors:
– Potential impairments of individual direct holdings;
– Improved modelling of DAC/VOBA impacts for US business units;
– Refined modelling of earnings sensitivities for the Japan SPVA hedging program;
– These are offset by the market value change from put options held at the Corporate Line Insurance.

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 Insurance's IRM function, independent product approval processes and risk limitations related to insurance policy terms and conditions with the client.

Measurement

For portfolio risks which are not mitigated by diversification, the risks are managed primarily through concentration and exposure limits and through reinsurance and/or securitization. Aggregate portfolio level limits and risk tolerance levels are set in reference to potential losses stemming from adverse claims in ING Insurance's insurance portfolios which are reviewed annually by the ING Group Executive Board. ING Group has established actuarial and underwriting risk tolerance levels in specific areas of its insurance operations as described below.

For non-life insurance, risk tolerance levels are set by line of business for catastrophic events (e.g. natural perils such as storms, earthquakes and floods) and for individual risks.

For the main non-life units (in The Benelux, Canada, Mexico) the risk tolerance for property and casualty (P&C) business is generally set at 2.5% of the Group's after-tax earnings. For 2007, this translated into an aggregated (pre-tax) risk tolerance level of EUR 235 million (2006: EUR 190 million). The aggregate risk tolerance limit relating to events was translated into separate risk tolerance levels for Mexico and The Benelux respectively (in 2007 EUR 235 million each). For Canada the pre-tax risk tolerance level is set at EUR 214 million (derived from the above EUR 235 million but allowing for outside interests) (2006: EUR 169 million). For motor business a sub-limit of EUR 10 million is applied (2006: EUR 7.5 million).

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

For the smaller non-life units, the (pre-tax) risk tolerance level for catastrophe related events for 2007 was set at EUR 5 million (2006: EUR 5 million) per event per business unit.

With respect to life business, ING Group's (pre-tax) risk tolerance level for 2007 was set at EUR 22 million (2006: EUR 22 million) per insured life for mortality risk. While life insurance risks are considered to be naturally diversifiable by virtue of each life being a separate risk, group contracts may result in significant exposures. For potential losses resulting from significant mortality events (e.g. pandemics or events affecting life insurance contracts involving multiple lives), ING Group applies a separate risk tolerance level which equalled EUR 750 million in 2007 (2006: EUR 750 million). ING Group continues to model the possible impact of pandemics based on studies published by respected international organisations

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 Insurance's reinsurance credit risk policy. Particularly for the property and casualty portfolio, ING Insurance purchases protection which substantially mitigates ING Insurance's exposure due to natural catastrophes. In addition, ING Insurance believes that the credit risks to which it is exposed under reinsurance contracts are minor, with exposures being monitored regularly and limited by a reinsurance credit risk policy.

Regarding catastrophic losses arising from events such as terrorism, ING Insurance believes that it is not possible to develop models that support inclusion of such events in underwriting events in a reliable manner. The very high uncertainty in both the frequency and severity of these events makes them, in ING Insurance'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 Insurance participates in such pools.

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

Economic Capital Insurance risks

	2007	2006
Mortality	**803**	738
Morbidity	**2,141**	2,116
P&C	**349**	256
Total	**3,293**	3,110

The largest exposure is for morbidity risk and is the risk, mostly in Taiwan, of future health claims exceeding current best estimate actuarial assumptions. In Taiwan, ING Insurance has a legacy block of guaranteed premium health riders that provide benefits for 30–60 years into the future. The mortality risk relates to the potential for increasing deaths (life risk) or the decreasing deaths (longevity risk). This risk relates to a potential mortality catastrophe or to changes in long term mortality rates. As noted, ING Insurance manages these risks via limits and external reinsurance. Finally, property and casualty risk exists primarily in Canada, Mexico, and the Benelux. The increase in P&C Economic Capital during 2007 is mostly due to an improvement to the correlation model between P&C risks and not increased risk taking.

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

Earnings sensitivities are defined based on a shock scenario at the 90% confidence level on pre tax accounting earnings, projected one year forward from the calculation. Therefore the table below provides earnings sensitivities to an instantaneous shock at the 90% confidence level projected through to 31 December 2008.

Earnings sensitivities for Insurance risks

	2007	2006
Mortality	**–54**	–60
Morbidity	**–124**	–147
P&C	**–132**	–107

The table above presents figures after diversification between insurance risks and diversification across business units of ING Insurance. The diversification is consistent with that used for the Earnings at Risk calculations. The largest earnings sensitivity relates to health claims in The Benelux, Greece, and Asia and P&C claims in the Benelux, Canada, and Mexico. The increase in P&C earnings sensitivities in 2007 is mostly due to an improvement in the correlation model between P&C risks within Canada.

CREDIT RISKS

GENERAL

Credit risk is the risk of loss from default by debtors (including bond issuers) or trading counterparties. The credit risks are measured and monitored by Corporate Credit Risk Management (CCRM) as well as local credit risk managers within the various locations were credit risk is taken within ING Insurance and ING Investment Management. The CCRM General Manager is functionally responsible for the global network of credit risk staff, while the heads of the risk management functions for the business lines report directly to the General Manager of CCRM. 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. Within ING Insurance, the goal is to maintain a low risk, well diversified credit risk portfolio that meets or exceeds market based benchmark returns.

Credit analysis is risk/reward-oriented in that the level of credit analysis is a function of the risk amount, tenor, structure (e.g. covers received) of the facility, and the risks entered into. For credit risk management purposes, financial obligations are classified into lending, (pre)-settlement, money market and investments as well in trading activities.

Measurement

Lending risk

Lending risk arises when ING Insurance 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 Insurance, excluding any accrued and unpaid interest, or discount/premium amortisations.

Investment risk

Investment risk is the credit default and migration risk that is associated with ING Insurance's investments in bonds, commercial paper, securitizations, and other similar publicly traded securities. Investment risk arises when ING Insurance purchases a (synthetic) bond with the intent to hold the bond for a longer period of time (generally through maturity).

Money Market risk

Money market risk arises when ING Insurance 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 Insurance may lose the deposit placed. Money market risk is therefore measured simply as the notional value of the deposit.

Pre-Settlement risk

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

Settlement risk
Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING Insurance has paid or delivered its side of the trade. The risk is that ING Insurance 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 Insurance establishes settlement limits through the credit approval process. Settlement risk is then monitored and managed by the credit risk management units. Risk is further mitigated by operational procedures requiring trade confirmations to counterparties with all transaction details, and entering into internationally accepted documentation, such as International Swaps and Derivatives Association (ISDA) Master Agreements for derivative transactions. Additionally, ING Insurance 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 Insurance include country risk which is further divided into economic and transfer risk. Economic risk is the concentration risk relating to any event in the risk country which may affect transactions and other exposure in that country, regardless of the currency. Transfer risk is the risk incurred through the inability of ING Insurance or its counterparties to meet their respective foreign currency obligations due to a specific country event.

In countries where ING Insurance 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 Insurance's risk appetite. Exposures derived from lending, investment pre-settlement and money market activities are then measured and reported against these country limits on a daily basis. Country risk limits are assigned for transfer risk mainly for emerging markets.

Collateral policies
As with all financial institutions, ING Insurance 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 Insurance. During the assessment process of creating new loans, trading limits, or investments, as well as reviewing existing loans trading positions and investments, ING Insurance determines the amount and type of collateral, if any, that a customer may be required to pledge to ING Insurance. 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 Insurance actively enters into various legal arrangements whereby ING Insurance 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 Insurance can receive or pledge. Additionally, ING Insurance 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 Insurance'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 exposure
ING Insurance's credit exposure arises from the investment of insurance premiums into assets subject to credit risk, largely in the form of unsecured bond investments, and smaller amounts of residential mortgages and structured finance products. In addition, credit exposure also arises from derivatives, sell/repurchase transactions, securities lending/borrowing and reinsurance contracts used to hedge the portfolio. ING Insurance has a policy of maintaining a high quality investment grade portfolio.

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

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

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

	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
1 (AAA)	**27.9%**	26.9%	**28.8%**	27.8%	**10.7%**	12.1%	**25.5%**	25.1%
2–4 (AA)	**18.5%**	21.8%	**26.9%**	19.8%	**37.3%**	33.4%	**24.6%**	22.6%
5–7 (A)	**22.3%**	20.0%	**21.7%**	20.5%	**32.8%**	32.4%	**23.8%**	22.0%
8–10 (BBB)	**18.4%**	19.7%	**11.1%**	14.6%	**6.9%**	7.9%	**13.9%**	15.8%
11–13 (BB)	**2.9%**	7.0%	**10.0%**	15.7%	**3.4%**	4.1%	**5.5%**	10.3%
14–16 (B)	**5.0%**	4.6%	**1.0%**	1.2%	**6.1%**	10.1%	**3.7%**	4.0%
17–22 (CCC & Problem Grade)	**5.0%**	0.0%	**0.5%**	0.4%	**2.8%**	0.0%	**3.0%**	0.2%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

The increase in Problem Grade assets and investments at the Insurance operations is a direct result of the change in treatment of investments which have not been internally or externally rated, which is often the case for equity investments, mutual fund investments and reinsurance contracts. Previously, these assets received a rating of 13 (BB–). However, in line with the ING Group policy to treat unrated assets similar to ING Bank, they now receive a rating of 17. As a result of the sale of the Nationale Nederlanden Hypotheek Bedrijf (NNHB, residential mortgages) to ING Bank and parts of the Belgian insurance business, there was a corresponding improvement in the rating quality of Insurance Europe investments away from BBB and BB.

Risk concentration: ING Insurance portfolio, by economic sector

	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Construction, infrastructure and Real Estate	**9.3%**	9.9%	**2.3%**	2.4%	**2.5%**	2.2%	**5.7%**	5.6%
Financial Institutions	**63.5%**	61.0%	**28.0%**	25.4%	**33.0%**	29.9%	**45.7%**	41.3%
Private Individuals	**3.5%**	3.4%	**13.9%**	22.1%	**7.8%**	9.1%	**7.9%**	12.1%
Public Administration	**2.5%**	3.4%	**36.8%**	33.4%	**41.3%**	40.0%	**21.2%**	21.4%
Utilities	**4.0%**	4.0%	**1.4%**	1.7%	**2.9%**	3.0%	**2.9%**	2.9%
Food, Beverages and Personal Care	**1.9%**	1.9%	**4.1%**	3.8%	**0.6%**	0.7%	**2.5%**	2.5%
Natural Resources	**3.5%**	3.3%	**1.1%**	0.9%	**1.4%**	0.7%	**2.3%**	1.9%
Other	**11.8%**	13.1%	**12.4%**	10.3%	**10.5%**	14.4%	**11.8%**	12.3%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

The sale of the Nationale Nederlanden Hypotheek Bedrijf (NNHB residential mortgages) to ING Bank is the reason for the reduction in the concentration to Private Individuals in Europe. There were no other significant shifts in the portfolio concentration. All other industries not shown in the table above have less than 2.0% concentrations.

Largest economic exposures: ING Insurance portfolio, by country[1]

	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
amounts in billions of euros	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
United States	**56.2**	57.4	**1.7**	2.0	**2.3**	2.3	**60.2**	61.7
Netherlands	**0.7**	0.7	**22.0**	34.2	**0.3**	0.5	**23.0**	35.4
Taiwan					**7.3**	6.9	**7.3**	6.9
Italy	**0.3**	0.3	**6.4**	7.5	**0.2**	0.1	**6.9**	7.9
France	**0.4**	0.4	**5.9**	5.6	**0.5**	0.5	**6.8**	6.5
Germany	**0.3**	0.2	**6.1**	6.6	**0.3**	0.3	**6.7**	7.1
South Korea	**0.1**				**6.6**	5.4	**6.7**	5.4
Canada	**6.0**	6.3	**0.1**	0.3			**6.1**	6.6
United Kingdom	**1.9**	1.6	**3.1**	3.6	**0.4**	0.3	**5.4**	5.5

[1] Only covers total exposures in excess of EUR 5 billion.

The portfolio in The Netherlands decreased principally due to the sale of Nationale Nederlanden Hypotheek Bedrijf (NNHB residential mortgages) to ING Bank. The decrease in Italy resulted from a reduction of ING Insurance's position in government bonds. Exposure to Spain amounted to EUR 5.2 billion in 2006, but decreased below the EUR 5 billion threshold in 2007. There were no other significant shifts in the portfolio concentration.

COMPLIANCE AND OPERATIONAL RISKS

ING Insurance believes that good compliance management is in the best interest of its customers, shareholders and staff, and is important for the way ING Insurance does business. Complementary to this, effective control and management of operational risks leads to more stable business processes and lower operational risk costs.

Acting with integrity and preserving ING Insurance's reputation is of paramount importance. Complying with relevant laws, regulations and ethical and internal standards, in both letter and spirit, is a prerequisite for this. Reputation risk is defined as the current and prospective impact on earnings and capital arising from negative public opinion. This may affect the ability to establish new relationships or services or continue servicing existing relationships. This risk may also expose an institution to litigation, financial loss, or a decline in its customer base. Managing reputation risk is therefore an essential part of ING Insurance's business strategy, taking into account all stakeholders, whose perception of ING Insurance determines its reputation. Risks or uncertainties, both positive and negative, are carefully managed, as reputation risk does not exist in isolation - rather, all risks may impact on reputation.

Within ING Insurance everything centres on people and trust. ING Group's Executive Board and Senior Management share a clear vision of reputation management that goes well beyond the compliance and operational risk functions itself and drives the process of delivering on that vision. ING Insurance therefore expects the highest levels of personal conduct and integrity from all its employees and managers in order to safeguard its reputation.

COMPLIANCE RISK

Compliance risk is defined as the risk of damage to ING Insurance's reputation as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies and procedures or ethical standards. In addition to reputation damage, failure to effectively manage compliance risk can expose financial institutions to fines, civil and criminal penalties, payment of damages, court orders and suspension or revocation of licenses. A failure (or perceived failure) can adversely impact customers, staff and shareholders of ING Insurance.

Compliance management is fundamental to driving value. The pursuit of long term business sustainability requires proper conduct of business activities in accordance with the high ethical standards of ING Insurance's Business Principles. These principles not only reflect laws and regulations, but are also based on ING Insurance's core values: integrity, entrepreneurship, professionalism, responsiveness and teamwork.

Clear and accessible policies and procedures are embedded in ING Insurance business processes in all business lines. An infrastructure is in place to enable management to track current and emerging compliance issues and to communicate these to internal and external stakeholders. A comprehensive system of internal controls and audit creates an environment of continuous improvement in managing compliance risk. ING Insurance understands that good compliance involves understanding and delivering on the expectations of customers and other stakeholders, thereby improving the quality of key relationships based on honesty, integrity and fairness.

The Scope of the Compliance function

The Compliance function focuses on managing the risks arising from laws, regulations and standards which are specific to the financial services industry and which are issued by legislative and regulatory bodies relevant to ING Insurance's businesses, or by ING Group Compliance. The Compliance function actively educates and supports the business in managing areas such as anti-money laundering, counter-terrorist financing, conflicts of interest management, sales and trading conduct and Customer interest and protection.

The following Compliance risk areas have been defined and highlighted for particular attention:

– Client related integrity risk; this includes Financial Economic Crime - money laundering, terrorist financing, other external crime and fraud. Following Customer and Business Partner Due Diligence processes and monitoring business transactions are key contributors to how this risk is managed;
– Personal conduct related integrity risk; this includes market abuse and personal insider trading. Business principles and (local) codes of conduct and specific policies on outside positions by ING Insurance officers, inducements, including gifts and entertainment assist with management of these risks;
– Financial services conduct related integrity risk; the primary focus of this area of compliance risk is on marketing, sales and trading conduct, conduct of advisory business, transparency of product offerings, customer interest and protection. To assist with management of these risks ING Insurance has complaint handling processes, internal standards with respect to new product approval and product review and policies for data protection and privacy;
– Organisational conduct related integrity risk; this covers conflicts of interest, anti-trust and relationships with third parties and intermediaries. Policies and measures in place to manage this risk include conflicts of interest policies and procedures including Chinese Walls, regulatory registration requirements and outsourcing and Merger and Acquisition policies and due diligence processes.

ING Insurance has a Whistleblower Policy and procedure which encourages staff to speak up if they know of or suspect a breach of external regulations or internal policies or Business Principles. The Whistleblower Policy ensures that staff is protected when raising issues.

ING Insurance's global operations include business activities throughout the world, with subsidiaries and branches in many countries. Compliance activities in ING Insurance's businesses consequently embrace or relate to various legal and regulatory requirements, as well as a variety of business and commercial needs.

The organisation of Compliance

The ING Group Chief Compliance Officer (ING Group Compliance) reports directly to the ING Group CRO and is responsible for developing and establishing the company-wide Compliance Policy. The Chief Compliance Officer also establishes and approves the minimum standards for Compliance and assists and supports the Group Executive Board in managing ING Insurance's Compliance risks. The Compliance function is organised along functional reporting lines.

The ING Group Compliance function comprises Corporate Compliance and Business Line Compliance. Corporate Compliance is responsible for developing and communicating ING Insurance's global compliance framework, policies and guidance for key areas of Compliance risk and provides advice to Business Line Compliance staff on policy matters.

ING Insurance uses a layered functional approach within Business Line Compliance to ensure systematic and consistent implementation of the company-wide Compliance Policy, minimum standards and the Compliance Framework. The local Compliance Officer has the responsibility to assist local management in managing compliance risk within that business unit. The regional or division Compliance Officer has a supervisory role in the compliance risk management process and manages and supervises all functional activities of the Compliance Officers in the respective region or division. The business line Compliance Officers perform this task for each respective business line and also provide leadership and overall direction to the regional or division Compliance Officers.

To avoid potential conflicts of interests, it is imperative that the Compliance Officer is impartial and objective when advising business management on compliance matters in their business unit, region, division or business line. To facilitate this, a strong functional reporting line to the next higher level Compliance Officer is in place. The functional reporting line has clear accountabilities around objective setting remuneration, performance management, and the appointment of new Compliance staff.

Compliance Management Policies and Tools

The responsibility of the Compliance Function is to proactively:

– Identify, assess and monitor the compliance risks faced by ING Insurance;
– Assist, support and advise management in fulfilling its compliance responsibilities;
– Advise any employee or officer with respect to their (personal) compliance obligations.

To ensure robust compliance risk management, Corporate Compliance, in close cooperation with business line Compliance and the business operations, has developed policies, processes and tools to assist with management of compliance risks. This set of compliance risk management processes and tools consists of the following components:

- Compliance chart (outlining the local scope of compliance in terms of laws, regulations and standards);
- Compliance risk identification and assessment;
- Compliance risk mitigation, (including implementation of standards, procedures and guidelines);
- Compliance risk monitoring (adherence to the Compliance Policy, its minimum standards and applicable legal and regulatory standards; quarterly reporting);
- Incident management;
- Training and education;
- Action tracking;
- Provision of compliance advice;
- Compliance governance.

Developments in 2007

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

As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives, ING Insurance has concluded that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING will not enter into new relationships with clients from these countries while a process has started to discontinue existing relationships involving these countries. At present these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba.

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

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

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

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

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

OPERATIONAL RISKS

Effective operational risk management leads to more stable business processes and lower operational risk costs. The operational risk management function comprises operational, information and security risks.

This is done by raising operational risk awareness, increasing transparency, improving early warning information and allocating risk ownership and responsibilities. It is the responsibility of group and local Operational Information and Security Risk Management (OISRM) to support general management in managing operational information and security risk (hereafter referred to as operational risk).

Risk management governance

ING OISRM is organised along a functional line comprising three levels within the organisation: the corporate, business line and business unit levels. The General Manager of COISRM (Corporate OISRM) heads the functional line, reporting to the ING Group CRO. Each business unit has an OISRM manager that reports to the business line head of OISRM. This layered, functional approach ensures consistent application of guidelines and procedures, regular reporting and appropriate communication as well as the ongoing support for the business.

Explanation of risk types

ING Insurance has defined operational risk as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss as well as legal risk; whereas strategic risks are not included. The following eight risk categories are recognised:

- Control risk is the risk on loss due to non-compliance with business policies or guidelines;
- Unauthorised activity risk is the risk on loss caused by unauthorised employee trading, approvals or overstepping of authority;
- Processing risk is the risk on loss due to unintentional human error during (transaction) processing;
- Employment practice and workplace safety risk is the risk of loss due to acts inconsistent with employment, health or safety laws, or agreements, from payment of personal injury claims, or from diversity /discrimination events;
- Personal and physical security risk is the risk of criminal and environmental threats that might endanger the safety of ING Insurance personnel within ING Insurance locations and ING Insurance assets or might have an impact on the ING Insurance organisation;
- IT risk is the risk of loss due to inadequate data or information security of systems;
- Crisis management and Business Continuity Planning/Disaster Recovery Planning risk is the risk of loss due to external events (e.g. natural disasters, criminal activity and terrorist attacks) leading to a situation that threatens the safety of people within ING Insurance or the continuity of business conducted;
- Internal and external fraud risk is the risk of losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations or the law.

During 2007 ING Group introduced internally the non-financial risk dashboard to provide integrated risk information on compliance, operational, information and security risk using a consistent approach and risk language. Besides the above mentioned risk categories the non-financial risk dashboard distinguishes compliance risk; i.e. the risk that ING Insurance does not comply with laws, regulations, standards and expectations, which can result in suspension or revocation of its licenses, cease and desist orders, fines civil penalties or other disciplinary action which could materially harm ING Insurance’s results of operations and financial condition.

Management
ING Insurance has developed a comprehensive framework supporting the process of identifying, measuring and monitoring operational, information and security risks.

Risk Management Processes	Examples of risk management tools
Risk Governance	– Operational Risk Committee – Compliance program – Product Approval process – Risk awareness training
Risk Identification	– Risk and Control Self Assessments – Risk Awareness Programs – Fraud detection
Risk Measurement	– Incidents Reporting and Analysis – Quality of Control Scorecards
Risk Monitoring	– Audit Findings Action Tracking – Key Risk Indicator Reporting – Operational risk dashboard
Risk Mitigation	– (Information) Security plans and implementation – Crisis management planning – Personal and physical security planning

ING Insurance promotes effective management of operational, information and security risk by requiring business units to demonstrate that the appropriate steps have been taken to control operational risk. ING Insurance applies scorecards to measure the quality of operational, information and security risk processes within a business. Scoring is based on the ability to demonstrate that the required risk management processes are in place with the business units. The scorecards indicate the level of control with the business units. The scoring results in a decrease or increase of the risk capitals, depending on both the maturity of implemented operational, information and security risk and the control measures taken.

The overall scorecard outcome showed that ING Insurance satisfied regulatory requirements in embedding the risk management framework.

Personal and physical security
ING Insurance has established policies on Personal and Physical Security. Entities need to ensure that all policy requirements are maintained. The ING Group Corporate Physical Security policy and minimum determine functional requirements about the areas of physical access security, theft protection, fire protection, cash and valuables protection, utilities and infrastructure protection and supporting security devices. Security plans per location are based on a risk assessment. All (major) ING Insurance assets (e.g. premises, information, equipment and valuables) must have a nominated asset-owner, which is accountable for the adequate protection of its entrusted ING Insurance asset. Each ING Insurance location has to be divided into classified security zones (compartmentalisation) to locate classified assets. Each ING Insurance entity must have an appointed physical security manager who is accountable for the implementation of physical security within its location(s).

The corporate policy on Personal Security states how ING Insurance's employees should be protected against exposure to the risks or the consequences of criminal and environmental threats. The policy includes minimum standards and some guidelines on business travelling (travel, accommodation and lodging), expatriates (e.g. selection process and accommodation), events by ING Insurance and projects in order to create and maintain a safe and secure environment for ING Insurance staff and visitors within ING Insurance locations and the availability, integrity and reliability of ING Insurance assets within and outside ING Insurance locations.

Crisis Management
Crisis management includes the process to detect, assess, solve and evaluate a crisis. The ING Crisis Management policy provides a cohesive overview of crisis management governance in relation to crisis management officer roles and responsibilities across the whole of ING Insurance. It does not address roles associated with ING Insurance customers or other third parties however.

The policy has prescribed requirements around planning and testing of crisis management organisation, crisis communication, building evacuation, emergency actions and business continuity and disaster recovery.

Information security
The OISRM function operates with the mission of ensuring the confidentiality, integrity and availability of information and associated information processing assets through the disciplined used of risk management practices. The OISRM function is comprised of information security specialists within all Business Units and Business Lines, and is coordinated overall at the ING Group level.
The OISRM function has defined a comprehensive suite of policies, standards and guidelines, and compliance is measured and monitored on a regular basis.

The OISRM function actively measures and monitors information risk within the key risk areas noted below. The result of this process is used by ING Insurance Business Units to budget, plan, and implement appropriate risk mitigation actions.

Measurement
The operational risk measurement model uses both external and internal loss data (exceeding EUR 1 million) within an actuarial model. The model is adjusted for the scorecard results, taking into account the specific quality of internal control in a business line and the occurrence of large incidents ('bonus/malus'). This provides an incentive to business unit management to better manage operational risk. The outcome is periodically challenged and benchmarked. The capital calculation model meets industry standards.

ING Group is member of the Operational Risk data eXchange Association (ORX), the world's leading operational risk loss data consortium for the financial services industry. In order to protect ING Insurance against financial consequences of uncertain operational events ING Insurance 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 Insurance retains is of a similar magnitude to the risk retained for casualty business-related catastrophe exposures.

Developments in 2007:
- The adjusted scorecard approach monitors the compliancy with the Compliance and OISRM framework and its controls while taking the maturity of the business units into account;
- The Anti-fraud Policy has been further upgraded. Defined measures include anti-fraud training, pre-employment screening, additional organisational controls, automated detection as well as reporting and response procedures. OISRM Policy house has been refreshed and reflects all OISRM policies;
- A powersupply issue in one of the datacentres (in the Netherlands) has prompted ING Insurance to accelerate an improvement programme for the business continuity and disaster recovery capability and platform security of its datacenters.
- The Non-Financial risk dashboard has been introduced and piloted;
- The integration of the operational, information and security functions at all levels within ING Insurance has lead to an organisation which consists of around 365 FTE's at the end of 2007.

MODEL DISCLOSURES
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. This model disclosure section explains the models applied for deriving Economic Capital for ING Insurance.
In the normal course of business, ING Group continues to develop, recalibrate and refine the various models that support risk metrics, which may result in changes to the risk metrics as disclosed.

MODEL VALIDATION
The review of the models underlying Economic Capital for ING Insurance is planned for 2008.

ING INSURANCE ECONOMIC CAPITAL
Economic Capital, 'EC', is defined by ING as the amount of assets that needs to be held in addition to the market value of liabilities to assure a non–negative surplus at a 99.95% level of confidence on a 1 year time horizon. ING measures Economic Capital by quantifying the impact on the market value surplus (MVS) as a result of adverse events that occur with a specified probability related to the AA rating. Therefore ING's Economic Capital model is based on a 'Surplus-at-Risk' concept. The confidence level consistent with an AA rating has been defined as the 99.95% one-sided confidence level over a one-year horizon. The change in market value surplus (MVS) is the combined effect of changes in market value of assets (MVA) minus market value of liabilities (MVL).

The MVL consist of the Financial Component of Liabilities (FCL) and a Market Value Margin (MVM) for non-hedgeable risks (e.g. insurance risk). The MVM is calculated using a Cost-of-Capital approach based on an estimate of required shareholder return on Economic Capital.

The following fundamental principles have been established for the model:
- Economic Capital requirements are calculated to achieve a target AA rating for policyholder liabilities;
- All sources of risk should be considered;
- The best estimate actuarial assumptions should be as objective as possible and based on a proper analysis of economic, industry, and company-specific statistical data. There is one set of best-estimate assumptions per product to be used for all purposes at ING;
- Valuation of assets and liabilities is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;
- The Economic Capital and valuation calculations should reflect the embedded options in insurance contracts;
- The Economic Capital and valuation calculations do not consider the effect of local regulatory accounting and solvency requirements on capital levels. Capital is assumed to be fully transferable between legal entities;
- The framework does not include any franchise value of the business. It does, however, include the expense risk associated with the possibility of reduced sales volume in the coming year.

ING quantifies the impact of the following types of risk in its Economic Capital model:
- Market risk for ING Insurance is the change in value based on changes in interest rates, equity prices, real estate prices, credit spreads, implied volatilities (interest rate and equity), and foreign exchange rates. It occurs when there is less than perfect matching between assets and liabilities. Market risk may exist in the insurance activities as a result of selling products with guarantees or options (guaranteed crediting rates, surrender options, profit sharing, etc.) that cannot be hedged given the assets available in a certain market. Market risk may also occur when there is an intentional mismatch between asset and liability cash flows even when it is possible to match or hedge the cash flows;
- Credit risk is the risk of changes in the credit quality of issuers due to defaults or credit migration of securities (in the investment portfolio), counter parties (e.g. on reinsurance contracts, derivative contracts or deposits given) and intermediaries to whom ING has an exposure. In addition to credit risk, ING includes a calculation of transfer risk for the risk of being unable to repatriate funds when required due to government restrictions;
- Business risk is defined as the exposure to the possibility that experience differs from expectations with respect to expenses, the run-off of existing business (persistency) and future premium re-rating;
- Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk capital is difficult to quantify, since it is driven by infrequent events of high severity, and can be significantly mitigated or exacerbated by the quality of internal controls and guidelines. It may be partially managed through the purchase of insurance
- Life risk relates to deviations in timing and amount of the cash flows (premium payments and benefits) due to the incidence or non-incidence of death. The risk of non-incidence of death is also referred to as longevity risk to distinguish it from the risk associated with death protection products. ING notes risks due to uncertainty of best estimate assumptions concerning level and trend of mortality rates, volatility around best estimates, and potential calamities and recognizes external reinsurance;
- Morbidity risk is the risk of variations in claims levels and timing due to fluctuations in policyholder morbidity (sickness or disability) recognizing external reinsurance. A wide variety of policy classes are subject to morbidity risk, including disability, accidental death and disability, accelerated death benefits, workers compensation, medical insurance, and long-term care insurance;
- P&C risk comprises the risk of variability of size, frequency and time to payment of future claims, development of outstanding claims and allocated loss adjustment expenses for P&C product lines recognizing external reinsurance.

Liquidity risk and strategic business risk have been excluded from the EC calculations of ING Insurance.

Economic Capital Model
The ING Economic Capital calculation is calculated based on a 'Surplus-at-Risk' concept. 'Surplus-at-Risk' is calculated based on the steps:
- Calculate the complete balance sheet (all assets and liabilities) on a Market Value basis;
- Generate Monte-Carlo shock scenarios for all of the relevant risk factors (market and non-market);
- Recalculate the complete balance sheet (all assets and liabilities) on a Market Value basis for each shock scenario. For practical purposes, the MVM is not recalculated under shock scenarios;
- Calculate the 99.95% worst case decrease in the Market Value Surplus over all the shock scenarios. This value will be the EC. Note that the shock scenario causing the Economic Capital will differ by business unit, business line, and at an ING Insurance level.

In 2007, ING Insurance has introduced ECAPS as an intranet-based Economic Capital reporting system utilising replicating portfolio techniques. The ECAPS system provides a well controlled and automated basis for Economic Capital and risk measurement. Each business unit enters the risk characteristics of its assets and liabilities into the ECAPS system on a regular basis. These risk characteristics are then translated to a uniform basis in the form of replicating portfolios of 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.

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 optimized 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, equity forward/option and FX option
- Find a replicating portfolio that matches the cash flows as closely as possible for the 500 paths

4. Economic Capital Calculation

- Replicating portfolio used to capture the risk profile of Insurance assets and liabilities
- EC market shocks and diversification benefits from Monte–Carlo Scenarios
- Non–market risk aggregation
- Total diversified EC

Further details on Economic Capital model

Market Data and Scenario Generation

ING Insurance uses ING Bank's Global Market Database (GMDB) as a provider of market price and risk data for financial risk drivers. All market data is obtained from reputable data providers such as Reuters and Bloomberg. The GMDB operational team then validates the market data and calculates relevant risk parameters. This validated data is then automatically delivered to the ECAPS system.

Since ING Insurance operates in many developing financial markets, extrapolation algorithms are in place for extending beyond observable market data when this is needed for the calculation of the Market Value Liabilities and the Economic Capital. These algorithms are based on comparable data in mature markets.

Based on the market data from GMDB, ING calibrates two economic scenario generators:

– Risk Neutral Economic Scenario Generator (RN ESG): capable of generating multiple equity indices and exchange rates, consistent with a multi-currency dynamic term structure model. Scenarios are used in the cash flow projection to determine replicating portfolios. RN ESG scenarios are consistent with observed market prices of equity, FX and interest options;
– Real World Economic Scenario Generator (RW ESG): capable of jointly simulating all risk types, i.e. all market risks, credit risk, business risk, operational risk, life risk, morbidity risk and P&C risk. Diversification between risks is taken into account through a Gaussian copula, allowing for different marginal probability distributions at the risk driver level. RW ESG scenarios are consistent with historical time series of the market risk drivers using 5 years of weekly data observations. The volatilities are scaled from weekly to quarterly and the weekly correlations are used directly as estimates of quarterly correlations.

Stochastic Cash Flows and Non-Market Risk Capital
The market risks in assets and liabilities are captured in and represented by stochastic cash flows in 500 scenarios. Business Units are responsible for generating these cash flows, the modelling of embedded options and guarantees and a proper mapping of risk drivers in the scenario set to cash flow determinants such as policyholder behaviour and management actions restricted to dynamic hedge programs and setting of crediting rates/profit sharing. To better capture the behaviour in the tails of the distribution, the set of scenarios consist of 300 Risk Neutral scenarios and 200 'Risk Volatile' scenarios with double volatilities. The average of the 300 Risk Neutral scenarios provides a check on the market value of the replicating portfolio. It should be noted that this serves only as a check, and that the actual market value of liabilities is derived directly from the replicating portfolio. The 200 Risk Volatile scenarios ensure that the replicating portfolio is calibrated against enough extreme scenarios such that it can be used safely in Economic Capital calculations.

Non-market risk Economic Capital is calculated by business units, Corporate Credit Risk Management and Corporate Operational, Information and Security Risk Management and input into ECAPS at the sub risk level. ECAPS than aggregates 21 sub-risk types (e.g. mortality and trend risk) to 9 non market risk types using a bottom-up Economic Capital diversification approach based on a matrix of tail correlations. The information inputs relate to 9 sub risk types:

– Credit risk;
– Business risk;
– Operational risk;
– Life risk catastrophe;
– Life risk non-catastrophe;
– Morbidity risk catastrophe;
– Morbidity risk non-catastrophe;
– P&C risk catastrophe;
– P&C risk non-catastrophe.

The inputs are used to calibrate marginal distributions for these risk types. These distributions, in combination with the Gaussian copula, are then used in the Economic Capital Calculation to measure diversification between market and non-market risks.

Replicating Portfolios
To handle the full complexity of calculating diversification by Monte Carlo simulation, ING maps its assets and liabilities to a set of standard financial instruments. The set of standard instruments consists of zero coupon bonds, market indices, equity forwards, swaptions, F/X options and equity options. Assets and the financial components of the liabilities are represented by a portfolio of this standard set of instruments. A user interface allows the selection of different types of replicating instruments for different cash flow types. Then an optimal replicating portfolio is created that matches the risk profile of the stochastically generated cash flows as good as possible. The resulting replicating portfolio is used in the calculation of Economic Capital.

Through the inclusion of equity options, F/X options and swaptions in the set of replicating instruments, ING is able to incorporate implied volatility risk in the considered risk types. The same holds for the credit spread risk through the inclusion of credit risk bearing zero coupon bonds in the set of replicating instruments.

The quality of the replicating portfolio is monitored by several statistical criteria including R-squared and benchmarked against market value sensitivities such as duration, convexity, and changes in value for larger interest rate and equity shocks. High quality replicating portfolios are important in several ways. First, they ensure a good reflection of the actual risk profile and an accurate calculation of Economic Capital. Second, they assist Business Units in hedging strategies and management of Economic Capital. Third, the process of replicating portfolio calculations increases the understanding of the complex nature of insurance liabilities in a market consistent environment.

Replicating portfolios are currently determined from a single factor RN ESG interest rate model. This limits the ability of the replicating portfolios to pick up sensitivity to non-parallel shifts of the term structure of interest rates. Hence RW ESG interest rate scenarios for the Value at Risk calculations are generated using a single factor model as well. However both

RN ESG and RW ESG models are consistent with respectively, the RN ESG and RW ESG volatility structure of interest rates.

Economic Capital Calculation
ECAPS uses Monte-Carlo simulation to determine diversification benefits for the complete 'portfolio hierarchy', from Business Unit level up to an ING Group level. All diversification calculations are done within ECAPS and are driven by the Gaussian copula of all risk drivers using the underlying distributions applicable for each risk type.

For the calculation of Economic Capital, ING uses a one- year time horizon. In practice, the model calculates instantaneous quarterly shocks and then 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.

Capital management

amounts in millions of euros, unless stated otherwise

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 for ING Insurance. The rating objective for ING Insurance is currently AA/Aa2. Capital Management takes into account the metrics and requirements of regulators (EU Solvency and limits for hybrid capital), rating agencies (leverage ratios, Adjusted Equity) and internal risk management models and market value balance sheets (economic capital (EC) and available financial resources (AFR)).

ING Insurance applies two main capital definitions:

- Adjusted Equity - This rating agency concept is defined as shareholders' equity adjusted for hybrids, prudential filters and the Value in Force and Deferred Acquisition Cost. See 'Capital Base' disclosures below. This capital definition is applied in comparing available capital to core debt (leverage).
- AFR - This is a market value concept, defined as market value of assets minus market value of liabilities on a balance sheet. The liabilities do not include the hybrids, they are counted as equity. AFR is used as the measure of available capital in comparison with EC employed. EC or Economic Capital is the amount of capital that is required to absorb unexpected losses in times of severe stress given ING Group's 'AA' target rating.

Increasingly Capital Management considers AFR and EC employed when managing capital. AFR should exceed EC at ING Insurance and for ING Group as a whole there should be a prudent buffer. The target for the buffer at Group level is 20%.

POLICIES

The activities of Capital Management are executed on the basis of established policies, guidelines and procedures. The main documents that serve as guidelines for capital planning are the Capital Letter (comprising the approved targets and limits for capital), the Capital Planning Policy, the Dividend Policy and the Capital Request Policy. For the Corporate Treasury there are many policies and limits that guide the management of the balance sheets and the execution of capital market transactions.

The above capital definitions and policies have been approved by the ING Group Executive Board.

PROCESSES FOR MANAGING CAPITAL

In addition to measuring capital adequacy, Capital Management also ensures that sufficient capital is available through setting targets and limits relevant to the above mentioned metrics for ING Insurance and ensuring adherence to the set limits and targets through planning and executing capital management transactions. The process is supplemented by stress testing and scenario analysis. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management's capital planning process and results in a quarterly Capital Adequacy Assessment Report which is presented to both the ING Group Finance and Risk Committee and the ING Group Executive Board. The main objective of the assessment is to ensure that ING Group as a whole has sufficient capital relative to its risk profile both in the short and the medium term.

CAPITAL ADEQUACY ASSESSMENT

As at 31 December 2007 and 2006, ING Insurance met all major leverage ratios and metrics.

ADJUSTED EQUITY

Capital base

	2007	2006
Shareholders' equity (parent)	**17,911**	21,917
Group hybrid capital [1]	**2,202**	1,665
Total capitalisation	**20,113**	23,582
Adjustments to equity:		
– Revaluation reserves fixed income & other [2]	**–288**	–2,097
– Insurance hybrid capital [3]	**2,250**	2,250
– Minorities	**891**	1,770
Available regulatory capital	**22,965**	25,505
DAC/ViF adjustments (50%) [4]	**4,070**	3,618
Adjusted Equity (a)	**27,035**	29,123
Ratios		
Core debt [5] (b)	**4,267**	4,802
Debt/Equity ratio (b/(a+b)	**13.63%**	14.15%

[1] Tier-1 instruments issued by the 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.
[2] Includes EUR 798 million (2006: EUR –1,150 million) of the revaluation reserve relating to fixed income securities (net of the effect of shadow accounting), EUR–10 million (2006: EUR –702 million) cash flow hedge and EUR –1,076 million (2006: EUR –245 million) relating to goodwill. The Dutch banking regulator requires this deduction to be made from Tier-1 capital. ING applies this prudent method consistenly to ING Insurance.
[3] Tier-1 instruments issued by the ING Insurance e.g. perpetual debt securities, at nominal value.
[4] Mainly includes EUR 8,565 million (2006: EUR 7,701 million) representing 50% of the present value of future profits generated by policies in force (Value in Force), offset by EUR 4,494 million (2006: EUR 4,183 million) representing 50% of the non-Dutch deferred acquisition costs.
[5] Investments in subsidiaries less equity (incl. hybrid capital) of the Insurance holding company. This net debt position is provided as equity to ING Insurance subsidiaries.

REGULATORY REQUIREMENTS

ING Insurance

European Union directives require insurance companies established in member states of the European Union to maintain minimum capital positions. The capital position of ING Insurance has been measured on the basis of this European Union requirement.

Capital position of ING Insurance

	2007	2006
Available capital	**22,965**	25,505
Required capital	**9,405**	9,296
Surplus capital	**13,560**	16,209
Ratio of available versus required capital	**244%**	274%

AVAILABLE FINANCIAL RESOURCES (AFR)

Available Financial Resources – ING Insurance

	2007	2006
IFRS Equity [1]	**16,835**	21,673
Plus hybrid capital	**2,202**	1,665
Plus Mark-to-Market and tax adjustments	**3,673**	3,862
Total AFR	**22,710**	27,200

[1] IFRS equity excluding goodwill. Goodwill amounts to EUR 1,076 million at 31 December 2007 (2006: EUR 245 million).

Capital management (continued)

AFR/EC RECONCILIATION
For details regarding the computation of EC see the section entitled ‘ Risk Management’.

Quantitative disclosures on AFR and EC

	2007	2006
Capital		
Available Financial Resources (AFR)	**22,710**	27,200
Required Economic Capital (EC)	**23,199**	22,410
Ratio EC vs. AFR	**98%**	121%
Target Ratio EC vs. AFR	**100%**	100%

The AFR/EC ratio is 98%, slightly below the 100% target. This is mainly due to lower AFR as a result of the dividend up-stream of EUR 2.3 billion to ING Group in the fourth quarter of 2007. The AFR/EC ratio of ING Group is 138% which is above the 120% target.

Main credit ratings [1]

	Standard & Poor's	Moody's	Fitch
ING Insurance			
– short term	A-1+	P-1	
– long term	AA–	Aa3	AA–

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

ING's long-term credit ratings are shown in the table above. Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency.

A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.

AUTHORISATION OF ANNUAL ACCOUNTS

Amsterdam, 17 March 2008

THE SUPERVISORY BOARD

Jan H.M. Hommen, *chairman*
Eric Bourdais de Charbonnière, v*ice-chairman*
Henk W. Breukink
Peter A.F.W. Elverding
Luella Gross Goldberg
Claus Dieter Hoffmann
Piet Hoogendoorn
Piet C. Klaver
Wim Kok
Godfried J.A. van der Lugt
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, c*hairman*
Eric F. Boyer de la Giroday
Dick H. Harryvan
John C.R. Hele, *CFO*
Eli P. Leenaars
Tom J. McInerney
Hans van der Noordaa
Koos (J.V.) Timmermans, *CRO*
Jacques M. de Vaucleroy

Parent company balance sheet of ING Insurance as at 31 December before profit appropriation

amounts in millions of euros	2007	2006
ASSETS		
Investments in wholly owned subsidiaries 1	**22,502**	24,133
Other assets 2	**10,512**	16,866
Total assets	**33,014**	40,999
EQUITY 3		
Share capital	**174**	174
Share premium	**4,374**	4,374
Share of associates reserve	**3,481**	7,998
Currency translation reserve	**–1,025**	–344
Other reserves	**5,257**	5,755
Unappropriated profit	**5,650**	3,960
	17,911	21,917
LIABILITIES		
Subordinated loans 4	**4,497**	4,043
Other liabilities 5	**10,606**	15,039
Total equity and liabilities	**33,014**	40,999

References relate to the notes starting on page 114 which 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	2007	2006
Result of group companies after taxation	**6,021**	3,887
Other results after taxation	**–371**	73
Net profit	**5,650**	3,960

Parent company statements of 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 2006	174	4,374	8,156	234	7,689	20,627
Unrealised revaluations after taxation			–240		237	–3
Realised gains/losses transferred to profit and loss			–614			–614
Transfer to insurance liabilities/DAC			820			820
Change in cash flow hedge reserves			–273			–273
Unrealised revaluations from net investment hedges				75		75
Exchange rate differences			–423	–653		–1,076
Employee stock option and share plans					51	51
Total amount recognised directly in equity			–730	–578	288	–1,020
Net profit			700		3,260	3,960
			–30	–578	3,548	2,940
Dividend			–128		–1,522	–1,650
Balance as at 31 December 2006	174	4,374	7,998	–344	9,715	21,917
Unrealised revaluations after taxation			**–1,959**		**90**	**–1,869**
Realised gains/losses transferred to profit and loss			**–2,847**			**–2,847**
Transfer to insurance liabilities/DAC			**1,132**			**1,132**
Change in cash flow hedge reserves			**–692**			**–692**
Exchange rate differences			**–148**	**–681**		**–829**
Other			**–3**		**3**	
Employee stock option and share plans					**49**	**49**
Total amount recognised directly in equity			**–4,517**	**–681**	**142**	**–5,056**
Net profit					**5,650**	**5,650**
			–4,517	**–681**	**5,792**	**594**
Dividend					**–4,600**	**–4,600**
Balance as at 31 December 2007	**174**	**4,374**	**3,481**	**–1,025**	**10,907**	**17,911**

[1] Other reserves includes Retained earnings, Other reserves and Unappropriated profit.

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 with regard to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The principles of valuation and determination of results stated in connection with the consolidated balance sheet and profit and loss account are also applicable to the parent company balance sheet and profit and loss account with the exception of investments in group companies and investments in associates which are initially recognised at cost and subsequently accounted for using the equity method of accounting.

The profit and loss account has been drawn up in accordance with Section 402, Book 2, of the Dutch Civil Code.

A list containing the information referred to in Section 379(1), Book 2, of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Sector 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 Reserve for associates.

A statutory reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Reserve for associates, which forms part of Shareholders' equity.

Notes to the parent company balance sheet of ING Insurance

amounts in millions of euros, unless stated otherwise

ASSETS

1 INVESTMENTS IN WHOLLY OWNED SUBSIDIARIES

Investments in wholly owned subsidiaries

	2007	2006
Name of investee:		
ING Verzekeringen Nederland N.V.	**7,116**	11,233
ING America Insurance Holding Inc	**4,635**	5,582
ING Insurance International B.V.	**9,069**	5,848
ING Continental Europe B.V.	**1,365**	1,241
Other	**317**	229
Closing balance	**22,502**	24,133

Changes in investments in wholly owned subsidiaries

	2007	2006
Opening balance	**24,133**	25,719
Repayments to/from group companies	**–1,792**	
Disposals of group companies	**13**	–2
Revaluations	**–5,054**	–1,016
Result of the group companies	**6,021**	3,887
Dividend	**–824**	–4,455
	22,497	24,133
Changes in ING Verzekeringen N.V. shares held by group companies	**5**	
Closing balance	**22,502**	24,133

2 OTHER ASSETS

Other assets

	2007	2006
Receivables from group companies	**10,175**	16,473
Other receivables, prepayments and accruals	**337**	393
	10,512	16,866

EQUITY

3 EQUITY

Share of associates reserve and Currency translation reserve cannot be freely distributed. The reserve for cash flow hedges is included in the Share of associates reserve on a net basis.

Retained earnings can be freely distributed. Unrealised gains and losses on derivatives, other than those used in cash flow hedges, are presented in the profit and loss account and are thus part of Retained earnings.

The total amount of Equity in the parent company annual accounts equals Shareholders' equity (parent) in the consolidated annual accounts. Certain components within equity are different, as a result of the following presentation differences between the parent company accounts and consolidated accounts:

- Unrealised revaluations within consolidated group companies, presented in the Revaluation reserve in the consolidated accounts, are presented in the Reserve for associates in the parent company accounts;
- Foreign currency translation on consolidated group companies, presented in the Currency translation reserve in the consolidated accounts, is presented in the Reserve for associates in the parent company accounts;
- Revaluations on investment property and certain participations recognised in income and consequently presented in Retained earnings in the consolidated accounts, is presented in the reserve for associates in the parent company accounts.

The total amount of non-distributable reserves is EUR 4,506 million (2006: EUR 8,342 million).

See Note 11 'Shareholders' equity (parent)' in to the consolidated annual accounts for additional information.

Equity

	2007	2006
Share capital	174	174
Share premium	4,374	4,374
Share of associates reserve	3,481	7,998
Currency translation reserve	–1,025	–344
Other reserves	10,907	9,715
Equity	17,911	21,917

Share capital

	Ordinary shares (par value EUR 1.13)			
	Number x 1,000		Amount	
	2007	2006	2007	2006
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 profit

2007	Retained earnings	Other reserves	Total Other reserves	Unappro-priated profit	Total
Opening balance	5,774	–19	5,755	3,960	9,715
Profit for the year				5,650	5,650
Unrealised revaluations	90		90		90
Transfer to Share of associates reserve	–150		–150		–150
Transfer to retained earnings	3,960		3,960	–3,960	
Dividend	–4,600		–4,600		–4,600
Other	202		202		202
Closing balance	5,276	–19	5,257	5,650	10,907

Notes to the parent company balance sheet of ING Insurance (continued)

Changes in Other reserves and Unappropriated profit

2006	Retained earnings	Other reserves	Total Other reserves	Unappro-priated profit	Total
Opening balance	4,294	104	4,398	3,291	7,689
Profit for the year				3,960	3,960
Unrealised revaluations	411	–174	237		237
Transfer to Share of associates reserve	–572		–572		–572
Transfer to retained earnings	1,641		1,641	–1,641	
Dividend				–1,650	–1,650
Other		51	51		51
Closing balance	5,774	–19	5,755	3,960	9,715

LIABILITIES

4 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of Issue	Due date	Notional amount in original currency		Balance sheet value 2007	2006
7.375%	2007	Perpetual	USD	1,000	**680**	
5.775%	2005	Perpetual	USD	1,000	**680**	759
4.176%	2005	Perpetual	EUR	300	**276**	284
6.125%	2005	Perpetual	USD	200	**130**	143
6.125%	2005	Perpetual	USD	100	**65**	71
6.375%	2002	7 May 2027	EUR	1,000	**1,048**	1,100
7.200%	2002	Perpetual	USD	500	**340**	379
6.250%	2001	21 June 2021	EUR	1,250	**1,274**	1,307
					4,493	4,043

5 OTHER LIABILITIES

Other liabilities by type

	2007	2006
Debenture loans	**4,050**	4,866
Amounts owed to group companies	**3,666**	5,718
Other amounts owed and accrued liabilities	**2,890**	4,455
	10,606	15,039

Debenture loans

Interest rate	Year of Issue	Due date	Balance sheet value 2007	2006
2.500%	2006	Apr 2012	**175**	182
Floating	2006	Sep 2013	**1,000**	997
4.000%	2006	Sep 2013	**994**	994
3.500%	2005	Nov 2012	**497**	497
4.750%	2005	Mar 2010	**313**	334
2.000%	2005	Nov 2011	**180**	187
2.000%	2005	Nov 2011	**180**	185
3.500%	2005	Nov 2012	**95**	96
3.750%	2004	Feb 2009	**504**	505
3.000%	2002	Jan 2007		187
3.000%	2001	Jan 2007		249
5.875%	1997	Sep 2007		340
6.250%	1994	Jan 2009	**112**	113
			4,050	4,866

Amounts owed to group companies by remaining term

	2007	2006
Within 1 year	**3,666**	1,695
More than 1 year but less than 5 years		4,023
More than 5 years		
	3,666	5,718

Notes to the parent company balance sheet of ING Insurance (continued)

GUARANTEES

At 31 December 2007 ING Verzekeringen N.V. has guarantees given on behalf of third parties of EUR 3,850 million (2006: EUR 4,193 million).

ING Verzekeringen N.V. has issued statements of liabilities in connection with Article 403 of the Dutch Civil Code and other guarantees for a number of group companies.

REMUNERATION OF SENIOR MANAGEMENT, EXECUTIVE BOARD AND SUPERVISORY BOARD

See Note 28 'Related parties' to the consolidated Annual Accounts for additional information.

AUTHORISATION OF PARENT COMPANY ANNUAL ACCOUNTS

Amsterdam, 17 March 2008

THE SUPERVISORY BOARD

Jan H.M. Hommen, *chairman*
Eric Bourdais de Charbonnière, v*ice-chairman*
Henk W. Breukink
Peter A.F.W Elverding
Luella Gross Goldberg
Claus Dieter Hoffmann
Piet Hoogendoorn
Piet C. Klaver
Wim Kok
Godfried J.A. van der Lugt
Karel Vuursteen

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Dick H. Harryvan
John C.R. Hele, *CFO*
Eli P. Leenaars
Tom J. McInerney
Hans van der Noordaa
Koos (J.V.) Timmermans, *CRO*
Jacques M. de Vaucleroy

Auditor's report

To the Shareholders, the Supervisory Board and the Executive Board of ING Verzekeringen N.V.

REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts 2007 of ING Verzekeringen N.V., Amsterdam (as set out on pages 10 to 118). 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 2007, the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The parent company annual accounts comprise the parent company balance sheet as at 31 December 2007, the parent company profit and loss account for the year then ended and the notes.

Management's responsibility
Management of the company is responsible for the preparation and fair presentation of the annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law. 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 2007, 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 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part e of the Dutch Civil Code, we report, to the extent of our competence, that the report of the Executive Board is consistent with the annual accounts as required by 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 17 March 2008

for Ernst & Young Accountants

signed by C.B. Boogaart

Proposed profit appropriation

The profit is appropriated pursuant to Article 35 of the Articles of Association of ING Verzekeringen N.V., the relevant stipulations of which state that the part of the profit remaining after the cash dividend to the preference shareholders is made payable, shall be at the disposal of the General Meeting of Shareholders.

Proposed profit appropriation

amounts in millions of euros	
Net profit	**5,650**
Addition to reserves pursuant to Article 35.1 of the Articles of Association	**1,050**
At the disposal of the General Meeting of Shareholders pursuant to Article 35.2 of the Articles of Association	**4,600**

ING Verzekeringen N.V.
Amstelveenseweg 500,
1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
Telephone: +31 20 5415411
Fax: +31 20 5415444
Internet: www.ing.com

Commercial Register of Amsterdam, no. 33260659

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WWW.ING.COM