ING Group

Annual Report 2009

Back to Basics

ING

In this report

> ING returns to underlying net profit of EUR 748 million in 2009

> Back to Basics implemented: reduced costs, reduced balance sheet, customer focus

> Rights issue facilitates early repayment to the Dutch State

> Separation of banking, insurance and investment management charts clear course for the future

> ING to further improve performance, disentangle the businesses and decide on transaction scenario in 2010

Key figures*

Group	2009	2008	% Change	2007
in accordance with IFRS-EU				
Total income (in EUR million)	**47,765**	66,291	–27.9%	76,586
Staff expenses and other operating expenses (in EUR million)	**14,049**	15,571	–9.8%	15,468
Net result (in EUR million)	**–935**	–729		9,241
Basic earnings per ordinary share (in EUR) (1)	**–0.57**	–0.27		3.31
Shareholders' equity per 31 December (in parent, in EUR million)	**33,863**	17,334	95.4%	37,208
Other data				
Underlying net result (in EUR million)	**748**	–304		8,816
Shareholders' equity per ordinary share per 31 December (in EUR)	**8.95**	8.55	4.7%	17.73
Dividend per ordinary share (in EUR)	**–**	0.74		1.48
Debt/equity ratio per 31 December	**12.4%**	13.5%		9.5%
Market capitalisation per 31 December (in EUR billion)	**26**	15	73.3%	60

ING Group evaluates the results of its businesses using a non-GAAP financial performance measure called underlying result. Underlying result is derived from the result in accordance with IFRS-EU by excluding the impact of divestments and special items. Historic results have been restated for divestments in order to create a comparable sequence (i.e. 2009, 2008 and 2007 results exclude the results of a divestment which has been completed in 2009). See table on page 13 and note 51 Operating segments in the consolidated Annual Accounts for a reconciliation between IFRS and underlying result.

Banking operations	2009	2008	% Change	2007
Total underlying income (in EUR million)	**13,312**	11,731	13.5%	14,614
Underlying net interest result (in EUR million)	**12,539**	11,085	13.1%	9,061
Underlying operating expenses (in EUR million)	**9,439**	10,002	–5.6%	9,522
Underlying addition to loan loss provision (in EUR million)	**2,973**	1,280	132.3%	125
Underlying net result (in EUR million)	**962**	722	33.2%	3,982
Core Tier 1 capital ING Bank N.V. per 31 December	**25,958**	24,934	4.1%	23,375
Balance sheet total ING Bank N.V. per 31 December (in EUR billion)	**882**	1,035	–14.7%	994
Bank core Tier 1 ratio per 31 December (2)	**7.8%**	7.3%		5.8%
Risk-Weighted Assets per 31 December (in EUR billion) (2)	**332**	343	–3.2%	403
Client balances per 31 December (in EUR billion)	**1,108**	1,074	3.2%	1,013
Net production client balances (in EUR billion)	**21.5**	89.2	–75.9%	(3)
Asset leverage ratio per 31 December	**27.8**	35.3		39.0
Interest margin	**1.32%**	1.07%		0.94%
Underlying cost/income ratio	**70.9%**	85.3%		65.2%
Underlying cost/income ratio, excl market impacts	**54.4%**	65.4%		66.9%
FTEs per 31 December	**71,088**	75,109	–5.4%	66,182

Insurance operations	2009	2008	% Change	2007
Underlying gross premium income (in EUR million)	**30,179**	37,760	–20.1%	38,803
Underlying operating expenses (in EUR million)	**3,849**	4,273	–9.9%	4,228
Underlying net result (in EUR million)	**–214**	–1,026		4,834
Shareholders' equity ING Verzekeringen N.V. per 31 December (in EUR million)	**15,887**	11,892	33.6%	17,911
Client balances per 31 December (in EUR billion)	**408**	382	6.8%	442
Net production client balances (in EUR billion)	**–9.4**	6.3		(3)
Value of new life business (in EUR million)	**502**	804	–37.6%	(3)
New sales (APE, in EUR million)	**4,456**	5,944	–25.0%	(3)
Debt/equity ratio per 31 December, adjusted for divestments	**9.7%**	8.8%		13.6%
FTEs per 31 December, adjusted for divestments	**36,085**	41,236	–12.5%	46,197

(1) See note 49 in the Annual Accounts.
(2) Risk-Weighted Assets and (core) Tier 1 ratios as from 2008 based on Basel II; before 2008 based on Basel I.
(3) Not available.

* For the 5-year key figures overview in accordance with IFRS-EU, please turn to page 89.

ING at a glance

OUR MISSION

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

OUR PROFILE

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

OUR STRATEGY

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

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

OUR STAKEHOLDERS

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

OUR CORPORATE RESPONSIBILITY

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

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BANKING

INSURANCE

COMPOSITION OF THE BOARDS*

on 1 January 2010

EXECUTIVE BOARD

Jan H.M. Hommen (66), CEO and chairman
Patrick G. Flynn (49), CFO
Koos (J.) V. Timmermans (49), CRO

SUPERVISORY BOARD

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

(1) Retirement as of 27 April 2010.
(2) Nominated for reappointment as of 27 April 2010.

RETAIL BANKING
Provides retail and private banking services to individuals and small and medium-sized enterprises in the Netherlands, Belgium, Luxembourg, Poland, Romania, Turkey, India, Thailand and China (through a stake in Bank of Beijing) with a multi-product, multi-channel distribution approach. In mature markets, we focus on wealth accumulation, savings and mortgages, with an emphasis on operational excellence, cost leadership and customer satisfaction. In developing markets we aim to become a prominent local player by offering simple but high quality products.

ING DIRECT
Offers direct banking services in Canada, Spain, Australia, France, the US, Italy, Germany, the UK and Austria. Our focus is on offering five simple and transparent retail banking products at very low cost: savings, mortgages, payment accounts, investment products and consumer lending.

COMMERCIAL BANKING
Primarily targets large corporations in the Netherlands, Belgium, Poland and Romania, where we offer a full range of products, from cash management to corporate finance. Our international network has a more selective approach. We are building leading positions in a number of key product areas, including Structured Finance, Financial Markets, Payments and Cash Management, and Leasing. Commercial Banking also manages ING Real Estate.

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

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

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

Audit Committee
Jackson Tai, chairman
Tineke Bahlmann
Henk Breukink
Piet Hoogendoorn
Godfried van der Lugt
Jeroen van der Veer

Risk Committee
Peter Elverding, chairman
Tineke Bahlmann
Claus Dieter Hoffmann
Piet Klaver
Godfried van der Lugt

Remuneration Committee
Jeroen van der Veer, chairman
Peter Elverding
Piet Klaver
Joan Spero
Karel Vuursteen
Lodewijk de Waal

Nomination Committee
Peter Elverding, chairman
Piet Klaver
Joan Spero
Jeroen van der Veer
Karel Vuursteen
Lodewijk de Waal

Corporate Governance Committee
Peter Elverding, chairman
Henk Breukink
Claus Dieter Hoffmann
Harish Manwani
Aman Mehta
Lodewijk de Waal

* You can find more information on the members of the Executive Board on page 62 and on the members of the Supervisory Board on pages 65-67.

Chairman's statement

Shaping our future

"We want to be a company that takes its responsibilities towards society seriously, is easier to deal with for customers, motivational for employees and predictable for shareholders."

Jan Hommen, chairman of the Executive Board

Dear stakeholder,

Adapting to the changed financial landscape required bold steps and landmark decisions. Our first priority in 2009 was to strengthen our financial position and navigate through the crisis. We introduced the Back to Basics programme, setting high targets which were adjusted upwards throughout the year. We have reduced the size of our bank balance sheet by 18% (target was 10%), reduced our operating expenses by EUR 1.5 billion (target was EUR 1 billion) and returned ING to profitability on an underlying basis.

2009 was a challenging year for financial markets, and for ING. Therefore, we are especially thankful for the continued loyalty of our customers, whose trust in our Company is our licence to operate. In the past year, we reviewed our portfolio in order to create a company with fewer, more coherent and stronger businesses. Several divestments were announced in 2009, the proceeds of which have been or will be used to fortify ING's capital position. The good progress made on divestments reflects the momentum of our strategic transformation. There have only been divestments on attractive terms, a testament to the fact that we are carefully and diligently managing this divestment process and to the value inherent in our business.

One of the key goals of Back to Basics was to reduce the complexity of the Group. An operational split of the Group's corporate governance has been in effect since 1 June 2009 when a separate Management Board Banking and Management Board Insurance were created. At the same time, the Executive Board was limited to the chief executive officer, chief financial officer and chief risk officer positions. Throughout the Group, our governance model has been adapted to our strategy, with rigorous business performance reviews, better accountability and increased focus.

Back to Basics culminated in the decision to separate our banking and insurance and investment management activities. The need for simplicity, in combination with the negative impact of the financial crisis on ING, outweighs former benefits of the bancassurance model. On 25 November 2009 our decision to split the Company was approved by our shareholders.

At the same meeting our shareholders also approved a rights issue of up to EUR 7.5 billion. This rights issue was successfully completed on 21 December 2009. It has allowed us to repay half of the funds we received in 2008 from the Dutch State (plus accrued coupon of EUR 259 million and a premium of EUR 346 million) and to further strengthen our capital position. We will pursue the repayment of the remaining state capital from internal resources.

The split of the Company is part of the Restructuring Plan to which we have agreed with the European Commission (EC) in order to obtain retroactive EC approval of state aid received. The plan constitutes a significant extension of measures beyond the restructuring we initiated under the Back to Basics umbrella. We accepted these far-reaching terms on the assumption that the EC would treat all state-supported financial institutions equally and safeguard the level playing field in the EU internal market. However, following the announcements of restructuring agreements the EC has entered into with other state-supported financial institutions, we have strong concerns that the level playing field in the EU internal market is at risk. Hence, we are appealing the proportionality of the decision, including restrictions on price leadership imposed in certain markets, in addition to contesting the way the Commission has calculated the amount of State aid ING received. We believe it is in the interest of all our stakeholders to use the opportunities provided by law to let the General Court assess these elements of the European Commission's decision.

Looking ahead, we see a promising future for all of our businesses. We believe that the underlying fundamentals of the bank, the insurer and the investment management companies are solid. The bank has strong positions in retail and commercial banking in Western Europe, is the leading online bank worldwide and has growing market opportunities in Central and Eastern Europe and a number of Asian markets. The Insurance business has one of the largest footprints worldwide, is specialised in life and pension management services in the mature US and Netherlands markets, combined with strong positions in the emerging markets of Central and Eastern Europe, Asia and Latin America.

In 2010 we will work to further improve our operational and commercial performance, disentangle the banking and insurance operations, and decide on the best divestment route for our insurance and investment management businesses. We will approach this process with the utmost care and diligence to ensure an orderly and equitable separation taking into consideration the interests of all stakeholders.

Back to Basics has brought the traditional role of financial institutions, namely to collect deposits and then channel them back in to the economy through investment in loans to consumers and business, to the forefront of day-to-day business at ING. Consumers need simpler products and this requires greater transparency in the operations of banks and insurance companies, particularly in respect of risk diversification and product definition.

Financial institutions have a responsibility for financial education, informing clients about the characteristics of their product selection and empowering clients to make informed decisions about their financial future. Helping consumers understand finance forms a central part of our Business Principles and many of the initiatives taken are featured in this Annual Report. We want to be a company that takes its responsibilities towards society seriously, is easier to deal with for customers, motivational for employees and predictable for shareholders.

Tineke Bahlmann, Jeroen van der Veer and Lodewijk de Waal joined the Supervisory Board in 2009. Following my own appointment as a member of the Executive Board by the shareholders in April 2009, Peter Elverding has taken on the role of chairman of the Supervisory Board. In 2010, Karel Vuursteen, Piet Hoogendoorn and Harish Manwani will leave the Supervisory Board. On behalf of my colleagues in the Executive Board and Supervisory Board, I express our gratitude and appreciation for the contribution they have made to ING.

Patrick Flynn joined ING in the position of CFO in April 2009. Dick Harryvan and Jacques de Vaucleroy have decided to leave ING. I want to thank Dick for three decades of very dedicated service to ING, and Jacques for his important contribution to ING over the past 23 years.

2008 and 2009 were difficult for us and hurt our pride. ING employees deserve a great compliment for the way they have responded to the changes that were necessary. Their commitment and dedication will propel us forward again in 2010. On behalf of the Executive and Management Boards, I want to thank them deeply for their support, commitment and dedication.

ING Group has returned to profit on an underlying basis. We have made structural improvements in our operating performance, while reducing risks and leverage on our balance sheet. Our businesses are adjusting to the new economic reality and even in this challenging environment we have made great strides to improve our commercial results.

Moving forward, our attention will be focused on creating strong and independent banking and insurance companies. 2010 will be a year of transition as we work towards the operational separation of these individual businesses, and prepare them for forging their own futures.

Jan Hommen
chairman of the Executive Board

ING share

PROFIT RETENTION AND DISTRIBUTION POLICY

ING Group's profit retention and distribution policy is determined by its internal financing requirements and its growth opportunities on the one hand and the capital providers' dividend expectations on the other. ING Group's internal funding needs are determined partly by statutory solvency requirements and capital ratios, compliance with which is essential to its existence. Credit ratings are just as important to ING Group, because they directly affect the Company's financing costs and hence profitability. For their part, the capital providers expect a dividend which reflects ING Group's financial results and is relatively predictable.

It is ING's policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends can only be declared by shareholders when the Executive Board considers such dividends appropriate, taking into consideration the financial conditions then prevailing and the longer-term outlook. Given the uncertain financial environment, ING will not pay a dividend over 2009.

In case a dividend is paid, the coupon on the core Tier 1 securities is also payable, subject to approval by DNB (the Dutch central bank).

CORE TIER 1 SECURITIES

In October 2008, ING Group made use of the previously announced capital support facilities by the Dutch Government by issuing EUR 10 billion of core Tier 1 securities ('Securities') to the Dutch State with a coupon of 8.5%. This capital injection significantly enhanced the capital position of ING Group. The Securities are *pari passu* with common equity.

In conjunction with the EC restructuring plan ING has reached an agreement with the Dutch State to facilitate early repayment of half of the core Tier 1 securities issued in 2008 plus accrued interest. ING used the opportunity to repurchase EUR 5 billion of core Tier 1 securities in December 2009, financed by a successfully completed underwritten rights issue of EUR 7.5 billion. For more information on the transactions with the Dutch State and the rights issue, please refer to the section 'ING and the financial environment' starting on page 10.

LISTINGS

Depositary receipts for ING Group ordinary shares are listed on the stock exchanges of Amsterdam, Brussels and New York (NYSE). Options on ING Group ordinary shares (or the depositary receipts therefor) are traded on the NYSE Euronext Amsterdam Derivative Markets and the Chicago Board Options Exchange.

SHAREHOLDERS AND DEPOSITARY-RECEIPT HOLDERS WITH STAKES OF 5% OR MORE

To the best of our knowledge, as at 31 December 2009, there were no shareholders or holders of depositary receipts for shares who reported to hold an interest or potential interest of 5% or more as mentioned in the Dutch Financial Supervision Act, other than *Stichting ING Aandelen* (ING Trust Office) and *Stichting Continuïteit ING* (ING Continuity Foundation).

Authorised and issued capital

in EUR millions	Year-end 2009	Year-end 2008
Ordinary shares		
– authorised	**1,080**	1,080
– issued	**919**	495
Cumulative preference shares		
– authorised	**1,080**	1,080
– issued	**–**	–

Shares in issue and shares outstanding in the market

in millions	Year-end 2009	Year-end 2008
(Depositary receipts for) ordinary shares of EUR 0.24 nominal value	**3,831.6**	2,063.1
(Depositary receipts for) own ordinary shares held by ING Group and its subsidiaries	**47.1**	36.5
(Depositary receipts for) ordinary shares outstanding in the market	**3,784.5**	2,026.6

Prices depositary receipts for ordinary shares*

Euronext Amsterdam by NYSE Euronext in EUR	2009	2008	2007
Price – high	**9.64**	26.21	34.69
Price – low	**1.92**	5.33	24.38
Price – year end	**6.90**	7.33	26.75
Price/earnings ratio**	**n.a.*** **	n.a.***	6.2

* 2009 prices adjusted for increase in number of shares due to rights issue, while 2008 and 2007 are not adjusted.
** Based on the share price at year-end and net profit per ordinary share for the financial year.
*** Not applicable.

Dividend history

in EUR	2009	2008	2007
Interim dividend	**–**	0.74	0.66
Final dividend	**–**	–	0.82
Total	**–**	0.74	1.48

Geographical distribution of ING shares*

in percentages	
Netherlands	**34**
United States	**24**
United Kingdom	**17**
Luxembourg	**9**
Belgium	**6**
Switzerland	**5**
Other	**5**
Total	**100**

* 2009 figures, estimated on information provided by several large custodians.

INVESTOR RELATIONS

To be kept informed of press releases and other ING news, you can subscribe to the email service through our Investor Relations section at www.ing.com.

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Main credit ratings of ING*

	Standard & Poor's	Moody's	Fitch
ING GROUP**	A	A1	A
ING BANK			
– short term	A-1	P-1	F1+
– long term	A+	Aa3	A+
– financial strength		C+	
ING INSURANCE			
– short term	A-2	P-2	
– long term	A–	Baa1	A–

* Still valid on 15 March 2010, the date of this Annual Report.
** All ratings on ING Group 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 judgement, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.

IMPORTANT DATES IN 2010*

Annual General Meeting
Tuesday, 27 April 2010

Publication results 1Q 2010
Wednesday, 12 May 2010, 7:30 a.m.

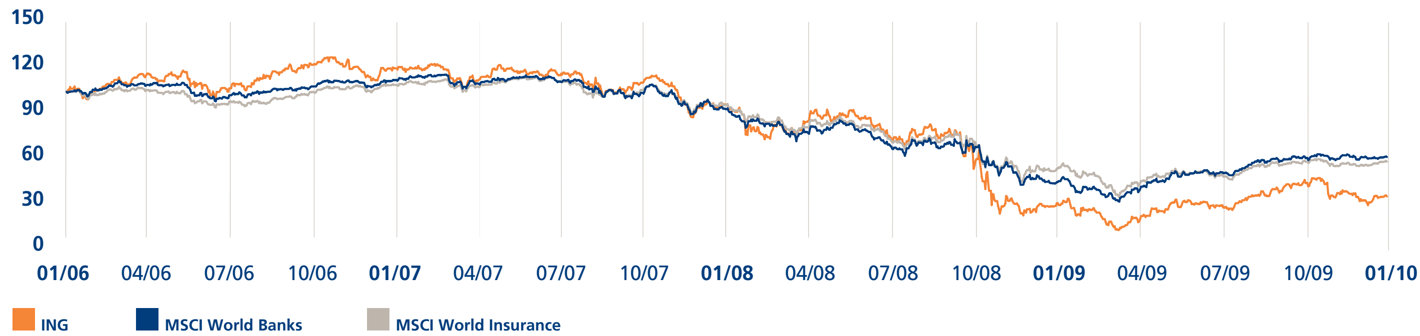
Publication results 2Q 2010
Wednesday, 11 August 2010, 7:30 a.m.

Publication results 3Q 2010
Wednesday, 10 November 2010, 7:30 a.m.

* All dates shown are provisional.

Four-year price development ING depositary receipts for shares

index 1 January 2006 = 100
in EUR



ING and the financial environment

Back to Basics

Key points
- > Global economy recovering after steep downturn
- > Transactions with the Dutch State amidst market turmoil
- > Back to Basics programme has reduced complexity and increased focus
- > Restructuring Plan approved by European Commission
- > First repayment to Dutch State following rights issue

After the unprecedented shockwave that hit financial markets in 2008, we initiated transactions with the Dutch State to strengthen our capital base and reduce our risk exposure, while redefining our strategic course. Hence, it was clear from the beginning that 2009 would be a difficult year for ING. Throughout the year, market conditions remained challenging, but the second half of 2009 also brought the first signs of recovery. ING's first priorities were to stabilise the Company, restore credibility and regain trust. We thus introduced Back to Basics, a change programme comprising a series of measures to decrease costs, reduce risk and capital exposures, and deleverage the balance sheet, with the ultimate objective of increasing focus on the essence of financial services and creating a more coherent set of activities. We simplified the governance structure by operationally separating the Bank and the Insurer under the umbrella of the Group, and carried out a portfolio review, which led to a number of divestments.

Meanwhile, we managed to turn around our commercial performance. Above anything, however, 2009 will be remembered as the year in which we took the most far-reaching decisions in the history of the Company. First of all, we set a clear course for the future by announcing an independent future for our Bank and our Insurer. In addition, we closed an early repayment agreement with the Dutch State on 50% of the capital provided in October 2008.

GLOBAL ECONOMY SHOWING SIGNS OF RECOVERY AFTER STEEP DOWNTURN

From September 2008 onwards, especially after the collapse of Lehman Brothers, market conditions rapidly worsened. Due to the impact of the financial crisis, macro-economic prospects at the beginning of 2009 were very bleak. The steep economic downturn was reflected in a sharp decline in world trade, asset prices and industrial production and a tightening availability of credit. As a consequence, even a repetition of the Great Depression was considered a plausible scenario. In contrast to the 1930s, however, policy makers around the world acted swiftly and firmly, by providing significant economic stimuli and loosening monetary conditions. Governments took exceptional measures to reinvigorate financial institutions and stabilise the financial system. As a result, an increasing number of countries were able to report positive economic growth in the second half of the year.

World trade seems to have picked up firmly and in many countries the rise in unemployment seems to have a less adverse impact on the economy than expected. Nevertheless, the recovery of the global economy remains fragile. Companies have rebuilt inventories despite a strengthening consumer and investor demand. However, as a result of the market interventions to cushion the impact of the crisis, public finances have been thrown off-balance. Our Economics Department's forecasts for 2010 and 2011 indicate that the global economy will return to growth, albeit at a slower pace than before the crisis.

Notwithstanding the negative impact of the financial crisis on the overall economic climate, which clearly weakens the growth prospects for the financial services industry, the crisis also offers new opportunities for financial institutions. The substantial reduction in asset values during the financial crisis has reinforced customer demand for wealth accumulation and raised consumer awareness of the need for financial protection.

ING ENTERING INTO TRANSACTIONS WITH THE DUTCH STATE

The rapidly worsening conditions following the summer of 2008 fuelled an internationally recognised belief that capital requirements for financial institutions had to be raised. In order to create a strong buffer to navigate the challenging environment, ING therefore decided to strengthen its capital position in October 2008 by issuing EUR 10 billion of core Tier 1 securities to the Dutch State. Under the terms of the agreement we obtained the right to buy back all or some of the securities at any time at 150% of the issue price. In addition, we obtained the right to convert all or some of the securities into (depositary receipts for) ordinary shares on a one-for-one basis, from three years after the issuance onwards. It was also agreed that should ING choose to do so, the Dutch State would be able to opt for repayment of the securities at EUR 10 each in cash. The coupon on the core Tier 1 securities will only be payable if a dividend – either interim or final – was paid on common shares over the financial year preceding the coupon date. This transaction enabled ING to strengthen its capital position significantly.

In the fourth quarter of 2008 market conditions deteriorated even further, making it the worst quarter for equity and credit markets in over half a century. Market prices for residential mortgage-backed securities (RMBS, including Alt-A classified RMBS), collateralised debt obligations (CDOs) and collateralised loan obligations (CLOs) fell sharply as liquidity dried up. This eventually affected ING's results and equity more than expected, in particular due to ING's portfolio of Alt-A RMBS. We therefore entered into an agreement with the Dutch State on an Illiquid Assets Back-up Facility (IABF) covering 80% of our Alt-A RMBS.

Under the terms of the IABF, a full risk transfer to the Dutch State was realised on 80% of our approximately EUR 30 billion par value portfolio of Alt-A RMBS at ING Direct USA and ING Insurance Americas. As a consequence, the Dutch State now participates in 80% of any results of the portfolio. The risk transfer took place at a discount of 10% of par value. In exchange, the Dutch State was to pay a funding fee and principal payments on two Government receivables to ING. The first receivable initially had a funding fee of 3.5%, the second receivable initially had a funding fee of Libor +50 basis points (please note that these fees were revised following discussions with the European Commission, which will be discussed below). ING remained the legal owner of 100% of the securities with an exposure of 20% to the portfolio's results. The transaction significantly strengthened ING's capital and balance sheet as it resulted in a reduction of equity volatility. Moreover, it had a positive impact on shareholders' equity amounting to EUR 5 billion through a reduction of the negative revaluation reserve.

BACK TO BASICS

FIRST PHASES

In April 2009 we introduced our Back to Basics programme: a strategic change programme to stabilise the Company, restore credibility and regain trust, with the ultimate objective of sharpening focus and creating a more coherent set of activities.

First, the implementation of the programme involved a series of measures to strengthen the Company's financial position through cost containment, reductions of risk and capital exposures, and deleveraging the balance sheet by reducing asset exposures and preserving equity.

Over the course of 2009 we completed this first phase of our Back to Basics programme, exceeding each of the targets set. Operating expenses were reduced by EUR 1.5 billion, exceeding both the original target of EUR 1 billion as well as the increased target of EUR 1.3 billion on a comparable basis, of which approximately EUR 1.2 billion represent sustainable savings and EUR 0.3 million were one-off items. The expense figures have been adjusted for acquisitions and divestments, as well as impairments on real estate development projects and the charge for the Dutch deposit guarantee scheme related to DSB Bank. Headcount reductions totalled 11,331, including divestments, surpassing the expected reduction of 7,000 FTEs. Derisking measures progressed well and continued in the fourth quarter. ING Direct sold EUR 0.8 billion of its US prime RMBS portfolio, realising a loss of EUR 83 million, but releasing EUR 7 billion of risk-weighted assets. Deleveraging of the bank's balance sheet also exceeded the original target, reaching EUR 194 billion, or 18.0%, compared with the end of September 2008 when the balance sheet reductions began.

Secondly, we announced a strategic review of our portfolio with the objective of identifying measures to simplify the Group, increase our strategic focus and create a more coherent set of activities. In order to simplify the organisation, we decided to operationally separate the management of our businesses, into one Bank aiming for an integrated balance sheet and one Insurer/Investment Manager under the umbrella of the Group. In addition, the portfolio review made clear that a group of smaller businesses within ING Group consumed a disproportionate amount of capital, given the fact that they did not have a clear outlook for market leadership. To address this over-extension, we made a number of portfolio choices based on market leadership, capital intensity, return on capital, funding needs, earnings contribution and the overall coherence of the Group.

We decided to reduce our geographic and business scope by concentrating on positions in markets with the strongest franchises. As a consequence, we announced and completed a number of significant divestments over the course of 2009. These included our Annuities business in Argentina, ING Canada, our life insurance and wealth management venture in Australia and New Zealand, Private Banking Switzerland, Private Banking Asia, ING Reinsurance US, three of our US independent retail broker-dealer units, and our Annuity and Mortgage businesses in Chile. The proceeds of these divestments amounted to EUR 3.8 billion and freed up EUR 2.7 billion of capital.

In July, we announced that the formerly separate organisations of Nationale-Nederlanden, RVS and ING Verzekeren Retail (formerly Postbank Verzekeren) in the Netherlands were to be combined into one customer-oriented organisation under the Nationale-Nederlanden brand. The new insurance organisation will have dedicated business units for retail customers, small and medium-sized enterprises, and corporate clients.

Meanwhile, we managed to turn around our commercial performance. While implementing the first phases of the Back to Basics programme and redefining the strategic direction of the

ING and the financial environment (continued)

Company, we also worked closely with the Dutch authorities and the European Commission (EC) to identify steps which would enable ING to get the EC's approval for the support received from the Dutch State. This process was finalised in the second half of 2009 and is further explained below.

RESTRUCTURING PLAN SUBMITTED TO THE EUROPEAN COMMISSION

Under European rules, state-supported companies need to demonstrate their long-term viability and take actions to prevent undue distortions of competition. As a result, parallel to the introduction and implementation of the first phases of the Back to Basics programme, we were required to develop and submit a restructuring plan to the EC. Against this backdrop we had to devise a plan that would not only enable us to pay back the Dutch State and address the EC's requirements, but also return our focus to the business and our customers. This was a challenging exercise, especially since the relevant EC guidelines were only published in July 2009, which postdated ING's transactions with the Dutch State.

Our negotiations with the EC were finalised in October 2009. On 18 November, the EC formally approved the restructuring plan, which ING had submitted. With this decision the EC also gave final clearance for the issuance of the core Tier 1 securities to the Dutch State and for the IABF. On 25 November 2009, the extraordinary General Meeting approved the resulting strategic shift of the Company, as well as the proposed rights issue of EUR 7.5 billion to facilitate an early repayment of the Dutch State. The Restructuring Plan's strategic implications for ING are explained below.

As already explained, a key goal of the Back to Basics programme was to reduce ING's complexity by operating the Bank and Insurer separately under the one Group umbrella. The negotiations with the EC on the Restructuring Plan have thus acted as a catalyst to accelerate this process, by completely separating our banking and insurance operations, and ultimately eliminating our double leverage. The backgrounds and objectives of this strategic shift are further explained in the Strategy section (page 15).

ING has had to accept a number of commitments to obtain the EC's approval for the transactions with the Dutch State. One of these involves the divestment of ING Direct US. It is anticipated that this divestment will take several years and be completed before the end of 2013. In the meantime, we will ensure that we continue to grow the value of the business and invest in a superior customer experience. We regard ING Direct US as a very strong franchise and the US market clearly offers potential for growth. The concession regarding ING Direct US has no impact on ING Direct in other countries. We remain committed to the ING Direct franchise as a strong contributor to our growth. Its unique customer proposition, simple transparent products and market-leading efficiency are core elements of our banking strategy.

Also as part of the Restructuring Plan, a new company will be created in the Dutch retail market out of part of our current operations, by combining the Interadvies banking division (including WestlandUtrecht Hypotheekbank and the mortgage activities of Nationale-Nederlanden) and the existing consumer lending portfolio of ING Retail. This business, once separated, will be divested. The combined business will be the number 5 financial institution in the Netherlands. It is profitable and currently has a balance sheet of EUR 37 billion, with around 200,000 mortgage contracts, 320,000 consumer lending accounts, 500,000 savings accounts and 76,000 securities contracts. The business has a mortgage portfolio amounting to approximately EUR 34 billion, which equates to a market share of around 6%.

Furthermore, ING must refrain from being a price leader within the EU for certain retail and SME banking products, and must refrain from acquisitions of financial institutions that might slow down the repayment of the core Tier 1 securities. These restrictions will apply for the shorter period of three years or until the core Tier 1 securities have been repaid in full to the Dutch State.

ING had submitted the Restructuring Plan on the condition that the EC guarantees equal treatment of all state-supported financial institutions and safeguards the level playing field in the EU internal market. In January 2010, ING lodged an appeal with the General Court of the European Union against specific elements of the EC's decision of 18 November 2009. The first element involves ING and the Dutch State's agreement upon a reduction of the repayment premium for the first EUR 5 billion tranche of core Tier 1 securities. This agreement provided the Dutch State with an early repayment and at an attractive return. The Commission views this reduction as additional state aid of approximately EUR 2 billion. Both ING and the Dutch State contest this element of the decision, as it could hamper discussions between ING and the State on repayment terms of the remaining core Tier 1 securities.

ING also seeks a ruling on the price leadership restrictions and the proportionality of the restructuring requirements demanded by the EC. ING believes it is in the interest of all its stakeholders to use the opportunities provided by law to let the General Court review these elements of the EC's decision. The appeal does not alter ING's commitment to execute its Restructuring Plan as announced on 26 October 2009. ING stands firmly behind its strategic decision to separate Banking and Insurance operations and divest the latter. These processes are on track and will continue as planned.

The restructuring measures, including steps already taken as part of our Back to Basics programme, are expected to result in a pro forma balance sheet reduction of around EUR 600 billion by 2013, approximately the equivalent of 45% of the balance sheet at 30 September 2008. This will be achieved through divestments mentioned above and further deleveraging of the bank balance sheet. Including estimated organic growth, it is expected that by the end of 2013 our balance sheet will be approximately 30% smaller than at 30 September 2008. The proceeds from divesting the insurance operations will be used to eliminate double leverage and further repay the Dutch State.

RIGHTS ISSUE AND ADDITIONAL AGREEMENTS WITH THE DUTCH STATE

In conjunction with the Restructuring Plan submitted to the EC, we also reached an agreement with the Dutch State to modify the repayment terms of the core Tier 1 securities in order to facilitate early repayment, bringing the terms in line with Dutch peers. We thereby made use of an early repayment option to repurchase half of the core Tier 1 securities before the end of January 2010. As a result of the agreement, ING was able to repurchase EUR 5 billion of the core Tier 1 securities at the issue price (EUR 10 per security). The total payment amounted to EUR 5,605 million and consisted of a repayment of the EUR 5 billion principal amount plus accrued coupon from 12 May 2009 to 20 December 2009 of EUR 259 million and a premium of EUR 346 million.

Furthermore, in order to obtain approval from the EC on our restructuring plan, additional payments will be made to the Dutch State for the IABF, corresponding to a reduction of 50 basis points on the funding fee monthly received by ING and an increase of 82.6 basis points on the guarantee fee annually paid by ING. In total, these annual extra payments amounted to a net present value of EUR 1.3 billion, which was booked as a one-time pre-tax charge in the fourth quarter of 2009. Under the agreement, the IABF as announced in January 2009, including the transfer price of the securities of 90%, will remain unaltered.

In order to finance the repayment of the core Tier 1 securities and to mitigate the EUR 1.3 billion pre-tax capital impact of the additional payments for the IABF, ING launched a EUR 7.5 billion rights issue. ING aims to finance any further repayments of core Tier 1 securities from internal resources, including proceeds from the divestment of the insurance operations.

FINANCIAL HIGHLIGHTS ING GROUP 2009

Notwithstanding the challenging environment in 2009, ING significantly improved its operating performance, successfully reduced expenses and returned to profit on an underlying basis.

Total net result of the Group decreased by EUR 206 million to EUR –935 million. This net loss reflects a one-time after tax charge due to an accrual of additional future payments to the Dutch state of EUR 930 million after tax for the IABF as part of the agreement with the EC announced in October 2009. On an underlying basis, ING posted a positive net result of EUR 748 million for the full-year 2009, compared with a loss of EUR 304 million in 2008, as financial markets began to stabilise and operating conditions improved. As a result of our Back to Basics programme, operating expenses, included in underlying result, were reduced by 6.9%, or EUR 987 million (pre-tax).

Underlying net result is derived from total net result by excluding the impact from divestments and special items. Special items were

ING results 2009*

	Group		Banking		Insurance	
EUR million	**2009**	2008	**2009**	2008	**2009**	2008
Underlying result before tax, excluding market impact, risk costs and VA assumption changes	8,767	7,023	7,393	5,263	1,374	1,760
Subprime RMBS	–350	–120	–160	–81	–190	–39
Alt-A RMBS	–1,405	–2,063	–1,245	–1,823	–160	–240
Prime RMBS	–47	0	–47	0	0	0
Other ABS	–37	–4	–37	–4	0	0
CDO/CLO	133	–394	–1	–122	134	–272
CMBS	–25	0	0	0	–25	0
Monoliners	–58	–9	–58	–9	0	0
Other debt securities	–174	–809	0	–255	–174	–554
Impairments / fair value changes debt securities	**–1,963**	**–3,399**	**–1,548**	**–2,294**	**–415**	**–1,105**
Equity securities impairments	–302	–1,454	–49	–331	–253	–1,123
Capital gains on equity securities	426	754	24	30	402	724
Hedges on direct equity exposure	–312	482	0	0	–312	482
Hedges on indirect equity exposure	–417	–49	0	0	–417	-49
DAC unlocking	–351	–1,094	0	0	–351	–1,094
Equity related impact	**–957**	**–1,361**	**–25**	**–302**	**–932**	**–1,059**
Real Estate revaluations / impairments	–2,156	–1,173	–1,687	–732	–469	–441
Private equity revaluations	56	–413	0	0	56	–413
Real Estate / Private equity	**–2,100**	**–1,587**	**–1,687**	**–732**	**–413**	**–855**
Capital gains on debt securities	33	–106	–19	0	52	–106
Other market impact	244	–220	–241	–206	485	–14
Other	**278**	**–325**	**260**	**–206**	**–538**	**–119**
Total market impacts	**–4,742**	**–6,674**	**–3,520**	**–3,534**	**–1,222**	**–3,140**
Loan loss provisions Bank	–2,973	–1,280	–2,973	–1,280	0	0
Variable annuity assumption changes	–343	0	0	0	–343	0
Total market volatility, risk costs and variable annuity assumption changes	**–8,058**	**–7,954**	**–6,493**	**–4,814**	**–1,565**	**–3,140**
Underlying result before tax	**709**	**–931**	**900**	**449**	**–191**	**–1,380**
Tax and third party interests	–38	–627	–61	–273	23	–354
Underlying net result	**748**	**–304**	**961**	**722**	**–214**	**–1,026**
Divestments and special items	–1,683	–425	–1,261	–267	–422	–158
Total net result	**–935**	**–729**	**–299**	**454**	**–636**	**–1,183**

* Numbers may not add up due to rounding.

ING and the financial environment (continued)

EUR –1,759 million after tax and included the aforementioned one-time charge due to an accrual for additional future payments to the Dutch state of EUR 930 million and a EUR 554 million restructuring provision, which was predominantly related to headcount reductions for ING's Back to Basics programme. Furthermore, special items included a restructuring charge of EUR 165 million, as a result of the merger of ING's retail banking activities in the Netherlands and a loss of EUR 110 million due to the IABF with the Dutch State in the first quarter 2009. The positive net impact of divestments was EUR 77 million in 2009 compared with a loss of EUR 98 million in 2008.

The full-year 2009 pre-tax adverse market impact was EUR 4,742 million. Impairments and fair value changes on debt securities had an impact on the result of EUR –1,963 million, compared with EUR –3,399 million in 2008. Impairments on Alt-A RMBS were substantially lower at EUR 1,405 million in 2009, down from a peak of EUR 2,063 million in 2008. Impairments on other debt securities, including financial institutions' debt, decreased from EUR 809 million in 2008 to EUR 174 million in 2009. The equity securities related impact was EUR –957 million, an improvement of EUR 404 million compared with full-year 2008. The negative impact from real estate and private equity increased to EUR 2,100 million compared with EUR 1,587 million in 2008. Real estate revaluations and impairments remain substantial at EUR –2,156 million in 2009 versus EUR –1,173 million in 2008, despite a reduction of ING's direct real estate exposure in 2009. Private equity revaluations were EUR 56 million, compared with EUR –413 million in 2008. Other market impact was positive despite a contribution to the deposit guarantee scheme in the Netherlands following the bankruptcy of DSB Bank in the fourth quarter of 2009.

In addition to the market impact, the 2009 result reflected a EUR 343 million pre-tax charge related to changes in variable annuity assumptions in the Insurance operations. Additions to loan loss provisions for the Banking activities were up EUR 1,693 million to EUR 2,973 million, reflecting the distressed economy. Basic earnings per share decreased to EUR –0.57 from EUR –0.27 in 2008. Capital and leverage ratios remained sound. Shareholders' equity almost doubled from EUR 17,334 million to EUR 33,863 million, driven by the net proceeds of the rights issue and the improvement of the revaluation reserve for debt securities. The debt/equity ratio of ING Group was 12.4%. The debt/equity ratio of Insurance ended the year at 9.7% while the Tier 1 ratio of ING Bank stood at 10.2%. ING Bank's solvency ratio (BIS ratio) ended at 13.5%.

Total client balances increased by EUR 62 billion in 2009 to EUR 1,517 billion at year-end 2009. The net production of client balances, excluding the impact from divestments, market performance and currency effects, was EUR 12.1 billion.

CONCLUSION

2009 was an unprecedented year for ING. The financial crisis and the second use of State facilities in the form of the IABF necessitated decisive action to stabilise the Company, restore credibility and regain trust. This prompted us to introduce the Back to Basics programme. In the first phase of its implementation, we successfully strengthened the Company's financial position by a number of actions to contain costs, reduce risk and capital exposures, and deleverage the balance sheet.

Also, we simplified the governance structure and made a number of divestments as a result of a preliminary portfolio review. Meanwhile, we worked closely with the Dutch authorities and obtained the EC's approval for the support received from the Dutch State. This process acted as a catalyst for the next step in the Back to Basics programme, i.e. the full separation of the banking and insurance operations.

On approval of ING's restructuring proposals, which were submitted to the EC on the condition that the EC guarantees equal treatment of all state-supported financial institutions and safeguards the level playing field in the EU internal market, the EC also gave final clearance for the capital injection and IABF received from the Dutch State, albeit that ING also had to make additional payments for the latter. By the end of 2009 we announced that we had successfully raised the EUR 7.5 billion of capital needed to facilitate early repayment of the Dutch State. Thus, we have set a clear course for the future and been able to leave a difficult period behind us, closing 2009 on a positive note.

Strategy
A clear course for the future

Key points
> Full separation of banking and insurance; to be completed by the end of 2013
> Build future on sustainable profit, based on our sound business ethics, good corporate citizenship and customer trust
> Create a leading international retail, direct and commercial bank
> Insurance activities very well-positioned to capitalise on socio-economic trends

2009 marked the beginning of a new era for ING. After initiating our Back to Basics programme, we set a clear course for the future by moving towards a full separation of our banking and insurance/ investment management operations. This decisive step will turn us into a simpler and more agile organisation and enabled us to meet the restructuring requirements of the European Commission. This was needed due to the transactions with the Dutch State in October 2008 and January 2009. In addition, in December 2009, we started repaying the Dutch State.

Our ambition is to become a leading international retail, direct and commercial bank, while creating a bright future for our insurance operations. We will focus on superior customer satisfaction, a strong financial performance, leading operating efficiency and a solid capital position. We want to build our future on sustainable profit based on sound business ethics and respect for our stakeholders. We aim to be a good corporate citizen and earn our customers' trust by delivering financial products and services in the way they want them delivered: with exemplary service and convenience provided at attractive prices.

SEPARATING BANKING AND INSURANCE

In October 2009, ING announced a clear course for the future. The Group is moving towards separation of its banking and its insurance operations. Thereby, we are taking the operational separation of the Bank and the Insurer/Investment Manager, that was initiated within the scope of the Back to Basics programme launched in April 2009, one step further (for more information about Back to Basics please refer to the section 'ING and the financial environment'). The decision to separate is the right decision at the right time and was taken for the following reasons:

- Due to our rapid growth in recent years, managing the Group was becoming increasingly complex, as Banking and Insurance (including investment management) not only have different drivers in their business models, but they also face different challenges in managing and pricing risk as well as in managing balance sheet exposures and capital needs.
- In the past, especially in a benign economic environment, we enjoyed a material capital benefit, as our diversification allowed us to utilise double leverage at our holding company. However, under less favourable market circumstances, this element of ING's capital structure has appeared to be less beneficial.
- There is insufficient geographic overlap of insurance manufacturing capabilities with bank distribution capabilities. Hence, banks today do not need to manufacture in-house, the insurance products they distribute.
- Finally, we are seeing an increased demand for greater simplicity, reliability and transparency.

In addition to these reasons, we also wanted to reach a timely resolution in the discussions with the European Commission (EC) about the support received from the Dutch State. Expediting the decision to separate our banking and insurance operations enabled us to meet EC demands to reduce our overall balance sheet, while maintaining as much as possible the strategic integrity of both parts of the business. For all these reasons, ING believes that the future of the Group will be best served by separating its banking and insurance operations. We will explore all options, including public offerings, sales or combinations thereof, taking into consideration all options to balance the interests of all stakeholders.

Strategy (continued)

REPAYING THE DUTCH STATE

In October 2008 and January 2009 we entered into transactions with the Dutch State: the first time to strengthen our capital position and the second time to mitigate risk. In the fourth quarter of 2009 we took action to start repaying this support. Through our rights issue we have successfully raised EUR 7.5 billion of new capital, which enabled us to repay EUR 5 billion of the core Tier 1 securities, representing half of the core Tier 1 securities, plus accrued coupon from 12 May 2009 to 20 December 2009 of EUR 259 million and a repayment premium of EUR 346 million. In addition, the capital raised provided us with sufficient buffer to offset the negative capital impact of the additional payments to be made for the Illiquid Assets Back-up Facility (for more information please refer to the section 'ING and the financial environment').

SHAPING OUR FUTURE

Over the coming years ING will focus on its position as a leading international retail, direct and commercial bank, while ensuring a bright future for our insurance businesses. We will focus on superior customer satisfaction, a strong financial performance, leading operating efficiency and a solid capital position. The entire restructuring process, including the divestments, is scheduled to be completed by the end of 2013.

2010 will be a year of transition, and it will not be without challenges, as we work towards the operational separation of the banking and insurance businesses. We will approach this process with the utmost care and diligence to ensure an orderly and equitable separation. At the same time we will continue to work to improve the performance of both parts of the business for our customers and shareholders, by rationalising our product offering, simplifying our processes and investing in further improvements in customer service. Through this process we will create strong and independent companies that can go forward to forge their own futures.

While implementing the strategic changes, we will do our utmost to maintain the confidence of our stakeholders and be a good corporate citizen. Only by acting with professionalism and integrity will we be able to maintain our stakeholders' trust and preserve our Company's reputation. Our Business Principles play an important role in this respect, as they clearly prescribe the corporate values we pursue in both Banking and Insurance and the responsibilities we have towards society and the environment: we act with integrity, we are open and clear, we respect each other and we are socially and environmentally responsible. Throughout our entire organisation, we will promote people-oriented leadership and drive for excellence, as we are extremely proud of our highly skilled and engaged employees.

ING always aims to earn its customers' trust by delivering financial products and services in the way they want them delivered: with exemplary service and convenience provided at attractive prices. Our customers expect us to be available when they need us, to provide them with a clear overview of their financial situation, to respond to their queries in a fast and efficient way, to be open and transparent about our products and services and to provide them with objective and professional advice. We strive to meet these expectations by providing the right products and services to the right customers for the right returns. Consequently, we will continue to build our brand around a universal ideal of delivering an easier customer experience.

A LEADER IN INTERNATIONAL RETAIL, DIRECT AND COMMERCIAL BANKING

The bank of tomorrow should be effective at attracting customer savings, especially as there is expected to be a revival of traditional savings banks with lower risk appetites in response to the unprecedented events of the past two years. ING's product offering therefore needs to become less complicated. At the same time it remains our ambition to provide high quality banking products that meet the expectations of our customers without doing harm to people or the environment and that are easy to access and understand. We will strive for strong and defendable market positions, a trusted brand and a strong marketing organisation.

ING has a promising starting position. We are one of the largest savings banks in the world and our funding base is strong. We have a leading position in our home markets and our direct banking model is based on efficiency and innovative distribution, which are reflected in a low cost base and high customer satisfaction rates. On these strong foundations, we aim to build a leading retail, direct and commercial bank, anchored in the Benelux and predominantly focused on Europe with attractive growth options in Central Europe, Turkey and selected markets throughout Asia. ING will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing, in particular through ING Direct. Cost leadership, superior customer service, innovative distribution and good corporate citizenship will be the key levers for our future development.

Although the actions needed to ensure success will vary across regions and product lines, we can already determine the main features for each business line:

- Retail Banking: The transformation programmes in The Netherlands and Belgium will be continued to enhance customer centricity, streamline the business, reduce costs in our branch networks, expand our distribution capabilities and enhance cross-selling of different products to retail customers. Accordingly, ING will further simplify its product lines in the rest of Europe and Asia and use its experience in direct banking to expand its innovative distribution platforms.
- ING Direct: We will continue to serve the needs of our customers by delivering simple and transparent retail banking products at attractive prices and further strengthen our competitive advantage through excellent service and cutting edge distribution capabilities ensuring maximum convenience. We will further deepen customer relationships and offer an even more complete range of products and services.
- Commercial Banking: We will serve large corporations in the Benelux and Central Europe by offering a full range of products, from cash management to corporate finance. Across our international network, we will pursue a more selective approach. We will concentrate on creating cost advantages by leveraging local scale and reducing costs through IT and process improvement. Cross-selling efforts will be increased and we will capitalise on our expertise in fixed-income products in emerging markets to further strengthen our financial markets business.

As a consequence of EC requirements, ING also plans to divest certain banking activities before the end of 2013. This particularly involves ING Direct US and a combination of activities from ING's Dutch retail operations. For more information on the backgrounds of these divestments please refer to the section 'ING and the financial environment'.

CREATING AN OPTIMAL BASE FOR A BRIGHT FUTURE FOR INSURANCE

Our strong position as a global insurer focused on life insurance and retirement services gives us a competitive advantage, especially in the current market environment. The substantial reduction in asset values which we have seen over the past two years has not only reinforced customer demand for wealth accumulation, but also raised consumer awareness of the need for financial protection. ING Insurance is very well positioned to capitalise on these socio-economic trends. We have promising positions in a number of large markets (China, Brazil), are a leader in the mature markets of the Benelux and the US, and we also have strong positions in Central Europe, Latin America, and Asia.

ING remains strongly committed to ensuring a high quality operational and financial performance in its insurance businesses in order to create an optimal base for a bright future. We expect the demand for mutual funds, pensions and insurance products to grow significantly in the near future, in particular for guaranteed products and capital protection. We will therefore strive for cost leadership, a superior customer experience, and above benchmark investment performance.

To take advantage of local trends and opportunities we will implement our insurance strategy on a regional basis. The planned actions for each region are:

- The Netherlands: We plan to migrate to a single brand by combining all our activities under the revitalised Nationale-Nederlanden (NN) name. This will help increase our customer focus, streamline our distribution and reduce expenses.
- US: Operations are being refocused on three core businesses: retirement services, rollover annuity and individual life insurance.
- Latin America: We plan to continue growth by leveraging our strong presence in the life insurance and pensions markets (mandatory and voluntary). We will focus on operating efficiency, product diversification, and innovation.
- Asia: We will focus on fewer, coherent and strong businesses. During 2009 we already put the SPVA business in Japan on run-off and sold our insurance business in Australia and New Zealand.
- Central and Eastern Europe: Our main priority will be to further improve efficiency. We will establish one integrated regional platform and reduce the administrative costs.
- Investment Management: We will capitalise on the strong investment performance in 2009 to strengthen our asset base and attract new customers. Further, we are reviewing synergies by creating a globally coordinated Investment Manager.

During the separation process, we will focus on generating sufficient income and capital to fully repay the Dutch State and strengthen the capital base of both the Bank and the Insurer. The divestment of Insurance is scheduled to be completed by the end of 2013. We will develop attractive exit strategies for our insurance operations that serve the interests of our customers, employees and shareholders. During this period the market conditions in public as well as private markets will of course be closely monitored.

CONCLUSIONS AND AMBITIONS

Without any doubt, 2009 was one of the most challenging years in the history of ING. In recognition of the increased demand for simplicity, reliability and transparency, we decided to start moving towards separation of our banking activities and insurance activities. This will help us simplify our organisation, enabling it to adapt itself more quickly, improve its efficiency and serve its customers better. On top of that, we took action to repay half of the capital we received from the Dutch State thanks to a successfully completed rights issue.

Our goal is to reinforce our position as a leading international retail, direct and commercial bank and to create an optimal base for a bright future of our insurance operations. While realising this ambition, we will do our utmost to maintain the confidence of our stakeholders and be a good corporate citizen. In the pursuit of our universal ideal of delivering an easier customer experience, we will continue to deliver financial products and services in the way that our customers want them delivered: with exemplary service and convenience provided at attractive prices.

Corporate responsibility

Being a responsible financial services provider and a good corporate citizen

Key points
> Key performance indicators for 2009 demonstrate the success of the Corporate Responsibility strategy
> Progress in 2009 included revised Business Principles, several financial education initiatives, a tougher Defence Policy, an intensified stakeholder dialogue and more environmentally friendly products
> Climate change appeals made to world leaders and Dutch government

ING wants to build its future on sustainable profit based on sound business ethics and respect for our stakeholders, and to be a good corporate citizen. As a result of the financial crisis, our responsibilities towards society have come to the forefront of public attention. This not only illustrates that our past efforts and ongoing commitment to corporate responsibility were justified, but also that the time has come to intensify our commitment even further. That is why our aspiration to be a responsible financial services provider and a good corporate citizen is embedded in our corporate strategy.

CLEAR CORPORATE RESPONSIBILITY STRATEGY

The essence of ING's Corporate Responsibility (CR) strategy is that we pursue profit on the basis of sound business ethics and respect for its stakeholders. We therefore have a clear vision on ethical, social and environmental issues, for both our banking and insurance operations. This vision can be summarised as follows:

- Being a responsible financial service provider means that we provide high quality products and services that meet the needs and expectations of our customers. It also means that we do not want to use our money for illegal, harmful or unethical purposes.
- Being a good corporate citizen means that we want to contribute to positive change in society. We therefore focus on developing products and services that have sustainability at their core and which take into account, among other things, our community development programmes on children and education, financial education and protecting the environment.

We have identified opportunities to further improve our CR policies. It is of the utmost importance that we fulfil our responsibilities towards society and constantly review them. To monitor global issues, understand sensitivities and receive feedback on our behaviour, we engage with our stakeholders in an open and honest dialogue and adapt our policies when necessary.

We have been measuring our CR performance since 1995 and today we use 10 key performance indicators. The results for 2009 are set out below:

PROGRESS IN 2009

ING BUSINESS PRINCIPLES REFRESHED

In 2009, ING launched a refreshed set of Business Principles and started a corresponding employee awareness campaign. ING first launched its Business Principles in 1999. Every five years the Principles are revised to ensure their relevance in a changing environment – the previous revision was in 2004. The 2009 employee engagement survey indicated that awareness of the principles had decreased, so we decided to take action. Only if all ING employees act with professionalism and integrity will we be able to maintain our stakeholders' confidence and preserve our Company's reputation. The principles play an important role in this respect, as they clearly prescribe the corporate values we pursue in both banking and insurance, and the responsibilities we have towards society and the environment.

The Business Principles are now defined as follows: we act with integrity, we are open and clear, we respect each other and we are socially and environmentally responsible. Besides setting up an awareness campaign for all employees, our 200 most senior managers have signed up to the principles. Every single ING employee will be held accountable for adhering to them.

MORAL AND ETHICAL STATEMENT

The renewed ING Business Principles more than cover the principles of the Dutch Banking Code with respect to moral and ethical conduct. Our Executive Board members have signed a statement with the promise to respect and enforce the ING Business Principles. In addition, the members of the Management Board Banking have signed the moral and ethical conduct declaration as defined in the Dutch Banking Code. For more information on ING and the Dutch Banking Code, please refer to www.ing.com.

FINANCIAL EDUCATION INITIATIVES

We strive to enhance the financial capability of consumers of financial services in general and our own customers in particular. A first step in achieving this is to provide clear and transparent information that helps customers understand our products and services. We have developed a number of practical tools to help them get a better insight into their personal financial situation and simplify their financial decision-making.

For example, ING Direct Canada has developed Planet Orange, an educational website for children in grades one to six and designed to broaden their understanding of financial issues in a playful and interactive way. The site invites children to 'blast off' on a journey to Planet Orange, where they can create an 'astronaut' profile and play games that teach them the basics of earning, saving, spending and investing money.

In the Netherlands we organised a series of financial information evenings to enable retail and private banking customers and entrepreneurs to discuss the current economic climate and its impact on their personal finances with our senior management. More than 150 of these sessions were organised, which were attended by more than 4,000 customers. For customers who were unable to attend the financial information evenings, we added a number of animated videos on the ing.nl website and a financial education section, eZonomics, on our corporate website ing.com. These online platforms explain the very basics of saving, investing, life insurance, retirement planning and home loans.

FINANCE AND INVESTMENT POLICIES: CONTROVERSIAL WEAPONS

Our vision on ethical topics, the environment, people and society is translated into policies which we apply all over the world. We take into account the demands and concerns of our stakeholders, based on a continuous dialogue with customers, employees, and shareholders, as well as with organisations involved in issues concerning human rights or climate change. As a result, we are able to constantly evaluate our policies and adjust them when necessary.

A clear example of this is our Defence Policy. In 2008, we began evaluating the policy to meet the changing demands and expectations of our customers, employees and wider society with regard to financial institutions' finance and investment decisions on controversial weapons. This led to a number of changes in 2009.

We extended the scope of the Defence policy to include all our business activities: not just lending and proprietary assets but also ING-managed funds (index trackers excluded). Although we do not oppose the defence industry as such, ING takes a firm stand against controversial weapons and the trade in controversial arms.

In light of both international agreements banning anti-personnel landmines and cluster munitions and society's general concern over depleted uranium ammunition, biological and chemical weapons, we consider these weapons to be controversial. ING will not provide financial services to companies involved in these kinds of weapons. ING will not invest its proprietary assets in controversial weapons companies and will, with the exception of discretionary mandates and trackers (ETFs), and wherever legally possible and independently enforceable by ING, ensure customer funds are not placed in such companies through ING managed funds.

DEVELOPING GREEN PRODUCTS

We strive to meet the growing demand from customers for products and services that are environmentally friendly and socially responsible as well as generate a good return. To meet these demands, ING offers several funds and products. Examples are sustainable investment funds, such as so-called thematic funds which enable clients to invest their money in microfinance projects, renewable energy or in projects contributing to a sustainable use of water.

In 2009, ING Retail in the Netherlands entered into a partnership with Igogreen to offer car insurance customers the opportunity to offset their car's CO_2 emission with investments in sustainable projects such as renewable wind and biomass energy. The amount of sustainable assets under management was EUR 2,524 million in 2009.

CLIMATE CHANGE ACTION

Environmental protection is a fundamental part of our commitment to responsible business and ING is doing what it can to help find solutions for climate change. For example, along with nine other Dutch banks, we issued a joint statement appealing to participants at the Copenhagen climate conference to reach clear agreements on sustainable energy. We also called on the Dutch government to create favourable investment conditions for a swift transition to sustainable energy sources. To focus greater attention on the financing of and investment in sustainable energy, we are evaluating our portfolio and assessing opportunities.

GLOBAL CHALLENGE

As part of the ING Chances for Children programme, we organise an annual initiative featuring employee volunteering and fundraising initiatives for children and education-related projects. Called Global Challenge, it is held on or around 20 November, the day the United Nations adopted the Convention on the Rights of the Child. The 2009 challenge was a resounding success, with employees once again using their creativity and drive to come up with a wide array of successful fundraising plans.

There was record participation and more funds were raised than in 2008. While the number of countries in which ING has operations declined in 2009 compared to 2008, the number involved in the Global Challenge actually rose, from 29 in 2008 to 33 in 2009.

Corporate responsibility (continued)

Around 17,000 ING employees were involved – 16.2% of our global staff, up from 10% in 2008. They volunteered a total of 35,551 hours of their time, raised EUR 992,801 and made a difference to the lives of 51,470 children.

STAKEHOLDER DIALOGUE INTENSIFIED

We have taken a number of initiatives to be more transparent and open for feedback about our environmental, social and ethical standards. For example, we have started a series of dialogue sessions on ING's role in society, the first of which was organised in 2009. Our CEO and top management engaged in dialogue with customers, social partners, non-governmental organisations (NGOs), media, policy makers, academia and investors. We also launched a new website (www.ingforsomethingbetter.com) to explain clearly what we do and why we make certain choices. ING employees around the world use it to share ideas with their colleagues and find opportunities to make a difference by joining one of our community investment projects on education and the environment.

GOALS FOR 2010

- To ensure that CR is an integral part of our corporate strategy, our social, ethical and environmental objectives will be quantified and used as a measure of performance in the Remuneration policy of the Executive Board's variable pay programme.
- We will set up a programme to support sustainable entrepreneurship.
- We aim to ensure that all consumer deposits and savings in the Netherlands are reinvested in such a way that they will have no negative social or environmental impact.
- We will set up a programme for top managers to develop themselves by working on real-life cases at NGOs in developing countries.
- We will endeavour to increase our sustainable assets under management by 5-10% more than our total assets under management and develop new sustainable products or services.

For more information on ING's CR strategy and performance, see our Corporate Responsibility Performance Report 2009 to be published on 6 April 2010 and www.ingforsomethingbetter.com.

KEY PERFORMANCE INDICATORS 2009

ING has identified 10 KPIs for its CR reporting. These KPIs relate directly to the ING CR strategy and are used by ING to measure CR performance within ING.

Key Performance Indicators [1]

	Year-end 2009	Year-end 2008
Equator Principles		
Number of projects reviewed	**77**	135
Sustainable assets under management [2] (in EUR million)	**2,524**	2,295
Customer satisfaction index [3]	**69.1%**	69.6%
Economic value (in EUR million)		
Total assets	**1,163,643**	1,331,663
Shareholders' equity	**33,863**	17,334
Total income	**47,765**	66,291
Result before tax	**–1,525**	–1,487
Net result	**–935**	–729
Personnel expenses: salaries	**5,076**	5,885
Personnel expenses: other	**2,262**	2,879
Employee engagement index [4]	**71%**	83%
Diversity		
Percentage of women in the international management council	**12.8%**	11.8%
ING Chances for Children		
Number of children provided with access to education	**107,575**	111,409
Green energy		
KWH (in thousands) of electricity purchased by ING that is derived from renewable resources	**330,582**	344,448
Dow Jones Sustainability Index	**75**	71
FTSE4Good Index	**Included**	Included

[1] The audit firm Ernst & Young has audited the KPIs for reasonable assurance.
[2] For a detailed overview, see the 2009 Corporate Responsibility Performance Report.
[3] Satisfaction scores are based on the American Customer Satisfaction Index (ACSI) methodology, adapted for the financial services market and based on a combination of questions related to overall satisfaction, customer delight and ideal provider. This score is not weighted by market. The selection of countries changes every year mainly due to strategic decisions of ING (e.g. investments and divestments). However, this does not have a significant impact on the overall customer satisfaction index score. The customer satisfaction scores of ING Direct are not included. ING Direct has a different way of measuring customer satisfaction.
[4] ING engagement index is the percentage of ING employees that have indicated that they are proud to work for ING. The research was carried out by Kenexa.

Capital management

Maintaining a strong capital position

ING seeks to maintain a strong capital position and to allocate capital efficiently across the Group. The exceptional market conditions in 2008 and in early 2009 had a significant negative effect on Shareholders' equity. ING took a number of steps to further strengthen its capital position throughout 2009.

Capital base: ING Groep N.V.

in EUR million	Year-end 2009	Year-end 2008
Shareholders' equity	**33,863**	17,334
+ Core Tier 1 securities	**5,000**	10,000
+ Group hybrid capital	**11,478**	11,655
+ Group leverage (core debt)	**6,913**	7,170
Total capitalisation (Bank + Insurance)	**57,254**	46,159
–/– Revaluation reserves fixed income and other	**–1,291**	6,769
–/– Group leverage (core debt) (d)	**–6,913**	–7,170
Adjusted equity (e)	**49,050**	45,758
Debt/equity ratio (d/(d+e))	**12.4%**	13.5%

Capital base: ING Bank N.V.

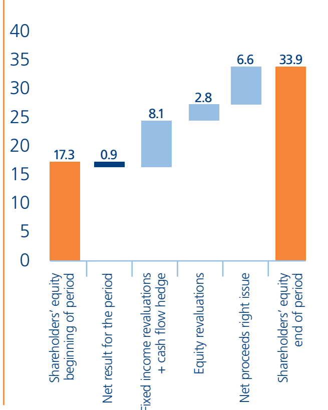
in EUR million	Year-end 2009	Year-end 2008
Core Tier 1	**25,958**	24,934
Hybrid Tier 1	**8,057**	7,085
Available capital Tier 1	**34,015**	32,019
Other capital	**10,716**	11,870
BIS capital	**44,731**	43,889
Risk-weighted assets [(1)]	**332,375**	343,388
Required capital Basel II	**26,590**	27,471
Required capital floor based on Basel I [(2)]	**28,709**	34,369
Core Tier 1 ratio [(1)]	**7.81%**	7.26%
Tier 1 ratio [(1)]	**10.23%**	9.32%
BIS ratio [(1)]	**13.46%**	12.78%

[(1)] Based on Basel II
[(2)] Using 80% and 90% of Basel I Risk-weighted assets in 2009 and 2008 respectively. In case a 80% floor would have been used, the required capital would have been EUR 30,550 million at year-end 2008

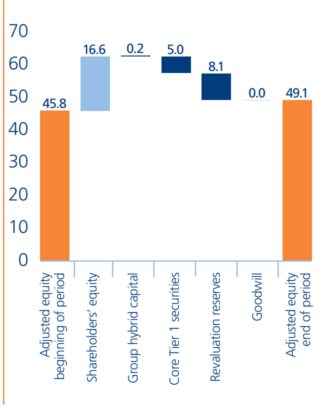
Capital base: ING Verzekeringen N.V. (Insurance)

in EUR million	Year-end 2009	Year-end 2008
Adjusted equity (e)	**23,954**	23,903
Core debt (d)	**2,586**	2,301
Debt/equity ratio (d/(d+e))	**9.7%**	8.8%
Available capital (a)	**21,022**	22,010
EU required regulatory capital (b)	**7,774**	8,582
Capital coverage ratio (a/b)	**270%**	256%

ING Group's shareholders' equity movement in 2009



ING Group's adjusted equity movement in 2009



MARKET CONDITIONS

Market conditions reached a low for the year at the end of the first quarter, but gradually improved over the remainder of the year. The European Central Bank (ECB) kept short-term interest rates low throughout the year. Equity, fixed income and real estate impairments negated underlying profitability.

ILLIQUID ASSETS BACK-UP FACILITY

In order to mitigate the impact of the crisis, ING Group negotiated an Illiquid Assets Back-up Facility with the Dutch State in January 2009. Through this facility ING Group transferred 80% of its Alt-A RMBS portfolio in ING Direct USA and ING Insurance US at a price of 90% of par in return for a government note. This reduced Risk Weighted Assets (RWAs) by approximately EUR 13 billion.

RESTRUCTURING PLAN FILED WITH EUROPEAN COMMISSION

Under European Commission rules, companies that received state support in the context of the financial crisis are required to submit a restructuring plan to demonstrate their long-term viability and prevent undue distortion of competition. In November, the European Commission formally approved the restructuring plan submitted by ING. For more information, please see the section 'ING and the financial environment'.

REPURCHASE CORE TIER 1 SECURITIES

In conjunction with the restructuring plan, ING reached an agreement with the Dutch State to facilitate early repayment of half of the core Tier 1 securities issued in 2008. ING used the opportunity to repurchase EUR 5 billion of core Tier 1 securities in December 2009, financed by the successful executions of a fully underwritten rights issue of EUR 7.5 billion.

DIVIDEND POLICY

It is ING's policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends can only be declared by shareholders when the Executive Board considers such dividends appropriate, taking into consideration the financial conditions then prevailing and the longer-term outlook.
Given the uncertain financial environment, ING will not pay a dividend over 2009.

GROUP EQUITY

Adjusted equity of ING Group rose from EUR 46 billion to EUR 49 billion, while shareholders equity increased from EUR 17 billion to EUR 34 billion. The two graphs on the left explain these developments.

Shareholders' equity improved due to the proceeds from the rights issue of EUR 7.5 billion, net of EUR 0.9 billion of fees, expenses and accrued interest on the core Tier 1 securities. Furthermore, the increase is largely driven by higher fixed income revaluation reserves and higher equity securities revaluation reserves.

In adjusted equity, the fixed income revaluation reserve is added back, given the asymmetry of the accounting for assets and liabilities, where available-for-sale assets are marked-to-market through shareholders' equity while most financial liabilities are booked on an amortised cost basis. Adjusted equity improved by EUR 3.3 billion of which EUR 1.7 billion as a result of the net proceeds of the rights issue exceeding the repayment of the core Tier 1 securities to the Dutch State.

Capital management (continued)

KEY CAPITAL AND LEVERAGE RATIOS

Group leverage, defined as the Group's equity investments in Banking and Insurance less Group adjusted equity, declined from EUR 7.2 billion to EUR 6.9 billion. As a result the Group debt/equity ratio reduced from 13.5% to 12.4%. Group injected EUR 0.15 billion into Bank and net injected EUR 0.2 billion into Insurance during the year. The Group raised EUR 7.5 billion of capital through a rights issue. EUR 5.6 billion was used to make an early repurchase of EUR 5 billion of the core Tier 1 securities from the Dutch State and EUR 1.3 billion (pre-tax) was used to account for the one-time provision for the Illiquid Assets Back-up Facility as agreed with the European Commission.

Group did not raise hybrid Tier 1 capital during 2009. Due to the financial crisis, the markets attach less value to hybrids in general. To reduce the hybrid ratio at ING Insurance, the Group on-lent EUR 1 billion of hybrids to ING Bank, which were previously on-lent to ING Insurance.

Tier 1 capital at Bank increased from EUR 32 billion to EUR 34 billion, further strengthening the Bank's Tier 1 ratio from 9.3% at the end of 2008 to 10.2%. The net profit of Bank was EUR 0.7 billion. RWAs decreased from EUR 343 billion at the start of the year to EUR 332 billion at the end of the year. Basel I RWAs also decreased from EUR 477 billion to EUR 448 billion. The nominal balance sheet of Bank decreased considerably from EUR 1,035 billion to EUR 882 billion (-15%) as part of our deleveraging program. The difference between nominal balance sheet growth and the growth of RWAs can be explained by the relative reduction of money market activities. Nominal lending by Bank declined from EUR 598 billion to EUR 552 billion, a decrease of 8%. The debt/equity ratio of Insurance increased from 8.8% to 9.7%. The hybrid ratio of Insurance was brought back below the 25% target by moving excess hybrids to Bank.

CAPITAL MARKET OPERATIONS

In 2009, the following issues were executed:
For ING Bank N.V.

- EUR 4,000 million 5-year Government Guaranteed Bonds
- USD 6,000 million 3-year Government Guaranteed Bonds
- USD 2,000 million 5-year Government Guaranteed Bonds
- EUR 2,000 million 5-year Covered Bonds
- EUR 1,250 million 10-year Covered Bonds

ACQUISITIONS AND DIVESTMENTS

In 2009, ING divested several businesses as part of its Back to Basics strategy of focusing on fewer, but stronger businesses.

ING sold its Taiwanese life insurance business to Fubon Financial Holding Co. Ltd. for a final sales price of EUR 466 million resulting in a loss of EUR 292 million. The sale was completed in February 2009 and differs from the proceeds reported in 2008 of EUR 447 million due to movements in the dollar/euro exchange rate between the date of signing the sales agreement and the date of closing. ING was paid in shares and subordinated debt securities of Fubon, and as such took a 5% shareholding in the company, which had risen 71% in terms of EUR by year end 2009. ING sold its 70% stake in ING Canada for net proceeeds of EUR 1,316 million via a private placement to a group of institutional investors and the sale of the remaining shares to a syndicate of underwriters. As a result, ING Insurance's debt/equity ratio improved by more than 400 basis points. ING also completed the sale of its 51% stake in ING Australia, the wealth management and insurance joint venture in Australia and New Zealand, to joint venture partner ANZ Bank, for EUR 1.1 billion in cash generating a profit of EUR 337 million for ING and reducing ING Insurance's debt/equity ratio by 365 basis points. Other business sales included ING's Annuity and Mortgage businesses in Chile to Corp Group Vida Chile, ING's Russian non-state pension fund and the Argentine annuity business.

ING announced the sale of its Asian Private Banking business to Oversea-Chinese Banking Corporation (OCBC Bank) for approximately EUR 1 billion, generating a profit of approximately EUR 300 million. The deal was closed on 29 January 2010. The sale of ING's Swiss Private Banking business to Julius Baer for approximately EUR 344 million (CHF 520 million) was also announced, generating a profit of approximately EUR 70 million. This transaction was completed on 14 January 2010.

Among other announced transactions was an agreement to transfer ING's US group reinsurance business, ING Reinsurance US to Reinsurance Group of America, Inc. This will have a limited positive impact on ING's 2010 earnings. It is expected to release approximately EUR 100 million in capital and improve ING Insurance's debt/equity ratio by around 60 basis points. The transfer was closed on 1 January 2010. Also announced was the agreement to sell three of ING's US independent retail broker-dealer businesses Financial Network Investment Corporation, Multi-Financial Securities Corporation, PrimeVest Financial Services, Inc. to Lightyear Capital LLC. This transaction was completed on 31 January and is not expected to have a material impact on ING's earnings.

ING also announced an agreement to sell its 50% stake in Pacific Antai Life Insurance Company (PALIC) to China Construction Bank (CCB). The transaction is expected to close in the second half of 2010, subject to regulatory approvals.

ING Platform Services (IPS), a wealth management platform in Hong Kong and Singapore was sold to iFAST, a Singaporean-based platform provider.

Risk management

Continued risk mitigation to get Back to Basics

ING continued to take risk mitigating measures, but was still negatively impacted by markets that remain illiquid, even though some markets improved during 2009. Primarily markets for real estate, and assets with real estate underlying, remained impacted by continued turmoil. 2009 was also the year of proposed changes in regulations, many of which may impact risk management, risk measurement and the financial condition of ING going forward.

Next to the steps taken to reduce the risk profile via risk mitigation, ING also worked on applying lessons learned from events in previous years. These lessons applied primarily to risk governance, risk measurement and risk appetite. The risk governance was enhanced with a Risk Committee at Supervisory Board level. During 2009 ING worked on further improving and simplifying the risk measurement and appetite methodology.

Pre-tax P&L impact impairments, fair value changes and trading losses

in EUR million	2009	2008
US subprime RMBS	–350	–120
Alt-A RMBS	–1,405	–2,064
CDOs/CLOs	133	–394
CMBS	–25	0
Total	**–1,647**	–2,578

US subprime RMBS, Alt-A RMBS, CDO/CLO and CMBS exposures and revaluations at year-end 2009

in EUR million	Market value	Pre-tax revaluation via equity
US subprime RMBS	1,428	–811
Alt-A RMBS	2,964	–239
CDO/CLO	4,087	–127
CMBS	7,711	–1,834
Total	**16,190**	**–3,011**

ING'S RISK MANAGEMENT ORGANISATION

Taking measured risks is part of ING's business. As a financial services company active in banking, investments, life insurance and retirement services, ING is naturally exposed to a variety of risks. To ensure measured risk-taking ING has integrated risk management in its daily business activities and strategic planning. Risk Management assists with the formulation of risk appetite, strategies, policies and limits and provides a review, oversight and support function throughout the Group on risk-related issues.

ING Risk Management's mission is to build a sustainable competitive advantage by fully integrating risk management into daily business activities and strategic planning. The following principles support this objective:

- products and portfolios are structured, underwritten, priced, approved and managed appropriately, and compliance with internal and external rules and guidelines is monitored;
- ING's risk profile is transparent, managed to avoid surprises, and consistent with delegated authorities; and
- transparent communications are maintained with internal and external stakeholders on risk management and value creation.

The recent market turmoil underscores the importance of living by this risk mission statement.

In recent years, ING has systematically improved its risk management capabilities with investments in people, governance, processes, measurement tools and systems. This has become necessary as investor demands have increased, and regulation continues to evolve with market practices.

RISK MANAGEMENT SUPPORTS THE BUSINESS

Risk Management benefits ING and its shareholders directly by providing more efficient capitalisation and lower costs of risk and funding. The cost of capital is reduced by working closely with rating agencies and regulators to align capital requirements to risks. Risk Management helps business units to lower funding costs, make use of the latest risk management tools and skills, and lower strategic risk, allowing them to focus on their core expertise with the goal of making ING's businesses more competitive in their markets.

Risk measurement allows ING to identify portfolios generating economic value. Risk management can help identify the most economically promising areas as well as those businesses that are underperforming and in some cases need to be sold.

DETERMINING THE RISK APPETITE

The risk appetite for ING is set by the Executive Board and ratified by the Risk Committee of the Supervisory Board. This Risk Committee was established in 2009 to enhance the ING Risk Governance, and to allow a more forward-looking discussion on risk among Supervisory Board members. Owing to this structure the audit committee and risk committee each cover a singular topic, and it ensures an increased focus on both financial reporting and risk related topics.

ING's risk governance framework ensures that the risk appetite is communicated and enforced throughout the Group. The framework contains three lines of defence: the business lines themselves, which have the primary responsibility for day-to-day

Risk management (continued)

management; Risk Management and Finance, which provide high-level policies, limits and risk oversight, as well as day-to-day transaction approval; and Corporate Audit Services, the internal audit department within ING Group, which provides an independent assessment of the design and effectiveness of internal controls at all levels of ING Group.

FINANCIAL RISK DASHBOARD

The risk appetite, or the willingness of the Group to take risks, is measured through three key metrics: Earnings at Risk and Capital at Risk which are measured in the Financial Risk Dashboard, and Economic Capital. Business line managers aim to maximise value relative to these measures, while Risk Management monitors and controls the risk profile against the Group's risk appetite. The metrics enable the Executive Board to identify risk concentrations and potential risk-mitigating actions. They provide an overview of risks inherent in all the banking and insurance businesses and facilitate monitoring the adherence of risk-taking with respect to the Group's risk appetite. It thereby allows ING to take strategic decisions using comparable risk measures and to maximise efficient capital allocation. The crisis demonstrated the importance and value of the metrics since they were used as a tool to inform the Executive Board of the impact of potential risk-mitigating actions on the Group-wide risk profile, however the crisis also highlighted some of the shortcomings of the methodology. Effort was put into aligning Earnings at Risk more with accounting principles.

In 2009, as part of the lessons learned, ING has redefined its risk appetite framework. The updated framework is more closely aligned with Capital Management targets. The crisis also demonstrated that capital requirements and especially changes in capital requirements can become a bottleneck. In order to address the risk of changes to capital requirements as a result of changing market circumstances ING has developed some new metrics, such as 'Risk-Weighted Assets at Risk' (RWA@Risk) to improve the manageability of risk-weighted assets for ING Bank, and 'local solvency at risk' for ING Insurance. The revised framework has been implemented in 2010, and will be further rolled out.

NON-FINANCIAL RISK DASHBOARD

Since 2008 the Non-Financial Risk Dashboard (NFRD) is a standard report on the agenda for both the Executive Board and the Audit Committee and (as of 2009) the Risk Committee meetings. The NFRD was introduced to keep focus on the key risk exposures when looking at the risk faced by business units. NFRD delivers comprehensive and integrated risk information on Operational, Compliance and Legal Risks, using a consistent approach and risk language at all levels in the organisation.

MARKET DEVELOPMENTS IN 2009

2009 was the year in which some markets rebounded from the 2007-2008 crisis, while other markets stabilised or even further deteriorated. Equity markets improved but the US housing market further deteriorated in the first half of 2009, though improved slightly in the second half of the year. Overall, the US housing prices declined slightly compared to year-end 2008, which meant that prices for real estate and prices for asset classes with real estate underlying remain impacted by the continued turmoil.

The improvements in the markets were also visible through the decrease in volatility during 2009, as well as the decrease in credit spreads. Short-term interest rates continued to decrease, both in the US and Europe. At the same time long-term interest rates in Europe decreased slightly from their 2008 level, and in the US the long-term interest rates increased during 2009.

RISK MITIGATING ACTIONS

Anticipating a further downturn in the markets in 2009, ING took additional actions to reduce risk across major asset classes. First, the derisking activities that started in 2008, were continued and increased during 2009. Second, deleveraging helped reduce risk via reduction of the bank balance sheet. Finally, the Back to Basics initiative further reduced risk through the sale of businesses in order to focus more on ING's core activities and markets.

The activities for the bank balance sheet reduction were already started in 2008, but during 2009 the bank balance sheet was further reduced by EUR 153 billion, and as such the reduction target of EUR 108 billion was reached.

Balance sheet reduction was also notable in the Available-for-Sale (AFS) portfolio which reduced by EUR 45 billion in 2009. The reduction was realised through maturing bonds and pre-payments, but also due to reclassifications out of this category to loans and advances. In ING Direct the investment portfolio was reduced and more emphasis was placed on own originated assets. Next to the fact that ING's revaluation reserve improved significantly during 2009, ING is now also less sensitive to revaluation reserve changes. The combination of a reduced balance sheet and improved IFRS equity made the Bank asset leverage ratio improve from 35.3 at 31 December 2008 to 27.8 at 31 December 2009.

Focus during the year was also on containment of risk-weighted assets. Credit migration due to downgrades of counterparties resulted in higher risk weights for assets, leading to higher required capital. In order to mitigate the RWA increase, several derisking steps were taken. The first major step was taken at the start of the year when ING and the Dutch State entered into the Illiquid Assets Back-up Facility (IABF). See the section 'ING and the financial environment' for more information on the IABF term sheet. Additional mitigation of the RWA migration was done by further reducing the Residential Mortgage Backed Securities (RMBS) portfolio, for example via the sale of US Prime RMBS securities during the fourth quarter. These and other management actions resulted in a RWA reduction during 2009 of EUR 11 billion, going from EUR 343 billion at year-end 2008 to EUR 332 billion at year-end 2009.

ING continued to derisk its product offering in 2009. This was accomplished through the redesign of products (mainly the US variable annuity products), and by removing products from our product range in line with the Back to Basic programme.

ING'S ASSET BASE

ING primarily collects retail savings around the world and invests them in various assets. As one of the world's largest savings banks, ING's substantial and high-quality balance sheet was EUR 1,164 billion at the end of 2009. Apart from financial assets at fair value through the P&L, ING has two other main blocks of assets in its balance sheet. There is EUR 579 billion consisting of well-rated or collateralised corporate loans and mortgages. Another EUR 212 billion is in investments, 95.8% of which is invested in debt securities and 4.2% in equity securities. Finally, ING has EUR 233 billion in financial assets at fair value through profit and loss.

LIQUIDITY RISK MANAGEMENT AT ING

The availability of liquidity in the markets significantly improved over the course of 2009. Liquidity risk management remains a key issue. ING's approach to liquidity management requires a surplus of liquid assets, liquidity contingency plans and close monitoring of market conditions. ING Bank benefits from a diversified funding base with customer deposits providing circa 60% of total funding. These customer deposits from retail and corporate clients are considered as relatively stable sources of funding.

As a consequence of the financial turmoil, bank regulators have increasingly consulted the financial industry on tighter liquidity regulations. Tighter regulations are expected to become operative in the coming years. In anticipation thereof ING increased its liquidity buffers.

CREDIT RISK MANAGEMENT

Credit risk is the risk of loss from default by debtors (including bond issuers) or trading counterparties. Credit risks are split into five principal risk categories:

- lending risk (including guarantees and letters of credit);
- investments risk;
- pre-settlement risk (derivatives, securities financing and foreign exchange trades);
- money market risk;
- settlement risk.

Corporate Credit Risk Management (CCRM) is responsible for the measurement and management of credit risk incurred by all ING Group entities, including country-related risks. CCRM is organised along the three business lines of ING Bank (e.g. Retail Banking, Commercial Banking and ING Direct) and ING Insurance. The CCRM General Manager is functionally responsible for the global network of credit risk staff, while the heads of the credit risk management functions for the business lines report directly to him.

ING Group's credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the business lines by means of top-down concentration limits for countries, individual borrowers and borrower groups. The aim within the banking sector is to expand relationship-banking activities, while maintaining stringent internal risk/return guidelines and controls.

ING's credit exposure is mainly related to traditional lending to individuals and businesses followed by investments in bonds and other securitised assets. Loans to individuals are mainly mortgage loans secured by residential property. Loans (including guarantees issued) to businesses are often collateralised, but can be unsecured based on internal analysis of the borrowers' creditworthiness. Bonds in the investment portfolio are generally unsecured. Securitised assets such as Mortgage Backed Securities (MBS) and Asset Backed Securities (ABS) are secured by the pro rata portion of the underlying diversified pool of assets (commercial or residential mortgages, car loans and other assets) held by the issuer of the security.

MARKET RISK MANAGEMENT AT ING BANK

Market risk is the risk that movements in market variables, such as interest rates, equity prices, foreign exchange rates and real estate prices, negatively impact the bank's earnings, market value or liquidity position. Market risk either arises through positions in trading books or through the banking book positions. The trading positions are held for the purpose of benefiting from short-term price movements, while the banking book positions are intended to be held in the long term (or until maturity) or for the purpose of hedging other banking book positions.

Within ING Bank, market risk (including liquidity risk) falls under the supervision of the Asset and Liability Committee (ALCO) function with ALCO Bank as the highest approval authority. ALCO Bank determines the overall risk appetite for market risk. The ALCO function is regionally organised with the exception of ING Direct, which has a separate ALCO. The business lines Retail Banking and Commercial Banking are represented within the respective regional and local ALCO's. The ALCO structure within ING Bank facilitates top-down risk management, limit setting and the monitoring and control of market risk. This ensures a correct implementation of the ING Bank risk appetite.

The Corporate Market Risk Management department (CMRM) is the designated independent department that is responsible for the design and execution of the bank's market risk management functions in support of the ALCO function. The CMRM structure recognises that risk taking and risk management to a large extent occurs at the regional/local level. Bottom-up reporting allows each management level to fully assess the market risk relevant at the respective levels.

CMRM is responsible for determining adequate policies and procedures for managing market risk and for monitoring the compliance with these guidelines. An important element of the market risk management function is the assessment of market risk in new products and businesses. Furthermore CMRM maintains an adequate limit framework in line with ING Bank's risk appetite. The businesses are responsible for adhering to the limits that ultimately are approved by ALCO Bank. Limit breaches are reported to senior management on a timely basis and the business is required to take the appropriate actions to reduce the risk position.

Risk management (continued)

INSURANCE RISK MANAGEMENT

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

ING INSURANCE – INSURANCE RISKS

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 product design requirements as set by ING's Insurance Risk Management function, independent product approval processes, risk limitations and standard underwriting policies related to insurance policy terms and conditions agreed with the client.

For portfolio risks which are not mitigated by diversification, the risks are managed primarily through concentration and exposure limits and through reinsurance and/or securitisation. For non-life insurance, risk tolerance levels are set for catastrophic events (e.g. natural perils such as storms, earthquakes and floods) and for individual risks.

In order to determine how much reinsurance protection is required, the risk tolerance levels are compared to the estimated maximum probable loss resulting from catastrophic events with a 1 in 250 probability of occurrence, which is in line with industry practice. Overall exposures and concentrations are actively managed within limits and risk tolerance levels through the purchase of external reinsurance. Particularly for the property and casualty portfolio, ING purchases protection which substantially mitigates ING's exposure due to natural catastrophes. ING believes that the credit risks to which it is exposed under reinsurance contracts are minor, with exposures being monitored regularly.

ING INSURANCE – MARKET RISKS

ING Insurance is exposed to market risk to the extent to which the market value of surplus can be adversely impacted due to movements in financial markets; these include interest rates, equity prices, implied volatilities of options, foreign exchange rates and real estate prices. Changes in financial market prices impact the market value of ING's current asset portfolio and hedging derivatives directly as well as the calculated market value of ING's insurance liabilities.

OPERATIONAL RISK MANAGEMENT (ORM)

ING is exposed to operational risks on a daily basis through its client relationships, product offerings, IT infrastructure and daily operations. Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the related risk of reputation loss, as well as legal risk. Effective operational risk management leads to more stable business processes (including IT systems) and lower operational risk costs. ORM uses a layered functional approach within business lines to ensure systematic and consistent implementation of the Group-wide ORM framework, policies and minimum standards.

ING has developed a comprehensive framework supporting and governing the process of identifying, mitigating, measuring and monitoring operational risks. Generic mandatory controls are described in the ORM policy house. The policies were refined in 2009.

Clear and accessible policies and minimum standards are embedded in ING business processes in all business lines. An infrastructure is in place to enable management to track incidents and operational risk issues. A comprehensive system of internal controls creates an environment of continuous improvement in managing operational risk. ING uses this knowledge (including lessons learned from incidents) to improve the control of key processes.

COMPLIANCE RISK MANAGEMENT

ING believes that our compliance risk management practices are in the best interest of its customers, shareholders and staff, and is important for the way ING does business. Managing compliance with relevant laws, regulations and ethical/internal standards, in both letter and spirit, is essential for maintaining a good reputation. It also leads to lower operational risk costs and more stable business processes.

The Executive Board, Management Boards, and senior management share a clear vision of reputation management that goes well beyond the compliance and operational risk functions. They expect the highest levels of personal conduct and integrity from all employees and managers to safeguard the Group's reputation. In 2009, the Non-Financial Risk Dashboard, providing management with an overview of key risks in their jurisdiction, became the standard for reporting to the Executive Board. At the same time, next steps were taken in the realisation of an IT-related NFRD enabling tool.

In 2009, updates to Financial Economic Crime-related Policies and Minimum Standards underpinned the importance of combating money-laundering and the funding of terrorist and criminal activities.

FURTHER EMBEDDING OF FINANCIAL ECONOMIC CRIME & EXTRATERRITORIAL REGULATIONS

ING's commitment to prevent any involvement in criminal activity was reinforced by the review and updating of the Financial Economic Crime and Extraterritorial policies. In keeping with our obligation to provide consistent relevant education a series of specialised face to face training sessions were held for over 250 Money Laundering Reporting Officers. These global events not only provided information on the updated policies but also gave a valuable opportunity to share best practices.

Banking

Management Board Banking
on 1 January 2010

Jan Hommen
chief executive officer

Patrick Flynn
chief financial officer

Koos Timmermans
chief risk officer

Eric Boyer de la Giroday
vice-chairman and
CEO Commercial Banking

Hans van der Noordaa
CEO Retail Banking Benelux

Eli Leenaars
CEO Retail Banking Direct and International

In 2009, ING Bank was comprised of Retail Banking, ING Direct and Commercial Banking. It has a strong European footprint, especially in its home markets in the Benelux, and promising positions in the largest Central European countries: Poland, Romania and Turkey. Beyond Europe, ING Bank has growth options in Canada, Australia, India, China and Thailand.

ING Bank has a home market position in the Benelux markets: ING is the number two retail bank in the Netherlands and ranks fourth in Belgium. It has a strong Benelux Commercial Bank with an international network. ING is the world's leading direct bank. It is the number three retail bank in Germany with ING-DiBa.

Underlying result before tax (excluding the impact of divestments and special items) improved by 100.4% to EUR 900 million, despite the continuing weakness in the US housing and real estate market. This was supported by a strong improvement of the underlying results before market impacts and risk costs in all three business lines. Risk costs, however, increased significantly, as the credit crisis affected the real economy. Retail Banking and Commercial Banking remained profitable, while ING Direct reduced its loss to EUR 666 million.

The total result before tax from banking operations declined to a loss of EUR 826 million in 2009 from a profit of EUR 148 million in 2008. The loss was driven by EUR 1,726 million of special items. This was mainly related to additional payments on the Illiquid Assets Back-up Facility and charges for the merger of the retail banking activities in the Netherlands.

Underlying income rose 13.5% to EUR 13,312 million. The interest result increased 13.1%, driven by higher margins at ING Direct and Commercial Banking. In 2009, client balances rose by EUR 35 billion to EUR 1,108 billion. The total interest margin improved to 1.32% from 1.07% in 2008, supported by the deleveraging of the balance sheet. Commission income decreased 7.5% driven by lower management fees. Investment and other income was EUR –1,905 million compared with EUR –2,250 million in 2008, mainly due to continued high impairments on debt securities and negative revaluations on real estate.

Underlying operating expenses declined 5.6% to EUR 9,439 million, driven by cost containment initiatives as part of the Back to Basics programme. This decline was realised despite higher impairments on real estate development projects, increased deposit insurance premiums at ING Direct, and the provision taken for the deposits guarantee scheme in the Netherlands following the bankruptcy of DSB Bank.

The underlying cost/income ratio improved to 70.9% from 85.3% in 2008, driven by higher income, excluding impairments and fair value changes the cost/income ratio was 54.4% in 2009.

The underlying net addition to the provision for loan losses increased to EUR 2,973 million from EUR 1,280 million in 2008. Risk costs in 2009 were 102 basis points of average credit-risk-weighted assets (compared with 48 basis points in 2008).

ING's ambition is to be a leader in international retail, direct and commercial banking with attractive growth options in Central Europe, Turkey and selected markets throughout the Asia/Pacific region.

Banking

Retail Banking

Solid performer with a clear and consistent customer focus strategy

Key points

> Continuation of strategy in line with Back to Basics programme
> Short-term focus on cost reduction, derisking and deleveraging
> New service models in the Benelux well under way
> Commitment to long-term growth in Asia
> Divestment of Asian and Swiss private banking activities

Financial overview		
in EUR million	**2009**	2008
Total underlying* income	**7,239**	7,399
Underlying* operating expenses	**4,708**	5,307
Underlying* additions to loan loss provisions	**997**	401
Underlying* result before tax	**1,534**	1,691
Total result before tax	**1,164**	1,420
Underlying* cost/income ratio	**65.0%**	71.7%
Client balances (EUR billion)	**497.9**	478.3
Net production client balances (EUR billion)	**10.9**	34.2
Risk-weighted assets (EUR billion)	**98.8**	95.0
Underlying* after-tax RAROC	**22.7%**	21.7%
Underlying* economic capital (EUR billion)	**6.6**	5.9

* Underlying numbers are derived from IFRS-EU numbers, excluding the impact of divestments and special items.

Breakdown of underlying income	
in EUR million	**2009**
Netherlands	**3,885**
Belgium	**2,184**
Central Europe*	**864**
Asia*	**306**
Total	**7,239**

* Mainly the retail banking operations in Poland, Turkey, Romania, India (ING Vysya Bank), Private Banking Asia, the ING participations in Bank of Beijing, TMB and Kookmin Bank.

Despite the difficult business environment, Retail Banking delivered a solid performance. Aligned with the Group's Back to Basics programme, Retail Banking concentrated on cost reduction, derisking and deleveraging. In Europe, the launch of the newly integrated Dutch retail bank ING was successfully executed and the new service models in the Benelux progressed well. In Asia, the commitment to long-term growth options continued successfully. The Private Banking activities in Asia and Switzerland were sold.

FINANCIAL DEVELOPMENTS

Retail Banking's result still suffered from the intense competition for savings which started in 2008, although a gradual improvement in margins was visible in the course of 2009. In 2009, demand for lending was moderate, but risk costs increased. Net production in client balances was EUR 10.9 billion, bringing the total to EUR 497.9 billion at year-end 2009.

Underlying result before tax declined 9.3% to EUR 1,534 million in 2009, driven by a strong increase in risk costs, while a slight decline in income was more than offset by lower operating expenses. Total result before tax declined 18.0% to EUR 1,164 million, as 2009 included EUR 370 million of charges recognised as special items related to the merger of the retail operations (Postbank and ING Bank) in the Netherlands and the cost savings programme announced in April 2009.

Total underlying income declined slightly by 2.2% to EUR 7,239 million. The interest result rose 3.3% mainly driven by higher margins and volumes in Belgium. This was largely offset by the impact of lower interest margins in the Netherlands. Outside the Benelux, the interest results of ING Bank Turkey and ING Vysya Bank both improved, while in Poland it declined. Commission income decreased 13.3%, mainly as a result of lower fees on asset management-related products. Investment and other income dropped 44.8% among other things due to lower financial market products-related income in the mid-corporate segment and lower dividend income from the Asian equity investments.

Underlying operating expenses declined 11.3% to EUR 4,708 million driven by the cost containment measures, the benefits from the transformation programmes in the Benelux and favourable currency impacts. In the Benelux, expenses were 10.6% lower. Outside the Benelux, the decline was 14.2%. As part of the Back to Basics programme, internal staffing was reduced by 2,266 FTEs in 2009. In addition, staffing was reduced by another 907 FTEs due to the merger of the retail banking activities in the Netherlands. On top of this, Retail Banking reduced its external FTEs by almost 3,800. The underlying cost/income ratio improved to 65.0% from 71.7% in 2008.

The addition to the loan loss provisions more than doubled to EUR 997 million in 2009. This was mainly caused by higher risk costs in the mid-corporate and SME segments. At Private Banking, risk costs were up as underlying collateral for loans decreased. Risk costs on the mortgage portfolio remained relatively low.

The underlying risk-adjusted return on capital (RAROC) after tax from Retail Banking improved to 22.7% in 2009 from 21.7% in 2008.

Average economic capital increased EUR 0.7 billion to EUR 6.6 billion in 2009, mainly in the Benelux and Turkey. In 2009, total risk-weighted assets rose 4.0% to EUR 98.8 billion at year-end, mainly due to increases in Central Europe.

COUNTRY DEVELOPMENTS

In the Netherlands, underlying result before tax declined 30.2% driven by a 10.6% decline in income due to lower interest margins while risk costs doubled, in part offset by 12.6% lower expenses. In Belgium, result before tax rose 76.6% due to 18.6% higher income and 6.7% lower expenses and despite substantially higher risk costs. In Central Europe, result before tax rose to EUR 88 million from EUR 17 million in 2008, driven by strongly improved results in Turkey while results in Poland declined. In Asia, a EUR 67 million loss before tax was realised compared with a profit of EUR 50 million in 2008, due to 8.1% lower income and a sharp increase in risk costs, mainly at Private Banking.

BUSINESS DEVELOPMENTS

Though 2009 was characterised by high market volatility and an uncertain economic environment, consumer trends remained unchanged: clients were increasingly searching for simple products at a fair price and accessible through the channels of their choice. This meant the goal of improving products and processes to meet customer needs and regain their trust remained a priority. Reducing cost, balancing the product mix and putting a high priority on risk management were additional key elements of the strategy to weather the financial crisis.

In 2009, Retail Banking's short-term emphasis was on cost reduction, derisking and deleveraging, without losing sight of long-term objectives. Good progress was made on all fronts. Of the targeted EUR 200 million in cost savings for Retail Banking, EUR 333 million was realised by year-end. On top of this, ING saved EUR 100 million by integrating its two Dutch retail banks, Postbank and ING Bank, and staffing was reduced by 907 FTEs as a result of the merger. Retail Banking also reduced staffing levels by 2,266 full-time equivalents by year-end.

Derisking measures progressed well. ING focused in particular on managing its mortgage risks and tightened its underwriting criteria in lending. Margins on lending rose, reflecting higher risk premiums. ING also decided to close its retail banking operations in Ukraine, a market it entered successfully in 2008.

BENELUX: NEW DISTRIBUTION MODEL

Changing market conditions and customer behaviour led to a shift in the business model of the retail banking operations in the Benelux. Two years ago, ING combined its strengths into a new distinctive 'direct when possible, advice when needed' model that became the basis of ING's strategy. In its mature markets, ING's long-term strategy is to concentrate on this model and consolidate branches to save costs. Also in other markets, ING is evolving to the same model.

The transformation initiatives in the Benelux progressed well and are giving ING a head-start on competitors.

In February 2009, the Dutch retail bank ING (combining Postbank and ING Bank) was created. The new bank, based on the internet-first model, serves over 8 million retail clients and 600,000 business customers. This large customer base offers room for growth and the opportunity to increase income by increasing cross-selling to clients. The significant reduction in the cost base derived from the integration puts ING in an excellent position to benefit from future market recovery.

By the end of the year, 200 branches had been converted into the new multi-channel service concept, which offers customers the options of banking – like in Belgium – from home via the internet, telephone or email, or by visiting branches for personal advice.

Enhancing its reputation and regaining customer confidence became ING Retail Netherlands' priorities in light of the credit crisis. To this end, a programme was launched to improve products, services, processes, pricing, customer contact and satisfaction, and brand image. For example, a 'Mortgage Help' package was introduced to offer information, advice and payment alternatives to mortgage customers affected by the economic downturn. ING also organised financial information sessions to update customers on the economic crisis and its impact on their daily expenditure, home finances, pensions and savings.

The market for savings and deposits remained highly competitive and put pressure on margins. In the Netherlands, ING gave preference to margins over volumes. Average margins decreased but started to recover in the second half of the year. ING was successful in maintaining and even slightly increasing customer savings and deposits, resulting in net production of EUR 3.8 billion in 2009.

The economic slowdown meant there was less appetite for borrowing from businesses and individuals. However, ING remained committed to providing loans to businesses and by year-end the total outstanding portfolio (including consumers) had increased to EUR 242.7 billion. As part of the Illiquid Assets Back-up Facility with the Dutch State, ING agreed to support the growth of Dutch lending to businesses and consumers by making available EUR 25 billion for lending at market-conforming terms. ING exceeded the EUR 25 billion commitment and lent EUR 26.2 billion in 2009.

In Belgium, too, ING is shifting to a business model based on 'direct when possible, advice when needed'. Traditional branches are being transformed into scaled-down outlets with self-service cash functions and online banking access. By the end of 2009, 262 of such outlets were opened. Alongside these scaled-down outlets are a further 242 full-service branches. Like in the Netherlands, the service offering has been further complemented by access to specialists.

In 2009, clients opened 60,000 new online accounts. The business benefited from successful product innovations, and since the launch of the new model more than 340,000 online products have been sold. The increased focus on direct channels resulted in lower costs.

Retail Banking (continued)

ING Belgium also saw an increase in customer deposits thanks both to innovation and its diversified product offering. Core products have been successfully redesigned and online products launched.

CENTRAL EUROPE AND ASIA

Retail Banking is well-positioned in Poland, Romania and Turkey, as well as the important Asian markets of India, China and Thailand.

While ING is committed to growth in emerging markets, for most part of 2009 it put a pause on expansion. In all these markets ING is moving towards the direct-first model, but also investing in gradual organic growth to obtain leadership positions.

ING Bank Slaski is the most internet-oriented bank in Poland and fast becoming the customer's bank of choice. It is well-positioned to capture growth and, thanks to its prudent approach to lending, in a good position to reinforce those growth efforts and benefit from improved margins. The number of clients increased by 161,400 to 2.77 million.

In Romania, Self'Bank has continued to grow since the operation started in 2004. The bank increased its focus on internet and new client segments. Customer growth continued, reaching over 900,000 customers at the end of 2009. There were 209 outlets and the bank became profitable in December 2009.

The rebranding of Oyak Bank into ING Bank Turkey has been successful. ING Bank Turkey is using ING's expertise in internet banking, mass marketing and risk management. A distribution expansion programme was launched in which online banking and customer relationship management play important roles, and the programme is expected to be finalised in 2012. The new website, created in 2009, received ´best-in-class awards'. During the year, ING Bank Turkey strongly outperformed the mortgage sector, and in the small and medium-sized enterprise sector it improved the quality of its portfolio and achieved a healthy growth in market share. The number of active clients is some 1.2 million. ING Bank Turkey has also been actively involved in syndicated and club loans in Turkey. In long-term lending, ING was number one in 2009 in terms of number of deals (according to Reuters Thomson).

Competition for savings was also strong in Central Europe and here, too, ING put margins before volumes. Its comfortable liquidity position meant that ING Bank Slaski did not need to participate in the savings price war. In Romania, rates were further reduced in line with the market, while in Turkey interest rates decreased rapidly following central bank rate cuts.

In India, ING has a 44% stake in ING Vysya Bank and is the single largest shareholder. At year-end, ING Vysya Bank had 460 branches. ING Vysya Bank provides retail and commercial banking services to two million customers.

In China, ING has a 16.7% stake in Bank of Beijing, the largest city commercial bank in China.

In Thailand, ING has a 30% stake in TMB Bank, a universal banking platform with a nationwide network. TMB's transformation towards becoming a leading bank with world-class financial solutions is progressing well. There was good momentum in building brand awareness, greater efficiency and a stronger customer service culture at branches.

The past year saw encouraging growth in retail deposits due in part to innovative product launches and product enhancements coupled with aggressive marketing campaigns.

ING will stay committed to these partnerships and continue to support their growth.

PRIVATE BANKING

In October 2009, ING announced the sale of its private banking activities in Asia and Switzerland. These divestments are part of the transformation strategy to take the Group Back to Basics and to reduce complexity by having fewer businesses and markets. ING stays committed to private banking in domestic markets. Given the pressure on the growth of offshore private banking, ING decided to focus on acceleration of onshore private banking in core markets. ING wants to focus on creating a strong onshore private banking franchise, and so ING Private Banking in the Benelux and Central Eastern Europe remain integral parts of the Group.

CONCLUSION AND AMBITIONS

Retail Banking showed a solid performance throughout the financial crisis. The customer remained at the heart of the retail banking strategy and efforts were taken to improve customer services and processes, make banking easier and regain trust.

The transformation programmes in the Netherlands and Belgium will be continued to enhance customer centricity, streamline the business, reduce costs, expand distribution capabilities and enhance cross-selling. Accordingly, ING will further simplify its product lines in the rest of Europe and Asia and will continue innovation of distribution based on direct experience.

ING Direct

Unique customer experience at the heart of ING's banking strategy

Key points

> Total client balances grew by EUR 34.2 billion excluding currency and market performance effects to EUR 353.8 billion at year-end

> Customer base grows to 22.9 million clients

> Impairments and high-risk costs led to an underlying loss

> IABF reduced the impact of losses on the Alt-A RMBS portfolio by 80%

> Underlying operating expenses down 3.3% despite a sharp increase in deposit insurance premiums

Financial overview		
in EUR million	**2009**	2008
Total underlying* income	**1,762**	878
Underlying* operating expenses	**1,663**	1,719
Underlying* additions to loan loss provisions	**765**	283
Underlying* result before tax	**–666**	–1,125
Total result before tax	**–641**	–1,155
Underlying* cost/income ratio	**94.4%**	195.9%
Client balances (EUR billion)	**353.8**	308.3
Net production client balances (EUR billion)	**34.2**	23.3
Risk-weighted assets (EUR billion)	**69.3**	67.9
Underlying* after-tax RAROC	**–1.0%**	–18.2%
Underlying* economic capital (EUR billion)	**4.2**	3.4

* Underlying numbers are derived from IFRS-EU numbers, excluding the impact of divestments and special items.

Breakdown of underlying result before tax			
in EUR million	**2009**	2008	change
Canada (1997)*	**129**	59	118.6%
Spain (1999)	**75**	43	74.4%
Australia (1999)	**174**	72	141.7%
France (2000)	**54**	31	74.2%
United States (2000)	**–7**	343	–102.0%
Italy (2001)	**22**	34	–35.3%
Germany (2002)/Austria (2004)	**217**	297	–26.9%
United Kingdom (2003)	**66**	–72	n.a.
Japan**	**–**	–40	n.a.
Subtotal	**729**	766	–4.8%
Impairments	**–1,395**	–1,891	n.a.
Total	**–666**	–1,125	n.a.

* Launch year in brackets.
** Early 2009, it was decided not to launch operations in Japan.

ING Direct's commercial performance was positive despite tough competition, the challenging market circumstances and high market volatility. However, impairments on the investment portfolio and an increase in loan loss provisions in the US had a negative impact, contributing to an underlying pre-tax loss of EUR 666 million. Commercial performance remained solid with a client balances net production of EUR 34.2 billion, reaching EUR 353.8 billion at year-end.

FINANCIAL DEVELOPMENTS

ING Direct posted an underlying loss before tax of EUR 666 million compared with a loss of EUR 1,125 million in 2008. The losses were driven by the continued weak US housing market resulting in additional impairments, albeit at a lower level than in 2008, and increased risk costs, while interest results showed a strong increase.

In 2009, ING Direct actively reduced risks to preserve capital. The Illiquid Assets Back-up Facility with the Dutch State reduced the impact of losses on the Alt-A RMBS portfolio by 80%. Furthermore, ING Direct sold part of its US prime RMBS portfolio in the fourth quarter of 2009 to reduce risk-weighted assets. These management actions largely offset the impact of credit rating migration and model updates. In 2009, total risk-weighted assets rose by 2.2% to EUR 69.3 billion.

Total client balances in 2009 grew by EUR 45.5 billion (or EUR 34.2 billion excluding currency and market performance effects) to EUR 353.8 billion at year-end.

Total underlying income rose by 100.7% to EUR 1,762 million, driven by lower impairments on debt securities combined with a strong increase in interest results. Impairments, primarily on the Alt-A RMBS portfolio in the US, were EUR 1,395 million compared to EUR 1,891 million in 2008. Excluding impairments, underlying income increased 14.0% to EUR 3,156 million. The interest margin of ING Direct increased to 1.10% in 2009 from 0.94% in 2008, supported by lower central bank rates across the globe.

Underlying operating expenses decreased 3.3% to EUR 1,663 million despite a sharp increase in deposit insurance premiums in the US and Germany. The decline reflects strong cost containment, reduced marketing expenses and the cancellation of the Japan start-up. Excluding impairments, the underlying cost/income ratio improved to 52.7% from 62.1% in 2008.

The addition to the provision for loan losses increased to EUR 765 million from EUR 283 million in 2008, mainly driven by an increase in the US reflecting higher delinquencies in the residential mortgage market. In 2009, the addition was 124 basis points of average credit-risk-weighted assets versus 63 basis points in 2008.

The underlying risk-adjusted return on capital (RAROC) after tax improved to –1.0% from –18.2% in 2008, due to lower impairments on the investment portfolio and improved interest margins. Average economic capital rose 22% to EUR 4.2 billion, reflecting the higher-risk environment.

ING Direct (continued)

COUNTRY DEVELOPMENTS

Excluding impairments, ING Direct's underlying result before tax declined 4.8% to EUR 729 million. In the US, the result before tax excluding impairments decreased to EUR 7 million from EUR 343 million in 2008, driven by higher risk costs, increased deposit insurance premiums and a realised loss on the sale of part of its prime RMBS portfolio to derisk the business. In Germany, the result before tax declined to EUR 217 million from EUR 297 million in 2008, mainly due to interest margin pressure in a highly competitive savings market. In Italy, the result before tax declined to EUR 22 million from EUR 34 million in 2008, due to lower income. All other countries reported higher results. In the UK, the result improved from a loss of EUR 72 million in 2008 to a profit of EUR 66 million, due to improved interest margins as the strong decrease of the central bank rate was fully tracked in client rates. Excluding impairments, results in Canada and Australia more than doubled, while results in France and Spain were both up 74%, driven by improved interest margins and lower expenses.

BUSINESS DEVELOPMENTS

ING Direct continued to focus on providing retail customers in nine major developed countries with five simple, competitive banking products: savings, mortgages, payment accounts, investments and consumer lending. These products are providing an increasingly diversified income stream, thereby reducing reliance on savings earnings and reducing earnings volatility.

In 2009, ING Direct invested EUR 267 million in developing the business. It continued rigorously to manage its risks, capital and expense base, in line with the economic circumstances and ING's current priority of preserving its capital position.

Due to a strong increase in deposit insurance premiums, ING Direct did not fully achieve its ambition to lower expenses during the year by about EUR 150 million. The internal and external staff headcount was reduced by 836 FTEs. ING Direct reduced its cost base by lowering marketing expenses, reviewing supplier relations and further improving operational processes.

Part of the agreement signed with the European Commission on ING's Restructuring Plan (see the section 'ING and the financial environment' for further details), is the sale of ING Direct USA by 2013. ING only decided to meet the EC's requirements on the condition that the EC guarantees equal treatment of all State-supported financial institutions and safeguards the level playing field in the EU internal market. ING regards ING Direct USA as a very strong franchise and will continue to grow the value of the business. The agreement with the EC has no impact on other ING Direct countries and we will continue to manage ING Direct USA as a long-term shareholder. ING remains committed to the ING Direct franchise as a strong contributor to future growth.

ING is bringing together all its retail banking activities. As a result, ING Direct became part of the newly-formed Retail Banking Direct & International division on 1 January 2010.

ING will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing, in particular through ING Direct.

DEVELOPING THE MAJOR PRODUCT CATEGORIES

Savings – continued strong competition

Despite continuing tough competition, ING Direct experienced strong savings inflows. In each of the nine countries the bank continued to refine its savings products, pricing strategy and retention activities in order to win both new customers and more funds from existing customers.

ING Direct lowered client savings rates in all countries following central bank rate reductions, while maintaining attractive rates for customers given local market competition.

In the UK, ING Direct is on track with its repositioning programme: the savings base stabilised and the mortgage product line was reactivated to become a more complete bank. In 2009, UK consumers ranked ING Direct the country's second most-trusted savings provider in the annual Moneywise Awards.

Net production of total funds entrusted at ING Direct across all nine countries was EUR 22.2 billion. Including positive currency and market performance effects, funds entrusted amounted to EUR 217.1 billion at year-end.

Mortgages – controlled growth in mortgage lending

A focal point in 2009 was the controlled growth in mortgage lending, as the bank continued to adhere to strict underwriting policies and acceptance standards. In all countries, new mortgage production remained moderate, falling compared with 2008, while margins increased.

In the US, rising unemployment and the continued weakness of the housing market resulted in significant impairments, mainly on the retained Alt-A RMBS portfolio, and increased risk costs related to the US mortgage portfolio. ING Direct USA introduced a loan modification programme to help US borrowers stay in their homes and mitigate risk costs associated with mortgages that roll into foreclosure. ING Direct's non-performing loans (90 Days Past Due) in the US stood at 4.7% at year-end. This was better than the US industry average of 18.3% non- performing loans for prime adjustable-rate mortgages as at the end of November 2009. Overall, the ING Direct USA portfolio consists of quality customers with an average loan-to-value ratio of 77% (indexed for changes in property values) with 96% of mortgages owner-occupied.

ING Direct's own-originated residential mortgage portfolio across all countries of operation rose by EUR 10.2 billion (excluding currency effects) in 2009, to reach EUR 124.2 billion, 57% of funds entrusted.

Payment accounts – expanding geographic footprint

Payment accounts performed well in 2009. 278,000 accounts were opened, bringing the total number of payment accounts to 1.6 million globally at year-end. Six out of nine countries now offer payment accounts.

ING Direct France and ING Direct Australia launched payment accounts, both of which were enthusiastically received by customers and media. ING Direct Australia won the 2010 Money Magazine 'Best New Innovative Banking Product' for this fee-free payment account.

ING Direct aims to increase the number of payment accounts among its savings customers in the next three years. This will contribute to higher income diversification and a broadening of customer relationships.

Investments – source of income diversification
ING Direct reported net inflows of customers and funds in investment products, with the US being a big contributor through its online brokerage platform, ShareBuilder. Assets under management worldwide increased by EUR 3.0 billion to EUR 9.3 billion.

ING Direct's US-based ShareBuilder continued to grow with 130,000 new customers acquired in 2009. With these new customers it brings the total number of ShareBuilder customers to over one million. Of the new accounts, 35% resulted from cross-sell efforts into ING Direct's customer base, evidencing the synergies between the two companies.

Following increasing demand from customers, ING Direct Italy launched an online trading platform where customers can trade stocks, government bonds and exchange-traded funds.

By the end of 2009, Germany's total securities portfolio, which includes e-brokerage, reached EUR 13.8 billion. Compared to 2008, this means a record-growth of 37%, or EUR 3.7 billion, mainly on account of the friendly stock-market climate and an increase in the investment volume. In addition to this, new customers continued to transfer portfolios to ING-DiBa. In 2009, the bank opened more than 80,000 new deposits.

Consumer lending – a stable product
The fifth product, consumer lending, is offered in Canada, Spain, the US and Germany. ING Direct does not charge fees and pursues a low-profile marketing strategy for this offering. At year-end, the volume amounted to EUR 3.2 billion.

CUSTOMER SATISFACTION – CUSTOMERS COME FIRST
Since it was first established, ING Direct has enjoyed high customer satisfaction levels. It is perceived as innovative, reliable, good value-for-money, easy-to-deal-with and fair. In 2009, ING Direct ranked first or second in all nine countries on the Net Promoter Score, a recognised measure of customer satisfaction. During the year, ING Direct built on the 2008 initiative of chief quality officers with a customer-perspective end-to-end review of all services and processes.

ING Direct continuously strives to increase transparency. ING-DiBa was praised in 2009 by the German government for being first to introduce product information sheets following the government's call for greater transparency around financial products.
In December, ING-DiBa won the 2009 Innovation Award for its clear and transparent online product information. The award recognises innovations in retail banking that restore customer confidence in the financial sector.

ING Direct's total brand awareness ranges between 75% and 99% in all the markets in which it operates.

CONCLUSIONS AND AMBITIONS
ING Direct achieved positive commercial results, despite the continued market challenges, thanks to its ability to adapt pricing structures and product features to the changed economic environment. It rigorously monitored expenses, risk and capital and will continue to do so in 2010.

ING Direct aims to increase the number of payment accounts among its savings customers in the next three years.

ING Direct continued its strategy of putting the customer first and will continue to do so in 2010, while gradually expanding its product offering and broadening customer relationships.
In doing so, it will maintain outstanding levels of customer satisfaction supported by state-of-the-art IT systems.

Number of clients, total funds entrusted, residential mortgage portfolio, assets under management/mutual funds

Clients in thousands Funds entrusted, residential mortgage portfolio and assets under management/mutual funds in EUR billion	Clients		Funds entrusted		Residential mortgage portfolio		Assets under Management/ Mutual Funds	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Canada	**1,648**	1,562	**17.2**	13.4	**16.9**	13.5	**0.3**	0.2
Spain	**1,996**	1,836	**14.9**	12.5	**7.4**	7.1	**1.6**	0.9
Australia	**1,395**	1,363	**13.2**	9.2	**22.2**	16.9	**–**	–
France	**762**	751	**11.3**	10.3	**0.0**	–	**1.5**	1.0
United States	**7,633**	7,546	**52.1**	51.5	**23.4**	21.8	**0.3**	0.2
Italy	**1,164**	1,103	**15.6**	14.6	**5.8**	5.1	**0.4**	0.3
Germany/Austria	**6,873**	6,646	**74.9**	63.2	**47.1**	42.5	**5.3**	3.8
United Kingdom	**1,442**	1,330	**17.8**	16.2	**1.3**	1.3	**0.0**	–
Total	**22,913**	22,172	**217.1**	191.0	**124.2**	108.3	**9.3**	6.4

Banking

Commercial Banking

Strong performance except in Real Estate

Key points
> High income boosted by Financial Markets as well as Structured Finance and General Lending
> Result before tax impacted by negative impairments and revaluations in Real Estate
> Strong market penetration, lead bank position and landmark deal participation in home markets
> Significant cost reduction achieved in 2009, but an increase in risk costs

Commercial Banking achieved a very strong commercial performance in what was again an extremely challenging year for the industry. The business was boosted by strong income growth in Financial Markets, Structured Finance and General Lending. However, overall results were significantly affected by negative revaluations and impairments on real estate. ING succeeded in reducing costs in 2009 but loan loss provisions increased. Commercial Banking remained dedicated to its Fitter, Focused, Further strategy in 2009, with the aim of becoming a leader in several key markets and products by the end of 2010. The success of this strategy was underscored by solid market penetration, lead bank standing and landmark deal participation in its home markets.

FINANCIAL DEVELOPMENTS

Underlying result before tax rose 14.0% to EUR 694 million. ING Real Estate recorded a loss of EUR 1,389 million compared with a loss of EUR 297 million in 2008. Excluding ING Real Estate, the underlying profit of Commercial Banking more than doubled to EUR 2,083 million. Underlying profit before tax from Financial Markets more than tripled to EUR 1,289 million thanks to a strong commercial performance coupled with lower negative market impacts. The results of General Lending & Payments and Cash Management (PCM) increased by 40.6%, as higher margins in General Lending coupled with lower expenses more than compensated for increased risk costs. Structured Finance's result declined by 11.1% due to higher risk costs; excluding risk costs, result before tax was up 38.7% driven by higher margins. Profit before tax in Leasing & Commercial Finance declined 43.7% to EUR 67 million.

In 2009, net production in client balances was EUR –23.7 billion, mainly driven by a lower demand for lending, bringing the total to EUR 256.5 billion at year-end. In the fourth quarter of 2009, net production in client balances was positive again.

Total underlying income increased 14.1% to EUR 4,687 million driven mainly by Financial Markets, General Lending & PCM and Structured Finance. This more than offset the decline at ING Real Estate. Underlying operating expenses remained under control, dropping 4.1% to EUR 2,783 million despite EUR 451 million of impairments on real estate development projects. The underlying cost/income ratio improved to 59.4% from 70.7% in 2008. Excluding ING Real Estate, the cost/income ratio was 38.2% compared with 61.4% in 2008.

Risk costs increased significantly to EUR 1,210 million compared with EUR 596 million in 2008. The risk costs included provisions that were driven by large files, amongst others in Structured Finance, reflecting the economic recession. In the second half of 2009, risk costs came down partly due to releases from prior provisions. The underlying risk-adjusted return on capital (RAROC) after tax rose to 9.5% from 4.9% in 2008. Average economic capital increased 2.0% to EUR 9.5 billion mainly caused by the fact that increased credit risk migration was not fully offset by the lower volumes. In 2009, total risk-weighted assets declined 9.5% to EUR 160.3 billion at year-end, driven by the reduction of the balance sheet combined with lower risks in the trading books.

ING Real Estate reported an underlying loss before tax of EUR 1,389 million compared with a loss of EUR 297 million in 2008.

Financial overview

in EUR million	2009	2008
Total underlying* income	**4,687**	4,107
Underlying* operating expenses	**2,783**	2,902
Underlying* additions to loan loss provisions	**1,210**	596
Underlying* result before tax	**694**	609
Total result before tax	**422**	609
Underlying* cost/income ratio	**59.4%**	70.7%
Client balances (EUR billion)	**256.5**	286.9
Net production client balances (EUR billion)	**–23.7**	31.8
Risk-weighted assets (EUR billion)	**160.3**	177.2
Underlying* after-tax RAROC	**9.5%**	4.9%
Underlying* economic capital (EUR billion)	**9.5**	9.3

* Underlying numbers are derived from IFRS-EU numbers, excluding the impact of divestments and special items.

Breakdown of underlying income

in EUR million		2009
General Lending & PCM	**26%**	**1,235**
Structured Finance	**24%**	**1,122**
Leasing & Commercial Finance	**9%**	**403**
Financial Markets	**41%**	**1,923**
Other	**5%**	**257**
ING Real Estate	**–5%**	**–253**
Total	**100%**	**4,687**

This was mainly due to very unfavourable market conditions, which led to EUR 1,076 million in negative fair value changes on the direct and indirect real estate investments and impairments to an amount of EUR 619 million compared with EUR 663 million and EUR 60 million respectively in 2008. Excluding revaluations and impairments, underlying result before tax decreased by EUR 120 million from EUR 426 million in 2008 to EUR 306 million in 2009. This lower result is mainly due to lower transaction volumes.

BUSINESS DEVELOPMENTS

Commercial Banking, which was renamed from Wholesale Banking in 2009, continues to play a fundamental role in ING Group. One of the main functions of the Group is to collect customer deposits and redeploy these funds as investments. Commercial Banking generates high-quality assets into which ING can invest retail deposits, and provides the Group with many relevant skills in financial markets, risk and specialist finance.

It conducts operations for corporate clients – from large companies to major multinationals – as well as for governments and financial institutions, and is made up of five product groups: General Lending & Payments and Cash Management (PCM), Structured Finance, Leasing & Commercial Finance, Financial Markets, and ING Real Estate. Commercial Banking's primary focus is on its home markets in the Benelux, as well as in Central and Eastern Europe, where it offers a full range of products. Elsewhere, it takes a more selective approach to clients and products.

FOCUSED STRATEGY

In 2009, Commercial Banking continued to execute its Fitter, Focused, Further strategy for 2008-2010, the aim of which is to become a leader in several key markets and products by the end of 2010. The strategy includes becoming the market leader in the Benelux, a top-five wholesale bank in Central and Eastern Europe, a global leader for Structured Finance and Financial Markets, and a regional leader for PCM and Leasing. Throughout the year ING was committed to achieving these medium-term leadership goals, as well as delivering an improved cost structure, operational excellence and growing the key market and product positions. In light of the market circumstances Commercial Banking decided to put its Financial Markets Emerging Markets initiative on hold, though it is expected to be resumed in 2010 when the markets stabilise. Commercial Banking also significantly contributed to the Group's overall balance sheet reduction.

Commercial Banking worked hard to reduce risks and contain costs in line with ING's Back to Basics programme. It significantly reduced risk in its Financial Market business, reflected by lower Value-at-Risk, and significantly reduced its exposure to high-risk industries such as automotive and construction. In October 2009, ING announced that it would move towards a complete separation of its banking and insurance operations as part of its review of the Group's strategy and as a logical next step in its Back to Basics programme. ING's banking activities will be based on its proven strengths of gathering savings, distribution leadership, simple propositions and strong marketing. The bank will be predominantly focused on Europe with selective growth options elsewhere, with Commercial Banking especially focused on the Benelux and Central and Eastern Europe, as well as key product areas and growth markets. Turn to the Strategy section, page 15, for further details.

EXECUTING LANDMARK DEALS

ING completed a number of high-profile deals during the year which showcased its commitment to cross-selling and offering client solutions across regions. This resulted in improved league table positions, including number one bank by volume for M&A in the Benelux, number one Mandated Lead Arranger (MLA) and Bookrunner in the Netherlands, number two MLA in Russia, number three by volume for M&A in Central and Eastern Europe, and number four for Lease in Europe.

These transactions included underwriting EUR 2.05 billion in a EUR 19 billion Jumbo Syndicated Loan to finance Gas Natural's acquisition of Union Fenosa in May 2009. ING played a leading role in the mid-term financing (of debt structuring) of the Vandemoortele Group in Belgium in June. The following month ING also acted as sole financial adviser for Vopak in a EUR 110 million preference shares transaction, marking the first large corporate preference shares issuance for a listed company in the Netherlands since 2004.

In May ING acted as a joint bookrunner of a syndicated facility for Mobile TeleSystems, the largest mobile operator in Russia and neighbouring countries, to refinance a USD 630 million tranche of its USD 1.33 billion syndicated loan facility, and in August ING acted as joint adviser on the acquisition of a 50.91% stake in Comstar-UTS by Mobile TeleSystems. Both are landmark transactions carried out in Russia in 2009. In September, ING acted as joint bookrunner for a EUR 1.5 billion bond issue for General Electric. In October, ING was bookrunner for A.P. Moller Maersk's EUR 750 million Euro bond issue.

OPERATING EXPENSES DECLINE

Commercial Banking continued to be vigilant toward costs without impairing growth opportunities, in line with Back to Basics. Operating expenses fell in 2009 compared with 2008 due to cost-containment initiatives and a reduction in headcount of 1,562 which exceeded the expected reduction of 1,400 FTEs. In addition, the number of external staff declined by 401 FTEs. That said, the market turmoil also resulted in additional risk costs, as well as impairments on development projects at ING Real Estate.

VOLUME GROWTH IN GENERAL LENDING & PCM

General Lending is used as an entry product in all regions to attract customers and to cross-sell other high-value products. Volumes decreased in General Lending over the course of the year. However, income for General Lending increased due to repricing the portfolio and widening lending margins in the first half of the year. Additional income from landmark deals with AB InBev and Gas Natural also lifted returns. These types of deals helped ING move into the leading book runner spot in 2009 in the loans league tables for the Benelux and Central and Eastern Europe.

Income at ING's PCM business was affected by lower interest rates and competition for liabilities, especially in the Netherlands and Central and Eastern Europe where volumes in transactions increased and fees were under pressure. In July, ING was chosen by AkzoNobel as prime payments and cash management service provider for Europe. ING is committed to further enhancing the capacity of its PCM business in the coming period.

Commercial Banking (continued)

STRONG DEMAND FOR STRUCTURED FINANCE

Structured Finance, ING's specialised finance arm, helps companies finance large capital projects and transfer risk through various products. Key segments of expertise are natural resources, telecommunications, media, finance and utilities. In 2009, solid income growth and declining costs at Structured Finance were more than offset by an increase in risk costs. Interest margins strongly increased since 2008 due to continued portfolio repricing. Commission income increased thanks to fees earned on waivers and restructuring.

LEASING & COMMERCIAL FINANCE IMPACTED

Leasing & Commercial Finance experienced a decline in earnings due to weak economic conditions that resulted in lower profits on the sale of leased assets and increased residual value provisioning, and an increase in risk costs. Expenses decreased as a result of cost-containment measures, including a decline in staff due to the integration of the Car Lease activities in Spain and the reorganisation of General Lease activities in Germany and France.

Income for ING Car Lease was adversely impacted by lower prices in the used vehicle market, resulting in lower returns from the sale of leased assets following contract termination and lapses. However, the market for second-hand cars in the Netherlands and the UK did show an improvement in the second half of the year. Risk costs rose over 2009 but were in line with the general market trend.

SOLID FINANCIAL MARKETS PERFORMANCE

Financial Markets delivers a broad range of products to ING's corporate and institutional client base as well as to other ING businesses including the retail network. ING aims to be a leading player with superior profitability in selected markets or products by taking advantage of its geographic footprint, strong brand recognition and commercial expertise and reputation.

In 2009, Financial Markets enjoyed a very strong year due to the steep yield curve, increased spreads and favourable trading conditions. Margins on standardised flow products (including foreign exchange forwards, interest rate swaps and foreign exchange options) remained at elevated levels, as counterparty and credit risks were increasingly priced in. Financial Markets did well seeking out cross-selling opportunities across product areas and client groups, as part of its renewed focus on emerging markets, home markets, strategic clients and global clients.

ING is diversifying away from higher risk businesses, including proprietary trading. The fixed income market was extremely buoyant due to the continued disruption of the loan syndication market. This resulted in a marked improvement in ING's league table position in Euro sovereign bonds and Benelux corporate bonds. Financial Markets also saw strong results in interest rate related products, including government bonds, credit bonds and interest rate derivatives.

ING REAL ESTATE

ING Real Estate includes the Finance, Development and Investment Management businesses, which report to ING Commercial Banking.

The fee business of Real Estate Investment Management saw a decrease in its result before tax of EUR 7 million to EUR 73 million due to lower market activity. The result before tax of the Real Estate Investment Portfolio decreased from a loss of EUR 695 million in 2008 to a loss of EUR 1,173 million in 2009. This is almost completely related to the much higher negative fair value changes in 2009.

Real Estate Finance's underlying result decreased from EUR 240 million in 2008 to EUR 181 million. Underlying income was higher, operating expenses were lower, but these were offset by substantially higher risk costs. The Finance portfolio was EUR 35.2 billion, down from EUR 37.0 billion by year-end 2008, due to limited market activity.

Real Estate Development reported a loss of EUR 470 million compared to a profit of EUR 78 million a year earlier. This was largely due to impairments and to a lesser extent to fair value changes. Excluding fair value changes and impairments the result decreased from EUR 66 million in 2008 to EUR 14 million in 2009. Operating expenses, excluding impairments, fell 29% following a significant headcount reduction. Total assets under management for Real Estate (Real Estate Investment Management and Real Estate Development) decreased slightly from EUR 69.5 billion to EUR 66.8 billion.

CONCLUSIONS AND AMBITIONS

Commercial Banking made good progress in 2009 towards realising its Fitter, Focused, Further strategy and achieved strong results, despite negative impairments and fair value changes in Real Estate and higher risks costs. ING will continue on its course to becoming a leading European commercial bank with selective growth options in other regions. It will do so through continuing to secure important mandates and transactions, and by building on its expertise and international network to meet client needs globally. Risk and expenses will be managed carefully and the strategic focus will continue on key markets and product areas where it has a competitive advantage. In 2010, the bank will strengthen its Financial Markets platform and PCM capacity, and expand its coverage of financial institutions and clients in Belgium. Commercial Banking is a very important part of ING and will play an essential role in the formation of the new bank.

Overview

Insurance

Management Board Insurance
as of 1 January 2010

Jan Hommen
chief executive officer

Patrick Flynn
chief financial officer

Koos Timmermans
chief risk officer

Tom McInerney
chief operating officer

Matt Rider
chief administrative officer

ING Insurance ranks as the number three life insurance company in the world based on premiums. It is a global leader in retirement services and has an attractive mix of mature businesses and strong market positions in growth markets.

Around the world, ING is the number one insurer in the Netherlands, is ranked as the third largest in defined contribution retirement savings plans in the US, is the second largest pension provider in Latin America, the largest life insurance and pensions provider in Central and Eastern Europe and the third largest foreign insurer in the Asia/Pacific region. Few other insurers have as strong a position in all three regions – Europe, Asia and the Americas.

Insurance results improved in 2009, bolstered by improved equity returns, narrower credit spreads and lower expenses. Insurance recorded an underlying loss before tax of EUR 191 million versus a loss of EUR 1,380 million in the same period in 2008. Total result before tax (including the impact of divestments and special items) was EUR 699 million in 2009 versus a loss of EUR 1,635 million in 2008.

The underlying pre-tax result for life insurance was a loss of EUR 458 million compared to a loss of EUR 1,814 million in 2008. The result was negatively affected by changes in variable annuities assumptions in the US and Japan. Underlying profit before tax from non-life insurance declined 38.6% to EUR 267 million from EUR 435 million in 2008.

Underlying gross premium income decreased by 20.1%, or 20.9% excluding currency effects, to EUR 30,179 million in 2009 from EUR 37,760 million in 2008 as a result of lower sales of investment-oriented products in the US, Japan and Central Europe.

Underlying operating expenses from Insurance operations declined 9.9% on a same-store basis, or 9.4% excluding the impact of currency movements, to EUR 3,849 million from EUR 4,273 million in 2008, as a result of cost-containment measures. In 2009, ING Insurance reduced the number of full-time equivalent positions by 5,151, exceeding the 2009 year-end target of 4,200.

New sales, measured in annual premium equivalent (APE) for the life insurance business decreased 25.0% to EUR 4,456 million in 2009 from EUR 5,944 million in 2008. New sales declined in Central and Rest of Europe, US, Korea and Japan due to continued pressure on investment-linked product sales and the decision to limit variable annuity sales in the United States. In the Netherlands, sales increased by EUR 102 million to EUR 450 million, mainly driven by group life. The value of new business (VNB) decreased 37.6% to EUR 502 million.

Insurance

Insurance Europe

Opportunities still available despite economic downturn

Key points
> Several new products launched across Europe
> Single operating model introduced for Central and Rest of Europe
> Focus on derisking, capital preservation and improved efficiency as part of Group's Back to Basics programme

Insurance Europe reacted to the weak economic environment and volatile financial markets in 2009 by derisking its balance sheet, strict expense control and a strategic focus on core products and markets. The derisking initiatives were completed in 2009, whereas cost containment and Back to Basics efforts will continue in 2010 to consolidate ING's position in the European insurance markets. In the Netherlands this will be achieved through integrating the existing insurance businesses, whereas in Central and Rest of Europe the focus is on simplification and streamlining the operations in core markets.

FINANCIAL DEVELOPMENTS

Underlying profit before tax in 2009 slightly decreased to EUR 650 million from EUR 651 million in 2008, despite the recovery of financial markets over the course of the year. Positive 2009 result items included EUR 420 million higher private equity revaluations, EUR 261 million in lower operating expenses and a EUR 190 million improvement in the change in the provision for guarantees on separate account pension contracts (net of hedging). These positive elements were offset by lower public equity income of EUR 499 million due to lower corporate profits as well as ING's derisking policy through equity securities divestments. Also, the (net) losses and impairments on fixed income investments increased by EUR 154 million compared with 2008. Profit sharing for policyholders in the Netherlands increased by EUR 88 million. The result on equity index options to hedge equity investments fell by EUR 56 million. Lastly, the Non-life underwriting result decreased EUR 97 million.

The weak economy had an increasingly negative impact on insurance premiums in Europe, especially in Central and Rest of Europe. Total premiums declined by EUR 444 million to EUR 9,750 million, as Life premiums decreased by EUR 480 million to EUR 8,025 million and Non-life premiums increased by EUR 36 million to EUR 1,725 million, in line with moderate inflation. Premium income in the Netherlands decreased by EUR 207 million and in Central and Rest of Europe by EUR 457 million, whereas premiums in Belgium and Luxembourg grew by EUR 220 million. In the Netherlands, premiums declined despite the one-time favourable impact of EUR 127 million from a change in group pension premium recognition, due to lower salary indexation on group contracts and fierce competition in the market for retail immediate annuities. Premium income in Belgium increased by EUR 73 million in 2009 to EUR 1,068 million due to sales of a variable annuity product introduced in early 2009. Premium income in Luxembourg increased by EUR 148 million to EUR 274 million driven by the introduction of a variable annuity product sold in Italy through the private banking arm of UniCredit and proprietary sales of a new whole life insurance product targeting affluent individuals in Belgium and Luxembourg. In Central and Rest of Europe, premiums decreased by EUR 457 million to EUR 2,029 million, including a EUR 147 million reduction caused by lower exchange rates of Central European currencies against the euro. The premium decline was concentrated in Hungary, Poland and Spain and was mainly due to lower retail single premium sales as well as a EUR 70 million group contract signed in Spain in 2008.

The underlying operating expenses of Insurance Europe decreased by EUR 261 million or 14.8% in 2009 against 2008. EUR 25 million of this decline was due to the depreciation of Central European

Financial overview

in EUR million	2009	2008
Underlying* premium income	9,750	10,194
Underlying* operating expenses	1,503	1,764
Underlying* result before tax	650	651
Total result before tax	261	651
Value of new life business	185	397
Internal rate of return	14.6%	17.1%
New sales	982	1,010

* Underlying numbers are derived from IFRS-EU numbers, excluding the impact of divestments and special items.

Geographical breakdown of premium income

in EUR million		2009
Benelux	79%	7,721
Central and Rest of Europe*	21%	2,029
Total	**100%**	**9,750**

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

currencies against the euro and EUR 53 million was due to a change in the allocation method for corporate expenses. The remaining expense reduction was realised through cost containment efforts. In 2009, an internal staff reduction of 1,366 full-time equivalents was achieved. Furthermore, significant reductions were achieved in the cost categories in external staff, accommodation and marketing. Material expenses related to restructuring initiatives were not included in underlying operating expenses, but presented as special items.

Life sales Annual Premium Equivalent (APE) decreased EUR 28 million to EUR 982 million in 2009, a decline which was predominantly caused by developments in Central and Rest of Europe. In the Netherlands, sales increased by EUR 101 million to EUR 450 million, mainly driven by higher contract renewals in group life and pensions, and EUR 31 million APE related to a change in premium recognition within group life. In Belgium and Luxembourg, APE increased EUR 29 million to EUR 139 million driven by the introduction of variable annuity products in Belgium and in Italy sold by ING Life Luxembourg through the private banking arm of UniCredit. APE declined in Central and Rest of Europe by EUR 159 million, with all countries contributing to the decline except Turkey, where a pension fund was acquired in late 2008. The EUR 56 million APE decline in Romania was largely due to the launch of second- and third-pillar pension funds in late 2007, contributing EUR 57 million sales in 2008 compared with EUR 10 million in 2009. The depreciation of Central European currencies against the euro caused EUR 48 million of the sales decline.

Value of New Business (VNB) in Insurance Europe declined to EUR 185 million in 2009 from EUR 397 million in 2008. The Netherlands contributed EUR 53 million to this decline and Central and Rest of Europe another EUR 162 million. VNB in the Netherlands was lower despite higher sales and lower operating expenses, due to higher risk margins as well as a shift in the business mix to group unit-linked contracts from more profitable retail annuities. Lower VNB in Central and Rest of Europe was caused by lower expected asset returns and higher risk margins in the assumed discount rates as well as lower single premium sales and a EUR 28 million negative currency impact in Central and Rest of Europe. Margins in the Central and Rest of Europe pension business continued to be under pressure due to changes in the fee structure, partly triggered by legislative changes. The second- and third-pillar pension funds in Romania contributed EUR 12 million in VNB in 2009 against EUR 80 million in 2008.

COUNTRY DEVELOPMENTS

Underlying profit before tax in the Netherlands increased by EUR 62 million to EUR 305 million in 2009. The main reasons for this increase were EUR 420 million in higher revaluations on private equity, EUR 217 million in lower operating expenses and an improvement of EUR 190 million in the change in the provision for guarantees on separate account pension contracts (net of hedging). These positive items were largely offset by EUR 452 million lower public equity income following the divestment of equity investments due to derisking. In addition, the impairments on fixed income investments increased by EUR 43 million, and profit sharing for policyholders increased by EUR 89 million. The result on equity index options that hedge equity investments fell by EUR 56 million, and the Non-life underwriting result decreased by EUR 97 million.

Underlying profit before tax in Belgium and Luxembourg decreased by EUR 53 million to EUR 27 million in 2009, due to EUR 18 million higher operating expenses and EUR 76 million losses and impairments on fixed income securities, partly offset by EUR 46 million higher commission income. The increase in commissions and expenses was completely due to the legal transfer of ING's Investment Management activities in Belgium and Luxembourg from Bank to Insurance in the fourth quarter of 2008. Underlying profit before tax decreased by EUR 10 million to EUR 319 million, as EUR 63 million lower operating expenses were more than offset by losses and impairments on fixed income securities that were EUR 35 million higher and EUR 50 million lower revaluations of non-trading derivatives.

BUSINESS DEVELOPMENTS

The economic environment in 2009 had a clear impact on Insurance Europe's performance and will leave a long-lasting impression on the insurance sector. The new market reality gave rise to risk-averse consumer behaviour, leading to shifts in product uptake and, consequently, product design. Real gross domestic product (GDP) is expected to have fallen by around 4% in the eurozone in 2009. Prospects for Europe's economy brightened, however, in the second half of the year, not least due to the impact of the exceptional measures taken by national governments and monetary authorities. In most European countries economic activity picked up in the third quarter, marking the official end of the recession.

BENELUX INSURANCE OPERATIONS

In the Benelux, the economic downturn negatively affected key insurance market drivers such as consumer confidence, employment and wage growth. In addition, competition increased in the Dutch retail life market, as banks are now allowed to sell certain savings products with tax benefits in the pension and long-term savings field as well. In this mature market, ING focused on increasing margins through efficiency improvements and rigorous cost containment to offset declining premiums. ING experienced volume growth in life products, especially annuities which are attractive to customers wanting guarantees. VNB was negatively impacted by changes in yield curves and the discount rate as a result of the economic climate.

Integration of the Dutch insurance operations

In 2009 it was announced that Nationale-Nederlanden, RVS and ING Verzekeren Retail (formerly Postbank Verzekeren) will be combined into one customer-oriented organisation under the Nationale-Nederlanden brand. This strategic decision is driven by the desire to respond to customer needs for convenience, personal advice, transparency and security. By using all current distribution channels, customers will be able to choose how and where they want to purchase products. The network of independent brokers will continue to play an important role, as will the banking channels and ING's own advisers in the Netherlands.

CENTRAL AND REST OF EUROPE

The customer needs towards protection products was clear in Central and Rest of Europe. The market turmoil had an adverse impact on in-force business in Central and Rest of Europe where lapses and surrenders increased in the first half of 2009, stabilising later in the year. There were severe regulatory changes for pension

Insurance Europe (continued)

funds in Poland, Hungary, Slovakia and Romania, yet the number of ING pension fund customers continued to grow.

In line with current market circumstances, life sales in Central and Rest of Europe fell 20% excluding currency effects. However, this had little impact on profit because expenses were reduced. Moreover, in the key markets of Hungary and Poland, ING's market share in life insurance as well as its total number of policyholders continued to grow. In addition, Insurance Europe's cooperation with ING Direct Spain and with bancassurance distributors, in countries like Greece, proved successful.

Single operating model
Insurance Central Europe started work on creating a single operating model in 2009. The new model includes, among other things, a regional general ledger, a regional product framework and a harmonised IT platform. Furthermore, a region-wide operating Shared Services Centre in Cluj-Napoca, Romania, will begin operating for the entire Central European region in the course of 2010. Over time, a significant number of the region's back-office activities will be concentrated at that centre. Once implemented, the single operating model will provide a solid foundation for future growth, enabling the business to increase its focus on customer service, brand and distribution.

PRODUCT DEVELOPMENT AND INNOVATIONS IN DISTRIBUTION
The changed economic environment requires new product characteristics, increased efficiency and cost-effectiveness in distribution. In the Benelux, the shift in distribution mix from traditional intermediaries towards bank, internet players and mandated agents will allow ING to leverage its unique multi-channel distribution network (internet, bank, independent brokers, captive brokers, own sales force).

Initiatives have been taken to improve agent productivity and further professionalise ING's sales forces. To achieve this ING will implement centralised recruitment, increase training and development efforts, and use needs-based selling and segment propositions for different markets.

Insurance Europe launched several new products in 2009, including professional liability insurance for freelance professionals from Nationale-Nederlanden, a surviving dependants plan from RVS in the Netherlands, a pension with restricted guarantees in Greece, and a family accidental package product in Poland.

Demand for variable annuity products increased, while their risk profile and design were adapted for the new market reality. An example of product redesign was seen in Belgium, where a new lifetime income guarantee product was introduced. This simplified variable annuity product generated about EUR 144 million in sales during 2009. New accumulation products were also launched successfully in Italy and Hungary. Derisked products continued to be sold in Spain, Luxembourg, Hungary and the Netherlands during 2009. These countries contributed almost EUR 100 million in variable annuity sales. Total new sales of variable annuities in Insurance Europe amounted to EUR 280 million in 2009, providing a stable and profitable base for future business.

BACK TO BASICS
Insurance Europe focused on derisking, capital preservation, and improving efficiency in 2009 as part of the Group's Back to Basics programme announced last April. Reduced credit spreads and balance sheet derisking measures contributed to an improvement in Insurance Europe's capital position, leading to a EUR 630 million capital upstream to ING Insurance.

Insurance Europe also rebased its cost structure to fit the new economic circumstances. At the end of 2009, a headcount reduction was realised. All cost reduction programmes are on track.

In line with ING's strategy of focusing on its core businesses, ING announced the sale of its non-state pension fund and discontinued its life insurance activities in Russia. In June, ING Greece announced it would withdraw from underwriting health insurance risks to focus on its core business of life insurance and retirement services.

CONCLUSIONS AND AMBITIONS
Insurance Europe's broad geographical footprint, a good balance between mature and growth markets, coupled with its ability to contain expenses, increase efficiency and standardise products and operations, will help it continue to grow the business.

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

Insurance Americas

Major business transformation under way

Key points

> Insurance Americas improved profitability
> Latin America continued to record solid results
> Insurance in the US began strategic business transformation
> Expense reductions well ahead of target

Financial overview		
in EUR million	2009	2008
Underlying* premium income	13,973	18,935
Underlying* operating expenses	1,611	1,753
Underlying* result before tax	61	–958
Total result before tax	–246	–589
Value of new life business**	190	229
Internal rate of return (IRR)	11.9%	11.8%
New sales	2,450	3,438

* Underlying numbers are derived from IFRS-EU numbers, excluding the impact of divestments and special items.
** The Value of new life business and IRR for 2008 have been restated to reflect the corrected application of capital factors for the variable annuity business and modest adjustments to expense factors for both the variable and fixed annuity business.

Geographical breakdown of premium income		
in EUR million		2009
US	99%	13,812
Latin America*	1%	161
Total	**100%**	**13,973**

* Excludes ING's joint venture in Brazil because it is a minority interest.

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

FINANCIAL DEVELOPMENTS

Insurance Americas' improved profitability in 2009, posting underlying results before tax of EUR 61 million, up EUR 1,019 million from the loss reported in 2008. Underlying loss before tax in the US was EUR 219 million in 2009, a substantial improvement on EUR –1,117 million in 2008, mainly due to lower negative deferred acquisition cost (DAC) unlocking, lower investment losses and impairments, and lower operating expenses. In Latin America, underlying profit before tax improved 76.1% to EUR 280 million, led by strong results in the pension businesses.

The weak economy had a negative impact on underlying premium income in the Americas, especially in the US. The underlying premium income decreased 26.2% to EUR 13,973 million, primarily due to a decision to limit variable annuity sales in the US. Investment and other income decreased 62.2%, or EUR 1,807 million, to EUR 1,096 million due to a combination of lower investment yields from derisking actions and unfavourable results from non-trading derivatives, including the funding capital hedge entered into in late 2008.

Underlying expenses declined 8.1% to EUR 1,611 million in 2009. In the US, expenses declined due to lower staff cost and lower sales-related expenses, primarily as a result of restructuring efforts. The expenses for the integration of CitiStreet in the US, the costs related to the IABF with the Dutch State, and the expenses related to the restructuring activities are not included in underlying operating expenses, but were presented as special items and amounted to EUR 77 million in total.

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

Value of New Business (VNB) in the Americas declined 17.0%, or 14.8% excluding currency impacts to EUR 190 million in 2009.

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

The net liability provisions remain sufficient by EUR 1.8 billion at the 50% confidence level.

Insurance Americas (continued)

COUNTRY DEVELOPMENTS

UNITED STATES

Premium income decreased 26.3% to EUR 13,812 million in 2009. The decrease was mainly due to lower variable annuity sales, where sales were intentionally reduced as fees were increased and benefit guarantees reduced. Operating expenses declined 7.0%, or 7.4% excluding currency impacts, due to lower staff cost, reflecting 12% reduction in FTEs since year-end 2008, and lower sales-related expenses. On a same-store basis and excluding currency impact, operating expenses decreased 20.7%. Underlying loss before tax was EUR 219 million in 2009, representing a substantial improvement from the EUR 1,117 million loss reported in 2008.

Lower negative DAC unlocking, lower investment losses and impairments, and lower operating expenses led the recovery.

LATIN AMERICA

Premium income decreased 19.1% to EUR 161 million as ING Chile exited the disability and survivorship market during 2009 due to regulatory change. Operating expenses declined 16.2%, or 10.1% excluding currency impacts, mainly due to lower staff-related costs, including incentive compensation, and professional fees. Underlying profit before tax improved EUR 121 million to EUR 280 million, as a recovery in equity markets throughout the region led to an improvement in the legally-required investment in the pension business. Additionally, higher pension fee income and lower operating expenses also contributed to the profit improvement.

BUSINESS DEVELOPMENTS

Insurance Americas is a market leader in providing retirement services and pension products in both the US and Latin America. As such, the company is well-positioned to take advantage of the long-term demographic opportunities that arise from a combined market of 700 million people in the seven countries in which ING operates. In the US, ING operates three core businesses: Retirement Services, Individual Life and Individual Financial Solutions (rollover annuities). ING is the third largest provider of defined contribution (DC) retirement plans in the US in terms of assets under management and administration, the second largest in terms of plan participants, and the largest in terms of retirement plans provided. In Latin America, ING is the second largest provider of mandatory pensions.

Since ING Group's Back to Basics programme was announced in April, Insurance Americas has made strong progress towards creating a simpler, less complex organisation. During the year, Insurance Americas divested non-core businesses including annuities and mortgages in Chile, ING's 70% shareholding in ING Canada and the Argentine annuity business. In addition, it announced an agreement to transfer the US reinsurance business to RGA Incorporated and the divestment of the majority of the ING Advisors Network (IAN) in the US. The US reinsurance transfer closed on 1 January 2010 and the IAN sale was completed 31 January 2010.

In the US, ING focused on building its capital position and taking risk out of the business by reducing costs and risky assets in the portfolio, as well as executing hedge transactions to protect the business from further reductions in the stock market. In addition, the businesses focused on providing simpler products, competitive returns and easier service.

ING in Latin America continued to successfully reposition its business to take advantage of powerful demographic and economic trends in the region, delivering solid earnings for the second consecutive year, despite the worldwide financial crisis.

US RETIREMENT SERVICES

ING continued to build on its strong market positions in retirement services in the US, despite challenging markets. The ageing of the US population creates significant long-term growth opportunities. Those aged 45 or older control more than two-thirds of the approximately USD 30 trillion of financial assets in the US and the impending retirement of baby boomers and the recent financial crisis are increasing their focus on retirement. The addition of the CitiStreet business in July 2008, with its advanced, streamlined technology platform and web capabilities has provided scale and capacity to better serve the retirement needs of both plan participants and the companies or organisations that sponsor the plans. ING now serves the full spectrum of the retirement services market from providing full service retirement savings plans to offering only record-keeping services. The business is now uniquely positioned to serve all sizes and segments of the market – corporate, education, government, healthcare and not-for-profit.

Despite lingering uncertainty following the financial crisis, most Americans continue to support their employer-sponsored retirement savings plans. A survey by the ING Institute for Retirement Research found that the majority (84%) believed their employer's plan was a very important part of their retirement strategy and 92% said the best way to save was by having their investments automatically deducted from their pay each month.

2009 marked the sixth consecutive year in which ING maintained its rank as both number one in sales for kindergarten through to 12th grade education markets and number two in small corporate plan sales.

US ANNUITIES

The US annuity business was restructured in 2009 to enable ING to better meet the needs of retiring baby boomers. The business was divided into two separate businesses: Individual Financial Solutions and Legacy Annuity. Beginning in 2010, ING will offer a number of lower cost rollover annuity products targeted primarily at people retiring from companies, which have ING-provided retirement plans. These rollover annuities will be part of a broad suite of simple, lower cost, lower risk investment vehicles, which will be introduced during the year. Their development is in line with ING's strategy of providing customers with more transparent, less risky, less expensive and easier to understand products. Rollover IRA (Individual Retirement Accounts) products, which are essentially funds that provide retirement income, are expected to be the fastest-growing segment of the US retirement market. By 2013, almost USD 400 billion per year of retirement assets are projected to roll out of retirement plans into IRAs or other retirement vehicles, as the bulk of the 78 million baby boomer generation retires. ING is well-positioned to capture the unprecedented opportunity in this market because of the size of the current retirement business – both in terms of assets and number of plan participants. ING estimates that annual sales in the rollover market could rise to at least USD 6 billion within five years.

The legacy annuity business contains all annuities that were sold up until the beginning of 2010. ING substantially derisked its variable annuity products during the year, by repricing the products, reducing living benefit features, increasing hedging and adding a significant number of passive funds among other measures. This business is effectively being managed as a closed block of business, which will run off over the course of the next 20 years or so.

Success in the rollover annuity market requires new distribution channels to complement ING's existing distribution strength. ING will continue to distribute annuity products to customers through traditional distribution channels such as wirehouses (major financial services organisations), independent financial advisers and banks, but will also focus on developing direct channels such as the internet or telephone, which will be important for the growth of this new business.

US INDIVIDUAL LIFE INSURANCE

US Individual Life Insurance continued to benefit from its diversified product offering and broad distribution capacity. The business provides universal life policies as well as variable and term life products, and sells them through more than 80,000 independent insurance salespeople nationwide. During 2009, ING Life sold 159,000 policies, an eight-fold increase on the 17,000 policies ING sold in 2005, when a new life insurance strategy came into effect.

ING now ranks number 10 in the US in total individual life sales, led by a strong position in term insurance sales.

During 2009, Individual Life generated 20% of its new sales through its Specialty Markets channel which drives sales through non-traditional channels including internet 'quote shops', email, and via the web. As part of this strategy, ING rolled out a web-based tool, ING for Life® (www.ingforlife.com) which enables people to easily evaluate their life insurance needs, and to obtain a quote or even to be connected to a licensed life insurance agent, if desired.

LATIN AMERICA

ING operates the second largest pension business in Latin America. In Peru, ING is ranked number one with a 32% market share, in Uruguay, the second largest; in Mexico and Chile, the third largest; and in Colombia, the company ranks among the top-five providers. The five businesses together have 9.4 million customers and EUR 35 billion in Assets under Management. Despite challenging conditions, ING held its market share in all countries. ING's strong market positions in life and pension businesses across the region enabled the Company to continue to post solid top- and bottom-line growth in 2009, despite the financial crisis.

ING continued to transform its business away from non-life businesses to further focus on retirement services and savings activities. Non-core businesses in Chile and Argentina were divested. The businesses in the region continued to develop wealth management strategies with a core focus on mandatory and voluntary retirement savings plans.

A new wealth management platform was successfully established in Chile as a means of capturing a larger share of the affluent market. As a result of this success, ING plans to roll out the platform in other countries in the region, as part of Latin America's strategy to target affluent markets.

EASIER!

ING launched several online tools during the year aimed at making retirement savings, life insurance and investments easier for customers to understand and purchase. In March, INGCompareMe.com was launched, which enables people to gauge where they stand in relation to others on a wide range of saving, spending, retirement savings and other personal finance matters. *Business Week* magazine included the website on a short list of 'useful retirement calculators' and its developer at ING was listed as one of the 'Top 10' innovators of 2009 by *Bank Technology News*. In individual life, INGforLife.com was launched to provide education for individuals and lead generation for agents. In Retirement Services, My Retirement Outlook went live, which allows people to determine whether they are on track to meeting their retirement financial objectives. It is available on www.ingretirementplans.com.

CONCLUSIONS AND AMBITIONS

In 2009, Insurance Americas played a key part in ING Group's Back to Basics strategy by derisking its business, divesting non-core businesses and reducing costs. This was done while also improving customer satisfaction scores relative to peers.

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

The Americas businesses will remain focused on customers' needs, providing retirement and life insurance products through a broad set of distribution channels in a transparent manner. Emphasis will remain firmly on product innovation with a focus on simplicity, lower costs, operational efficiency and outstanding customer service.

ING will build on work done in 2009 to broaden its commitment to the multicultural retirement services market. At the end of the year, ING expanded its multicultural sales team, particularly in retirement services. The multicultural markets are integral to the Company's growth in the core businesses of retirement services, life insurance and financial solutions, given the strong growth rates in the Latino, African American, Asian and other diverse segments in the US and Latin American markets.

Insurance

Insurance Asia/Pacific

Poised to benefit from renewed demand

Key points

> Strong presence in key Asian economies
> Diversified distribution reach, large tied agency network complemented by bank distribution partnerships
> Well-positioned to benefit from economic upturn and recovery of life insurance sector

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

Financial overview

in EUR million	**2009**	2008
Underlying* premium income	**6,422**	8,591
Underlying* operating expenses	**599**	702
Underlying* result before tax	**220**	–1
Total result before tax	**543**	–213
Value of new life business	**127**	177
Internal rate of return	**13.3%**	13.3%
New sales	**1,024**	1,496

* Underlying numbers are derived from IFRS-EU numbers, excluding the impact of divestments and special items.

Geographical breakdown of premium income

in EUR million		**2009**
Japan	**37%**	**2,383**
South Korea	**43%**	**2,731**
Rest of Asia*	**20%**	**1,308**
Total	**100%**	**6,422**

* India, China, Hong Kong, Thailand and Malaysia.

FINANCIAL DEVELOPMENTS

Gross premium income declined by 25.2% or EUR 2,169 million to EUR 6,422 million in 2009 from EUR 8,591 million in 2008. The decrease was mainly due to the 40.8% lower premium income recorded in Japan, which resulted from the cessation of the Single Variable Annuity Product (SPVA) business as of 31 July 2009. Excluding the discontinued SPVA business in Japan, premium income fell by 7.8%, due to the drop in new sales in South Korea on an overall weaker demand for investment-linked products in 2009, partly offset by higher premium income from robust new business growth in Malaysia, Hong Kong and Thailand.

Total underlying income was 33.4% down from EUR 11,437 million to EUR 7,618 million, primarily due to the SPVA business in Japan. Fair value changes on derivatives used to hedge Japan's guaranteed variable annuity benefits are reflected in 'Total investment and other income,' offset by a reduced increase in benefit reserves reflected in the underwriting expenditure.

New sales declined by 31.6% to EUR 1,024 million in 2009 compared with EUR 1,496 million in 2008. Excluding the discontinued SPVA business in Japan, new sales declined 24.2% to EUR 929 million from EUR 1,226 million in 2008. The decline was primarily due to 34.6% lower new sales in South Korea, resulting from continued pressure on investment-linked product sales for most of 2009 and a restructuring of the tied agency force. In Japan, new sales for our COLI business declined by 19.3%. The decline in South Korea and Japan was partly offset by double-digit growth in Malaysia and Thailand, up 14.8% and 14.1%, respectively, thanks to continued strong sales through Public Bank in Malaysia and TMB Bank in Thailand.

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

Operating expenses decreased 14.7% or EUR 103 million to EUR 599 million from a year earlier driven by ongoing cost containment initiatives and efforts. In particular, operating expenses in South Korea and Japan declined 25.3% and 19.2%, respectively, as structural, i.e. administrative expenses, shrank, due to lower fixed personnel costs due to ongoing staff rationalisation and business and organisational restructuring.

On 30 November 2009, ING closed the sale of its stakes in its life insurance and wealth management businesses in Australia and New Zealand. The transaction generated a net profit of EUR 339 million. The results of the divested units are excluded from the underlying results in 2008 and 2009. The total result before tax was EUR 543 million up EUR 756 million in 2009 from a loss of EUR 213 million in 2008.

The underlying result before tax was EUR 220 million in 2009 compared with EUR –1 million in 2008. Excluding the discontinued SPVA business In Japan, the underlying result before tax was EUR 374 million in 2009 compared with EUR 237 million in 2008 resulting from improved investment income as the pressure on earnings due to volatile market conditions subsided, and cost containment efforts were continued throughout the year.

COUNTRY DEVELOPMENTS
In South Korea, underlying result before tax increased by 40.5% to EUR 229 million in 2009 from EUR 163 million in 2008. 2009 results were mainly affected by market related impacts, comprising negative revaluations on an equity derivative fund and credit linked securities and impairments on fixed income securities. Premium income decreased by 17.0% to EUR 2,731 million in 2009 from EUR 3,291 million in 2008 due to a decline in new sales that was partly offset by favourable in-force persistency. Operating expenses decreased by 25.3%, due to restructuring and other cost containment measures implemented throughout the year.

In Japan, the underlying loss before tax was EUR 46 million in 2009 from a loss of EUR 167 million in 2008. The SPVA business posted a loss of EUR 154 million in 2009 compared to a loss of EUR 238 million in 2008. The 2009 result was negatively impacted by a EUR 191 million adjustment on technical reserves in the fourth quarter due to changes in variable annuity lapse assumptions. Excluding the SPVA business, the underlying profit before tax for our COLI business rose 52.1% to EUR 108 million from EUR 71 million in 2008 on higher premium income, up 5.3% from a year ago, as well as improved investment results. Operating expenses fell 19.2% on a 27.9% decline in operating expenses for SPVA business. Operating expenses for our COLI business declined by 9.6% compared with a year ago.

In Malaysia, the underlying result before tax rose 10.3% to EUR 64 million in 2009 compared with EUR 58 million in 2008. The increase in profits was driven by an improvement of investment results, as well as a higher premium income, which rose 6.5% to EUR 586 million in 2009 compared with EUR 550 in 2008 on continued new business growth, particularly through its bank distribution partner Public Bank. Operating expenses declined 2.0% despite strong new sales growth, on strict cost control.

In the Rest of Asia, the underlying loss before tax was EUR 27 million in 2009 compared with a loss of EUR 54 million in 2008. All major business units contributed to this growth. In 2009, our operations in Thailand broke even with an underlying result before tax of EUR 1 million, compared with a loss of EUR 12 million in 2008, on strong new business growth which led to 26% higher premium income coupled with strict expense control. In China, India and Hong Kong, the underlying results before tax rose on improved investment results and lower expenses.

BUSINESS DEVELOPMENTS
Asia was hit hard by the global economic downturn. Export volumes contracted by 20-40% across the region, which triggered large cutbacks in production, employment and investment. Even so, economic performance in Asia outpaced that in other regions of the world, largely due to continued strong growth in China. ING is well-positioned to benefit as the life insurance sector regains momentum.

China's shift to expansionary monetary and fiscal policy in response to the collapse in export demand re-directed demand to the domestic market. China's GDP growth in 2009 is likely to have exceeded the authorities' 8% target, something deemed almost impossible by most analysts at the beginning of the year. The recovery in China stabilised economies in the rest of Asia with the strongest recoveries experienced by the countries whose exports were most exposed to Chinese demand. As a result, economic performance in Asia outpaced growth in other regions around the world. Equity indices in major markets across Asia recorded double-digit growth in 2009 and ING is well-positioned to benefit from the long-term growth in the region given the recovery in the real economy and with the life insurance sector regaining momentum.

ING's life insurance sales in Asia recovered slightly in 2009 following the sharp decline in the second half of 2008, but overall growth in sales remained soft. Sales of investment-linked products remained under pressure as consumer demand shifted towards protection products. In response, ING repositioned its product portfolio by developing more traditional savings and capital guaranteed products. Sales across all products are expected to pick up in 2010 in what promises to be a year of solid economic growth in Asia.

PRODUCTS AND DISTRIBUTION CHANNELS
In Asia/Pacific, ING sells insurance and wealth management products mainly through its extensive tied agency force, but sales through bank distribution partners is growing rapidly and ING is exploring other channels. Faced with a challenging market environment, Insurance Asia/Pacific's two main strategic priorities for 2009 were repositioning its product portfolio and strengthening its distribution channels.

South Korea remains a key profitable ING stronghold in Asia but difficult market circumstances led to a drop in sales in 2009. Decisive action was taken to increase sales productivity through the tied agents channel. For instance, ING Life Korea launched a new, simplified commission system in July linking compensation more closely to production and rewarding persistency. ING also sees significant potential for growing its KB Life franchise, ING's joint venture with Kookmin Bank, South Korea's largest bank.

ING's Malaysian operations performed well, with its growing employee benefits product line maintaining its market leadership position, its individual life business continuing to grow steadily and the business reaping the fruits of the first full year of its bancassurance partnership with Public Bank. New products under the 'Easi' label were launched, offering comprehensive packages specifically aimed at those looking to ensure that their retirement income can support their future financial needs.

Insurance Asia/Pacific (continued)

ING Life Japan stopped selling its existing range of SPVA products as a derisking measure. It remains committed to the COLI business where it has consistently maintained a market leading position with a strong product line-up and extensive network of valuable distribution partners. ING will continue to invest and support growth of the COLI business in Japan as this is an attractive business which generates a stable stream of profits. ING will explore opportunities to expand its product offering in this market and plans to revive its distribution relationships with the Japanese financial institutions.

In Hong Kong, the business regained momentum in the fourth quarter fo 2009 and has seen growth both through the tied agency force and the bancassurance channel.

GREENFIELDS IN REST OF ASIA

In Thailand, ING introduced new bancassurance products for distribution via TMB in which ING has a 30% share. The business made a contribution to the region's profit and also improved the productivity of its agency and bancassurance channels in order to reach scale.

India remains one of the most attractive countries in terms of economic fundamentals. ING sees potential to grow its Life business, particularly as the insurance market, which in 2009 underwent a period of rationalisation, regains momentum.

In China, ING conducted a strategic review of its insurance activities and decided to focus on the growth of ING Capital Life Insurance Company, its joint-venture with Beijing Capital Group. ING therefore agreed to sell its 50% stake in Pacific Antai Life Insurance Company Ltd (PALIC) to China Construction Bank (CCB).

OPERATIONAL STANDARDISATION

As part of ING's ongoing commitment to invest in the insurance businesses as if it were the long-term owner, Insurance Asia/Pacific continued the roll-out of its regional operations strategy to standardise operations in order to reduce the costs per policy. This standardisation will enable the business units to increase efficiency and offer the opportunity to launch product offerings across multiple channels and markets.

BACK TO BASICS

In May 2009, market volatility led to ING's decision to withdraw from the SPVA market in Japan as of 31 July 2009. The in-force book of SPVA products will continue to be serviced and actively supported.

On 25 September 2009, ING announced the sale of its 51% equity stakes in ING Australia and ING New Zealand to ANZ, its joint venture partner, for EUR 1.1 billion. The transaction was completed on 30 November 2009 generating a net profit for ING of EUR 339 million and freeing up EUR 950 million of capital. The sale of ING Life Taiwan to Fubon Financial Holding Co. Ltd. which was announced on 20 October 2008, was completed on 11 February 2009, releasing EUR 5.7 billion in Economic Capital.

ING made substantial progress in managing costs and capital. Expenses were down EUR 103 million in 2009 compared with 2008, exceeding the full-year 2009 targeted reduction of EUR 75 million. All countries contributed to the cost reduction, with the largest contributions coming from South Korea and Japan. ING also reduced over 1,000 full-time positions (FTEs), more than the planned reduction of 900 FTEs for 2009, including 200 FTEs from the cessation of the SPVA business in Japan.

Insurance Asia/Pacific took action to minimise capital consumption and improve efficiency through active balance sheet derisking and monitoring statutory solvency margins.

CONCLUSIONS AND AMBITIONS

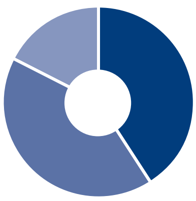
Insurance Asia/Pacific continues to look to increase its sales and profit margins and build on its existing customer base of nearly five million. 2010 is expected to be a year of solid economic growth in Asia. ING retains a strong footprint in Asia in life insurance and retirement services, which is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

Investment management

Towards Top-Tier Performance

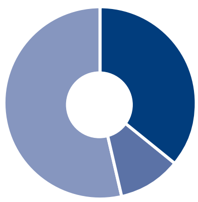
Key points
> Investor confidence and risk appetite returned, resulting in strong rallies in equity and credit markets
> Morningstar awarded three stars or higher to 74% of ING's mutual funds in Europe and the Americas
> ING IM recorded assets under management of EUR 343.2 billion
> Work commenced on the global co-ordination of ING IM

Assets under management by manager



in EUR billion		
Investment Management Europe	41.1%	141.0
Investment Management Americas	41.6%	142.9
Investment Management Asia/Pacific	17.3%	59.3
Total	**100%**	**343.2**

Assets under management by client category



in EUR billion		
General account assets	36.1%	124.0
Life insurance policyholders	10.5%	36.0
Third party	53.4%	183.2
Total	**100%**	**343.2**

Rising markets and improved economic conditions in the second half of 2009 helped the asset management industry begin its recovery from one of the worst periods on record in 2008. Industry sales, assets under management and fee income all rose as equity markets, in particular, bounced back from their lows in March 2009. ING Investment Management recorded improved business activity from both retail and institutional clients.

FINANCIAL DEVELOPMENTS

Assets under management (AuM) were EUR 343.2 billion at year-end 2009. Higher asset prices for equity and fixed-income securities resulted in a EUR 42.2 billion increase in the period together with a positive EUR 6.0 billion foreign exchange impact. However, net outflows of EUR 13.3 billion and outflows of EUR 6.5 billion related to divestments subtracted from overall AuM.

ING INVESTMENT MANAGEMENT

ING Investment Management (ING IM) is the principal investment manager of ING Group, excluding Real Estate. It helps ING deliver on its strategy of helping customers to manage their financial future. In 2009, ING's investment management business continued to pursue its goal of becoming a top-tier investment manager. ING IM's global distribution reach and strong emerging markets presence, together with its scale in fixed income, strong brand recognition and access to a global network of ING channels continued to position ING IM well in gaining new business as markets recovered. All three regions – Europe, Americas and Asia/ Pacific – continued to focus on the core strategy of delivering a wide range of investment strategies and services to ING's global network of businesses and third-party clients. This was achieved by all three regions working closely together to leverage scale, investment expertise and best practices, in order to maximise cross-selling opportunities.

ING IM continued its solid performance in the institutional segment, winning several major mandates. In contrast to 2008, the retail side of the business picked up in the second half of 2009 with improved assets under management and fee income. By the end of the year, the investment management business delivered investment performance with 48% of ranked third-party assets outperforming their peer median on a three-year basis. Morningstar awarded three stars or higher to 74% of ING's ranked mutual funds in Europe and the Americas.

A UNIFIED INVESTMENT MANAGEMENT STRATEGY

In 2009, as part of the Back to Basics programme, ING began work on bringing together the three regional IM businesses under one global leadership team.

Combining all three businesses in such a way allows for an enhanced, unified strategy across the three regions and provides further synergy opportunities in distribution and sales as well as in the areas of manufacturing, operations and administration. (More information in the Conclusions and Ambitions section at the end of this section).

Investment management (continued)

ING IM Europe
ING IM Europe continued to implement a multi-year investment programme in its business. The focus on 2009 was on creating extra capacity to take on new business and to boost its existing investment management operations. In order to create this extra capacity, the investment management operations for the Benelux were centralised in the Netherlands. Additionally, further measures were taken to increase the efficiency of the organisation.
The business development programme has allowed ING IM to invest in significantly improving its investment performance, enhancing the IT & Operations infrastructure and most importantly, Risk Management.

As part of this focus ING IM Europe transformed to a skill-based, multi-boutique structure. These specialist investment teams help produce an accountable and entrepreneurial culture in the pursuit of top quartile, consistent returns. There was a significant improvement in investment performance and an increase in the number of funds awarded with 4 or 5 star ratings by Morningstar.

ING IM Europe's business developed well, especially the pension fund business in Central Europe. The industry as a whole and IM Europe witnessed a major move by investors to Money Markets in the first half of the year. In the second half of the year, rerisking enabled ING IM to develop its institutional mandate business further. Additionally, the number of distributors of ING IM's Luxembourg domiciled funds rose, thereby giving a boost to the business' expansion beyond Europe's borders.

ING IM Americas
A pick-up in US economic activity and positive corporate earnings, particularly in the second half of of 2009, improved the market outlook and helped to increase both retail and institutional sales. On the investment front, the equity investment team produced stronger longer-term performance, which resulted in increased search inquiries from asset management consultants, especially later in the year. The fixed income teams produced strong returns for ING's insurance affiliates and continued to make good progress in boosting track records in mutual fund and institutional fixed portfolios.

The retail business saw improved AuM and fee income with the recovery in the markets. A major new distribution partner was added, which has the potential to significantly boost future sales. In addition, there were a number of new product placements during the year, involving the Alternative Beta Fund, the Global Real Estate Fund, and US REIT SMA.

The institutional business increased its focus on new business development in addition to ongoing client-retention efforts. This strategy worked well, with inflows improving as the year progressed, and with notable flows into emerging market debt, senior loan and stable value strategies. ING IM Americas continued to work closely with ING's US retirement services business, and as a result the partnership won a significant Index Target Date mandate from the Oklahoma Teachers Retirement System.

In Latin America, ING Investment Management continued to gain momentum. ING now has a 32% share of the market in Peru in terms of assets under management, 22% in Chile, 18% in Uruguay and 12% in Mexico and Colombia. These sizeable market positions are a result of ING being the second largest pension provider in Latin America.

ING IM Asia/Pacific
Despite the uncertain economic climate, ING IM Asia/Pacific was successful in booking significant new and prestigious institutional mandates regionally and locally in markets such as Taiwan, Australia, Malaysia, the Philippines and Japan. These wins included ING IM's first offshore equity mandate from a local government pension fund in Taiwan, and a EUR 67.9 million mandate for a Shariah compliant global equity portfolio from a key client in Malaysia. Institutional AuM in Asia Pacific rose by 7.1% over 2009.

On the retail front, major fund launches included a US Bond fund in Taiwan, which, pre-launch, raised over EUR 113 million. In Hong Kong, the number of locally registered funds rose by 12, in Taiwan by five and in Singapore up by 24, as a result of expansion into local retail markets. Wholesale AuM in the region grew by 9.2% over 2009.

In 2010, ING IM will focus on further developing its offshore funds sales throughout Asia, bringing the company's global capabilities to local markets. This will complement retail market development in targeted countries including Hong Kong and Singapore.

CONCLUSIONS AND AMBITIONS
ING IM is committed to delivering top-tier investment performance in each of its three regions. Investment management provides ING with solid growth opportunities both through affiliated ING channels and through retail and institutional third-party business. ING Investment Management has a significant global presence through its broad offerings of a diversified mix of products with solid performance in all three regions.

In 2010, ING's investment management businesses will begin to be managed under a global leadership team, recognising the importance of a strong local presence in regions and markets in Europe, the Americas and Asia/Pacific.

The leadership team will principally focus on improving performance across all asset classes, enhancing risk management, exploiting synergies between the regional ING IM businesses, and upgrading systems and infrastructure.

In 2010, as a result of ING's plans to split its banking and insurance operations, ING IM will form part of ING Insurance (see Strategy Chapter). During this period of change, ING's investment management businesses will remain, as ever, focused on meeting client needs and on generating alpha (above market returns).

Human resources

Increased focus on people, performance and engagement

In the challenging environment of 2009, ING's human resources and business departments forged stronger bonds by aligning our people agenda with the Back to Basics transformation programme and the strategic decision to move towards a full separation of our banking and insurance operations. We increased our focus on engagement of employees and implemented a new performance management approach for leaders. In addition, we evaluated international compensation standards while developing a new compensation policy and set targets for more women in senior positions. We continued building a diverse and inclusive working environment with the support of senior executives and employee networks.

HR ALIGNED WITH NEW STRATEGIC DIRECTION

The strategic decisions in 2009 were accompanied by major organisational changes and impact on people, which placed even greater emphasis on Group and divisional Human Resources (HR), and ING's overall people agenda. All areas of HR were called upon to support the organisation through the challenging circumstances and the reduction of the workforce, which was implemented as part of the Back to Basics programme. HR played a significant role in managing the restructuring process with diligence, care and thoughtfulness for our people as we reduced our workforce to 107,000 worldwide and completed a number of divestments.

Although the transformation programme was the focal point in 2009 and despite the impact of the challenging market circumstances on ING, HR continued to run all regular baseline activities. The ING International Graduate Programme (IIGP) was run for the fourth year in a row with 179 early career talents participating. The extensive talent review process was completed with the solid involvement of divisional HR, and recruitment for select positions continued. Our Business School provided ongoing development opportunities for our talents and leaders with special focus on the transformation programme. Our International Mobility function diligently managed international movements of our workforce and reduced associated costs. Our global governance model further improved the collaboration between divisional and corporate HR.

NAVIGATING THE TRANSFORMATION

Working under the banner of the Back to Basics transformation programme, we worked closely with the business to reduce cost, decrease people-related risks, and help the organisation reduce complexity and, later in the year, prepare for the separation of our banking and insurance operations. Work streams were established to support the transformation programme, focusing on organisational design and divestments, employee engagement, performance, remuneration, leadership skills and culture. Given the magnitude of the transformation programme, the work streams ensured that related processes ran efficiently.

ING remains committed to managing its people with respect and will support those affected by the reorganisation. The reduction of the workforce was coordinated centrally by Group HR in close collaboration with HR in the business including involvement and advice by the Works Council. ING's mobility centres played a major role in helping affected employees finding new roles within ING or outside the Company. Divestments and reorganisations due to decreased business volume resulted in a higher number of employees leaving the Company than originally forecasted.

CULTIVATING THE RIGHT CULTURE

HR is closely aligned with ING's business focus on what matters most to our customers and continuously works to strengthen our performance culture based on our Business Principles. Integrity and trust became hallmarks of debate, both in society and internally, which was reflected in our work on performance management and international remuneration. Run by the Business School and divisional HR training academies, development and training programmes contributed to advance value-based leadership and our performance culture.

Human resources (continued)

EMPLOYEE ENGAGEMENT SURVEY

ING continues to measure employee engagement across the organisation. Since 2008 all ING employees are invited to participate in the annual survey. This year more than 78,000 employees (74% of all those invited) completed the survey in September 2009 – a record response rate. Overall employee engagement decreased by 6% over the last year to 65%, above industry trends and in line with internal expectations as employees dealt with the impact of the transformation programme and the challenging market circumstances. Engagement levels in financial services companies that experienced layoffs this past year, versus those that did not, were 10% lower on average.

Despite the challenges employees faced, some of the positive findings were that ING provides a stimulating work environment, and employees retain pride in the Company. Reported areas for improvement included leadership engagement and opportunities for career development. All eligible managers received the WPC Survey results for their own business unit and are supported by HR to interpret the results, relate them to their own business challenges and develop an action plan against the backdrop of ING's new organisational reality. Again this year, diversity was comprehensively integrated into the WPC survey to measure employee perceptions around diversity, confirming WPC results from 2008 as well as external benchmark studies which show that diverse employee segments experience engagement differently.

DIVERSITY

Diversity is about creating an inclusive culture that embraces the differences of our employees. We believe that a diverse and inclusive working environment where an employee is valued for who he/she is, where one's diverse perspective is recognised, makes our employees feel more engaged and gives them the possibility to be better at what they do. This leads to better business results and, ultimately, helps us to better connect with our current and potential customers.

Enhanced focus on strengthening our diverse and inclusive culture was highlighted at the successful Diversity Conference hosted by CEO Jan Hommen with participation of business and HR leaders from across ING. ING's Global Diversity Office supported the Executive Board and the Management Boards Banking and Insurance by setting the tone for diversity across the Company. ING established targets for the number of women in senior leadership positions, and is implementing customised business plans Company-wide. These plans help businesses set targets for diverse groups of employees, e.g. those of different ethnic background or sexual orientation, while helping leaders measure and meet their progress in placing women in leadership positions. A global leadership programme with focus on accelerating the development track for our high-potential senior women executives is being developed and will be run by our Business School. The Global Diversity Council, chaired by Jan Hommen with business leaders as members, continued to support and coordinate the strategic direction of our diversity objectives.

PERFORMANCE MANAGEMENT FOR SENIOR EXECUTIVES

ING introduced a new performance management approach for its senior leadership – a significant step forward in our existing performance management practices and is part of building a stronger performance culture at ING. It balances financial and non-financial objectives ('what') against leadership behaviours ('how'), and includes an increased emphasis on risk management and leadership integrity in how we achieve our business results and lead our people. As we work to separate our operations, it is critical that we continue to deliver superior performance in both our banking and insurance businesses. The new performance management approach will help us achieve our short-term goals as well as build our businesses for the long-term, recognising our high standards for integrity and accountability. It also provides increased transparency and reporting capabilities for both internal and external stakeholders, in line with increasing stringent regulatory requirements.

INTERNATIONAL COMPENSATION STANDARDS

ING conducted a thorough review of our remuneration policy as part of the agreements with the Dutch State. We revised our remuneration policy accordingly, taking into account new international standards and recommendations, as well as the Dutch Banking Code. We carefully and diligently managed a complex set of external and internal factors that helped define this policy.

Given the globally changing views on remuneration policies and the increased call upon financial institutions to develop more moderate remuneration policies, we considered it our responsibility to reduce focus on variable compensation, further enhance long-term value creation and the alignment of risk and reward and put a higher weight on non-financial performance indicators.

CONCLUSIONS AND AMBITIONS

2009 was a unique year in many respects. We prepared for the separation process by laying a solid foundation for the people issues involved in any major organisational change process covering components such as relations with Works Councils, employee communication and executive leadership support. The global HR function will carefully manage the separation in a way that will support the success of our businesses in the interests of our employees and our leaders. We will continue to instill people-oriented leadership, as the organisational changes we face can only be achieved through our people.

In 2010, development and alignment of new people strategies for the banking and insurance organisations is a priority where talent management plays a significant role in ensuring that key positions are staffed by our best people and the number of women in leadership positions is increased. Moreover, employee and leadership engagement as well as strengthening our diverse and inclusive culture in addition to the new remuneration policy and the implementation of the new performance management approach will be significant focal areas.

The Corporate governance section starting on page 56 and the paragraphs of the Remuneration report 'Proposed new remuneration policy for senior management' on page 80 and 'Current general policy senior management remuneration' on page 81 are incorporated by reference in this Report of the Executive Board.

AMSTERDAM, 15 MARCH 2010
THE EXECUTIVE BOARD

Report of the Supervisory Board

The Supervisory Board and the Executive Board had a number of regular and additional meetings in 2009. Strategy and the financial crisis continued to be important subjects on the agenda as well as remuneration and the discussions with the European Commission on the Restructuring Plan for ING. Committees of the Supervisory Board discussed a range of subjects and provided the Supervisory Board with advice on a number of issues, the main ones being the quarterly results, the financial crisis, risk management, corporate governance, the remuneration policy and human resources.

GENERAL

The Supervisory Board met 15 times in 2009. Seven meetings were scheduled. On average, 95% of the Supervisory Board members were present at the scheduled meetings. Due to the fact that the *ad hoc* meetings were called at very short notice, attendance in these meetings was somewhat lower: 86% of the Supervisory Board members were present on average. The Audit Committee had seven meetings. One Audit Committee member was absent once at an Audit Committee meeting. A new Risk Committee, fully devoted to risk management, started off in August and had two meetings. The Remuneration Committee met eight times and the Nomination Committee met three times. One member was absent twice and one member was absent once at the Remuneration Committee meeting. Nobody was absent at the Nomination Committee meetings. The Corporate Governance Committee met once with no absentees.

SUPERVISORY BOARD MEETINGS

The implications of the financial crisis for ING continued to be a very important topic on the agenda of the Supervisory Board meetings in 2009. The *ad hoc* meetings focused mainly on the development of the financial markets crisis and the strategy for ING going forward, as well as on the Illiquid Assets Back-up Facility (IABF) with the Dutch State and the discussions with the European Commission about the restructuring plan for ING.

The annual Supervisory Board Knowledge Day, a full day of presentations and discussions on several important ING subjects, was held in January 2009. Representatives of DNB, the Dutch central bank, visited the Knowledge Day and gave a presentation on banking supervision. The Supervisory Board was also extensively informed about developments regarding variable annuities and discussed the status of the Group's IT systems.

In January, the Supervisory Board also held its annual full-day meeting on ING's strategy and medium-term plan (MTP), including the related risks. The medium-term plan addresses the plans of the business lines and the financial targets for each of them and for the Group as a whole. The Supervisory Board discussed and approved the plan and ING's strategic direction while acknowledging that the ongoing financial crisis and the discussions with the Dutch government on the IABF may impact the plan and the strategy. A proposal to reduce the overall bonus pool was also approved. Following the assessment of the effects of the financial crisis on ING it was decided to set up a separate Risk Committee of the Supervisory Board to focus more on risk management. The Supervisory Board took note of investor feedback on ING's performance over 2008.

In January 2009, the Supervisory Board extensively discussed and finally approved an agreement between ING and the Dutch State on an IABF covering 80% of ING's Alt-A mortgage securities. This transaction significantly reduced the uncertainty about the accounting impact on ING of any future losses in the portfolio. In connection with this agreement, the government-nominated members of the ING Supervisory Board obtained some additional approval rights. Furthermore, several other measures to reduce risk and costs were approved by the Supervisory Board, including a 6% reduction of the workforce.

The 2008 annual figures were discussed in February, including the related reports from internal and external auditors and the assessment of the Executive Board of the adequacy and effectiveness of ING's risk management and control systems as well as the significant changes made. The effect of the financial crisis was evident in the fourth quarter of 2008 and resulted in a first time negative result in the fourth quarter of 2008 as well as a loss for the full year 2008. The draft agenda of the annual General Meeting was discussed and approved.

The successive quarterly figures of 2009 were discussed in May, August and November respectively. The 2009 annual General Meeting was evaluated in May and in August the capital position of ING Insurance US was discussed. The strategy of Insurance Netherlands was presented in September. In September, the new Supervisory Board members followed an extensive induction course giving insight in the ING strategy, the six business lines as well as the activities of the Group staff departments in relation to the Supervisory Board responsibilities.

The Supervisory Board also met to discuss and approve the Back to Basic strategy to transform ING into a predominantly European bank as well as a global insurer in life and retirement services, including a global investment manager, with an increased focus on customers. The strategy also focused on cost savings and various deleveraging activities. The Back to Basics strategy was externally communicated on 9 April 2009.

In the second half of 2009 the Supervisory Board continued to discuss the strategy of ING, taking into account the discussions with the European Commission (EC) on the Restructuring Plan for ING. As a logical next step in the Back to Basics strategy, the Supervisory Board agreed to move towards a complete separation of the banking and insurance operations over the next four years through a divestment of all insurance operations (including the investment management activities).

Following the decision to split the Company, the Supervisory Board approved the ING Restructuring Plan that was negotiated with the EC, under the assumption that the level playing field in the EU internal market and equal treatment of all state-supported financial institutions would be safeguarded by the EC. The Supervisory Board also approved an adjustment of the terms of the core Tier 1 securities agreement with the Dutch State to facilitate an earlier repayment of EUR 5 billion. The proposal to organise an extraordinary General Meeting, held on 25 November 2009 in order to get approval for the strategic decision to split the Company and to raise EUR 7.5 billion of capital through a rights issue to facilitate the earlier repayment and the additional fee to the Dutch State, was also approved.

In October several formal decisions regarding the extraordinary General Meeting in November were taken and the agenda for the meeting in November was approved. The annual update of the ING Regulation on Financial Instruments was approved in the November meeting. Due to the economic crisis and the cost containment programme, the Supervisory Board did not visit any ING operations abroad in 2009.

During the internal meetings of the Supervisory Board (Supervisory Board meetings with the CEO present) the stepping down of Michel Tilmant as CEO, the succession of the CEO position by Jan Hommen as well as the succession of the CFO position were discussed. Patrick Flynn was nominated as a CFO candidate for appointment in the 2009 annual General Meeting. The peer group selection for assessing Executive Board remuneration and the performance assessments of the individual Executive Board members were reviewed in February. In its internal meeting in May the Supervisory Board appointed Jan Hommen as chairman of the Executive Board and Peter Elverding as chairman of the Supervisory Board. In addition to the Supervisory Board members nominated by the Dutch State, other potential Supervisory Board candidates and the membership of the various Supervisory Board committees were discussed. A new governance structure for ING was approved, including a Management Board Banking and a Management Board Insurance, both reporting to the Executive Board. The Supervisory Board was regularly updated by the Remuneration Committee on the development of the new Remuneration policy for the Executive Board and senior management. The Supervisory Board appointed Jeroen van der Veer as vice-chairman of the Supervisory Board as of 1 October 2009. At the internal meeting of the Supervisory Board in November, the functioning of the Supervisory Board, its committees and its individual members and the conclusions to be drawn from it were discussed. This was carried out in the light of the Supervisory Board Profile, the size and composition of the Supervisory Board. Furthermore, the functioning of the Executive Board and the performance of the individual Executive Board members were discussed.

AUDIT COMMITTEE MEETINGS

In 2009, the Audit Committee met five times to discuss the annual and the quarterly results. In two additional meetings at the beginning of the year conclusions were drawn from the assessment of the effects of the financial crisis on ING and follow-up actions were discussed, among which were the strengthening of the risk governance structure, adjustment of the risk scenarios and establishing a separate Supervisory Board Risk Committee. The Audit Committee was frequently updated on the effect of the derisking measures. Other topics discussed in the meetings were risk, governance, capital management and regulatory matters and, more specifically, the financial position of the ING pension fund and the capital position of ING Insurance US as well as the derisking of the variable annuity products.

RISK COMMITTEE MEETINGS

A Supervisory Board Risk Committee started in August. Two meetings were held in 2009 with all members present. Group risk, financial risk and non-financial risk, previously discussed in the Audit Committee, are now discussed in separate Risk Committee meetings. The adjusted risk appetite statements for the ING banking business as well as the insurance business were specifically discussed in the Risk Committee meetings.

NOMINATION COMMITTEE MEETINGS

In 2009, a separate Nomination Committee started and met three times. The Nomination Committee discussed the future composition of the Supervisory Board and its committees as

Report of the Supervisory Board (continued)

well as the succession planning of the Executive Board and the Management Boards. The Nomination Committee specifically discussed various CFO candidates for appointment in the 2009 annual General Meeting.

REMUNERATION COMMITTEE MEETINGS

The Remuneration Committee met eight times in 2009. The report of the *Adviescommissie Toekomst Banken* (Advisory Committee Future of Banks), various international standards (G20, FSB, FSA, IIF) and the remuneration standards laid down in the *Code Banken* (Dutch Banking Code) were extensively discussed. Subsequently, the scope and the details of the new remuneration policy for the Executive Board and senior management were developed in the Remuneration Committee as well as a governance structure for remuneration. An independent external adviser assisted the Remuneration Committee during this process. In February, the 2008 performance of the Executive Board members was discussed on the basis of the Group performance criteria and the individual targets as well as the proposed 2009 objectives for the Executive Board. A reduction of the discretionary 2008 bonus pool was discussed in several meetings. The implications of the Illiquid Assets Back-up Facility with the government for the Executive Board remuneration were also discussed.

CORPORATE GOVERNANCE COMMITTEE MEETINGS

The Corporate Governance Committee discussed the agenda for the 2009 annual General Meeting, which included the appointment of Jan Hommen and Patrick Flynn to the Executive Board. The Committee continued its discussions on the position of the ING Trust Office.

COMPOSITION OF THE EXECUTIVE BOARD

On 26 January 2009, Michel Tilmant, chief executive officer, stepped down from the Executive Board. The annual General Meeting in April 2009 appointed Jan Hommen as a member of the Executive Board and Patrick Flynn as the new CFO of ING Group. Subsequently the Supervisory Board appointed Jan Hommen as the new CEO of ING Group.

In May 2009, separate Management Boards Banking and Insurance were introduced to simplify the governance structure and further increase business focus. Jan Hommen, Patrick Flynn and Koos Timmermans remained members of the Executive Board while also becoming members of the Management Boards Banking and Insurance. Eric Boyer de la Giroday, Eli Leenaars and Dick Harryvan stepped down from the Executive Board and became members of the Management Board Banking. Jacques de Vaucleroy, Hans van der Noordaa and Tom McInerney stepped down from the Executive Board and became members of the Management Board Insurance. The composition of the Management Boards Banking and Insurance has changed as of 1 January 2010 (see pages 27 and 37). More information on the members of the Executive Board is provided on page 62.

COMPOSITION OF THE SUPERVISORY BOARD

Eric Bourdais de Charbonnière and Wim Kok retired from the Supervisory Board and Godfried van der Lugt was reappointed as a member of the Supervisory Board at the annual General Meeting in April 2009. Tineke Bahlmann and Lodewijk de Waal were appointed as new members of the Supervisory Board upon nomination by the Dutch State, following the agreement with the Dutch State to strengthen the capital position of ING in November 2008. Jeroen van der Veer was also appointed as a new member of the Supervisory Board as of 1 July 2009.

Following the annual General Meeting, Peter Elverding succeeded Jan Hommen as chairman of the Supervisory Board and became chairman of the Nomination Committee, the Corporate Governance Committee and the Risk Committee. Jackson Tai succeeded Wim Kok as chairman of the Audit Committee. In September Jeroen van der Veer was appointed vice-chairman of the Supervisory Board.

Peter Elverding, Piet Klaver, Karel Vuursteen, Joan Spero and Lodewijk de Waal became members of the Nomination Committee when it started meeting at the beginning of 2009. Peter Elverding, Jackson Tai, Godfried van der Lugt, Claus Dieter Hoffmann, Piet Klaver and Tineke Bahlmann joined the new Risk Committee. Tineke Bahlmann also joined the Audit Committee. Jeroen van der Veer joined the Audit Committee and the Remuneration Committee, taking over the chair of the Remuneration Committee from Peter Elverding, who had temporarily chaired this committee. Lodewijk de Waal also became a member of the Remuneration Committee and the Corporate Governance Committee. Henk Breukink joined the Audit Committee.

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

Currently, only one Supervisory Board member, Piet Hoogendoorn qualifies as 'non-independent' as defined in best-practice provision III.2.1 of the Dutch Corporate Governance Code. Mr. Hoogendoorn is considered to be not independent, because of his position with Deloitte Touche Tohmatsu until 1 June 2007, considering the important relationship between Deloitte Touche Thomatsu and ING.

Information on the members of the Supervisory Board is provided on pages 65-67.

Retirement of Karel Vuursteen

Karel Vuursteen will retire from the Supervisory Board taking into account that he will reach the age of 70 in 2011 and the wish of the Supervisory Board to reduce its size. Mr. Vuursteen joined the Supervisory Board in 2002. He became a member of the Remuneration and Nomination Committee in 2007. Mr. Vuursteen was very committed to the Company's interests. He was of great value to the Supervisory Board and to the Remuneration and Nomination Committee due to his vast experience and insight in the international business community. Both the Supervisory Board and the Executive Board are very grateful for his strong personal contribution through the years.

Retirement of Piet Hoogendoorn

Piet Hoogendoorn will step down from the Supervisory Board one year earlier than originally planned. Mr. Hoogendoorn was appointed a member of the Supervisory Board in 2007 and brought with him valuable insight into accounting practices due to his former position with Deloitte Touche Tohmatsu until 1 June 2007. He was a devoted member of the Audit Committee. Both the Supervisory Board and the Executive Board would like to thank Mr. Hoogendoorn for his commitment and contribution to ING.

Retirement of Harish Manwani

In view of his relocation from London to Singapore and increasing commitments both within Unilever and outside, Mr. Manwani has decided to step down from the Supervisory Board of ING Group. Mr. Manwani was appointed a member of the Supervisory Board in 2008. His insight into developing and emerging markets and international marketing practices, along with his experience as an acting executive director of an international company was of great value in the Supervisory Board. Both the Supervisory Board and the Executive Board thank Mr. Manwani for his commitment and contribution to ING.

ANNUAL ACCOUNTS AND DIVIDEND

The Executive Board has prepared the annual accounts and discussed these with the Supervisory Board. The annual accounts will be submitted for adoption at the 2010 General Meeting as part of the Annual Report. For 2009 no interim dividend has been paid. ING has announced that it will not pay a final dividend in May 2010 for the year 2009.

APPRECIATION FOR THE EXECUTIVE BOARD AND ING EMPLOYEES

The Supervisory Board would like to thank the members of the Executive Board and two Management Boards for their work and commitment to ING in a very challenging political and economic environment. In 2009 the work of the Executive Board and the two Management Boards focused on getting ING back on track and designing the future strategy. The Supervisory Board would also like to express its appreciation to the 107,000 employees of ING who have served the interests of the customers, the shareholders and other stakeholders of ING, and have shown great commitment in the past challenging year.

ADDITIONAL INFORMATION

For additional information, see the Corporate governance section (pages 56-68) and the Remuneration report (pages 76-87), which are deemed to be incorporated by reference here.

AMSTERDAM, 15 MARCH 2010
THE SUPERVISORY BOARD

Corporate governance

This section discusses the application by ING Groep N.V. ('ING Group') of the Dutch Corporate Governance Code and provides information on the share capital and control, the Executive Board, the Supervisory Board and the external auditor. This section, including the parts of this Annual Report incorporated by reference, also serves as the 'corporate governance statement' referred to in section 2a of the Decree with respect to the contents of the annual report *(Besluit tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag)* [1].

RECENT DEVELOPMENTS

LEGISLATIVE AND REGULATORY DEVELOPMENTS

In December 2008, the Monitoring Committee of the Dutch Corporate Governance Code ('Frijns Committee') published an updated version of the Dutch Corporate Governance Code ('Corporate Governance Code'). The Corporate Governance Code became effective on 1 January 2009. Dutch listed companies are required to report, on the basis of "apply or explain" on their application of the principles and best-practice provisions of the Corporate Governance Code for the first time in their annual report for the financial year 2009.

On 9 September 2009 the Dutch Banking Association adopted the Banking Code *(Code Banken)*, which became effective on 1 January 2010. As from the 2010 financial year ING Bank N.V. will report on the implementation of the Banking Code. On the application of the principles regarding remuneration, the Annual Report of ING Group will report as from the 2010 financial year.

In addition, several legislative proposals are under discussion in the Lower House of the Dutch Parliament or were adopted by it in 2009. If enacted, these legislative proposals may affect ING Group.

TRANSACTIONS WITH THE DUTCH STATE

On 12 November 2008, ING Group issued 1 billion core Tier 1 securities ('Securities') to the Dutch State against payment of EUR 10 per Security resulting in an increase of ING Group's core Tier 1 capital of EUR 10 billion. The Securities do not form part of ING Group's share capital; accordingly they do not carry voting rights in the general meeting. The financial entitlements of the Securities are described in the Annual Accounts on page 90.

On 26 January 2009, ING Group reached an agreement with the Dutch State regarding the IABF, as further described on page 11. During 2009, ING Bank N.V. issued various series of debt instruments under the 2008 Credit Guarantee Scheme of the Dutch State ('Bonds'), for the first time on 30 January 2009.

As part of these transactions, certain arrangements with respect to corporate governance and executive remuneration were agreed with the Dutch State which will remain in place as long as the Dutch State owns at least 250 million Securities, as long as the IABF continues or any of the Bonds is outstanding (whichever expires last).

These arrangements entail that:

- the Dutch State may recommend two candidates ('State Nominees') for appointment to the Supervisory Board. Certain decisions of the Supervisory Board require approval of the State Nominees (these decisions are specified in the section on the Supervisory Board on page 63);
- ING Group will develop a sustainable remuneration policy for the Executive Board and Senior Management that is aligned to new international standards and submit this to its General Meeting for adoption. This remuneration policy shall include incentive schemes which are linked to long-term value creation, thereby taking account of risk and restricting the potential for 'rewards for failure'. The new remuneration policy will include objectives relating to corporate and social responsibility;

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

- members of the Executive Board will not receive any performance-related payment – either in cash, options, shares or depositary receipts for shares – for the years 2008, 2009 and subsequent years until the adoption of the new remuneration policy mentioned above;
- severance payments to members of the Executive Board will be limited to a maximum of one year's fixed salary, in line with the Corporate Governance Code; and
- appointment of the chief executive officer of the Executive Board requires approval of the State Nominees.

For more information on the State Nominees, reference is made to the section on the Supervisory Board; for more information on the other arrangements, reference is made to the Remuneration report, starting on page 76.

The issue of the Securities and the IABF were temporarily approved by the European Commission on 12 November 2008 and 31 March 2009 respectively. In order to obtain definitive approval, ING Group presented a plan on 26 October 2009 ('Restructuring Plan') that will enable it to pay back the Dutch State, address the requirements of the European Commission for viability and fair competition and return its focus to the business and what matters most to customers. The Restructuring Plan includes a separation of the banking and insurance operations (including ING Investment Management), divestment of ING Direct USA and the creation of a new company in the Dutch retail market out of its current operations by combining the Interadvies banking division (including WestlandUtrecht Hypotheekbank and the mortgage activities of Nationale-Nederlanden) and the existing consumer credit portfolio of ING Retail Banking. This business, once separated, will be divested. The Restructuring Plan also provides for a reduction by ING Group of the outstanding Securities by EUR 5 billion (nominal amount), the conditions of which were adjusted in mutual agreement between ING Group and the Dutch State. On 18 November 2009, the European Commission approved the Restructuring Plan and gave final clearance for the issue of the Securities and the IABF.

On 25 November 2009, the General Meeting approved the strategic decision of the Executive Board to divest all insurance operations (including investment management) and authorised the Executive Board to issue ordinary shares of such number as would be necessary to raise an amount of capital up to EUR 7.5 billion, to enable ING Group to repurchase half of the outstanding Securities from the Dutch State and to strengthen ING Group's capital base. To that effect, on 27 November 2009 ING Group launched a public offering of ordinary shares which was successfully settled on 21 December 2009.

SHAREHOLDER PARTICIPATION AND POSITION OF ING TRUST OFFICE

ING Group indicated earlier that the Executive Board and the Supervisory Board would consider the position of Stichting ING Aandelen ('ING Trust Office') and depositary receipts once the number of votes cast on ordinary shares and depositary receipts for ordinary shares at a general meeting, including proxies and excluding the votes which are at the discretion of ING Trust Office, was at least 35% of the total votes that may be cast for three consecutive years.

In 2006, 28% of the total votes were thus cast, in 2007, the figure was 36.7%, in 2008, the figure was 38.7% and in 2009, the figures were 35.6% (annual General Meeting) and 31.1% (extraordinary General Meeting), so that in the 2009 annual General Meeting, the 35% threshold was exceeded for the third time in succession.

With a view to the above, the Executive Board and the Supervisory Board announced in the 2009 annual General Meeting that they would consider the steps to be taken with respect to the position of ING Trust Office. In connection therewith, it was communicated that, in particular against the backdrop of the financial crisis, more time is needed to consider the position of ING Trust Office, as the trust structure can be important to proper decision making in the near future and also to the long-term interest of ING Group.
In accordance with this announcement, the Executive Board and the Supervisory Board considered the position of ING Trust Office in the build-up to the 2010 annual General Meeting. In connection therewith, they have taken the following into consideration:

The Executive Board and the Supervisory Board have established that a number of fundamental changes was set in motion by the financial crisis.

In general, the balance between the various interests which are involved in financial institutions have been re-evaluated. This concerns not only the balance between long-term interests and short-term interests, but also the balance between shareholders' interests and the interests of other stakeholders. It is unmistakable and indisputable that, according to prevalent opinion, "good governance" with financial institutions entails that the long-term interests and the interests of the other stakeholders are emphasised more than in the past.

In addition, ING Group proceeded to a radical change of strategy and structure as a consequence of the financial crisis. This will be brought to completion in the future by means of the divestment of the insurance operations (including investment management).

Furthermore, the Executive Board and the Supervisory Board have established that the depositary-receipt structure as applied by ING Group, supports "good governance". Although ING Trust Office, when determining its voting, puts the interests of shareholders and holders of depositary receipts first, it also takes into account the interests of other stakeholders. In this way it ensures a balanced decision-making.

The depositary-receipt structure also ensures consistency in ING Group's decision making as it prevents that the General Meeting will be unduly influenced by a minority. This consistency is indispensable, in particular in times of fundamental changes.

The depositary-receipt structure thus provides the Executive Board and the Supervisory Board the room which is necessary to do justice to the long-term interests and the interests of the other stakeholders.

In view of the importance of the balance between the long-term interests and the short-term interests and between the interests of shareholders and other stakeholders, as well as the importance of

Corporate governance (continued)

consistency in ING Group's decision making, within the current legal framework, the depositary-receipt structure, in the opinion of the Executive Board and the Supervisory Board, is still the most appropriate means to achieve this.

In view of the foregoing, the Executive Board and the Supervisory Board are of the opinion that abolishing the depositary-receipt structure cannot be justified at this moment. There will be a natural moment to evaluate ING Group's governance in its entirety as soon as the current restructuring and the forthcoming divestments are completed. The depositary-receipt structure will form part of that evaluation.

RISK COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

On 1 January 2009, the Remuneration and Nomination Committee of the Supervisory Board was split into a separate Remuneration Committee and Nomination Committee. As recommended in section III.5.11 of the Corporate Governance Code, the Remuneration Committee will not be chaired by the chairman of the Supervisory Board. On 1 June 2009, a separate Risk Committee was set up.

CORPORATE GOVERNANCE CODES

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For its corporate governance structure and practices, ING Group uses the Corporate Governance Code as reference. During 2009 ING Group considered the Corporate Governance Code and to what extent it could be implemented. ING Group's implementation of the Corporate Governance Code will be submitted for approval at the 2010 General Meeting. The Corporate Governance Code can be downloaded from the website of the Monitoring Commission Dutch Corporate Governance Code (www.commissiecorporategovernance.nl/Corporate_Governance_Code). Any deviations from the Corporate Governance Code which are to be reported for 2009 are addressed in this section. However, deviations from the Corporate Governance Code with respect to the remuneration of the Executive Board and the Supervisory Board are addressed in the Remuneration report (see page 76) whereas any deviations from the Corporate Governance Code by ING Trust Office are reported in ING Trust Office's own report (see page 69).

ING Group also considers the principles of the Banking Code with respect to remuneration as a reference and will, in accordance with the Banking Code, report on their application as of the financial year 2010. The remaining principles of the Banking Code are not considered as a reference for ING Group's own corporate governance, although the application thereof by ING Group's banking subsidiaries will be reflected to a certain extent in ING Group's own corporate governance structure and corporate governance practices.

DIFFERENCES BETWEEN DUTCH AND US CORPORATE GOVERNANCE PRACTICES

In conformity with regulation from the US Securities and Exchange Commission, ING Group as a foreign private issuer, whose securities are listed on the New York Stock Exchange ('NYSE') must disclose in its Annual Report on Form 20-F any significant differences between its corporate governance practices and those applicable to US domestic companies under the NYSE listing standards.

ING Group believes the following to be the significant differences between its corporate governance practices and NYSE corporate governance rules applicable to US companies:

- ING Group has a two-tier board structure, in contrast to the one-tier board structure used by most US companies. In the Netherlands, a public limited liability company *(naamloze vennootschap)* has an Executive Board as its management body and a Supervisory Board which advises and supervises the Executive Board. In general, members of the Executive Board are employees of the company while members of the Supervisory Board are often former state or business leaders and sometimes former members of the Executive Board. Members of the Executive Board and other officers and employees cannot simultaneously be a member of the Supervisory Board. The Supervisory Board must approve specified decisions of the Executive Board. Under the Corporate Governance Code, all members of the Supervisory Board with the exception of not more than one person, must be independent. The present members of ING Group's Supervisory Board with the exception of one member, are independent within the meaning of the Corporate Governance Code. The definitions of independence under the Corporate Governance Code, however, differ in their details from the definitions of independence under the NYSE listing standards. In some cases the Dutch requirements are stricter and in other cases the NYSE listing standards are the stricter of the two. The Audit Committee, Risk Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of ING Group are comprised of members of the Supervisory Board.
- In contrast to the Sarbanes-Oxley Act of 2002, the Corporate Governance Code contains an 'apply-or-explain' principle, offering the possibility to deviate from the Corporate Governance Code as long as any such deviations are explained. To the extent that such deviations are approved by the general meeting, the company is deemed to be in full compliance with the Corporate Governance Code.
- Dutch law requires that the company's external auditors be appointed at the general meeting and not by the Audit Committee.
- The articles of association of ING Group ('Articles of Association') provide that there are no quorum requirements to hold a general meeting, although certain shareholder actions and certain resolutions may require a quorum.
- The shareholder approval requirements for equity compensation plans under Dutch law and the Corporate Governance Code differ from those applicable to US companies which are subject to the NYSE's listing rules. Under Dutch company law and the Corporate Governance Code, shareholder approval is only required for equity compensation plans (or changes thereto) for members of the Executive Board and Supervisory Board, and not for equity compensation plans for other groups of employees.

CAPITAL AND SHARES

CAPITAL STRUCTURE, SHARES

The authorised capital of ING Group consists of ordinary shares and cumulative preference shares. Currently, only ordinary shares are issued, while a call option to acquire cumulative preference shares has been granted to Stichting Continuïteit ING ('ING Continuity Foundation'). The acquisition of cumulative preference shares pursuant to the call option is subject to the restriction that, immediately after the issue of cumulative preference shares, the total amount of cumulative preference shares outstanding may not exceed one-third of the total issued share capital of ING Group (see page 72). The purpose of the call option is to protect the independence, the continuity and the identity of ING Group against influences which are contrary to the interests of ING Group, its enterprise and the enterprises of its subsidiaries and all stakeholders (including, but not limited to, hostile takeovers). The ordinary shares are used solely for funding purposes. The ordinary shares, which are all registered shares, are not listed on a stock exchange.

DEPOSITARY RECEIPTS

More than 99.9% of the issued ordinary shares are held by ING Trust Office. In exchange for these shares, ING Trust Office has issued depositary receipts in bearer form for these shares. The depositary receipts are listed on various stock exchanges (see page 8 for an overview of the listings). Depositary receipts can be exchanged upon request of the holders of depositary receipts for non-listed ordinary shares, without any restriction, other than payment of an administrative fee of one euro cent (EUR 0.01) per depositary receipt with a minimum of twenty-five euros (EUR 25.00) per exchange transaction.

The holder of a depositary receipt is entitled to receive from ING Trust Office payment of dividends and other distributions corresponding to the dividends and other distributions received by ING Trust Office on an ordinary share.

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

The Board of ING Trust Office reports on its activities through an annual report, which has been included on pages 69-71.

ISSUE OF SHARES

ING Group's authorised capital is the maximum amount of capital allowed to be issued under the terms of the Articles of Association. New shares in excess of this amount can only be issued if the Articles of Association are amended. For reasons of flexibility, ING Group seeks to set the authorised capital in the Articles of Association of ING Group at the highest level permitted by law again in the future.

Share issues are to be decided by the General Meeting, which may also delegate its authority. Each year, the General Meeting is asked to delegate authority to the Executive Board to issue new ordinary shares or to grant rights to subscribe for new ordinary shares, both with and without pre-emptive rights for existing shareholders. The powers delegated to the Executive Board are limited:

- in time: powers are delegated for a period of 18 months;
- by number: ordinary shares may be issued up to a maximum of 10% of the issued capital, or 20% in the event of a merger or takeover; and
- in terms of control: resolutions by the Executive Board to issue shares require the approval of the Supervisory Board.

Approval by the General Meeting would be required for any share issues exceeding these limits.

TRANSFER OF SHARES AND DEPOSITARY RECEIPTS AND TRANSFER RESTRICTIONS

Shares are transferred by means of a deed of transfer between the transferor and the transferee. To become effective, ING Group has to acknowledge the transfer, unless ING Group itself is a party to the transfer. The Articles of Association do not restrict the transfer of ordinary shares, whereas the transfer of cumulative preference shares is subject to prior approval of the Executive Board.

The Articles of Association and the trust conditions for registered shares in the share capital of ING Group ('Trust Conditions') do not restrict the transfer of depositary receipts for shares. ING Group is not aware of the existence of any agreement pursuant to which the transfer of ordinary shares or depositary receipts for such shares is restricted.

REPURCHASE OF SHARES

ING Group may repurchase outstanding shares and depositary receipts for such shares. Although the power to repurchase shares and depositary receipts for shares is vested in the Executive Board subject to the approval of the Supervisory Board, prior authorisation from the General Meeting is required for these repurchases. Under Dutch law, this authorisation lapses after 18 months. Each year, the General Meeting is asked to approve the Executive Board's authority to repurchase shares.

When repurchasing shares the Executive Board is to observe the price ranges prescribed in the authorisation. For the ordinary shares and depositary receipts for such shares, the authorisation currently in force stipulates a minimum price of one eurocent and a maximum price equal to the highest stock price on Euronext Amsterdam by NYSE Euronext on the date on which the purchase agreement is concluded or on the preceding day of stock market trading.

SPECIAL RIGHTS OF CONTROL

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

SHAREHOLDERS' STRUCTURE

Details of investors who have reported their interest in ING Group pursuant to the Dutch Financial Supervision Act *(Wet op het financieel toezicht)* (or the predecessor of this legislation) are shown on page 8. ING Group is not aware of investors with an interest of 10% or more in ING Group.

Corporate governance (continued)

GENERAL MEETING

FREQUENCY, NOTICE AND AGENDA OF GENERAL MEETINGS

General meetings are normally held each year in April or May, to discuss the course of business in the preceding financial year on the basis of the reports prepared by the Executive Board and the Supervisory Board, and to decide on the distribution of dividends or other distributions, the appointment and/or reappointment of members of the Executive Board and the Supervisory Board (if any), other items requiring shareholder approval under Dutch law, and any other matters proposed by the Supervisory Board, the Executive Board or shareholders or holders of depositary receipts in accordance with the Articles of Association.

Meetings are convened by public notice. As of the date of convening a general meeting, all information relevant for shareholders and holders of depositary receipts, is made available to them on the website of ING Group (www.ing.com) and at the ING Group head office, mentioned in the notice.

This information includes the notice for the general meeting, the agenda, the verbatim text of the proposals with an explanation and instructions on how to participate in the meeting (either in person or by proxy vote), as well as the reports of the Executive Board and the Supervisory Board. More complex proposals such as amendments to the Articles of Association are normally not included in the notice but are made available separately on the website of ING Group and at the ING Group head office.

PROPOSALS BY SHAREHOLDERS AND HOLDERS OF DEPOSITARY RECEIPTS

Proposals to include items on the agenda for a general meeting can be made by shareholders and holders of depositary receipts representing a joint total of 0.1% of the share capital or representing together, on the basis of the stock prices on Euronext Amsterdam by NYSE Euronext, a share value of at least EUR 50 million. Given the periods of notice required for proxy voting, proposals have to be submitted in writing al least 50 days before the date of the meeting. Properly submitted proposals will be included on the agenda for the general meeting.

DIALOGUE WITH SHAREHOLDERS AND HOLDERS OF DEPOSITARY RECEIPTS

In 2009, shareholders and holders of depositary receipts were allowed to ask questions about items on the agenda for the annual General Meeting and the extraordinary General Meeting, and they will be allowed to do so in 2010. Shareholders and holders of depositary receipts can visit the website of ING Group (www.ing.com) to submit their questions.

RECORD DATE

It is standard practice with ING Group to set a record date for attending a general meeting and voting on the proposals in that general meeting. Shareholders and holders of depositary receipts who hold shares and/or depositary receipts for shares at the record date are entitled to attend the general meeting and to exercise other rights related to the general meeting in question on the basis of their holding at the record date, notwithstanding a subsequent sale or purchase of shares or depositary receipts for shares. The record date is published in the notice to the general meeting. In accordance with US requirements the depositary sets a record date for the American Depositary Shares ('ADSs'), which date determines which ADSs are entitled to give voting instructions. This record date can differ from the record date set by ING Group for shareholders and holders of depositary receipts.

ATTENDING GENERAL MEETINGS

For logistical reasons, attendance at a general meeting by shareholders and holders of depositary receipts, either in person or by proxy, is subject to the requirement that ING Group is notified in advance. Instructions to that effect are included in the notice for the general meeting.

Shareholders and holders of depositary receipts who do not attend the general meeting in person, may nevertheless follow the course of affairs in the meeting by internet webcast.

VOTING RIGHTS ON SHARES

Each share entitles the holder to cast one vote at the general meeting. The Articles of Association do not restrict the voting rights on any class of shares. ING Group is not aware of any agreement pursuant to which voting rights on any class of its shares are restricted.

VOTING ON THE ORDINARY SHARES BY HOLDERS OF DEPOSITARY RECEIPTS AS PROXY OF ING TRUST OFFICE

Although the depositary receipts for shares do not formally carry any voting rights, holders of depositary receipts, in practice, rank equally with shareholders with regard to voting. ING Trust Office will, subject to certain restrictions, grant a proxy to a holder of depositary receipts allowing such holder, in the name of ING Trust Office, exercise the voting rights attached to the number of its ordinary shares that corresponds to the number of depositary receipts held by such holder of depositary receipts. On the basis of such a proxy, the holder of depositary receipts may vote at his or her own discretion.

The following restrictions apply in respect of granting a voting proxy to holders of depositary receipts:

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

VOTING INSTRUCTIONS OF HOLDERS OF DEPOSITARY RECEIPTS TO ING TRUST OFFICE

Holders of depositary receipts not attending a general meeting are entitled to give binding instructions to ING Trust Office, concerning ING Trust Office's exercise of the voting rights attached to the ordinary shares. ING Trust Office will follow such instructions for such number of ordinary shares equal to the number of depositary receipts for shares held by the relevant holder of depositary receipts. ING Trust Office has made it easier for votes to be cast this way by putting arrangements in place for proxy voting and e-voting.

VOTING ON THE ORDINARY SHARES BY ING TRUST OFFICE

ING Trust Office has discretion to vote in respect of shares for which it has not issued voting proxies to holders of depositary receipts and has not received any voting instructions. According to its articles of association and the Trust Conditions, ING Trust Office is required to promote the interests of all holders of depositary receipts, irrespective of whether they attend the general meeting, also taking into account the interests of ING Group, the businesses of ING Group and its group companies and all other ING Group stakeholders when voting such shares, so as to ensure that all these interests are given as much consideration and protection as possible.

The depositary receipts and trust office structure outlined above would prevent a small minority, which coincidentally may form the majority in a general meeting in the absence of other parties, from taking decisions purely to suit themselves.

PROXY VOTING FACILITIES

ING Group is a participant of the Shareholder Communication Channel *(Stichting Communicatiekanaal Aandeelhouders)*, through which participating holders of depositary receipts can give voting instructions to ING Trust Office. ING Group provides a similar proxy voting facility to international institutional investors. In addition, ING Group solicits proxies from its ADS holders in line with common practice in the US.

Proxy voting forms for shareholders and voting instruction forms for holders of depositary receipts who do not participate in the Shareholder Communication Chanel are made available on the website of ING Group (www.ing.com). The submission of these forms is subject to additional conditions which are specified in the forms themselves.

MAIN POWERS OF THE GENERAL MEETING

The main powers of the General Meeting are to decide on:
- the appointment, suspension and dismissal of members of the Executive Board and members of the Supervisory Board, subject to a binding nomination or a proposal of the Supervisory Board;
- the adoption of the annual accounts;
- the declaration of dividends, subject to the power of the Executive Board to appropriate part of or all of the profits to the reserves – with approval of the Supervisory Board – and the declaration of other distributions, subject to a proposal by the Executive Board which was approved by the Supervisory Board;
- the appointment of the external auditor;
- an amendment of the Articles of Association, a legal merger or division of ING Group, and winding up ING Group, all subject to a proposal by the Executive Board which was approved by the Supervisory Board;
- the issue of shares or rights to subscribe for shares, the restriction or exclusion of pre-emptive rights of shareholders, and delegation of these powers to the Executive Board, subject to a proposal by the Executive Board which was approved by the Supervisory Board; and
- to authorise the repurchase of outstanding shares and to cancel shares.

Moreover, the approval of the General Meeting is required for Executive Board decisions that are so far-reaching that they would greatly change the identity or nature of ING Group or its enterprise. This includes resolutions to transfer or assign otherwise all or virtually all of the enterprise of ING Group or its subsidiaries as a consequence of which ING Group or the group over which ING Group exercises central control ceases to engage in either insurance or banking activities.

REPORTING

Resolutions adopted at a general meeting shall also be published on the website of ING Group (www.ing.com) within one week after the meeting. The draft minutes of the general meeting are, in accordance with the Corporate Governance Code, made available to shareholders and holders of depositary receipts on the website of ING Group (www.ing.com) no later than three months after the meeting. Shareholders and holders of depositary receipts may react to the draft minutes in the following three months, after which the final minutes will be adopted by the chairman of the meeting in question and by a shareholder or holder of depositary receipts appointed by that meeting. The final minutes are made available on the website of ING Group (www.ing.com). In deviation of the Corporate Governance Code shareholders and holders of depositary receipts will not have the opportunity to react to the minutes of a general meeting if a notarial report is drawn up of the meeting, as this would be in conflict with the laws applicable to such notarial report.

EXECUTIVE BOARD

APPOINTMENT AND DISMISSAL

Members of the Executive Board are appointed by the General Meeting from a binding list to be drawn up by the Supervisory Board. Pursuant to the Dutch Civil Code, this list is to mention at least two candidates for each vacancy, and if not, the list will be non-binding. With respect to the second candidate, ING Group's policy is to propose retired senior managers or other high ranking officers who, in view of the forthcoming abolition of this requirement, do not have to meet the requirements of the Executive Board Profile. The list will be non-binding pursuant to a resolution of the General Meeting adopted by an absolute majority of the votes cast which majority represents more than one-third of the issued share capital.

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

Members of the Executive Board may be suspended or dismissed at any time by a majority resolution of the General Meeting. A resolution to suspend or dismiss members of the Executive Board that has not been brought forward by the Supervisory Board may only be adopted by the General Meeting by a majority of the votes cast which majority represents more than one-third of the issued share capital.

FUNCTION OF THE EXECUTIVE BOARD

The Executive Board is charged with the management of ING Group, which means, among other things, that it is responsible for the setting and achieving of the company's objectives, strategy and policies, as well as the ensuing delivery of results. It also includes the day-to-day management of ING Group. The Executive Board is accountable for the performance of these duties to the Supervisory

Corporate governance (continued)

Board and the General Meeting. The responsibility for the management of ING Group is vested in the Executive Board collectively. The organisation, powers and *modus operandi* of the Executive Board are detailed in the Executive Board Charter, which was approved by the Supervisory Board. The Executive Board Charter is available on the website of ING Group (www.ing.com).

PROFILE OF MEMBERS OF THE EXECUTIVE BOARD

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

REMUNERATION AND SHARE OWNERSHIP

Details of the remuneration of members of the Executive Board, including shares and/or option rights granted to them, together with information pertaining to such decisions, are provided in the Remuneration report, starting on page 76. Members of the Executive Board are permitted to hold shares and depositary receipts for shares in the share capital of ING Group for long-term investment purposes. Transactions by members of the Executive Board in these shares and these depositary receipts for shares are subject to the ING regulations for insiders. These regulations are available on the website of ING Group (www.ing.com).

ANCILLARY POSITIONS/CONFLICTING INTERESTS

No member of the Executive Board has corporate directorships at listed companies outside ING. This is in accordance with ING Group's policy to avoid conflicts of interest.

TRANSACTIONS INVOLVING ACTUAL OR POTENTIAL CONFLICTS OF INTEREST

In accordance with the Corporate Governance Code, transactions with members of the Executive Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation of the Corporate Governance Code however, this does not apply if (i) disclosure would be against the law; (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents disclosure; and/or (iii) the information is so competition-sensitive that the disclosure could damage the competitive position of ING Group.

Significant conflicting interests are considered to be absent and are not reported if a member of the Executive Board obtains financial products and services, other than loans, which are provided by ING Group subsidiaries in the ordinary course of their business on terms that apply to all employees. In connection with the foregoing, 'loans' does not include financial products in which the granting of credit is of a subordinated nature, e.g. credit cards and overdrafts in current account, because of a lack of materiality.

INFORMATION ON MEMBERS OF THE EXECUTIVE BOARD

JAN H.M. HOMMEN, CHAIRMAN (FROM 27 APRIL 2009)

(Born 1943, Dutch nationality, male; appointed in 2009, term expires in 2013)

Jan Hommen graduated with a master's degree in Business Economics from Tilburg University. He was appointed a member of the Executive Board on 27 April 2009. He is also chairman of the Management Board of ING Bank N.V. and the Management Board of ING Verzekeringen N.V. Jan Hommen was a member of the Supervisory Board of ING Group as of 1 June 2005 and became chairman of the Supervisory Board of ING Group in January 2008. Until 1 May 2005, he was vice-chairman and chief financial officer of Koninklijke Philips Electronics N.V. From 1975 to 1997, he worked for Alcoa Inc. From 1978, he worked at the Alcoa head office in the US, becoming chief financial officer in 1991. Jan Hommen is a member of the board of Royal Concertgebouw Orchestra.
Six Group staff departments report directly to Jan Hommen: Corporate Legal Department, Corporate Human Resources, Corporate Development, Corporate Communications & Affairs, Public & Government Affairs and Corporate Audit Services.

PATRICK G. FLYNN, CHIEF FINANCIAL OFFICER

(Born 1960, Irish nationality, male; appointed in 2009, term expires in 2013)

Patrick Flynn is a Chartered Accountant and a member of the Association of Corporate Treasurers in the UK. He also holds a bachelor's degree in Business Studies from Trinity College Dublin. He was appointed a member of the Executive Board of ING Group on 27 April 2009. From 2007 to 2009, he was the chief financial officer of HSBC Insurance Holdings Ltd. Patrick Flynn is responsible for ING's finance departments.

KOOS (J.) V. TIMMERMANS, CHIEF RISK OFFICER

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

Koos Timmermans graduated from Erasmus University Rotterdam with a master's degree in economics. Until 1991 he worked at ABN AMRO in the field of derivatives and for IBM's European treasury he was stationed in Ireland. Koos Timmermans joined ING in 1996. He performed various roles: head of Treasury ING Insurance, head of Corporate Market Risk Management and from 2006 to 2007 he was deputy chief risk officer of ING Group, until his appointment to the Executive Board. Koos Timmermans is responsible for ING's risk departments including compliance.

CHANGES IN THE COMPOSITION

Michel Tilmant stepped down from the Executive Board on 26 January 2009. He has been succeeded as chairman of the Executive Board by Jan Hommen, who was appointed to the Executive Board on 27 April 2009. In the intervening months, Eric Boyer de la Giroday was acting chairman of the Executive Board.

John Hele left ING on 31 March 2009. He has been succeeded as chief financial officer by Patrick Flynn, who was appointed to the Executive Board on 27 April 2009.

The intended separation of the banking and insurance operations has led to changes in the structure and composition of the Executive Board. Eric Boyer de la Giroday, Dick Harryvan, Eli Leenaars, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy stepped down from the Executive Board as of 1 June 2009, but retained their position as a member of either the Management Board of ING Bank N.V. or the Management Board of ING Verzekeringen N.V. Dick Harryvan decided to take early retirement as chief executive officer of ING Direct and member of the Management Board of ING Bank N.V. as of 1 January 2010. Jacques de Vaucleroy decided to leave ING on 26 October 2009. He stepped down from the Management Board of ING

Verzekeringen N.V., but remained an adviser to the Management Board of this company until 1 January 2010 to ensure a smooth transition.

SUPERVISORY BOARD

APPOINTMENT AND DISMISSAL

Members of the Supervisory Board are appointed by the General Meeting from a binding list to be drawn up by the Supervisory Board. Pursuant to the Dutch Civil Code, this list is to contain at least two candidates for each vacancy, and if not, the list will be non-binding. With respect to the second candidate, ING Group's policy is to propose retired senior managers or other high-ranking officers who, in view of the forthcoming abolition of this requirement, do not have to meet the independency requirements of the Corporate Governance Code or the requirements of the Supervisory Board Profile. The list will also be non-binding pursuant to a resolution to that effect of the General Meeting adopted by an absolute majority of the votes cast which majority represents more than one-third of the issued share capital. Candidates for appointment to the Supervisory Board must comply with the reliability requirements set out in the Dutch Financial Supervision Act.

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

In connection with the issue of the Securities to the Dutch State, ING Group and the Dutch State agreed that the Dutch State may recommend candidates for appointment to the Supervisory Board in such a way that upon appointment of all recommended candidates by the General Meeting, the Supervisory Board would comprise two State Nominees among its members. The Dutch State may recommend a Supervisory Board member already in office. The recommendation right of the Dutch State is subject to applicable law and to corporate governance practices, generally accepted under stock listing regimes applicable to ING Group and continues as long as the Dutch State holds at least 250 million Securities, as long as the IABF continues or any of the Bonds is outstanding. Should the holding of the Dutch State decrease below 250 million Securities, and both the IABF and the Bonds have expired, the State Nominees will remain in office and complete their term of appointment.

Candidates recommended by the Dutch State will be nominated, by way of a binding nomination, for appointment, unless one or more specified situations would occur. These include that:

- the candidate is not fit and proper to discharge his duties as a Supervisory Board member;
- upon appointment the composition of the Supervisory Board would not be appropriate and/or not be in accordance with the Supervisory Board Profile;
- appointment would be incompatible with any provision of the Articles of Association, the Supervisory Board Charter, any principle or best-practice provision of the Dutch Corporate Governance Code as applied by ING Group and/or any other generally accepted corporate governance practice or requirement which is applicable to ING Group as an internationally listed company;
- the relevant candidate has a structural conflict of interest with ING Group; and
- the Dutch central bank refuses to issue a statement of 'no objection' against the appointment of the relevant candidate.

The Dutch State recommended Lodewijk de Waal and Tineke Bahlmann for appointment to the Supervisory Board, who were both appointed by the General Meeting on 27 April 2009.

FUNCTION OF THE SUPERVISORY BOARD

The function of the Supervisory Board is to supervise the policy of the Executive Board and the general course of events of ING Group and its business, as well as to provide advice to the Executive Board. In line with Dutch company law, the Corporate Governance Code and the Articles of Association, the Supervisory Board Charter requires all members of the Supervisory Board, including the State Nominees, to act in accordance with the interests of ING Group and the business connected with it, taking into account the relevant interests of all the stakeholders of ING Group, to perform their duties without mandate and independent of any interest in the business of ING Group, and to refrain from supporting one interest without regard to the other interests involved.

Certain resolutions of the Executive Board, specified in the Articles of Association of ING Group and in the Supervisory Board Charter, are subject to the approval of the Supervisory Board.

Pursuant to the agreements concerning the transactions with the Dutch State mentioned above, certain resolutions of the Supervisory Board are subject to the condition that no State Nominee voted against the proposal. These rights became effective as from the 2009 annual General Meeting. These resolutions relate to the following matters:

a. the issue or acquisition of its own shares by ING Group, other than related to the Securities issue (including, for the avoidance of doubt, for the purpose of conversion or financing of a repurchase of Securities) as part of regular hedging operations or in connection with employment schemes;
b. the cooperation by ING Group in the issue of depositary receipts for shares;
c. the application for listing on or removal from the price list of any stock exchange of the securities referred to in a. or b.;
d. the entry into or termination of lasting cooperation between ING Group or a dependent company and another legal entity or partnership or as general partner in a limited partnership or general partnership where such cooperation or termination thereof has material significance for ING Group, i.e. amounting to one-quarter or more of ING Group's issued capital and reserves as disclosed in its balance sheet and notes thereto;
e. the acquisition by ING Group or a dependent company of a participating interest in the capital of another company amounting to one-quarter or more of ING Group's issued capital and reserves as disclosed in its balance sheet and notes thereto or a material increase or decrease in the magnitude of such a participating interest;
f. investments involving an amount equal to one-quarter or more of ING Group's issued capital and reserves as disclosed in its balance sheet and notes thereto;

Corporate governance (continued)

g. a proposal to wind up ING Group;
h. filing of a petition for bankruptcy or moratorium of ING Group;
i. a proposal to reduce the issued capital of ING Group (other than related to the Securities issue);
j. a proposal for merger, split-off or dissolution of ING Group;
k. a proposal to change ING Group's remuneration policy; and
l. appointment of the chief executive officer of the Executive Board.

PROFILE OF MEMBERS OF THE SUPERVISORY BOARD

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

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

After being appointed to the Supervisory Board, a former member of the Executive Board may also be appointed to one of the Supervisory Board's committees. However, appointment to the position of chairman of a committee is only possible if the individual in question resigned from the Executive Board at least four years prior to such appointment.

TERM OF APPOINTMENT OF MEMBERS OF THE SUPERVISORY BOARD

A member of the Supervisory Board retires no later than at the end of the first general meeting held four years after his or her last appointment or reappointment. In accordance with the Corporate Governance Code, members of the Supervisory Board may as a general rule be reappointed for two additional four-year terms. Under special circumstances however, the Supervisory Board may deviate from this general rule, among others in order to maintain a balanced composition of the Supervisory Board and/or to preserve valuable expertise and experience. As a general rule, members of the Supervisory Board shall also resign at the end of the annual general meeting in the year in which they attain the age of 70 and shall not be reappointed. The schedule for resignation by rotation is available on the website of ING Group (www.ing.com).

ANCILLARY POSITIONS/CONFLICTING INTERESTS

Members of the Supervisory Board are asked to provide details on any other directorships, paid positions and ancillary positions they may hold. Such positions may not conflict with the interests of ING Group. It is the responsibility of the individual member of the Supervisory Board and the Corporate Governance Committee to ensure that the directorship duties are performed properly and are not affected by any other positions that the individual may hold outside the Group.

In accordance with the Corporate Governance Code, members of the Supervisory Board are to disclose material conflicts of interest and potential conflicts of interest and to provide all information relevant thereto. Thereupon the Supervisory Board – without the member concerned taking part – decides whether a conflict of interest exists. In special circumstances, the Supervisory Board may deviate from this rule and decide that, notwithstanding the fact that the matter would entail a conflict of interest according to the Corporate Governance Code, a conflict of interest does not exist. This concerns in particular situations in which the conflict of interest is based on a marriage that exists no longer, to allow for situations where there is no material family relation.

In case of a conflict of interest, the relevant member of the Supervisory Board is, as the Corporate Governance Code recommends, to abstain from discussions and decision-making on the topic or the transaction in relation to which he or she has a conflict of interest with ING Group.

TRANSACTIONS INVOLVING ACTUAL OR POTENTIAL CONFLICTS OF INTEREST

In accordance with the Corporate Governance Code, transactions with members of the Supervisory Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation of the Corporate Governance Code however, this does not apply if (i) disclosure would be against the law; (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents disclosure; and/or (iii) the information is so competition-sensitive that disclosure could damage the competitive position of ING Group.

Significant conflicting interests are considered to be absent in case of a relationship that a member of the Supervisory Board may have with ING Group subsidiaries as an ordinary, private individual, with the exception of any loans that may have been granted (for an overview of loans granted to members of the Supervisory Board see page 87).

INDEPENDENCE

Annually, the members of the Supervisory Board are requested to assess whether the criteria of dependence set out in the Corporate Governance Code do not apply to them and to confirm this in writing. On the basis of these criteria, all members of the Supervisory Board are to be regarded as independent on 31 December 2009, except Piet Hoogendoorn because of his position with Deloitte Touch Tohmatsu until 1 June 2007 and considering the important business relationship of Deloitte Touche Tohmatsu with ING at that time. Members of the Supervisory Board to whom the independence criteria of the Corporate Governance Code do not apply, and members of the Supervisory Board to whom the criteria do apply but who can explain why this does not undermine their independence, are deemed to be independent.

COMPANY SECRETARY

ING Group's company secretary is Jan-Willem Vink, general counsel of ING Group.

COMMITTEES OF THE SUPERVISORY BOARD
On 31 December 2009, the Supervisory Board had five standing committees: the Audit Committee, the Risk Committee (as of 1 June 2009), the Remuneration Committee, the Nomination Committee (created from the split of the Remuneration and Nomination Committee on 1 January 2009) and the Corporate Governance Committee.

The organisation, powers and modus operandi of the Supervisory Board are detailed in the Supervisory Board Charter. Separate charters have been drawn up for the Audit Committee, Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. These charters are available on the website of ING Group (www.ing.com). A short description of the duties for the five Committees follows below.

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, ING Verzekeringen N.V. and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements and in monitoring the independence and performance of ING's internal and external auditors. On 31 December 2009, the members of the Audit Committee were: Jackson Tai (chairman), Tineke Bahlmann, Henk Breukink, Piet Hoogendoorn, Godfried van der Lugt and Jeroen van der Veer.

The Supervisory Board has determined that the following members of the Audit Committee are financial experts as referred to in the Corporate Governance Code: Piet Hoogendoorn, Godfried van der Lugt and Jackson Tai. Piet Hoogendoorn has gathered his expertise in the auditing profession, whereas Godfried van der Lugt and Jackson Tai have gathered their experience by serving as executive officers and on the boards of international conglomerates: Piet Hoogendoorn serving as chairman of the Board of Directors of Deloitte Touche Tohmatsu, Godfried van der Lugt serving as CEO of ING Group and Jackson Tai serving as CEO of DBS Bank (Development Bank of Singapore) and managing director in the Investment Banking Division of JP Morgan.

The Risk Committee assists and advises the Supervisory Board in monitoring the risk profile of ING Group as well as the structure and operation of the internal risk management and control systems. On 31 December 2009, the members of the Risk Committee were: Peter Elverding (chairman), Tineke Bahlmann, Claus Dieter Hoffmann, Piet Klaver, Godfried van der Lugt and Jackson Tai.

The Remuneration Committee advises the Supervisory Board, among other things, on the terms and conditions of employment (including remuneration) of the members of the Executive Board and on the policies and general principles on which the terms and conditions of employment of the members of the Executive Board and of senior managers of ING and its subsidiaries are based. On 31 December 2009, the members of the Remuneration Committee were: Jeroen van der Veer (chairman), Peter Elverding, Piet Klaver, Joan Spero, Karel Vuursteen and Lodewijk de Waal.

The Nomination Committee advises the Supervisory Board, among other things, on the composition of the Supervisory Board and Executive Board. On 31 December 2009, the members of the Nomination Committee were: Peter Elverding (chairman), Piet Klaver, Joan Spero, Jeroen van der Veer, Karel Vuursteen and Lodewijk de Waal.

The Corporate Governance Committee assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting thereon in the Annual Report and to the General Meeting, and advises the Supervisory Board on improvements. On 31 December 2009, the members of the Corporate Governance Committee were: Peter Elverding (chairman), Henk Breukink, Claus Dieter Hoffmann, Harish Manwani, Aman Mehta and Lodewijk de Waal.

REMUNERATION AND SHARE OWNERSHIP
The remuneration of the members of the Supervisory Board is determined by the General Meeting and is not dependent on the results of ING Group. Details of the remuneration are provided in the Remuneration report on pages 86-87. Members of the Supervisory Board are permitted to hold shares and depositary receipts for shares in the share capital of ING Group for long-term investment purposes. Details are given on page 87. Transactions by members of the Supervisory Board in these shares and these depositary receipts for shares are subject to the ING regulations for insiders. These regulations are available on the website of ING Group (www.ing.com).

INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD

PETER A.F.W. ELVERDING (CHAIRMAN FROM 27 APRIL 2009)
(Born 1948, Dutch nationality, male; appointed in 2007, term expires in 2011)
Former chairman of the Managing Board of Directors of Koninklijke DSM N.V. Former vice-chairman of the Supervisory Board of De Nederlandsche Bank N.V. (Dutch central bank).
Other business activities: chairman of the Supervisory Board of Océ N.V. (listed company). Member of the Supervisory Board of SHV Holdings N.V. Vice-chairman of the Supervisory Board of Q-Park N.V. Member of the Supervisory Board of Koninklijke FrieslandCampina N.V. Chairman of the Supervisory Board of Oostwegel Holding BV. Member of the Board of Stichting Instituut GAK.

JEROEN VAN DER VEER (VICE-CHAIRMAN FROM 1 OCTOBER 2009)
(Born 1947, Dutch nationality, male; appointed in 2009, term expires in 2013)
Former chief executive officer of Royal Dutch Shell plc.
Other business activities: vice-chairman and senior independent director of Unilever N.V., non-executive director of Royal Dutch Shell plc and member of the Supervisory Board of Koninklijke Philips Electronics N.V. (listed companies). Vice-chairman of a NATO Expert Group to work on NATO's new strategic concept. Member of the Supervisory Board of Het Concertgebouw N.V.

TINEKE (J.) P. BAHLMANN
(Born 1950, Dutch nationality, female; appointed in 2009, term expires in 2013)
Professor in Business Economics, University of Utrecht.
Chairman of the Dutch Media Authority.
Other business activities: vice-chairman of the Supervisory Board

Corporate governance (continued)

of N.V. Nederlandsche Apparatenfabriek 'Nedap' (listed company). Member of the Board of Maatschappelijk Verantwoord Ondernemen Nederland (CSR). Chairman of Stichting Max Havelaar. Member of the Board of De Baak Management Centre VNO-NCW. Member of the Board of Trustees of Canisius-Wilhelmina Ziekenhuis (hospital). Member of the Board of Toneelgroep Amsterdam (theatre).

HENK W. BREUKINK
(Born 1950, Dutch nationality, male; appointed in 2007, term expires in 2011)
Former managing director of F&C and country head for F&C Netherlands (asset management firm).
Other business activities: non-executive/vice-chairman of VastNed Offices/Industrial (real estate fund) and non-executive director of F&C hedge funds, Ireland (listed companies). Non-executive director of Heembouw Holding B.V. Chairman of the Supervisory Board of Modulus VastGoed Ontwikkelingen. Member of the Supervisory Board of Omring (health care institution) and HaagWonen (housing corporation). Associated as coach with TEC (Top Executive Coaching).

CLAUS DIETER HOFFMANN
(Born 1942, German nationality, male; appointed in 2003, term expires in 2011)
Former chief financial officer of Robert Bosch GmbH. Managing partner of H+H Senior Advisors, Stuttgart.
Other business activities: chairman of the Supervisory Board of EnBW AG (listed company). Member of the Supervisory Board of de Boer Structures Holding B.V. Member of the Supervisory Board of C.A. Leuze GmbH & Co. KG. Chairman of the Charlottenklinik Foundation (hospital). Chairman of the Board of Trustees (Vereinigung der Freunde) of Stuttgart University.

PIET HOOGENDOORN (UNTIL 27 APRIL 2010)
(Born 1945, Dutch nationality, male; appointed in 2007, retirement in 2010)
Former chairman of the Board of Directors of Deloitte Touche Tohmatsu and former chief executive officer of Deloitte in the Netherlands. Former chairman of Koninklijke NIVRA (Netherlands Institute of Chartered Accountants).
Other business activities: member of the Supervisory Board of Conquaestor Holding B.V. Member of the Supervisory Board of Bodegraven B.V. Chairman of the Supervisory Board of De Zevenster (nursing and care). Member of the Supervisory Board of Groene Hart Ziekenhuis Gouda (hospital).

PIET C. KLAVER
(Born 1945, Dutch nationality, male; appointed in 2006, term expires in 2010)
Former chairman of the Executive Board of SHV Holdings N.V.
Other business activities: chairman of the Supervisory Board of TNT N.V. (listed company). Chairman of the Supervisory Board of each of Dekker Hout Groep B.V., Jaarbeurs Holding B.V. and Credit Yard Financial Services B.V. Member of the Supervisory Board of SHV Holdings N.V. and of Dura Vermeer Groep N.V. Member of the African Parks Foundation. Chairman of the Supervisory Board of Utrecht School of the Arts.

GODFRIED J.A. VAN DER LUGT
(Born 1940, Dutch nationality, male; appointed in 2001, term expires in 2012)
Former chairman of the Executive Board of ING Group (retired in May 2000).
Other business activities: chairman of the Supervisory Board of Stadsherstel Amsterdam N.V. Chairman of the Advisory Board of Kasteel De Haar and R.C. Oude Armenkantoor. Member of Investment Advisory Committee of Stichting Instituut GAK.

HARISH MANWANI (UNTIL 27 APRIL 2010)
(Born 1953, Indian nationality, male; appointed in 2008, retirement in 2010)
President Unilever Asia, Africa, Central & Eastern Europe.
Other business activities: non-executive chairman of Hindustan Unilever Ltd. Member of the Executive Board of Indian School of Business.

AMAN MEHTA
(Born 1946, Indian nationality, male; appointed in 2008, term expires in 2012)
Former chief executive officer of Hong Kong & Shanghai Banking Corporation (HSBC) in Hong Kong.
Other business activities: non-executive director of each of Tata Consultancy Services, Jet Airways Ltd., PCCW Ltd., Vedanta Resources Plc, Wockhardt Ltd., Godrej Consumer Products Ltd., Cairn India Ltd., Emaar MGF Land Ltd. and Max India Ltd. Member of the governing board of Indian School of Business. Member of the International Advisory Council of INSEAD.

JOAN E. SPERO
(*Born 1944, American nationality, female; appointed in 2008, term expires in 2012)*
Former executive vice-president Corporate Affairs and Communications of American Express Company. Former Under Secretary Economic Business & Agricultural Affairs, US State Department. Former president Doris Duke Charitable Foundation.
Other business activities: non-executive director of IBM Corporation. Trustee of Columbia University, Council on Foreign Relations. Trustee of Wisconsin Alumni Research Foundation.

JACKSON P. TAI
(Born 1950, American nationality, male; appointed in 2008, term expires in 2012)
Former vice-chairman and chief executive officer of DBS Group Holdings. Former managing director in the Investment Banking Division of JP Morgan.
Other business activities: non-executive director of each of MasterCard Incorporated, CapitaLand and Cassis International. Non-executive chairman of the Board of Directors of Brookstone, Inc. Member of the Bloomberg Asia Pacific Advisory Board. Trustee of Rensselaer Polytechnic Institute.

KAREL VUURSTEEN (UNTIL 27 APRIL 2010)
(Born 1941, Dutch nationality, male; appointed in 2002, retirement in 2010)
Former chairman of the Executive Board of Heineken N.V.
Other business activities: chairman of the Supervisory Board of

Akzo Nobel N.V. and of TomTom N.V. and member of the Supervisory Board of Henkel KGaA (listed companies). Member of the Board of Directors of Heineken Holding N.V. Chairman of the Concertgebouw Fund Foundation. Member of the Supervisory Board of Nyenrode Foundation.

LODEWIJK J. DE WAAL
(Born 1950, Dutch nationality, male; appointed in 2009, term expires in 2013)
General manager of Humanitas.
Other business activities: member of the Supervisory Board of PGGM N.V. Member of the Advisory Board of Zorgverzekeraars Nederland. Chairman of the Supervisory Council of SNV. Member of the Advisory Board of Stichting Nationaal Fonds Kunstbezit. President of the Hay Group Vision Society.

CHANGES IN THE COMPOSITION
In April 2009 the General Meeting appointed Tineke Bahlmann, Jeroen van der Veer and Lodewijk de Waal to the Supervisory Board. Tineke Bahlmann and Lodewijk de Waal were recommended as State Nominees. Their appointments became effective on 27 April 2009. The appointment of Jeroen van der Veer became effective as of 1 July 2009. As a State Nominee, Tineke Bahlmann replaced Peter Elverding who succeeded Jan Hommen as chairman of the Supervisory Board.

In addition, Eric Bourdais de Charbonnière and Wim Kok retired from the Supervisory Board, reaching or having reached the age of 70.

Piet Hoogendoorn, Harish Manwani and Karel Vuursteen have decided to retire from the Supervisory Board at the end of the 2010 annual General Meeting. At the same meeting, Piet Klaver will be nominated for reappointment.

More information can be found in the convocation for the 2010 annual General Meeting, available on the website of ING Group (www.ing.com).

FINANCIAL REPORTING
A description of the main features of ING Group's internal control and risk management systems in relation to the financial reporting process is included in the statement with respect to Section 404 Sarbanes-Oxley Act on page 74, which is deemed to be incorporated by reference here.

CHANGE OF CONTROL PROVISIONS
LEGAL PROVISIONS
Pursuant to the terms of the Dutch Financial Supervision Act a declaration of no objection from the Dutch Minister of Finance must be obtained by anyone wishing to obtain or hold a participating interest of at least 10% in ING Group and to exercise control attached to such a participating interest. Similarly, on the basis of indirect change of control statutes in the various jurisdictions where subsidiaries of ING Group are operating, permission from or notification to local regulatory authorities may be required for the acquisition of a substantial interest in ING Group.

CHANGE OF CONTROL CLAUSES IN MATERIAL AGREEMENTS
ING Group is not a party to any material agreement that becomes effective or is to be amended or terminated, subject to the condition of a change of control of ING Group following a public bid as defined in section 5:70 of the Dutch Financial Supervision Act. ING Group subsidiaries may have customary change of control arrangements included in agreements related to various business activities, such as joint venture agreements, letters of credit and other credit facilities, reinsurance agreements and futures and option trading agreements. Following a change of control of ING Group (as the result of a public bid or otherwise), such agreements may be amended or terminated, leading, for example, to an obligatory transfer of the interest in the joint venture, early repayment of amounts due, loss of credit facilities or reinsurance cover and liquidation of outstanding futures and option trading positions.

SEVERANCE PAYMENTS TO MEMBERS OF THE EXECUTIVE BOARD
The employment contracts with the members of the Executive Board provide for severance payments, which become due on termination of the contract in connection with a public bid as defined in section 5:70 of the Dutch Financial Supervision Act. For the amounts due, it is not relevant whether or not termination of the contract is related to a public bid. In accordance with the terms of the issuance of the Securities, severance payments to the members of the Executive Board have been limited to a maximum of one year's fixed salary, in line with the Corporate Governance Code.

AMENDMENT OF THE ARTICLES OF ASSOCIATION
The General Meeting may resolve to amend the Articles of Association, provided the resolution is adopted on a proposal of the Executive Board which has been approved by the Supervisory Board. Such a resolution of the General Meeting requires a majority of at least two-thirds of the votes cast at a general meeting at which at least two-thirds of the issued share capital is represented. An amendment has to be passed by notarial deed, and this in turn requires a declaration of no objection to be issued by the Minister of Justice.

EXTERNAL AUDITOR
At the General Meeting on 22 April 2008, Ernst & Young was appointed to audit the financial statements of ING Group for the financial years 2008 to 2011 inclusive, to report on the outcome of these audits to the Executive Board and the Supervisory Board and to provide an audit opinion on the financial statements of ING Group. Furthermore, Ernst & Young also audited and reported on the effectiveness of internal control over financial reporting on 31 December 2009.

The external auditor attended the meetings of the Audit Committee and the 2009 annual General Meeting.

After a maximum period of five years of performing the financial audit of ING Group or ING Verzekeringen N.V. or ING Bank N.V., the lead audit partners of the external audit firm and the audit partners responsible for reviewing the audits, have to be replaced by other partners of the external audit firm. The Audit Committee provides recommendations to the Supervisory Board regarding

Corporate governance (continued)

these replacements based, among other things, on an annual evaluation of the provided services. In line with this requirement, the lead audit partner of Ernst & Young was succeeded after the year-end audit 2006. The rotation of other partners involved with the audit of the financial statements of ING is subject to applicable independence legislation.

The external auditor may be questioned at the annual general meeting in relation to their audit opinion on the annual accounts. The external auditor will therefore attend and be entitled to address this meeting.

The external auditor may only provide audit and non-audit services to ING Group and its subsidiaries with the permission of the Audit Committee. The Audit Committee generally pre-approves certain types of audit, audit-related, tax and non-audit services to be provided by the external auditor on an annual basis. Services that have not been generally pre-approved by the Audit Committee should not be provided by the external auditor unless they are specifically pre-approved by the Audit Committee at the recommendation of local management.

The Audit Committee also sets the maximum annual amount that may be spent for pre-approved services. Throughout the year the external auditor and ING monitor the amounts paid versus the pre-approved amounts. The external auditor provides the Audit Committee with a full overview of all services provided to ING, including related fees, supported by sufficiently detailed information. This overview is periodically evaluated by the Audit Committee during the year.

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

Report of ING Trust Office

The following report is issued in compliance with the provisions of article 15 of the Trust Conditions for registered shares in the share capital of ING Groep N.V. and best practice provision IV.2.6 of the Dutch Corporate Governance Code.

Pursuant to its articles of association (the 'Articles of Association'), the object of Stichting ING Aandelen, a foundation organised under the laws of the Netherlands, established in Amsterdam ('ING Trust Office') is:

a. to promote the interests of the holders of depositary receipts for shares in the capital of ING Groep N.V. ('ING Group'), while having regard for the interests of (i) ING Group itself, (ii) the enterprises carried on by ING Group and companies associated with it in a group and (iii) all other stakeholders in ING Group, such that all those interests are balanced and safeguarded as effectively as possible;
b. to acquire and administer for the purpose of management registered shares in the capital of ING Group and any bonus shares which may be distributed thereon or shares acquired as stock dividend or by the exercise of subscription rights and to issue exchangeable depositary receipts for these shares to exercise voting rights and all other rights attaching to the shares, to exercise subscription rights and to receive dividends and other distributions, including proceeds of liquidation, subject to the obligation to distribute the income to the holders of depositary receipts, save that depositary receipts shall be issued for bonus shares, shares acquired as stock dividend and shares acquired on behalf of depositary receipt holders by virtue of the exercise of subscription rights;
c. to promote the exchange of information between ING Group on the one hand and the holders of depositary receipts and shareholders in ING Group on the other;
d. to promote and organise the solicitation of proxies of shareholders other than the foundation itself and of specific proxies and/or voting instructions of holders of depositary receipts,

and further to engage in any activity which may be related to the foregoing in the widest sense, whereby all activities which entail commercial risk shall be excluded from the foundation's object.

During the 2009 reporting year, the board of ING Trust Office (the 'Board') held eight meetings.

On 3 March 2009, the Board met to discuss the agreement ING Group reached with the Dutch State regarding the Illiquid Assets Back-up Facility covering 80% of ING's Alt-A residential mortgage-backed securities, as well as a purported class litigation filed in the United States alleging violations of the federal securities laws with respect to disclosures made in connection with the 2007 and 2008 offerings of ING's Perpetual Hybrid Capital Securities (the 'Class Litigation'). The general counsel of ING Group was invited to the meeting to give an explanation of these subjects and answer various questions of the Board. During the same meeting, without the presence of the general counsel, the Board discussed, among other things, the composition of the Board and the position of ING Trust Office in general and prepared for the annual General Meeting of ING Group of 27 April 2009 (the 'AGM').

On 9 April 2009, the Board held a meeting to discuss, among other things, the composition of the Board and the agreement regarding reimbursement of costs between ING Trust Office and ING Group. During this meeting, the Board also adopted the 2008 balance sheet and statement of income and expenditure of ING Trust Office and prepared for the AGM.

Report of ING Trust Office (continued)

Before this meeting the Board discussed with the chairman of the Executive Board and the chairman of the Supervisory Board of ING Group the activities and performance of ING Group over 2008 on the basis of the press release of 18 February 2009 and the 2008 figures.

On 27 April 2009, the Board convened before the AGM to discuss the proxy voting results and to decide on the initial position of the Board vis-à-vis the items on the agenda of the AGM.

On 12 May 2009, the Board met, among other things, to evaluate the AGM.

On 30 September 2009, the Board held a meeting to discuss, among other things, the position of ING Trust Office in general and developments in respect of the Class Litigation.

On 26 October 2009, the Board met to discuss the agreement in principle between ING Group and the European Commission, the restructuring plan of ING Group (the 'Restructuring Plan') and the rights issue of ING Group (the 'Rights Issue'), as presented by ING Group on that same date. The general counsel of ING Group was invited to the meeting to give an explanation of these subjects and to answer various questions of the Board. During this same meeting, without the presence of the general counsel, the Board also prepared for the extraordinary General Meeting of ING Group on 25 November 2009 (the 'EGM').

On 16 November 2009, the Board held a meeting to prepare for the EGM. During the same meeting the Board also discussed, among other things, an amendment of the Articles of Association, which amendment came into effect on 19 November 2009 and as a result of which the age limit for members of the Board was deleted and the Articles of Association were aligned with an amended to the Euronext Rulebook, Book II.

After this meeting, the Board met with the chairman of the Executive Board and the chairman of the Supervisory Board of ING Group to obtain further clarification on the Restructuring Plan and the Rights Issue.

On 25 November 2009, the Board convened before the EGM to discuss the proxy voting results and to decide on the initial position of the Board vis-à-vis the items on the agenda of the EGM.

In addition, the Board had a meeting with the chairman of the Executive Board and the chairman of the Supervisory Board of ING Group on 2 December 2009 to discuss the activities and performance of ING Group over the first nine months of 2009 on the basis of the press releases of 26 October 2009 and 11 November 2009.

Furthermore, the Board met with the chairman of the Executive Board and the chairman of the Supervisory Board of ING Group on 7 December 2009 to discuss the position of ING Trust Office in general.

ING Trust Office attended the AGM and the EGM. During those meetings ING Trust Office asked the Executive Board and the Supervisory Board of ING Group various questions, answered questions of shareholders and holders of depositary receipts and made a statement on how it proposed to vote, where desired. ING Trust Office granted proxies to holders of depositary receipts who attended the AGM and/or the EGM in person or who were represented by a third party, to vote at their own discretion on a number of shares equal to the number of depositary receipts held by the relevant holder of depositary receipts on the record date, with due observance of the Articles of Association and the Trust Conditions for registered shares in the share capital of ING Group (the 'Trust Conditions').

Holders of depositary receipts who did not attend the AGM and/or the EGM in person or who were not represented by a third party, were entitled to give binding voting instructions to ING Trust Office for a number of shares equal to the number of depositary receipts held by the relevant holder of depositary receipts on the record date.

In accordance with the Articles of Association and the Trust Conditions, ING Trust Office voted at its own discretion on the shares for which it did not issue voting proxies and did not receive voting instructions, representing 64.4% and 68.9% of the total votes that might be cast at the AGM and the EGM respectively. In voting such shares, ING Trust Office primarily promoted the interests of all holders of depositary receipts, while having regard for the interests of ING Group itself, the enterprises carried on by ING Group and companies associated with it in a group and all other stakeholders in ING Group.

ING Trust Office organises the solicitation of proxies of shareholders of ING Group other than ING Trust Office itself and of specific proxies or voting instructions of holders of depositary receipts. ING Trust Office encourages the greatest possible participation of shareholders and holders of depositary receipts and promotes the execution of voting rights in a transparent way. At the same time it prevents that a minority of shareholders and holders of depositary receipts could use a chance majority of votes to the disadvantage of the shareholders and holders of depositary receipts present nor represented at a general meeting of ING Group.

ING Trust Office indicated earlier that abolishing depositary receipts would be considered when the turnout at the general meeting of ING Group reached a level of at least 35% of the votes that may be cast on ordinary shares for three consecutive years. The threshold of 35% was exceeded at the annual General Meeting in 2007 (36.7%), 2008 (38.7%) and 2009 (35.6%). At the EGM, the level was 31.1%.

At the AGM, ING Group announced that it would consider the steps to be taken with respect to the position of ING Trust Office. In connection therewith it was communicated that, in particular against the backdrop of the financial crisis, more time is needed to consider the position of ING Trust Office, as the trust structure can be important to proper decision making in the near future and also to the long-term interest of ING Group. At the AGM, ING Trust Office indicated that it understands these considerations of ING Group. ING Trust Office asked ING Group to state its position in respect of ING Trust Office and depositary receipts again before the annual General Meeting of ING Group in 2010.

On 31 December 2009, the nominal value of administered ordinary shares amounted to EUR 919,347,298.56 for which 3,830,613,744 depositary receipts were issued, each with a nominal value of EUR 0.24. During the reporting year, the net number of depositary receipts increased with 1,768,433,481.

The increase came about as follows:

Add:	
conversion of shares into depositary receipts	40,920
issued as a result of the Rights Issue	1,768,412,544
Less:	
conversion of depositary receipts into shares	19,983

The Board currently consists of:

- Jan Veraart, chairman, former chairman of the Executive Board of Hollandsche Beton Groep N.V.;
- Huib Blaisse, lawyer and partner at Blaisse Advocaten;
- Paul Frentrop, head Corporate Governance APG Groep N.V.;
- Carel van den Driest, former chairman of the Executive Board of Koninklijke Vopak N.V.;
- Herman Hazewinkel, former chairman of the Executive Board of Koninklijke Volker Wessels Stevin N.V.

A profile and an overview of additional relevant positions held by the members of the Board can be found on the website of ING Trust Office (www.ingtrustoffice.com).

The members of the Board are appointed by the Board itself. According to the Dutch Corporate Governance Code holders of depositary receipts may make recommendations to the board of the trust office for the appointment of board members. The Articles of Association give interpretation to this rule by requiring that any proposed appointment is announced in a national daily newspaper at least thirty days before the date of the proposed appointment, so holders of depositary receipts can react to that. In the decision-making process, the Board will consider recommendations of holders of depositary receipts. In 2009, there were no appointments or reappointments to the Board.

All members of the Board stated that they meet the conditions regarding independence as referred to in the Articles of Association and in the Dutch Corporate Governance Code.

The annual remuneration for the chairman of the Board amounts to EUR 25,000.00 and for the other members of the Board to EUR 20,000.00.

In 2009, the costs of the activities of ING Trust Office amounted to EUR 530,204.84.

In 2009, ING Trust Office obtained external legal advice on several issues relevant for the performing of its activities.

According to the Trust Conditions, ING Trust Office may consult holders of depositary receipts in a separate meeting if and when it considers this necessary or desirable. This possibility has not been used. Where appropriate, the Board will consider whether a meeting of holders of depositary receipts will have added value next to the general meetings of ING Group.

The activities involved in the administration of shares are performed by Administratiekantoor van het Algemeen Administratie- en Trustkantoor B.V., Amsterdam.

The contact details of ING Trust Office are:
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AMSTERDAM, 15 MARCH 2010
BOARD OF STICHTING ING AANDELEN

Report of ING Continuity Foundation

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

A call-option agreement concluded between ING Continuity Foundation and ING Groep N.V. ('ING Group') vests ING Continuity Foundation with the right to acquire cumulative preference shares in the share capital of ING Group up to a maximum of 4.5 billion cumulative preference shares. The acquisition of cumulative preference shares by ING Continuity Foundation is subject to the restriction that, immediately after the issue of cumulative preference shares, the total amount of cumulative preference shares may not exceed one third of the total issued share capital of ING Group. If new shares other than cumulative preference shares are subsequently issued, ING Continuity Foundation may again exercise its right, subject to the provisions of the preceding sentence. On acquisition of cumulative preference shares, at least 25% of the nominal value must be paid up on said shares.

In 2009 the Board of ING Continuity Foundation (the 'Board') held three meetings, namely on 9 April, 29 October and 2 December.

The composition of the Board is currently as follows: Bas Kortmann, chairman of the Board, Allard Metzelaar and Wim van Vonno, who was reappointed as of 1 July 2009. Peter Wakkie stepped down as a member of the Board as of 31 March 2009.

All members of the Board stated that they meet the conditions regarding independence as referred to in the Articles of Association of ING Continuity Foundation.

AMSTERDAM, 15 MARCH 2010
BOARD OF STICHTING CONTINUITEIT ING

Conformity statement

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

CONFORMITY STATEMENT PURSUANT TO SECTION 5:25C PARAGRAPH 2(C) OF THE DUTCH FINANCIAL SUPERVISION ACT *(Wet op het financieel toezicht)*

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

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

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

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

AMSTERDAM, 15 MARCH 2010

Jan Hommen
CEO, chairman of the Executive Board

Patrick Flynn
CFO, member of the Executive Board

Koos Timmermans
CRO, member of the Executive Board

Section 404 Sarbanes-Oxley Act

Internal control over financial reporting

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

ING Group has long-established Business Principles and a strong internal control culture, which all staff must adhere to. SOX 404 activities are organised along the lines of the governance structure, and involve the participation of senior management across ING. Following the SOX 404 process, ING is in the position to publish an unqualified statement which denotes that the Company's internal control over financial reporting is effective as of 31 December 2009. The SOX 404 statement by the Executive Board is included below, followed by the report of the external auditor.

REPORT OF THE EXECUTIVE BOARD ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Executive Board is responsible for establishing and maintaining adequate internal control over financial reporting. ING's internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ING;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorisations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Executive Board assessed the effectiveness of our internal control over financial reporting as of 31 December 2009. In making this assessment, the Executive Board performed tests based on the criteria of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on the Executive Board's assessment and those criteria, the Executive Board concluded that the Company's internal control over financial reporting is effective as of 31 December 2009.

Our independent registered public accounting firm has audited and issued their report on ING's internal control over financial reporting, which appears on the following page.

AMSTERDAM, 15 MARCH 2010

Jan Hommen
chairman of the Executive Board

Patrick Flynn
chief financial officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS, THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF ING GROEP N.V.

We have audited ING Groep N.V.'s internal control over financial reporting as of 31 December 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). ING Groep N.V.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of the Executive Board on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, ING Groep N.V. maintained, in all material respects, effective internal control over financial reporting as of 31 December 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of ING Groep N.V. as of 31 December 2009, the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended. Our report dated 15 March 2010 expressed an unqualified opinion thereon.

AMSTERDAM, 15 MARCH 2010
ERNST & YOUNG ACCOUNTANTS LLP

Remuneration report

This section sets out the remuneration for the Executive Board and the Supervisory Board. In 2009, the Remuneration Committee of the Supervisory Board undertook a comprehensive review of the remuneration policy for the Executive Board. The Remuneration Committee proposed a new remuneration policy, which was adopted by the full Supervisory Board. The first part of this Remuneration report explains the proposed new remuneration policy to be effective from 1 January 2010, which will be submitted for shareholder approval at the annual General Meeting on 27 April 2010. The Remuneration report also provides an outline of how the Remuneration Committee is applying the new policy in 2010. The final part of the Remuneration report provides information on the remuneration paid for 2009. In addition, information is included on loans and advances to the Executive Board and Supervisory Board members as well as ING depositary receipts for shares held by members of both Boards.

PROPOSED NEW REMUNERATION

In the public debate on the causes of the financial crisis, a lot of attention is given to remuneration practices in the financial sector. Regulators and financial authorities worldwide responded by issuing a significant number of guidelines on remuneration. In the Netherlands, the banking sector itself, including ING, played a proactive role in this respect by developing the new Dutch Banking Code. The Dutch Banking Code contains, amongst other things, principles on remuneration.

It is of utmost importance that the remuneration policy of ING strikes a balance between interests of its customers, employees, shareholders and society at large, and supports the long-term objectives of the company. This is all the more true in the present-day environment, as the financial crisis has shifted the focus on these interests, drawing even more focus to the public utility function of financial institutions and their responsibilities towards their stakeholders. ING is well aware of the pivotal role that banks and insurance companies play in society.

The globally changing views on remuneration policies have amplified the call upon financial institutions to develop more moderate remuneration policies with an increased emphasis on long-term value creation and performance measurement based on non-financial indicators. Against this backdrop, we considered it our responsibility to evaluate our remuneration policy. Based on this evaluation and taking into account the principles of the Dutch Banking Code, we have developed a new remuneration policy for the Executive Board and senior management. Along this process, both national and international standards with respect to remuneration were taken into account and various relevant stakeholders, including the Central Works Council, Dutch trade unions and the Dutch government, were consulted.

The new remuneration policy for the Executive Board will be put forward for adoption at the 2010 annual General Meeting. If adopted, it will become effective as of compensation year 2010. The general principles underlying the adjustments to the remuneration policy for the Executive Board will also be applied in the remuneration of members of the Management Boards and other senior managers throughout the organisation.

A comparison of the (application of the) current Executive Board remuneration policy versus the (application of the) proposed new Executive Board remuneration policy is further described on page 79.

General principles of new remuneration structure

Even though ING traditionally has had a conservative approach with regard to the remuneration of its management and employees, as evidenced by the fact that it has always aimed for compensation levels at the median level in the relevant markets, the new remuneration structure provides for a number amendments. The general principles which underlie the proposed amendments are as follows:

- Create a more balanced compensation mix;
- Reduce emphasis on variable compensation;
- Further enhance long-term value creation;
- Further improve the alignment of risk and reward;
- Place a more significant weighting on non-financial, sustainable performance indicators; and
- Include claw-back arrangements.

The primary objective of the remuneration structure is to enable ING to retain and recruit qualified and expert leaders who have a drive for excellence in serving the interests of the company's various stakeholders. ING endeavours to match compensation of the company's leadership appropriately against a variety of factors, such as the complexity of functions, the scope of responsibilities, the alignment of risks and rewards, and the long-term objectives of the company and its stakeholders, which is all the more important given the changing international standards regarding responsible remuneration. These factors differ for each role, line of business and country. This is especially the case for ING with its operations in over 40 countries and 107,000 employees of which around 80,000 are based outside the Netherlands (60% of senior management is non-Dutch). As much as possible for a global financial institution of this size, ING aims to take account of all these differences and also of the standards applied within similar financial institutions in the various countries in which it operates.

PROPOSED NEW REMUNERATION POLICY FOR THE EXECUTIVE BOARD

The remuneration of the Executive Board will consist of a combination of fixed compensation (base salary) and variable compensation (together 'total direct compensation'), pension arrangements and benefits as described below.

Total direct compensation: moderation and reduced emphasis on variable remuneration

Total direct compensation levels will be based on market data that include peers both inside and outside the financial sector in the international context in which ING operates. Total direct compensation will be benchmarked against a peer group of companies that, in the opinion of the Supervisory Board, are comparable with ING in terms of size and scope. In line with the foregoing, the Supervisory Board has determined that the peer group consists of the companies in the Dow Jones EURO STOXX 50 index. These are 50 companies, in a range of financial and non-financial industries, that are based in countries within the economic and monetary union of the European Union. In accordance with the Dutch Banking Code, ING's new remuneration policy for the Executive Board now aims for total direct compensation levels at slightly-below market median levels for comparable positions in the relevant markets.

In addition, the new remuneration policy provides for a more balanced mix between fixed and variable compensation. Variable compensation will not exceed 100% of fixed salary at the time of allocation. Fixed compensation (i.e. the base salary levels) will be determined in line with the relevant market environment as an integral part of total direct compensation, and will be reviewed from time to time by the Supervisory Board. The new policy provides for an at target variable compensation of 40% in cash and 40% in stock (in total 80%) of base salary if performance criteria are met. If performance criteria (as pre-determined by the Supervisory Board) are exceeded, the variable component can be increased from target to maximum, not exceeding 100% of base salary at the time of allocation.

Increased emphasis on long-term value creation

The new remuneration policy for the Executive Board simplifies the variable compensation element by combining the short and long-term variable components into one structure. This structure intends to support both long-term value creation and short-term company objectives. The emphasis on long-term performance indicators within the variable component of the compensation package will be increased by means of deferral, a reasonableness test and claw-back mechanisms.

The allocation of variable compensation will be conditional on the achievement of a number of performance objectives. The short-term component, at maximum 50% of total variable compensation, is paid in cash the year following the performance year. The other 50% of the total variable compensation will be deferred. This long-term component is allocated in stock in order to ensure alignment of the Executive Board's interests with the interests of shareholders. It also intends to serve the objective of retaining the members of the Executive Board for a longer period of time. The value of the stock award will be determined such that total variable compensation at the time of grant stays within the 100% limit.

The stock awards will vest on the third anniversary of the grant date, subject to a reasonableness test by the Supervisory Board to determine whether application of the predetermined criteria results in undesired outcomes. Adjustments to the number of shares will only be considered in extraordinary circumstances. Executive Board members are not allowed to sell depositary receipts obtained within a period of five years from the grant date. However, they are allowed to sell part of their depositary receipts at the date of vesting to pay tax over the vested share award.

Increased focus on risk and non-financial performance

Variable compensation will increasingly be linked to risk and non-financial performance and will take into consideration both individual and company performance criteria. Performance measurement will increasingly account for estimated risks and costs of capital. In addition to financial indicators, performance will also be assessed based on non-financial drivers, by means of a number of targets regarding economic, environmental, customer satisfaction and social criteria.

Pensions Executive Board members

As part of the new remuneration policy for Executive Board members two new pension plans will be offered: a new plan similar to the plan applicable to staff covered under the Dutch Collective Labour Agreement (N.B. this plan will only be introduced following a positive outcome of the pension study, which is currently taking place) and a new individual defined contribution plan. Both these pension plans provide for a lower contribution by ING than the existing Executive Board pension plan.

Any person who will be appointed as a member of the Executive Board of ING after 1 January 2010 and who is working on a Dutch employment contract, will be given the choice to participate in one of the two new pension plans. Individual board members participating in the existing pension plan will be given the choice to keep their existing pension arrangement. The existing pension arrangement, approved by the 2006 General Meeting, is based on a defined contribution plan. Alternatively, they can also switch to one of the two new arrangements.

Members of the Executive Board will be required to pay a contribution to their pension premium in line with the contributions under ING's Collective Labour Agreement in the Netherlands.

Members of the Executive Board working on a non-Dutch employment contract, will be offered pensions in line with local practices.

Remuneration report (continued)

Benefits
Executive Board members will continue to be eligible for a range of additional benefits (e.g. the use of company cars, contributions to company savings plans and, if applicable, expatriate allowances). Executive Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that apply to most other comparable employees of ING. In addition, tax and financial planning services will be provided to ensure compliance with the relevant legislative requirements.

Employment contracts
The contract of employment for Executive Board members provides for an appointment for a period of four years and allows for reappointment by the General Meeting. In the case of an involuntary exit, Executive Board members are entitled to an exit arrangement limited to one-year base salary.

Other items for Supervisory Board discretion
Claw back and adjustments
The Supervisory Board will have the authority to reclaim variable remuneration allocated to a member of the Executive Board based on inaccurate data and/or behaviour that led to significant harm to the company. The Supervisory Board will also have the authority to adjust variable remuneration if application of the predetermined performance criteria results in undesired outcomes. Accordingly, the Supervisory Board will have decision authority in situations not addressed in the policy.

Special employment conditions
Special employment conditions, such as commitments made to secure the recruitment of new executives, may be used in exceptional circumstances subject to strict control by the Supervisory Board.

Supervisory Board discretion to review the policy and the remuneration paid
ING as a company is expected to undergo significant changes during the next two years. Moreover, the relevant international employment market is very much in flux. In order to ensure that ING can adapt to these two uncertain factors, the Supervisory Board will evaluate in 2012 whether the new remuneration policy (adopted in 2010) is in line with the long term objectives of the company, the relevant international context, as well as the societal perception of ING as a company. Should it become clear, after such evaluation, that the new remuneration policy has led to an unintended or inequitable outcome, the Supervisory Board, including its state-nominated members, will have the discretion to correct the previously allocated variable remuneration. However, it is understood that any such correction could not lead to a deviation from the requirement that variable compensation cannot exceed 100% of base salary during any year, as required under the Dutch Banking Code.

The proposed remuneration policy is leading in the international financial markets in terms of moderation of pay. The Supervisory Board and the Executive Board also have an obligation to safeguard the continuity of the company. The Supervisory Board will therefore evaluate from time to time how these two responsibilities relate to each other. If and when appropriate, it can make adjustments.

EXECUTIVE BOARD REMUNERATION STRUCTURE 2010
EXECUTIVE BOARD BASE SALARY 2010
An important objective of the new remuneration policy is to design a more balanced and moderate compensation package for the future. Immediate implementation of some of the amendments proposed to achieve this would however lead to a conflicting outcome. The proposed change of the ratio between fixed and variable compensation would require a significant increase in the fixed component (of more than 50%) in 2010 in order for total compensation levels for the Executive Board to be slightly below market median, in line with the new policy.

Under the current circumstances, the Supervisory Board does not deem such an increase of the base salary appropriate. It has thus determined that for the year 2010 the increase of base salary levels should be limited to 13% for the members of the Executive Board with the exception of the CEO position. This 13% increase is in accordance with the cumulative increases received by employees subject to ING's Collective Labour Agreement in the Netherlands over the last seven years minus the modest rate of increase that has applied to the base salaries of ING's Executive Board members over the same period (only 5%). For the CEO position it was decided not to increase the base salary at all. The 2010 base salary for members of the Executive Board amounts to EUR 750,000 and for the CEO EUR 1,353,500.

EXECUTIVE BOARD VARIABLE COMPENSATION 2010
The target variable compensation is set at 80% of base salary. The actual payout may vary between 0% and 125% of the target level (i.e. between 0% and 100% of base salary). In connection herewith, the Supervisory Board performed an analysis of various scenarios which were considered relevant. Financial and non-financial performance indicators will be individually set for each Executive Board member and agreed by the Supervisory Board.

There will be financial parameters for each Executive Board member to measure the performance at Group, Bank and Insurance levels. These financial parameters are underlying net result ING Group, ROE ING Group, core Tier 1 for ING Bank, debt/equity ratio ING Insurance, underlying cost/income ratio ING Bank and administration costs ING Insurance. The quantitative elements of the targets are considered stock price sensitive and competition sensitive; accordingly these are not disclosed.

For 2010, at least 40% of total variable compensation will be based on pre-defined non-financial performance indicators. The incorporation of non-financial indicators in the overall assessment is particularly aimed at improving business performances within ING. These indicators depend on the specific responsibilities of the individual Executive Board member. For each Executive Board member a number of performance objectives are formulated relating to customer satisfaction, improve sustainable business practices, the diversity of the workforce, employee engagement and corporate responsibility.

Variable compensation for members of the Executive Board and the CEO will only be awarded as long as ING Group has a positive net underlying profit in 2010. The Supervisory Board will review the remuneration paid over time, in line with the policy.

Comparison current and proposed 2010 compensation

The total remuneration of ING's Executive Board members and its CEO in 2010 is outlined in the following two tables.

Comparison of current and new 2010 remuneration chief executive officer (CEO)

in EUR		Current		New policy	Change
Base salary [1]		1,353,500		1,353,500	0%
Variable remuneration – at target	200%	2,707,000	80%	1,082,800	–60%
Variable remuneration – at maximum	350%	4,737,250	100%	1,353,500	–71%
Total remuneration – at target		4,060,500		2,436,300	–40%
Total remuneration – at maximum		6,090,750		2,707,000	–56%
Type of variable compensation		cash + shares/options		cash + shares	
Allows for discretionary adjustment of variable remuneration		no		yes	
Allows for 'claw back' of variable remuneration		no		yes	
Maximum severance payment		one-year base salary		one-year base salary[2]	

[1] The current base salary is listed as the previous CEO's last base salary before departure. Jan Hommen's base salary applies from his appointment date in 2009.
[2] Jan Hommen is not contractually entitled to a severance payment.

Comparison of current and new 2010 remuneration other Executive Board members

in EUR		Current		New policy	Change
Base salary		665,500		750,000	13%
Variable remuneration – at target	200%	1,331,000	80%	600,000	–55%
Variable remuneration – at maximum	350%	2,329,250	100%	750,000	–68%
Total remuneration – at target		1,996,500		1,350,000	–32%
Total remuneration – at maximum		2,994,750		1,500,000	–50%
Type of variable compensation		cash + shares/options		cash + shares	
Allows for discretionary adjustment of variable remuneration		no		yes	
Allows for 'claw back' of variable remuneration		no		yes	
Maximum severance payment		one-year base salary		one-year base salary	

The tables below compare the new remuneration for ING with the market median of the Dow Jones EURO STOXX 50. They indicate that ING's new total remuneration for 2010 is significantly below the market median.

Comparison of target 2010 remuneration with median of the peer group

in EUR	ING 2010	Market median	ING compared to market median
CEO			
Base salary	1,353,500	1,100,000	23%
Variable remuneration – at target	1,082,800	2,970,000	–64%
Total remuneration – at target	**2,436,300**	**4,070,000**	**–40%**
Other Executive Board members			
Base salary	750,000	670,000	12%
Variable remuneration – at target	600,000	1,373,500	–56%
Total remuneration – at target	**1,350,000**	**2,045,500**	**–34%**

Comparison of maximum 2010 remuneration with median of the peer group

in EUR	ING 2010	Market median	ING compared to market median
CEO			
Base salary	1,353,500	1,100,000	23%
Variable remuneration – at maximum	1,353,500	4,455,000	–70%
Total remuneration – at maximum	**2,707,000**	**5,555,000**	**–51%**
Other Executive Board members			
Base salary	750,000	670,000	12%
Variable remuneration – at maximum	750,000	2,060,250	–63%
Total remuneration – at maximum	**1,500,000**	**2,730,250**	**–45%**

Remuneration report (continued)

PROPOSED NEW REMUNERATION POLICY FOR SENIOR MANAGEMENT

As much as possible for a global financial institution of this size, ING aims to take account of all the differences and standards applied within similar financial institutions in the various countries in which it operates. The remuneration of members of the Management Boards and senior management will be in line with the general principles of the new remuneration structure for the Executive Board, taking into account international and local practices.

Total direct compensation

Total direct compensation levels will be based on benchmark data in the international context in which we operate. We aim for compensation levels to be set at market median levels. Total compensation levels will be determined in line with the relevant market.

Increased focus on long-term value creation, risk and non-financial performance

Variable compensation will increasingly be linked to long term value creation and risk. It will be determined based on individual, business and company performance criteria. Performance measurement will increasingly account for estimated risks and costs of capital. There will be increased emphasis on long term value creation by means of long term incentives, deferral and claw-back mechanisms.

Furthermore, and in addition to financial indicators, performance will also be assessed based on non-financial drivers. The incorporation of non-financial indicators in the overall assessment is particularly aimed at further improving sustainable business practices within ING. Therefore, a number of action targets are being formulated regarding ING's performance in the area of e.g. workforce diversity, customer satisfaction, stakeholder engagement and sustainable product development.

SENIOR MANAGEMENT REMUNERATION STRUCTURE 2010

Given the differences in the regulatory requirements for banking and insurance and the upcoming separation of ING's banking and insurance activities, the remuneration structures for senior management in ING's banking and insurance operations were determined separately.

The remuneration policy for the Executive Board will apply in full to members of the Management Board Banking. For senior management in Banking, there will be a gradual shift over the next three years to a more balanced mix between fixed salary and variable pay in line with the remuneration policy for the Executive Board. Exceptions may exist for high value specialists and senior management working in certain divisions and/or geographical areas. For the Management Board Insurance and senior management in our insurance operations, adjustments will be made in line with the general principles of the new remuneration policy for the Executive Board. However, changes in the mix between fixed salary and variable pay will need to be weighted in light of the different regulatory requirements for insurance and the upcoming separation of ING's banking and insurance activities.

Moreover, compensation packages related to control functions (such as risk management functions) will be structured such that they provide for a reduced emphasis on variable compensation. To ensure the autonomy of the individual, financial performance metrics will depend on objectives determined at the divisional level (i.e. not at the level of the relevant business unit). In addition, performance assessments will not only be determined by business unit management, but also by the functional line.

2009 REMUNERATION

CURRENT GENERAL POLICY SENIOR MANAGEMENT REMUNERATION

Background

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

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

- Total compensation levels are benchmarked against relevant markets in which ING competes for talent.
- ING aims for total compensation at the median level in the relevant market, allowing only for above-median compensation in the event of outstanding performance.
- The remuneration package includes variable-pay components (short-term and long-term incentives) to ensure that executive remuneration is linked to ING's short-term and long-term business performance.
- To enhance the effectiveness of the short-term incentive plan, clear, measurable and challenging targets are set at the beginning of each year.
- Long-term incentives ensure a focus on longer-term strategic targets and create alignment of management with the interests of shareholders. A broad selection of ING's senior leaders participates in the plan to ensure a common focus on ING's overall performance.

Remuneration structure

Total compensation throughout ING consists of three basic components:

- Fixed or base salary which represents the total guaranteed annual income.
- Short-term incentive (STI) in cash, which compensates for past performance measured over one year.
- Long-term incentive (LTI) in stock options and/or performance shares, which compensates for performance measured over multiple years and is forward-looking.

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

REMUNERATION EXECUTIVE BOARD 2009

With regard to the remuneration for 2009, the Supervisory Board continued to build upon the remuneration policy initiated in 2003. In January 2009, ING and the Dutch State reached an agreement on an Illiquid Assets Back-up Facility. Under the terms of this agreement the members of the Executive Board will not receive any bonuses until a reviewed remuneration policy has been completed.

As a consequence of the Back to Basics strategy and the organisational simplification resulting from it, certain Board members no longer serve on the Executive Board of ING Groep N.V. as of 1 June 2009. However, their current employment contracts with ING Groep N.V. continued to remain in effect in 2009.

Executive Board base salary 2009

The base salary of all Executive Board members has been frozen for 2009.

Executive Board short-term incentive plan 2009

Under the terms of the agreement reached with the Dutch State on an Illiquid Assets Back-up Facility, the individual Executive Board members will not receive a 2009 STI payout.

Executive Board long-term incentive plan 2009

Under the terms of the agreement reached with the Dutch State on an Illiquid Assets Back-up Facility, the individual Executive Board members will not receive a 2009 LTI grant.

Tom McInerney is entitled to receive a conditional share award on the same grant date as the other long-term incentive awards. The conditional share award would 100% vest four years after the grant date with the condition being an active employment contract at the date of vesting. This award is part of Tom McInerney's employment contract to align his total remuneration with the market practice of senior executives in the US. Tom McInerney will not be awarded a conditional share award in 2010 for the 2009 performance year.

Patrick Flynn received a 'buyout' for the loss of compensation which he would have received at his previous employer had he not resigned. This buyout consists of a conditional grant of restricted stock to a maximum of 100,000 shares. A number of 30,000 shares will vest at the annual General Meeting in 2010, another 30,000 shares will vest at the annual General Meeting in 2011 and the remaining 40,000 shares will vest at the annual General Meeting in 2012, subject to satisfactory performance.
The cumulative value of the conditional share award is capped at EUR 1.3 million. ING has amended the number of shares to adjust for the effects of the rights issue, while maintaining the cumulative value cap at EUR 1.3 million. The first vesting in the amount of 39,069 shares (30,000 adjusted for the effects of the rights issue) will occur on 27 April 2010.

Long-term incentives awarded in previous years

The long-term incentive plan (LTIP) at ING includes both stock options and performance shares. The ING stock options have a total term of ten years and a vesting period of three years after which they can be exercised for the remaining seven years.

Performance shares are conditionally granted. The number of ING depositary receipts that is ultimately granted at the end of a three-year performance period depends on ING's Total Shareholder Return (TSR) performance over three years (return in the form of capital gains and reinvested dividends that shareholders receive in that period) relative to the TSR performance of a predefined peer group.

ING's TSR ranking within this group of companies determines the final number of performance shares that vest at the end of the three-year performance period. The performance shares granted in 2007 had a three-year performance period of 2007–2009 and will

Remuneration report (continued)

vest in 2010. The actual results of 43% are based upon ING's TSR ranking of 15th within the designated peer group. The results were determined by an independent third party. ING's external auditor has reviewed the calculations performed. For members of the Executive Board who received an award as an Executive Board member in 2007, such award will vest in the final number of performance shares in May 2010. For the other senior leaders who participated in the 2007–2009 performance share award, such award vested in March 2010.

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

Compensation in cash of the individual members of the Executive Board

amounts in thousands of euros	2009	2008	2007
Jan Hommen			
Base salary[1]			
Short-term performance related bonus	**0**		
Total cash compensation			
Patrick Flynn[2]			
Base salary	**454**		
Short-term performance related bonus	**0**		
Total cash compensation	**454**		
Koos Timmermans[3]			
Base salary	**665**	665	423
Short-term performance related bonus	**0**	0	637
Total cash compensation	**665**	665	1,060
Eric Boyer de la Giroday[4]			
Base salary	**372**	892	850
Short-term performance related bonus	**0**	0	1,319
Total cash compensation	**372**	892	2,169
Dick Harryvan[4]			
Base salary	**277**	665	634
Short-term performance related bonus	**0**	0	842
Total cash compensation	**277**	665	1,476
Eli Leenaars[4]			
Base salary	**277**	665	634
Short-term performance related bonus	**0**	0	956
Total cash compensation	**277**	665	1,590
Tom McInerney[4][5]			
Base salary	**404**	879	946
Short-term performance related bonus	**0**	0	1,425
Total cash compensation	**404**	879	2,371
Hans van der Noordaa[4]			
Base salary	**277**	665	634
Short-term performance related bonus	**0**	0	956
Total cash compensation	**277**	665	1,590
Jacques de Vaucleroy[4]			
Base salary	**277**	665	634
Short-term performance related bonus	**0**	0	956
Total cash compensation	**277**	665	1,590

(1) Jan Hommen was appointed to the Executive Board on 27 April 2009. Jan Hommen shall be remunerated as of 27 April 2009 in accordance with the 'new' remuneration policy to be adopted by the General Meeting in 2010. The annual fixed salary will be determined in accordance with this policy. An amount, based on an annual base salary of EUR 1,353,500, has been accrued in 2009 in anticipation of adoption of the 'new' remuneration policy by the General Meeting. Jan Hommen will not receive a short-term cash bonus or long-term incentive for 2009.

(2) Patrick Flynn was appointed to the Executive Board on 27 April 2009. The figure for this member reflects compensation earned in the capacity as Executive Board member. Thus, the figure for 2009 reflects the partial year as Executive Board member.

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

(4) Eric Boyer de la Giroday, Dick Harryvan, Eli Leenaars, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy no longer serve on the Executive Board of ING Groep N.V. as of 1 June 2009. The figures for these members reflect compensation earned in their capacity as Executive Board members. Thus, the figures for 2009 reflect the partial year as Executive Board members.

(5) Tom McInerney and John Hele receive their compensation in US dollars. For each year the compensation in US dollars was converted to euros at the average exchange rate for that year.

(6) Michel Tilmant stepped down from his position on the Executive Board on 26 January 2009 and retired on 1 August 2009. The figures for this member reflect compensation earned until 1 August 2009. In addition to his base salary, Michel Tilmant received early retirement benefits calculated on the basis of one year's base salary.

(7) John Hele stepped down from his position on the Executive Board on 31 March 2009. The figures for this member reflect compensation earned until the last day of employment. Thus, the figures for 2009 reflect the partial year.

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

amounts in thousands of euros	2009	2008	2007
Michel Tilmant [6]			
Base salary	**789**	1,353	1,289
Short-term performance related bonus	**0**	0	2,001
Total cash compensation	**789**	1,353	3,290
John Hele [3] [5] [7]			
Base salary	**169**	603	412
Short-term performance related bonus	**0**	0	621
Total cash compensation	**169**	603	1,033

Compensation in cash of former members of the Executive Board who are not included in the above table amounted to nil in 2009 and 2008, and to EUR 729 thousand in 2007.

The following tables reflect the number of options (and adjusted strike prices of these options) and the number of performance shares, adjusted for the effects of the rights issue.

Long-term incentives of the individual members of the Executive Board [1, 2]

fair market value at grant in thousands of euros	2009	2008	2007
Jan Hommen			
Number of options	**0**		
Number of performance shares	**0**		
Fair market value of long-term incentive [3]	**0**		
Patrick Flynn [4]			
Number of options	**0**		
Number of performance shares	**0**		
Fair market value of long-term incentive [3]	**0**		
Koos Timmermans [5]			
Number of options	**0**	0	56,405
Number of performance shares	**0**	0	13,367
Fair market value of long-term incentive [3]	**0**	0	499
Eric Boyer de la Giroday			
Number of options	**0**	0	113,385
Number of performance shares	**0**	0	26,869
Fair market value of long-term incentive [3]	**0**	0	1,003
Dick Harryvan			
Number of options	**0**	0	84,606
Number of performance shares	**0**	0	20,050
Fair market value of long-term incentive [3]	**0**	0	748
Eli Leenaars			
Number of options	**0**	0	84,606
Number of performance shares	**0**	0	20,050
Fair market value of long-term incentive [3]	**0**	0	748
Tom McInerney [6]			
Number of options	**0**	0	126,159
Number of performance shares	**0**	0	29,897
Number of conditional shares	**0**	0	70,730
Fair market value of long-term incentive [3]	**0**	0	2,571
Hans van der Noordaa			
Number of options	**0**	0	84,606
Number of performance shares	**0**	0	20,050
Fair market value of long-term incentive [3]	**0**	0	748

(1) Long-term incentives are granted in the year following the reporting year. The long-term incentive plan provides for a combination of share options and provisional performance shares based on a 50/50 split in value. The ratio of options to performance shares varies each year as a result of the fair value calculation and the 50/50 split in value. The fair value calculation for the performance year 2009 resulted in a ratio of options to performance shares of 2.55 :1 (2008: 2.36 : 1, 2007: 4.22 : 1).
(2) The number of options and performance shares awarded reflect the adjustments for the effects of the rights issue of December 2009.
(3) The fair market value of a long-term incentive award reflects the estimated fair market value of the long-term incentive award based on a fair value calculation. The valuation is calculated on the last trading day of the year for grants made to the Executive Board members for performance over the specified year and is not updated for current market values.
(4) Patrick Flynn received a 'buyout' for the loss of compensation which he would have received at his previous employer had he not resigned. This buyout consists of a conditional grant of restricted stock to a maximum of 100,000 shares. A number of 30,000 shares will vest at the annual General Meeting in 2010, another 30,000 shares will vest at the annual General Meeting in 2011 and the remaining 40,000 shares will vest at the annual General Meeting in 2012, subject to satisfactory performance. The cumulative value of the conditional share award is capped at EUR 1.3 million. ING has amended the number of shares to adjust for the effects of the rights offering, while maintaining the cumulative value cap at EUR 1.3 million.
(5) Koos Timmermans and John Hele were appointed to the Executive Board on 24 April 2007. The figures for these members reflect compensation earned in their capacity as Executive Board members.
(6) Tom McInerney is entitled to receive conditional shares on the same grant date as the other long-term incentive awards. The conditional shares will be 100% vested four years after the grant date with the condition being an active employment contract. The conditional shares are provided to align Tom McInerney's total remuneration with US market practice. Tom McInerney will not receive his conditional share award for the 2009 performance year.

Remuneration report (continued)

Long-term incentives of the individual members of the Executive Board [1] [2] (continued)

fair market value at grant in thousands of euros	**2009**	2008	2007
Jacques de Vaucleroy			
Number of options	**0**	0	84,606
Number of perf ormance shares	**0**	0	20,050
Fair market value of long-term incentive [3]	**0**	0	748
Michel Tilmant			
Number of options	**0**	0	171,973
Number of performance shares	**0**	0	40,753
Fair market value of long-term incentive [3]	**0**	0	1,521
John Hele [5]			
Number of options	**0**	0	54,993
Number of performance shares	**0**	0	13,032
Fair market value of long-term incentive [3]	**0**	0	486

The fair market value of long-term incentive awards of former members of the Executive Board who are not included in the above table amounted to nil 2009, 2008 and 2007.

Information on the options outstanding and the movements during the financial year of options held by the members of the Executive Board as at 31 December 2009 [1]

number of options	Outstanding as at 31 December 2008	**Granted in 2009**	**Exercised in 2009**	**Waived or expired in 2009[2]**	**Outstanding as at 31 December 2009**	Exercise price in euros	Exercise price in US dollars	Expiry date
Jan Hommen		**0**	**0**	**0**	**0**			
Patrick Flynn		**0**	**0**	**0**	**0**			
Koos Timmermans	13,674	**0**	**0**	**0**	**13,674**	22.57		11 Mar 2012
	7,814	**0**	**0**	**0**	**7,814**	14.37		15 Mar 2014
	11,460	**0**	**0**	**0**	**11,460**	17.88		30 Mar 2015
	8,504	**0**	**0**	**0**	**8,504**	25.16		23 Mar 2016
	46,157	**0**	**0**	**0**	**46,157**	24.72		22 Mar 2017
	56,405	**0**	**0**	**0**	**56,405**	19.53		15 May 2018
	20,675	**0**	**0**	**0**	**20,675**	14.36		17 Sept 2018

[1] The number of options and the strike prices of these options reflect the number and strike prices adjusted for the effects of the rights issue of December 2009.
[2] Waived at vesting date or expired at expiry date.

Pension costs

The table below shows the pension costs of the individual members of the Executive Board.

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

amounts in thousands of euros	2009	2008	2007
Jan Hommen [2]	0		
Patrick Flynn [3]	78		
Koos Timmermans [4]	115	247	166
Eric Boyer de la Giroday [5]	100	639	566
Dick Harryvan [5]	74	374	324
Eli Leenaars [5]	48	313	348
Tom McInerney [5] [6]	193	285	286
Hans van der Noordaa [5]	48	313	267
Jacques de Vaucleroy [5]	48	313	267
Michel Tilmant [7]	213	971	874
John Hele [4] [6] [8]	18	125	72

(1) For reasons of comparison, the Company pension expenses are recalculated under IAS 19 with general assumption setting for 2007 to 2009.
(2) Jan Hommen does not participate in the pension plan.
(3) Patrick Flynn was appointed to the Executive Board on 27 April 2009. The 2009 pension costs for this member reflect the partial year as Executive Board member.
(4) Koos Timmermans and John Hele were appointed to the Executive Board on 24 April 2007. The figures for these members reflect pension costs in their capacity as Executive Board members. Thus, the figures for 2007 reflect the partial year as Executive Board members.
(5) Eric Boyer de la Giroday, Dick Harryvan, Eli Leenaars, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy no longer serve on the Executive Board of ING Groep N.V. as of 1 June 2009. The figures for these members reflect pension costs in their capacity as Executive Board members. Thus, the figures for 2009 reflect the partial year as Executive Board members.
(6) Tom McInerney's and John Hele's pension costs have been translated from US dollars to euros at the average exchange rate for that year.
(7) Michel Tilmant stepped down from his position on the Executive Board on 26 January 2009 and retired on 1 August 2009. The figure for this member reflects pension costs until 31 July 2009.
(8) John Hele stepped down from his position on the Executive Board on 31 March 2009. The figure for this member reflects pension costs until the last day of employment. Thus, the figure for 2009 reflects the partial year.

Pension costs of former members of the Executive Board who are not included in the above table amounted to nil in 2009 and 2008, and to EUR 1,386 thousand in 2007.

Loans and advances to Executive Board members

The table below presents the loans and advances provided to Executive Board members and outstanding on 31 December 2009, 2008 and 2007. These loans were concluded in the normal course of business and on terms generally applicable to Company personnel as a whole and were approved by the Supervisory Board.

Loans and advances to the individual members of the Executive Board

	Amount outstanding 31 December	Average interest rate	Repayments	Amount outstanding 31 December	Average interest rate	Repayments	Amount outstanding 31 December	Average interest rate	Repayments
amounts in thousands of euros			2009			2008			2007
Koos Timmermans	380	4.6%		380	4.6%		380	4.6%	

ING depositary receipts for shares held by Executive Board members

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

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

number of shares	2009	2008	2007
Jan Hommen	46,426		
Patrick Flynn			
Koos Timmermans	14,457	2,546	2,000

Remuneration report (continued)

REMUNERATION SUPERVISORY BOARD

Remuneration

The annual remuneration of the Supervisory Board members amounts to: chairman EUR 75,000, vice-chairman EUR 65,000, other members EUR 45,000. In addition to the remuneration each member receives an expense allowance. For the chairman and vice-chairman the annual amount is EUR 6,810. For the other members the amount is EUR 2,270.

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

Supervisory Board members receive an additional fee of EUR 2,000 per attended Supervisory Board or Committee meeting in the event the meeting is held outside the country of residence of the Supervisory Board member, or an additional amount of EUR 7,500 per attended Supervisory Board or Committee meeting if intercontinental travel is required for attending the meeting.

The table below shows the remuneration, expense allowances and attendance fees per Supervisory Board member for 2009 and previous years.

Compensation of the members of the Supervisory Board

amounts in thousands of euros	2009	2008	2007
Peter Elverding [1]	**79**	68	20
Jeroen van der Veer [2]	**35**		
Tineke Bahlmann [3]	**46**		
Henk Breukink [4]	**61**	61	35
Claus Dieter Hoffmann	**78**	67	62
Piet Hoogendoorn [5]	**64**	70	28
Piet Klaver	**65**	62	47
Godfried van der Lugt	**67**	70	62
Harish Manwani [6]	**69**	51	
Aman Mehta [6]	**113**	62	
Joan Spero [6]	**105**	55	
Jackson Tai [6]	**152**	89	
Karel Vuursteen	**61**	62	56
Lodewijk de Waal [7]	**50**		
Jan Hommen [8]	**27**	89	67
Eric Bourdais de Charbonnière [9]	**30**	89	72
Wim Kok [10]	**26**	75	62

(1) Peter Elverding is a member of the Supervisory Board as of August 2007. The compensation figure for 2007 reflects the partial year as member of the Supervisory Board. Peter Elverding has been chairman of the Supervisory Board since April 2009.
(2) Jeroen van der Veer is a member of the Supervisory Board as of July 2009. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board. Jeroen van der Veer has been vice-chairman of the Supervisory Board since October 2009.
(3) Tineke Bahlmann is a member of the Supervisory Board as of April 2009. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board.
(4) Henk Breukink is a member of the Supervisory Board as of April 2007. The compensation figure for 2007 reflects the partial year as member of the Supervisory Board.
(5) Piet Hoogendoorn is a member of the Supervisory Board as of June 2007. The compensation figure for 2007 reflects the partial year as member of the Supervisory Board.
(6) Harish Manwani, Aman Mehta, Joan Spero and Jackson Tai are members of the Supervisory Board as of April 2008. The compensation figures for 2008 reflect the partial year as members of the Supervisory Board.
(7) Lodewijk de Waal is a member of the Supervisory Board as of April 2009. He has been acting as an observer on the Supervisory Board as of November 2008. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board. Up to the appointment date Lodewijk de Waal has received remuneration, expense allowances and attendance fees in line with the Remuneration policy of the Supervisory Board.
(8) Jan Hommen was a member of the Supervisory Board as of June 2005 and chairman as of January 2008. He stepped down from the Supervisory Board as of April 2009. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board.
(9) Eric Bourdais de Charbonnière retired in April 2009. He was vice-chairman as of February 2005. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board.
(10) Wim Kok retired in April 2009. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board.

Compensation of former members of the Supervisory Board who are not included in the above table amounted to nil in 2009, EUR 16 thousand in 2008, and to EUR 162 thousand in 2007.

Loans and advances to Supervisory Board members

Supervisory Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that are customary in the sector. The table below presents the loans and advances to Supervisory Board members outstanding on 31 December 2009, 2008 and 2007.

Loans and advances to members of the Supervisory Board

amounts in thousands of euros	Amount outstanding 31 December	Average interest rate	Repayments	Amount outstanding 31 December	Average interest rate	Repayments	Amount outstanding 31 December	Average interest rate	Repayments
			2009			2008			2007
Jeroen van der Veer [1]	**282**	**8.6%**							

[1] The amount reflects a housing mortgage loan granted in 1992, well before Jeroen van der Veer's appointment to the Supervisory Board (effective as of 1 July 2009).

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

Supervisory Board members are permitted to hold ING depositary receipts for shares as a long-term investment. The table below shows the holdings by members of the Supervisory Board. Supervisory Board members did not hold ING options at year-end 2009.

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

number of shares	**2009**	2008	2007
Piet Klaver	**13,796**	7,430	7,430
Godfried van der Lugt	**24,142**		
Jeroen van der Veer [2]	**99,469**		
Karel Vuursteen	**2,800**	1,510	1,510

[1] The numbers of depositary receipts for shares reflect the shares held by the member of the Supervisory Board and their partners.
[2] Jeroen van der Veer is a member of the Supervisory Board as of July 2009.

Works councils

CENTRAL WORKS COUNCIL
As at 1 January 2010

Rob Eijt, *chairman*
René van der Linden, *secretary*
Bernard Wempe, *deputy chairman*
Rudie van Doorn, *deputy secretary*
Goof Bode, Bernardt Bodt, Hans de Boer, Ron Brands, Robert Coleridge, Anneke Dalger, Gerard Dekkers, Petra Delhez, Petra Hartendorp, Winie den Hartog, Thea van der Heide, Piet Hoekstra, Alex Hoogendoorn, Aad Kant, Maarten Kramer, Gerrit Riphagen, Frans Rose, Sunil Tahloe, Michel Vonk, Edwin de Weij.

EUROPEAN WORKS COUNCIL
As at 1 January 2010

Mathieu Blondeel, *chairman*, Belgium
Marcel Koopman, *secretary*, the Netherlands
Norbert Lucas, *deputy chairman*, Germany
Gerlinde Korterink, *deputy secretary*, the Netherlands
Werner Fözö, Austria
Jean-Claude Van Den Abeele, Leo D Antuono, Jean Pierre Lambert, Belgium
Kaloyan Marinov, Bulgaria
Vladimir Koudela, Czech Republic
Mourad Benzaaza, France
Carolin Simonis, Germany
Nikolaos Ploumis, Greece
Csilla Dobos, Hungary
Anna Adinolfi, Italy
Arsène Kihm, Luxembourg
Bernard Bodt, Ron Brands, Jeffrey Dinsbach, Thea van der Heide, Maarten Kramer, Robert Milewski, Gerrit Riphagen, Bernard Wempe, Jelte Wiersinga, the Netherlands
Mieczyslaw Bielawski, Mariusz Cieslik, Jakub Dzianowicz, Poland
Mihai Ailincai, Roxana Florescu, Romania
Miguel Angel Hernandez, Araceli Rodriguez, Spain
Sam Chaudhuri, Rina Goldenberg, UK.

Key figures

In accordance with IFRS-EU	2009	2008	2007	2006	2005
Income (in EUR million)					
Banking operations	**12,311**	11,731	14,602	14,195	13,848
Insurance operations	**35,790**	54,851	62,208	59,642	57,403
Total income [1]	**47,765**	66,291	76,586	73,621	71,120
Staff expenses and operating expenses (in EUR million)					
Banking operations	**9,668**	10,148	9,970	9,070	8,778
Insurance operations	**4,381**	5,423	5,498	5,269	5,195
Total	**14,049**	15,571	15,468	14,339	13,973
Addition to loan loss provision Banking operations (in EUR million)	**2,973**	1,280	125	103	88
Result before tax (in EUR million)					
Banking result before tax	**–826**	148	4,510	5,005	4,916
Insurance result before tax	**–699**	–1,635	6,533	4,935	3,978
Total result before tax	**–1,525**	–1,487	11,043	9,940	8,894
Taxation	**–472**	–721	1,534	1,907	1,379
Minority interests	**–118**	–38	267	341	305
Net result	**–935**	–729	9,241	7,692	7,210
Figures per ordinary share (in EUR)					
Net result	**–0.44**	–0.36	4.32	3.57	3.32
Basic earnings	**–0.57**	–0.27	3.31	2.74	2.55
Dividend	**–**	0.74	1.48	1.32	1.18
Shareholders' equity (in parent)	**8.95**	8.55	17.73	17.78	16.96
Balance sheet (in EUR billion)					
Total assets per 31 December	**1,164**	1,332	1,313	1,226	1,159
Total equity per 31 December	**40**	29	40	41	38
Shareholders' equity (in parent) per 31 December	**34**	17	37	38	37
Core Tier 1 securities per 31 December	**5**	10			
Employees (FTEs year-end)	**107,173**	124,661	124,634	119,801	116,614

[1] Including inter-company eliminations.

Consolidated balance sheet of ING Group

as at 31 December

amounts in millions of euros	2009	2008
ASSETS		
Cash and balances with central banks 1	**15,390**	22,045
Amounts due from banks 2	**43,397**	48,447
Financial assets at fair value through profit and loss 3		
– trading assets	**111,444**	160,378
– investments for risk of policyholders	**104,597**	95,366
– non-trading derivatives	**11,632**	16,484
– designated as at fair value through profit and loss	**5,517**	8,277
Investments 4		
– available-for-sale	**197,703**	242,852
– held-to-maturity	**14,409**	15,440
Loans and advances to customers 5	**578,946**	619,791
Reinsurance contracts 17	**5,480**	5,797
Investments in associates 6	**3,699**	4,355
Real estate investments 7	**3,638**	4,300
Property and equipment 8	**6,119**	6,396
Intangible assets 9	**6,021**	6,915
Deferred acquisition costs 10	**11,398**	11,843
Assets held for sale 11	**5,024**	15,312
Other assets 12	**39,229**	47,665
Total assets	**1,163,643**	1,331,663
EQUITY		
Shareholders' equity (parent) 13	**33,863**	17,334
Non-voting equity securities 13	**5,000**	10,000
	38,863	27,334
Minority interests	**915**	1,594
Total equity	**39,778**	28,928
LIABILITIES		
Subordinated loans 14	**10,099**	10,281
Debt securities in issue 15	**119,981**	96,488
Other borrowed funds 16	**23,151**	31,198
Insurance and investment contracts 17	**240,858**	240,790
Amounts due to banks 18	**84,235**	152,265
Customer deposits and other funds on deposit 19	**469,508**	522,783
Financial liabilities at fair value through profit and loss 20		
– trading liabilities	**98,245**	152,616
– non-trading derivatives	**20,070**	21,773
– designated as at fair value through profit and loss	**11,474**	14,009
Liabilities held for sale 11	**4,890**	15,020
Other liabilities 21	**41,354**	45,512
Total liabilities	**1,123,865**	1,302,735
Total equity and liabilities	**1,163,643**	1,331,663

References relate to the notes starting on page 113. These form an integral part of the consolidated annual accounts.

Consolidated profit and loss account of ING Group

for the years ended 31 December

amounts in millions of euros	2009	2009	2008	2008	2007	2007
Interest income banking operations	**79,850**		97,011		76,749	
Interest expense banking operations	**–67,475**		–85,969		–67,773	
Interest result banking operations 35		**12,375**		11,042		8,976
Gross premium income 36		**30,492**		43,812		46,818
Investment income 37		**3,342**		4,664		13,352
Net result on disposals of group companies 38		**264**		17		430
Gross commission income	**6,790**		7,504		7,693	
Commission expense	**–2,177**		–2,539		–2,866	
Commission income 39		**4,613**		4,965		4,827
Valuation results on non-trading derivatives 40		**–4,676**		2,300		–561
Net trading income 41		**1,125**		–749		1,119
Share of profit from associates 6		**–461**		–404		740
Other income 42		**691**		644		885
Total income		**47,765**		66,291		76,586
Gross underwriting expenditure 43	**50,440**		18,831		51,818	
Investment result for risk of policyholders	**–17,742**		32,408		–1,079	
Reinsurance recoveries	**–1,714**		–1,754		–1,906	
Underwriting expenditure 43		**30,984**		49,485		48,833
Addition to loan loss provisions 5		**2,973**		1,280		125
Intangible amortisation and other impairments 44		**568**		464		15
Staff expenses 45		**7,338**		8,764		8,261
Other interest expenses 46		**716**		978		1,102
Other operating expenses 47		**6,711**		6,807		7,207
Total expenses		**49,290**		67,778		65,543
Result before tax		**–1,525**		–1,487		11,043
Taxation 48		**–472**		–721		1,535
Net result (before minority interests)		**–1,053**		–766		9,508
Attributable to:						
Equityholders of the parent		**–935**		–729		9,241
Minority interests		**–118**		–37		267
		–1,053		–766		9,508

amounts in euros	2009	2008	2007
Net result per ordinary share 49	**–0.44**	–0.36	4.32
Basic earnings per ordinary share 49	**–0.57**	–0.27	3.31
Diluted earnings per ordinary share 49	**–0.57**	–0.27	3.29
Dividend per ordinary share 50	**0.00**	0.74	1.48

References relate to the notes starting on page 177. These form an integral part of the consolidated annual accounts.

Consolidated statement of comprehensive income of ING Group

for the years ended 31 December

amounts in millions of euros	2009	2008	2007
Net result	**–1,053**	–766	9,508
Unrealised revaluations after taxation	**11,867**	–18,485	–1,244
Realised gains/losses transferred to profit and loss	**1,554**	2,476	–3,186
Changes in cash flow hedge reserve	**–805**	746	–925
Transfer to insurance liabilities/DAC	**–2,079**	2,193	1,137
Exchange rate differences	**59**	–1,086	–1,358
Other revaluations	**–9**	–23	31
Total amount recognised directly in equity (other comprehensive income)	**10,587**	–14,179	–5,545
Total comprehensive income	**9,534**	–14,945	3,963
Comprehensive income attributable to:			
Equity-holders of the parent	**9,665**	–14,703	3,746
Minority interests	**–131**	–242	217
	9,534	–14,945	3,963

The Unrealised revaluations after taxation comprises EUR 15 million (2008: EUR 218 million; 2007: EUR –183 million) related to the share of other comprehensive income of associates.

The Exchange rate differences comprises EUR 131 million (2008: EUR –214 million; 2007: EUR –112 million) related to the share of other comprehensive income of associates.

Reference is made to Note 21 ‘Other liabilities’ for the disclosure on the income tax effects on each component of the comprehensive income except for the component Net result which is disclosed in the Consolidated profit and loss account.

Consolidated statement of cash flows of ING Group

for the years ended 31 December

amounts in millions of euros		2009	2008	2007
Result before tax		**–1,525**	–1,487	11,043
Adjusted for:	– depreciation	**1,701**	1,492	1,382
	– deferred acquisition costs and value of business acquired	**–1,131**	–444	–1,338
	– increase in provisions for insurance and investment contracts	**3,829**	16,363	26,494
	– addition to loan loss provisions	**2,973**	1,280	125
	– other	**6,015**	6,955	–3,897
Taxation paid		**–412**	–49	–1,347
Changes in:	– amounts due from banks, not available on demand	**8,611**	7,162	–8,690
	– trading assets	**47,963**	32,386	2,997
	– non-trading derivatives	**864**	–2,020	261
	– other financial assets at fair value through profit and loss	**2,196**	3,174	–4,878
	– loans and advances to customers	**11,552**	–76,215	–75,501
	– other assets	**6,948**	–11,847	–6,534
	– amounts due to banks, not payable on demand	**–67,410**	13,210	15,414
	– customer deposits and other funds on deposit	**21,073**	6,831	28,640
	– trading liabilities	**–54,366**	3,501	20,916
	– other financial liabilities at fair value through profit and loss	**–5,798**	13,016	44
	– other liabilities	**–10,483**	–485	6,577
Net cash flow from operating activities		**–27,400**	12,823	11,708
Investments and advances:	– group companies	**–5**	–1,725	–3,215
	– associates	**–181**	–1,034	–1,221
	– available-for-sale investments	**–165,771**	–228,291	–284,006
	– held-to-maturity investments		–314	
	– real estate investments	**–130**	–905	–876
	– property and equipment	**–640**	–708	–575
	– assets subject to operating leases	**–1,034**	–1,401	–1,393
	– investments for risk of policyholders	**–65,362**	–64,735	–54,438
	– other investments	**–338**	–881	–316
Disposals and redemptions:	– group companies	**2,643**	1,590	1,012
	– associates	**294**	972	1,049
	– available-for-sale investments	**167,075**	225,539	281,198
	– held-to-maturity investments	**1,675**	1,640	822
	– real estate investments	**656**	415	309
	– property and equipment	**82**	137	151
	– assets subject to operating leases	**93**	428	417
	– investments for risk of policyholders	**64,158**	59,251	47,136
	– other investments	**24**	19	13
Net cash flow from investing activities 53		**3,239**	–10,003	–13,933
Proceeds from issuance of subordinated loans			2,721	1,764
Proceeds from borrowed funds and debt securities		**437,772**	391,915	455,629
Repayments of borrowed funds and debt securities		**–425,182**	–354,015	–464,982
Issuance of ordinary shares		**7,276**	448	397
Issuance of non-voting equity securities			10,000	
Repayment of non-voting equity securities		**–5,000**		
Payments to acquire treasury shares		**–101**	–2,388	–3,446
Sales of treasury shares		**118**	252	846
Dividends paid [1]		**–1,030**	–3,207	–3,039
Net cash flow from financing activities		**13,853**	45,726	–12,831
Net cash flow 54		**–10,308**	48,546	–15,056
Cash and cash equivalents at beginning of year		**31,271**	–16,811	–1,795
Effect of exchange rate changes on cash and cash equivalents		**–4**	–464	40
Cash and cash equivalents at end of year 55		**20,959**	31,271	–16,811

[1] 2007 and 2008 include dividends paid on ordinary shares. 2009 includes payments on non-voting equity securities (payment of the 2008 coupon of EUR 425 million, the repayment premium of EUR 346 million and the coupon in the repayment of EUR 259 million).

As at 31 December 2009 Cash and cash equivalents includes cash and balances with central banks of EUR 15,390 million (2008: EUR 22,045 million; 2007: EUR 12,406 million). Reference is made to Note 55 'Cash and Cash equivalents'.

References relate to the notes starting on page 194. These form an integral part of the consolidated annual accounts.

Consolidated statement of changes in equity of ING Group

for the years ended 31 December

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholders' equity (parent)	Non-voting equity securities	Minority interests	Total equity
Balance as at 1 January 2007	530	8,348	29,388	38,266		2,949	41,215
Unrealised revaluations after taxation			–1,135	–1,135		–109	–1,244
Realised gains/losses transferred to profit and loss			–3,186	–3,186			–3,186
Changes in cash flow hedge reserve			–925	–925			–925
Transfer to insurance liabilities/DAC			1,132	1,132		5	1,137
Exchange rate differences [1]			–1,381	–1,381		23	–1,358
Other revaluations						31	31
Total amount recognised directly in equity			–5,495	–5,495		–50	–5,545
Net result			9,241	9,241		267	9,508
			3,746	3,746		217	3,963
Employee stock option and share plans			104	104			104
Changes in the composition of the group						–745	–745
Dividends [2]			–2,999	–2,999		–40	–3,039
Purchase/sale of treasury shares			–2,304	–2,304			–2,304
Exercise of warrants and options	4	391		395			395
Change in minority interest shareholdings						–58	–58
Balance as at 31 December 2007	534	8,739	27,935	37,208		2,323	39,531
Unrealised revaluations after taxation			–18,437	–18,437		–48	–18,485
Realised gains/losses transferred to profit and loss			2,476	2,476			2,476
Changes in cash flow hedge reserve			746	746			746
Transfer to insurance liabilities/DAC			2,193	2,193			2,193
Exchange rate differences			–952	–952		–134	–1,086
Other revaluations						–23	–23
Total amount recognised directly in equity			–13,974	–13,974		–205	–14,179
Net result			–729	–729		–37	–766
			–14,703	–14,703		–242	–14,945
Issuance costs incurred			–20	–20			–20
Employee stock option and share plans			31	31			31
Issue of non-voting equity securities					10,000		10,000
Changes in the composition of the group						–455	–455
Dividends [3]			–3,600	–3,600		–32	–3,632
Purchase/sale of treasury shares	–44		–1,986	–2,030			–2,030
Exercise of warrants and options	5	443		448			448
Balance as at 31 December 2008	495	9,182	7,657	17,334	10,000	1,594	28,928

[1] In 2007 Exchange rate differences include Exchange rate differences for the year of EUR –1,153 million and Realised gains/losses transferred to profit and loss of EUR –228 million. Reference is made to Note 13 'Shareholders' equity (parent)/non-voting equity securities'.
[2] 2006 final dividend of EUR 0.73 per ordinary share and 2007 interim dividend of EUR 0.66 per ordinary share.
[3] 2007 final dividend of EUR 0.82 per ordinary share, 2008 interim dividend of EUR 0.74 per ordinary share and final dividend of EUR 0.425 per non-voting equity security.

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

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholders' equity (parent)	Non-voting equity securities	Minority interests	Total equity
Balance as at 31 December 2008	495	9,182	7,657	17,334	10,000	1,594	28,928
Unrealised revaluations after taxation			11,874	11,874		–7	11,867
Realised gains/losses transferred to profit and loss			1,554	1,554			1,554
Changes in cash flow hedge reserve			–805	–805			–805
Transfer to insurance liabilities/DAC			–2,079	–2,079			–2,079
Exchange rate differences			56	56		3	59
Other revaluations						–9	–9
Total amount recognised directly in equity			10,600	10,600		–13	10,587
Net result			–935	–935		–118	–1,053
			9,665	9,665		–131	9,534
Issuance costs incurred		–222		–222			–222
Employee stock option and share plans			64	64			64
Repayment of non-voting equity securities					–5,000		–5,000
Changes in the composition of the group						–546	–546
Dividend and repayment premium (4)			–605	–605		–2	–607
Proceeds from rights issue	424	7,074		7,498			7,498
Purchase/sale of treasury shares			129	129			129
Balance as at 31 December 2009	919	16,034	16,910	33,863	5,000	915	39,778

(4) The 2009 amount of EUR 605 million includes the coupon (EUR 259 million) and repayment premium (EUR 346 million) on the repayment of EUR 5 billion non-voting equity securities.

In 2009, deferred taxes for the year with regard to unrealised revaluations amounted to EUR –3,520 million (2008: EUR 5,381 million; 2007: EUR 1,451 million). For details on deferred tax see Note 21 'Other liabilities'.

Reserves include Revaluation reserve of EUR 2,466 million (2008: EUR –8,502 million; 2007: EUR 4,937 million), Currency translation reserve of EUR –2,008 million (2008: EUR –1,918 million; 2007: EUR –1,354 million) and Other reserves of EUR 16,452 million (2008: EUR 18,077 million; 2007: EUR 24,352 million). Changes in individual components are presented in Note 13 'Shareholders' equity (parent)/non-voting equity securities'.

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

AUTHORISATION OF ANNUAL ACCOUNTS

The consolidated annual accounts of ING Groep N.V. ('ING Group') for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Executive Board on 15 March 2010. ING Groep N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principal activities of ING Group are described in the section 'ING at a glance' in section 1.1.

BASIS OF PRESENTATION

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

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

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

None of these recently issued or amended standards and interpretations has had a material effect on equity or result for the year. The implementation of the Amendment to IFRS 7 'Improving Disclosures about Financial Instruments' had a significant impact on the disclosure of 'Methods applied in determining fair values of financial assets and liabilities' (the three-level fair value hierarchy). Further information is provided in Note 34 'Fair value of financial assets and liabilities'.

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

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

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

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

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

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

As explained in the section 'Principles of valuation and determination of results' and in Note 24 'Derivatives and hedge accounting' ING Group applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU.

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

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

CRITICAL ACCOUNTING POLICIES

ING Group has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to insurance provisions and deferred acquisition costs, the loan loss provision, the determination of the fair values of real estate and financial assets and liabilities, impairments and employee benefits. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce materially different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the consolidated financial statements and the information below under 'Principles of valuation and determination of results'.

INSURANCE PROVISIONS, DEFERRED ACQUISITION COSTS (DAC) AND VALUE OF BUSINESS ACQUIRED (VOBA)

The establishment of insurance provisions, DAC and VOBA is an inherently uncertain process, involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends. Specifically, significant assumptions related to these items that could have a material impact on financial results include interest rates, mortality, morbidity, property and casualty claims, investment yields on equity and real estate, foreign currency exchange rates and reserve adequacy assumptions.

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

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

Insurance provisions also include the impact of minimum guarantees which are contained within certain variable annuity products. This impact is dependent upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, and mortality and morbidity trends. The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expenditure.

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

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

LOAN LOSS PROVISIONS

Loan loss provisions are recognised based on an incurred loss model. Considerable judgement is exercised in determining the extent of the loan loss provision (impairment) and is based on the management's evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit, industry and geographical concentration trends. Changes in such judgements and analyses may lead to changes in the loan loss provisions over time.

The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Current observable data may include changes in unemployment rates, property prices and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

FAIR VALUES OF REAL ESTATE

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

For each reporting period every property is valued either by an independent valuer or internally. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions and disposals are monitored as part of the procedures to back test the indexation methodology. Valuations performed earlier in the year are updated if necessary to reflect the situation at year end.

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

Reference is made to Note 34 'Fair value of financial assets and liabilities' for the basis of the determination of the fair value of financial instruments and related sensitivities.

IMPAIRMENTS

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

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

Upon impairment, the full difference between amortised cost and fair value is removed from equity and recognised in net profit or loss. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities may not be reversed.

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

Impairments on other debt instruments (Loans and held-to-maturity investments) are part of the loan loss provision as described above. Impairment reviews with respect to goodwill and intangible assets are performed at least annually and more frequently if events indicate that impairment may have occurred. Goodwill is tested for impairment by comparing the book value (including goodwill) to the best estimate of the fair value less cost to sell of the reporting unit to which the goodwill has been allocated. A reporting unit is the lowest level at which goodwill is monitored. Intangible assets are tested for impairment by comparing its book value with the best estimate of its recoverable amount.

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

EMPLOYEE BENEFITS

Group companies operate various defined benefit retirement plans covering a significant number of ING's employees.

The liability recognised in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains and losses, and unrecognised past service costs.

The determination of the defined benefit plan liability is based on internal and external actuarial models and calculations. The defined benefit obligation is calculated using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index, and the expected return on plan assets. The assumptions are based on available market data and the historical performance of plan assets, and are updated annually.

The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan liabilities and future pension costs. The effects of changes in actuarial assumptions and experience adjustments are not recognised in the profit and loss account unless the accumulated changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. If such is the case the excess is then amortised over the employees' expected average remaining working lives. Reference is made to Note 21 'Other liabilities' for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

CONSOLIDATION

ING Group ('the Group') comprises ING Groep N.V. ('the Company'), ING Verzekeringen N.V., ING Bank N.V. and all other subsidiaries. The consolidated financial statements of ING Group comprise the accounts of ING Groep N.V. and all 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 29 'Principal subsidiaries'.

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

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

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

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of ING Groep N.V.

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

ING Group's interests in jointly controlled entities are accounted for using proportionate consolidation. ING Group proportionately consolidates its share of the joint ventures' individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in ING Group's financial statements. ING Group recognises the portion of gains or losses on the sale of assets to the joint venture that is attributable to the other venturers. ING Group does not recognise its share of profits or losses from the joint venture that results from the purchase of assets by ING Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

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

SEGMENT REPORTING

An operating segment is a distinguishable component of the Group engaged in providing products or services that is subject to risks and returns that are different from those of other operating segments. A geographical area is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated.

ANALYSIS OF INSURANCE BUSINESS

Where amounts in respect of insurance business are analysed into 'life' and 'non-life', health and disability insurance business which is similar in nature to life insurance business is included in 'life'.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is ING Group's functional and presentation currency.

Transactions and balances

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

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

Exchange rate differences in the profit and loss account are generally included in Net trading income. Reference is made to Note 41 'Net trading income', which discloses the amounts included in the profit and loss account. Exchange rate differences relating to the disposal of Available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in Investment income. As mentioned in Group companies below any exchange rate differences deferred in equity are recognised in the profit and loss account in Net result on disposals of group companies. Reference is also made to Note 13 'Shareholders' equity (parent)/non-voting equity securities', which discloses the amounts included in the profit and loss account.

Group companies

The results and financial position of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet;
- Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange rate differences are recognised in a separate component of equity.

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

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

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments are based on quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by the Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Reference is made to Note 34 'Fair value of financial assets and liabilities' for the basis of the determination of the fair value of financial instruments.

FINANCIAL ASSETS

Recognition of financial assets

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

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Group is exposed to changes in the value of the asset.

Realised gains and losses on investments

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

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include equity securities, debt securities, derivatives, loans and receivables and other, and comprise the following sub-categories: trading assets, non-trading derivatives, financial assets designated at fair value through profit and loss by management and investments for risk of policyholders.

A financial asset is classified as at fair value through profit and loss if acquired principally for the purpose of selling in the short term or if so designated by management. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

Investments for risk of policyholders are investments against insurance liabilities for which all changes in fair value of invested assets are offset by similar changes in insurance liabilities. Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit and loss is recognised in Interest income from banking operations and Investment income in the profit and loss account, using the effective interest method.

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

Investments

Investments (including loans quoted in active markets) are classified either as held-to-maturity or available-for-sale and are initially recognised at fair value plus transaction costs. Investment securities and loans quoted in active markets with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities and actively traded loans intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale.

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

Available-for-sale financial assets
Available-for-sale financial assets include available-for-sale debt securities and available-for-sale equity securities. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are measured at fair value. Interest income from debt securities classified as available-for-sale is recognised in Interest income from banking operations and Investment income in the profit and loss account using the effective interest method. Dividend income from equity instruments classified as available-for-sale is generally recognised in Investment income in the profit and loss account when the dividend has been declared. Unrealised gains and losses arising from changes in the fair value are recognised in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as investment income. For impairments of available-for-sale financial assets reference is made to the section 'Impairments of other financial assets'. Investments in prepayment sensitive securities such as Interest-Only and Principal-Only strips are generally classified as available-for-sale.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the positive intent and ability to hold to maturity and which are designated as held-to-maturity assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from debt securities classified as held-to-maturity is recognised in Interest income in the profit and loss account using the effective interest method. Held-to-maturity investments include only debt securities.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Loans and receivables include: Cash and balances with central banks, Amounts due from banks, Loans and advances to customers and Other assets and are reflected in these balance sheet lines. Interest income from loans and receivables is recognised in Interest income and Investment income in the profit and loss account using the effective interest method.

Credit risk management classification
Credit risk management disclosures are provided in the section 'Risk management'. The relationship between credit risk classifications in that section and the consolidated balance sheet classifications above is explained below:
- Lending risk arises when ING Group grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the balance sheet classification Loans and advances to customers and off balance sheet items e.g. obligations under financial guarantees and letters of credit;
- Investment risk comprises the credit default and migration risk that is associated with ING Group'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 Group places short term deposits with a counterparty in order to manage excess liquidity and among others relates to the balance sheet classifications Amounts due from banks and Loans and advances to customers;
- Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Group 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) and to securities financing;
- 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 Group has paid or delivered its side of the trade. Settlement risk mainly relates to the risk arising on disposal of financial instruments that are classified in the balance sheet as Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and Investments (available-for-sale and held-to-maturity).

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

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

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit and loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss account. An assessment is carried out when the Group first becomes party to the contract. A subsequent reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

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

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

or liabilities or firm commitments (fair value hedge), hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction ING Group documents the relationship between hedging instruments and hedged items, its risk management objective, together with the methods selected to assess hedge effectiveness. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

ING Group applies fair value hedge accounting to 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.

ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU 'carve-out' to its retail operations. The net exposures of retail funding (savings and current accounts) and retail lending (mortgages) are hedged. The hedging activities are designated under a portfolio fair value hedge on the mortgages. Changes in the fair value of the derivatives are recognised in the profit and loss account, together with the fair value adjustment on the mortgages (hedged items) insofar as attributable to interest rate risk (the hedged risk).

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

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

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

Non-trading derivatives that do not qualify for hedge accounting
Derivative instruments that are used by the Group as part of its risk management strategies, but which do not qualify for hedge accounting under ING Group's accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to the profit and loss account.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES
Financial assets and financial liabilities are offset, and the net amount reported, in the balance sheet when the Group has a legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

REPURCHASE TRANSACTIONS AND REVERSE REPURCHASE TRANSACTIONS
Securities sold subject to repurchase agreements ('repos') are retained in the consolidated financial statements. The counterparty liability is included in Amounts due to banks, Other borrowed funds or Customer deposits and other funds on deposit, as appropriate.

Securities purchased under agreements to resell ('reverse repos') are recognised as Loans and advances to customers or Amounts due from banks, as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the agreement using the effective interest method.

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

IMPAIRMENTS OF LOANS AND ADVANCES TO CUSTOMERS (LOAN LOSS PROVISIONS)

ING Group assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The following circumstances, among others, are considered objective evidence that a financial asset or group of assets is impaired:

- The borrower has sought or has been placed in bankruptcy or similar protection and this leads to the avoidance of or delays in repayment of the financial asset;
- The borrower has failed in the repayment of principal, interest or fees and the payment failure has remained unsolved for a certain period;
- The borrower has demonstrated significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset;
- The credit obligation has been restructured for non-commercial reasons. ING Group has granted concessions, for economic or legal reasons relating to the borrower's financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset; and
- Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by the Group's credit risk systems.

The Group does not consider events that may be expected to occur in the future as objective evidence, and consequently they are not used as a basis for concluding that a financial asset or group of assets is impaired.

In determining the impairment, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Losses expected as a result of future events, no matter how likely, are not recognised.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on an asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account ('Loan loss provision') and the amount of the loss is recognised in the profit and loss account under 'Addition to loan loss provision'. If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. The collective evaluation of impairment includes the application of a 'loss confirmation period' to default probabilities. The loss confirmation period is a concept which recognises that there is a period of time between the emergence of impairment triggers and the point-in-time at which those events are captured by the Group's credit risk systems. Accordingly, the application of the loss confirmation period ensures that impairments that are incurred but not yet identified are adequately reflected in the Group's loan loss provision. Although the loss confirmation periods are inherently uncertain, the Group applies estimates to sub-portfolios (e.g. large corporations, small and medium size enterprises and retail portfolios) that reflect factors such as the frequency with which customers in the sub-portfolio disclose credit risk sensitive information and the frequency with which they are subject to review by the Group's account managers. Generally, the frequency increases in relation to the size of the borrower. Loss confirmation periods are based on historical experience and are validated, and revised where necessary, through regular back-testing to ensure that they reflect recent experience and current events.

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

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

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

IMPAIRMENT OF OTHER FINANCIAL ASSETS
At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities; generally 25% and 6 months are used as triggers. If any objective evidence exists for available-for-sale debt and equity investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in net result – is removed from equity and recognised in the profit and loss account. Impairment losses recognised on equity instruments can never be reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

INVESTMENTS IN ASSOCIATES
Associates are all entities over which the Group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:
- Representation on the board of directors;
- Participation in the policymaking process; and
- Interchange of managerial personnel.

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method of accounting.

The Group's investment in associates (net of any accumulated impairment loss) includes goodwill identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition changes in reserves is recognised in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless they provide evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting dates of all material associates are consistent with the reporting date of the Group.

For interests in investment vehicles the existence of significant influence is determined taking into account both the Group's financial interests for own risk and its role as investment manager.

REAL ESTATE INVESTMENTS
Real estate investments are stated at fair value at the balance sheet date. Changes in the carrying amount resulting from revaluations are recognised in the profit and loss account. On disposal the difference between the sale proceeds and book value is recognised in the profit and loss account.

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

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

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

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

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

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

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

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

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

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

Assets under operating leases
Assets leased out under operating leases in which ING Group is the lessor are stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over the lease term. Reference is made to the section 'Leases'.

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

Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs are determined at the weighted average cost of capital of the project.

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

The Group as the lessee
The leases entered into by ING Group are primarily operating leases. The total payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

The Group as the lessor
When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable under Loans and advances to customers or Amounts due from banks. The difference between the gross receivable and the present value of the receivable is unearned lease finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. When assets are held subject to an operating lease, the assets are included under Assets under operating leases.

PURCHASE ACCOUNTING, GOODWILL AND OTHER INTANGIBLE ASSETS
Goodwill
ING Group's acquisitions are accounted for under the purchase method of accounting, whereby the cost of the acquisitions is allocated to the fair value of the assets, liabilities and contingent liabilities acquired. The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value could be complex and the time between the acquisition and the preparation of the Annual Accounts could be limited. The initial accounting shall be completed within a year of acquisition. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and the Group's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. The results of the operations of the acquired companies are included in the profit and loss account from the date control is obtained.

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

Goodwill is only capitalised on acquisitions after the implementation date of IFRS-EU (1 January 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on these acquisitions were charged directly to shareholders' equity. Goodwill is allocated to reporting units for the purpose of impairment testing. These reporting units represent the lowest level at which goodwill is monitored for internal management purposes. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the reporting units (including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

Adjustments to the fair value as at the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recognised as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. However, recognition of deferred tax assets after the acquisition date is recognised as an adjustment to goodwill, even after the first year. On disposal of group companies, the difference between the sale proceeds and book value (including goodwill) and the unrealised results (including the currency translation reserve in equity) is included in the profit and loss account.

Computer software
Computer software that has been purchased or generated internally for own use is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed three years. Amortisation is included in Other operating expenses.

Value of business acquired (VOBA)
VOBA is an asset that reflects the present value of estimated net cash flows embedded in the insurance contracts of an acquired company, which existed at the time the company was acquired. It represents the difference between the fair value of insurance liabilities and their book value. VOBA is amortised in a similar manner to the amortisation of deferred acquisition costs as described in the section 'Deferred acquisition costs'.

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

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

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

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

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

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

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

Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

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

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the profit and loss account together with the deferred gain or loss.

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

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

Borrowings are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in the profit and loss account.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss comprise the following sub-categories: trading liabilities, non-trading derivatives and other financial liabilities designated at fair value through profit and loss by management. Trading liabilities include equity securities, debt securities, funds on deposit and derivatives. Designation by management will take place only if it eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. ING Group has designated an insignificant part of the issued debt, related to market-making activities, at fair value through profit and loss. This issued debt consists mainly of own bonds. The designation as fair value through profit and loss eliminates the inconsistency in the timing of the recognition of gains and losses. All other financial liabilities are measured at amortised cost.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are initially recognised at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less cumulative amortisation to reflect revenue recognition principles.

INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Insurance contracts

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

Provision for life insurance

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

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

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

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

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

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

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

Claims provision
The Claims provision is calculated either on a case-by-case basis or by approximation on the basis of experience. Provisions have also been made for claims incurred but not reported (IBNR) and for future claims handling expenses. The adequacy of the Claims provision is evaluated each year using standard actuarial techniques. In addition, IBNR reserves are set to recognise the estimated cost of losses that have occurred but which have not yet been notified to the Group.

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

Provisions for life insurance for risk of policyholders
The Provisions for life insurance for risk of policyholder are calculated on the same basis as the Provision for life insurance. For insurance contracts for risk of policyholders the provisions are generally shown at the balance sheet value of the associated investments.

Reinsurance contracts
Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in the same way as the original contracts for which the reinsurance was concluded. If the 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, the shortfall is recognised immediately in the profit and loss account.

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

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

Investment contracts
Insurance policies without discretionary participation features which do not bear significant insurance risk are presented as Investment contracts. Provisions for liabilities under investment contracts are determined either at amortised cost, using the effective interest method (including certain initial acquisition expenses) or at fair value.

OTHER LIABILITIES
Employee benefits – pension obligations
Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

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

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses, and unrecognised past service costs. The defined benefit obligation is calculated annually by internal and external actuaries using the projected unit credit method.

The expected value of the assets is calculated using the expected rate of return on plan assets. Differences between the expected return and the actual return on these plan assets and actuarial changes in the deferred benefit obligation are not recognised in the profit and loss account, unless the accumulated differences and changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. The excess is charged or credited to the profit and loss account over employees' remaining working lives. The corridor was reset to nil at the date of transition to IFRS-EU.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations
Some group companies provide post-employment healthcare and other benefits to certain employees and former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Other provisions
A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, however the timing or the amount is uncertain. Provisions are discounted when the effect of the time value of money is material using a pre-tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

Reorganisation provisions include employee termination benefits when the Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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

Interest
Interest income and expense are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the 'clean fair value' are included in Net trading income and Valuation results on non-trading derivatives.

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

Fees and commissions
Fees and commissions are generally recognised as the service is provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as income when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Fees received and paid between banks for payment services are classified as commission income and expenses.

Lease income
The proceeds from leasing out assets under operating leases are recognised on a straight-line basis over the life of the lease agreement. Lease payments received in respect of finance leases when ING Group is the lessor are divided into an interest component (recognised as interest income) and a repayment component.

EXPENSE RECOGNITION
Expenses are recognised in the profit and loss account as incurred or when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Share-based payments
Share-based payment expenses are recognised as the employees provide the service. A corresponding increase in equity is recognised if the services are received in an equity-settled share-based payment transaction. A liability is recognised if the services are acquired in a cash-settled share-based payment transaction. The cost of acquiring the services is expensed as a staff expense. Prior to 2007, ING Group generally provided equity-settled share-based payment transactions. However, since 2007, ING Group has generally provided cash-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date and the fair value of cash-settled share-based payment transactions is measured at each balance sheet date.

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

EARNINGS PER ORDINARY SHARE
Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding:
- Own shares held by group companies are deducted from the total number of ordinary shares in issue;
- The computation is based on daily averages;
- In case of exercised warrants, the exercise date is taken into consideration.

The non-voting equity securities are not ordinary shares, because their terms and conditions (especially with regard to coupons and voting rights) are significantly different. Therefore, the weighted average number of ordinary shares outstanding during the period is not impacted by the non-voting equity securities.

Due to the rights issue in 2009, the 2008 and 2007 earnings per share figures have been restated. Reference is made to Note 49 'Earnings per ordinary share' for a further explanation on the nature and the effect of this restatement.

Diluted earnings per share data are computed as if all convertible instruments outstanding at year-end were exercised at the beginning of the period. It is also assumed that ING Group uses the assumed proceeds thus received to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from the exercise is added to the average number of shares used to calculate diluted earnings per share.

Share options with fixed or determinable terms are treated as options in the calculation of diluted earnings per share, even though they may be contingent on vesting. They are treated as outstanding on the grant date. Performance-based employee share options are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time.

FIDUCIARY ACTIVITIES
The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

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

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

For the purposes of the statement of cash flows, Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, amounts due from other banks and amounts due to banks. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The net cash flow shown in respect of Loans and advances to customers relates only to transactions involving actual payments or receipts. The Addition to loan loss provision which is deducted from the item Loans and advances to customers in the balance sheet has been adjusted accordingly from the result before tax and is shown separately in the statement of cash flows.

The difference between the net cash flow in accordance with the statement of cash flows and the change in Cash and cash equivalents in the balance sheet is due to exchange rate differences and is accounted for separately 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 Group

amounts in millions of euros, unless stated otherwise

ASSETS

1 CASH AND BALANCES WITH CENTRAL BANKS

Cash and balances with central banks		
	2009	2008
Amounts held at central banks	**10,989**	16,432
Cash and bank balances	**3,965**	5,052
Short term deposits insurance operations	**436**	561
	15,390	22,045

2 AMOUNTS DUE FROM BANKS

Amounts due from banks		Netherlands		International		Total
	2009	2008	**2009**	2008	**2009**	2008
Loans and advances to banks	**9,101**	15,234	**30,641**	25,556	**39,742**	40,790
Cash advances, overdrafts and other balances	**2,550**	4,800	**1,151**	2,942	**3,701**	7,742
	11,651	20,034	**31,792**	28,498	**43,443**	48,532
Loan loss provisions			**–46**	–85	**–46**	–85
	11,651	20,034	**31,746**	28,413	**43,397**	48,447

As at 31 December 2009, Amounts due from banks included receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 2,458 million (2008: EUR 3,005 million) and receivables related to finance lease contracts amounting to EUR 64 million (2008: EUR 100 million).

As at 31 December 2009, the non-subordinated receivables amounted to EUR 43,396 million (2008: EUR 48,443 million) and the subordinated receivables amounted to EUR 1 million (2008: EUR 4 million).

No individual amount due from banks has terms and conditions that materially affect the amount, timing or certainty of consolidated cash flows of the Group. For details on significant concentrations see 'Risk management' section.

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss		
	2009	2008
Trading assets	**111,444**	160,378
Investments for risk of policyholders	**104,597**	95,366
Non-trading derivatives	**11,632**	16,484
Designated as at fair value through profit and loss	**5,517**	8,277
	233,190	280,505

Trading assets by type		
	2009	2008
Equity securities	**2,732**	2,352
Debt securities	**25,287**	26,652
Derivatives	**41,450**	71,925
Loans and receivables	**41,975**	59,449
	111,444	160,378

As at 31 December 2009, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 175 million (2008: EUR 1 million) and nil (2008: nil), respectively. As at 31 December 2009, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 325 million (2008: EUR 28 million) and EUR 353 million (2008: EUR 1,904 million), respectively.

As at 31 December 2009, Trading assets included receivables of EUR 40,940 million (2008: EUR 57,968 million) with regard to reverse repurchase transactions.

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

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

The change in the fair value of the loans and receivables included in Investments for risk of policyholders attributable to changes in the credit risk of the financial assets during 2009 was nil (2008: nil) and nil (2008: nil) on a cumulative basis.

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

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

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

Non-trading derivatives by type		
	2009	2008
Derivatives used in:		
– fair value hedges	**2,727**	3,862
– cash flow hedges	**5,521**	5,771
– hedges of net investments in foreign operations	**38**	670
Other non-trading derivatives	**3,346**	6,181
	11,632	16,484

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

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

Designated as at fair value through profit and loss by type		
	2009	2008
Equity securities	**392**	313
Debt securities	**3,478**	5,445
Loans and receivables	**524**	637
Other	**1,123**	1,882
	5,517	8,277

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

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

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

4 INVESTMENTS

Investments by type	2009	2008
Available-for-sale		
– equity securities	**8,853**	8,822
– debt securities	**188,850**	234,030
	197,703	242,852
Held-to-maturity		
– debt securities	**14,409**	15,440
	14,409	15,440
	212,112	258,292

The fair value of the securities classified as held to maturity amounts to EUR 14,809 million as at 31 December 2009 (2008: EUR 15,566 million).

Changes in investments – available-for-sale and held-to-maturity	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Opening balance	**8,822**	19,947	**234,030**	255,950	**15,440**	16,753	**258,292**	292,650
Additions	**1,590**	4,503	**161,312**	225,703		315	**162,902**	230,521
Amortisation			**84**	–48	**–30**	–33	**54**	–81
Transfers and reclassifications	**19**	154	**–29,651**	–1,594	**689**		**–28,943**	–1,440
Changes in the composition of the group and other	**–1,354**	–748	**–4,223**	–11,670			**–5,577**	–12,418
Changes in unrealised revaluations	**3,151**	–4,621	**14,994**	–14,877			**18,145**	–19,498
Impairments and reversals	**–409**	–1,916	**–2,075**	–2,904			**–2,484**	–4,820
Disposals and redemptions	**–3,052**	–8,320	**–186,968**	–217,239	**–1,675**	–1,640	**–191,695**	–227,199
Exchange rate differences	**86**	–177	**1,347**	709	**–15**	45	**1,418**	577
Closing balance	**8,853**	8,822	**188,850**	234,030	**14,409**	15,440	**212,112**	258,292

Included in transfers and reclassifications of available-for-sale and held-to-maturity investments	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
To/from held-to-maturity			**–689**				**–689**	
To/from available-for-sale					**689**		**689**	
To/from loans and advances to customers/ amounts due from banks	**10**		**–28,962**	–1,594			**–28,952**	–1,594
To/from Investment in associates	**9**	154					**9**	154
	19	154	**–29,651**	–1,594	**689**		**–28,943**	–1,440

Reclassifications to investments held to maturity
In 2009 ING Group reclassified EUR 0.7 billion of available-for-sale investments to held-to-maturity. The reclassification resulted from reduction in market liquidity for these assets; ING Group has the intent and ability to hold these assets until maturity.

Reclassifications to Loans and advances to customers and Amounts due from banks
Reclassifications out of available-for-sale investments to loans and receivables are allowed under IFRS as of the third quarter of 2008. At the beginning of the first and second quarter of 2009 and in the fourth quarter of 2008 ING Group reclassified certain financial assets from Investments available-for-sale to Loans and advances to customers and Amounts due from banks. In 2009 EUR 23,355 million (2008: EUR 1,594 million) was reclassified to Loans and advances to customers and EUR 5,608 million was reclassified to Amounts due from banks. The Group identified assets, eligible for reclassification, for which at the reclassification date it had an intent to hold for the foreseeable future.

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

Reclassifications to Loans and advances to customers and Amounts due from banks	Q2 2009	Q1 2009	Q4 2008
As per reclassification date			
Fair value	6,135	22,828	1,594
Effective interest rate (weighted average)	1.4%–24.8%	2.1%–11.7%	4.1%–21%
Expected recoverable cash flows	7,118	24,052	1,646
Unrealised fair value losses in shareholders' equity (before tax)	–896	–1,224	–69
Recognised fair value gains (losses) in shareholders' equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	173	nil	–79
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil	nil	nil
2009			
Carrying value as at 31 December	6,147	20,551	1,189
Fair value as at 31 December	6,472	20,175	1,184
Unrealised fair value losses in shareholders' equity (before tax) as at 31 December	–734	–902	–67
Effect on shareholders' equity (before tax) if reclassification had not been made	325	–376	–5
Effect on result (before tax) if reclassification had not been made	nil	nil	nil
Effect on result (before tax) after the reclassification till 31 December (mainly interest income)	54	629	47
Recognised impairments (before tax)	nil	nil	nil
Recognised provision for credit losses (before tax)	nil	nil	nil
2008			
Carrying value as at 31 December			1,592
Fair value as at 31 December			1,565
Unrealised fair value losses recognised in shareholders' equity (before tax) during the year	–971	–192	–79
Effect on shareholders' equity (before tax) if reclassification had not been made	n/a	n/a	–28
Effect on result (before tax) if reclassification had not been made	n/a	n/a	nil
Effect on result (before tax) after the reclassification till 31 December (mainly interest income)	n/a	n/a	9
Recognised impairments (before tax)	nil	nil	nil
Recognised provision for credit losses (before tax)	n/a	n/a	nil
2007			
Unrealised fair value losses recognised in shareholders' equity (before tax) during the year			–20
Recognised impairments (before tax)			nil

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

Derecognition of Available-for-sale debt securities – Transaction with the Dutch State
ING Group and the Dutch government ('State') reached an agreement on an Illiquid Assets Back-Up Facility ('IABF') on 26 January 2009; the transaction closed on 31 March 2009. Under the Facility, ING has transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. This portfolio was included in Available-for-sale debt securities. Reference is made to Note 33 'Related parties' for more details.

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

	Listed		Unlisted		Total	
	2009	2008	**2009**	2008	**2009**	2008
Banking operations	**3,209**	1,418	**473**	445	**3,682**	1,863
Insurance operations	**3,257**	5,083	**1,914**	1,876	**5,171**	6,959
	6,466	6,501	**2,387**	2,321	**8,853**	8,822

Debt securities by banking and insurance operations

	Available-for-sale		Held-to-maturity		Total	
	2009	2008	**2009**	2008	**2009**	2008
Banking operations	**88,500**	131,502	**14,409**	15,440	**102,909**	146,942
Insurance operations	**100,350**	102,528			**100,350**	102,528
	188,850	234,030	**14,409**	15,440	**203,259**	249,470

As at 31 December 2009, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to nil (2008: EUR 182 million) and nil (2008: nil), respectively, and debt securities which were lent or sold in repurchase transactions amounting to EUR 6,853 million (2008: EUR 9,822 million) and EUR 20,900 million (2008: EUR 35,795 million), respectively.

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

Borrowed debt securities are not recognised in the balance sheet and amounted to EUR 1,842 million as at 31 December 2009 (2008: EUR 166 million).

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

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

5 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by banking and insurance operations

	2009	2008
Banking operations	**554,682**	601,638
Insurance operations	**29,060**	25,681
	583,742	627,319
Eliminations	**–4,796**	–7,528
	578,946	619,791

Loans and advances to customers by type – banking operations

	Netherlands		International		Total	
	2009	2008	**2009**	2008	**2009**	2008
Loans to, or guaranteed by, public authorities	**28,149**	16,288	**22,933**	10,099	**51,082**	26,387
Loans secured by mortgages	**164,111**	158,861	**142,415**	145,090	**306,526**	303,951
Loans guaranteed by credit institutions	**468**	295	**9,761**	5,606	**10,229**	5,901
Personal lending	**4,972**	7,158	**14,988**	23,110	**19,960**	30,268
Mortgage backed securities			**17,814**	9,055	**17,814**	9,055
Corporate loans	**48,767**	126,772	**104,657**	101,830	**153,424**	228,602
	246,467	309,374	**312,568**	294,790	**559,035**	604,164
Loan loss provisions	**–1,461**	–761	**–2,892**	–1,765	**–4,353**	–2,526
	245,006	308,613	**309,676**	293,025	**554,682**	601,638

Loans and advances to customers analysed by subordination – banking operations

	2009	2008
Non-subordinated	**554,267**	601,434
Subordinated	**415**	204
	554,682	601,638

During 2009, certain product features and internal procedures for current accounts were amended. As a result thereof, the balances on these current accounts meet the criteria under IFRS for netting of positive and negative balances per client in the balance sheet. This additional netting resulted in a decrease in Loans and advances to customers (banking operations) and a similar decrease in Customer deposits and other funds on deposit of approximately EUR 73.9 billion.

Loans and advances to customers by type – insurance operations

	Netherlands		International		Total	
	2009	2008	**2009**	2008	**2009**	2008
Policy loans	**50**	52	**2,853**	2,908	**2,903**	2,960
Loans secured by mortgages	**6,700**	6,804	**7,368**	8,789	**14,068**	15,593
Unsecured loans	**4,030**	3,210	**2,072**	2,058	**6,102**	5,268
Mortgage backed securities	**4,336**				**4,336**	
Other	**427**	309	**1,335**	1,610	**1,762**	1,919
	15,543	10,375	**13,628**	15,365	**29,171**	25,740
Loan loss provisions	**–52**	–27	**–59**	–32	**–111**	–59
	15,491	10,348	**13,569**	15,333	**29,060**	25,681

As at 31 December 2009, Loans and advances to customers included receivables with regard to securities which have been acquired in reverse repurchase transactions related to the banking operations amounting to EUR 2,409 million (2008: EUR 964 million).

No individual loan or advance has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group. For details on significant concentrations see 'Risk management' section.

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

Loans and advances to customers and Amounts due from banks include finance lease receivables, are detailed as follows:

Finance lease receivables

	2009	2008
Maturities of gross investment in finance lease receivables		
– within 1 year	**5,163**	6,363
– more than 1 year but less than 5 years	**9,739**	9,766
– more than 5 years	**6,041**	4,836
	20,943	20,965
Unearned future finance income on finance leases	**–3,783**	–3,614
Net investment in finance leases	**17,160**	17,351
Maturities of net investment in finance lease receivables		
– within 1 year	**4,365**	5,157
– more than 1 year but less than 5 years	**8,088**	7,955
– more than 5 years	**4,707**	4,239
	17,160	17,351
Included in Amounts due from banks	**64**	100
Included in Loans and advances to customers	**17,096**	17,251
	17,160	17,351

The allowance for uncollectible finance lease receivables included in the loan loss provisions amounted to EUR 161 million as at 31 December 2009 (2008: EUR 88 million).

No individual finance lease receivable has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group.

Loan loss provisions analysed by type – banking operations

	Netherlands		International		Total	
	2009	2008	2009	2008	2009	2008
Loans secured by public authorities			**3**	2	**3**	2
Loans secured by mortgages	**290**	167	**1,066**	425	**1,356**	592
Loans guaranteed by credit institutions			**47**	85	**47**	85
Personal lending	**254**	120	**436**	533	**690**	653
Mortgage backed securities			**15**		**15**	
Other corporate loans	**917**	474	**1,371**	805	**2,288**	1,279
	1,461	761	**2,938**	1,850	**4,399**	2,611
The closing balance is included in						
– Amounts due from banks			**46**	85	**46**	85
– Loans and advances to customers	**1,461**	761	**2,892**	1,765	**4,353**	2,526
	1,461	761	**2,938**	1,850	**4,399**	2,611

Changes in loan loss provisions

	Banking operations		Insurance operations		Total	
	2009	2008	2009	2008	2009	2008
Opening balance	**2,611**	2,001	**59**	30	**2,670**	2,031
Changes in the composition of the group	**–3**	2	**–3**	–4	**–6**	–2
Write-offs	**–1,217**	–728	**–13**	–6	**–1,230**	–734
Recoveries	**148**	91	**1**	2	**149**	93
Increase in loan loss provisions	**2,973**	1,280	**67**	38	**3,040**	1,318
Exchange rate differences	**–47**	–50		–1	**–47**	–51
Other changes	**–66**	15			**–66**	15
Closing balance	**4,399**	2,611	**111**	59	**4,510**	2,670

Changes in loan loss provisions relating to insurance operations are presented under Investment income. Changes in the loan loss provisions relating to banking operations are presented on the face of the profit and loss account.

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

6 INVESTMENTS IN ASSOCIATES

Investments in associates

2009	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30	338	457	11,474	10,503	309	281
Sul America S.A.	36		288	931	121	3,360	3,138
ING Winkels Basisfonds	16		210	1,642	310	56	37
ING Dutch Office Master Fund C.V.	16		201	1,527	285	–12	30
Lionbrook Property Partnership	33		151	572	148	27	20
Property Fund Iberica	30		140	1,635	1,156	–51	50
ING Woningen Basisfonds	13		111	1,019	194	–34	22
ING Retail Property Fund Australia	29		107	886	479	20	65
Dutch Office Fund II	16		104	775	129	31	27
ING Real Estate Asia Retail Fund	28		99	723	417	–46	140
ING Vastgoed Kantoren C.V.	10		89	952	44	10	33
ING Vastgoed Winkels C.V.	10		87	870	5	53	19
ING Industrial Fund Australia	8	61	78	2,265	1,343	344	387
Lion Industrial Trust	10		72	2,374	1,640	–174	729
Retail Property Fund France Belgium (RPFFB)	15		71	1,381	909	2	87
ING Re French Residential Fund	45		67	233	83	–1	8
Property Fund Central Europe	25		67	806	540	–25	52
ING REI Investment DOF B.V.	3		66	2,402	514	–215	266
Dutch Residential Fund II	13		65	626	141	–25	26
Lion Properties Fund	5		65	2,766	1,506	–226	1,167
ING Re Nordic Property Fund	16		56	940	588	–7	52
Steadfast Capital Fund II LP	68		56	83		2	6
ING Retail Property Partnership Southern Europe	21		55	1,001	745	–27	69
ING Logistics Property Fund Europe	25		51	467	263	–22	23
Other investments in associates			886				
			3,699				

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

Accumulated impairments of EUR 59 million (2008: EUR 50 million) have been recognised.

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

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

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

Where the listed fair value is lower than the balance sheet value, an impairment review and an evaluation of the going concern basis has been performed.

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

Investments in associates

2008	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30	171	443	12,247	11,246	812	589
ING Dutch Office Master Fund C.V.	16		219	1,624	258	63	75
ING Winkels Basisfonds	16		218	1,736	346	119	51
Sul America S.A.	36		168	557	91	2,663	2,348
ING Industrial Fund Australia	18	14	164	2,377	1,033	166	147
Property Fund Iberica	30		157	1,835	1,301	–2	96
Lionbrook Property Partnership	29		145	626	126	–283	15
Lion Industrial Trust	10		133	2,898	1,528	98	207
Lion Properties Fund	5		125	4,135	1,757	313	771
ING Woningen Basisfonds	13		122	1,064	155	58	45
ING Real Estate Asia Retail Fund	28		121	850	412	57	72
Dutch Office Fund II	16		109	817	136	50	58
ING Retail Property Fund Australia	29		109	790	412	13	7
ING Vastgoed Kantoren C.V.	10		98	1,006	22	101	93
ING Vastgoed Winkels C.V.	10		88	898	22	83	22
Property Fund Central Europe	25		83	880	546	69	37
Retail Property Fund France Belgium (RPFFB)	15		79	1,602	1,075	71	57
Dutch Residential Fund II	13		74	602	51	62	127
ING Retail Property Partnership Southern Europe	21		73	1,218	879	6	67
ING REI Investment DOF B.V.	4		71	2,679	383	197	212
ING European Infrastructure Fund	25		70	662	409		2
Lion Value Fund	22		68	442	139	7	56
ING Logistics Property Fund Europe	25		65	530	269	–5	21
ING Re Nordic Property Fund	16		64	979	579	16	62
ING Property Fund Central and Eastern Europe	20		55	791	519	32	60
ING Vastgoed Woningen C.V.	10		53	528	1	36	25
ING Re French Residential Fund	45		50	182	69	3	4
Other investments in associates			1,131				
			4,355				

Changes in Investments in associates

	2009	2008
Opening balance	**4,355**	5,014
Additions	**180**	1,034
Changes in the composition of the group	**–96**	46
Transfers to and from Investments	**–9**	–154
Revaluations	**19**	217
Share of results	**–458**	–375
Dividends received	**–126**	–212
Disposals	**–294**	–972
Impairments	**–3**	–29
Exchange rate differences	**131**	–214
Closing balance	**3,699**	4,355

In 2009, share of results of EUR –458 million (2008: EUR –375 million) and impairments of EUR –3 million (2008: EUR –29 million) are presented in the profit and loss account in Share of profit from associates for EUR –461 million (2008: EUR –404 million).

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

7 REAL ESTATE INVESTMENTS

Changes in real estate investments	2009	2008
Opening balance	**4,300**	4,829
Additions	**130**	905
Changes in the composition of the group	**–54**	–296
Transfers to and from Property in own use	**58**	–38
Transfers to and from Other assets	**322**	117
Fair value gains/(losses)	**–713**	–400
Disposals	**–656**	–415
Exchange rate differences	**251**	–402
Closing balance	**3,638**	4,300

ING Group's exposure to real estate is included in the following balance sheet lines:

Real estate exposure	2009	2008
Real estate investments	**3,638**	4,300
Investments in associates	**2,580**	3,200
Other assets – property held for sale	**2,515**	3,143
Property and equipment – property in own use	**1,686**	1,841
Investments – available-for-sale	**689**	663
	11,108	13,147

Furthermore, the exposure is impacted by third party interests, leverage in funds and off-balance commitments, resulting in an overall exposure of EUR 13.1 billion (2008: EUR 15.5 billion). Reference is made to the section 'Risk management'.

Real estate investments by banking and insurance operations	2009	2008
Banking operations	**2,569**	3,182
Insurance operations	**1,069**	1,118
	3,638	4,300

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2009 was EUR 345 million (2008: EUR 361 million). The total amount of contingent rent recognised in the profit and loss account for the year ended 31 December 2009 was EUR 8 million (2008: EUR 17 million).

The total amount of direct operating expenses (including repairs and maintenance) arising from Real estate investments that generated rental income for the year ended 31 December 2009 was EUR 87 million (2008: EUR 71 million). The total amount of direct operating expenses (including repairs and maintenance) arising from Real estate investments that did not generate rental income for the year ended 31 December 2009 was EUR 46 million (2008: EUR 36 million).

Real estate investments by year of most recent appraisal by independently qualified valuers (in percentages)	2009
Most recent appraisal in 2009	**98**
Most recent appraisal in 2008	**1**
Most recent appraisal in 2005	**1**
	100

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

8 PROPERTY AND EQUIPMENT

Property and equipment by type

	2009	2008
Property in own use	**1,686**	1,841
Equipment	**1,442**	1,407
Assets under operating leases	**2,991**	3,148
	6,119	6,396

Property in own use by banking and insurance operations

	2009	2008
Banking operations	**1,364**	1,447
Insurance operations	**322**	394
	1,686	1,841

Changes in property in own use

	2009	2008
Opening balance	**1,841**	2,069
Additions	**46**	85
Changes in the composition of the group	**–2**	–150
Transfers to and from Real estate investments	**–58**	38
Transfers to and from Other assets	**–24**	5
Depreciation	**–33**	–39
Revaluations	**–51**	–5
Impairments	**–8**	–1
Reversal of impairments	**12**	
Disposals	**–37**	–114
Exchange rate differences	**–1**	–47
Other changes	**1**	
Closing balance	**1,686**	1,841
Gross carrying amount as at 31 December	**2,574**	2,701
Accumulated depreciation as at 31 December	**–764**	–755
Accumulated impairments as at 31 December	**–124**	–105
Net book value	**1,686**	1,841
Revaluation surplus		
Opening balance	**606**	633
Revaluation in year	**–3**	–48
Released in year	**–72**	21
Closing balance	**531**	**606**

The cost or the purchase price amounted to EUR 2,043 million (2008: EUR 2,087 million). Cost less accumulated depreciation and impairments would have been EUR 1,155 million (2008: EUR 1,226 million).

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

	2009
Most recent appraisal in 2009	**39**
Most recent appraisal in 2008	**28**
Most recent appraisal in 2007	**18**
Most recent appraisal in 2006	**7**
Most recent appraisal in 2005	**8**
	100

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

Changes in equipment

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2009	2008	**2009**	2008	**2009**	2008
Opening balance	**320**	281	**1,087**	989	**1,407**	1,270
Additions	**189**	227	**407**	396	**596**	623
Changes in the composition of the group	**–9**	–4	**–88**	10	**–97**	6
Disposals	**–13**	–2	**–32**	–20	**–45**	–22
Depreciation	**–155**	–146	**–261**	–263	**–416**	–409
Impairments		–9		–9		–18
Exchange rate differences	**6**	–13	**4**	–28	**10**	–41
Other changes	**6**	–14	**–19**	12	**–13**	–2
Closing balance	**344**	320	**1,098**	1,087	**1,442**	1,407
Gross carrying amount as at 31 December	**1,582**	1,562	**3,084**	2,935	**4,666**	4,497
Accumulated depreciation as at 31 December	**–1,238**	–1,231	**–1,986**	–1,840	**–3,224**	–3,071
Accumulated impairments as at 31 December		–11		–8		–19
Net book value	**344**	320	**1,098**	1,087	**1,442**	1,407

Changes in assets under operating leases

	Cars		Other leased-out assets		Total	
	2009	2008	**2009**	2008	**2009**	2008
Opening balance	**3,140**	2,886	**8**	12	**3,148**	2,898
Additions	**1,034**	1,401			**1,034**	1,401
Changes in the composition of the group		172		–2		170
Disposals	**–93**	–123			**–93**	–123
Depreciation	**–789**	–764	**–3**	–2	**–792**	–766
Impairments		–3				–3
Exchange rate differences	**28**	–116			**28**	–116
Transfer and other changes	**–334**	–313			**–334**	–313
Closing balance	**2,986**	3,140	**5**	8	**2,991**	3,148
Gross carrying amount as at 31 December	**4,516**	4,466	**27**	28	**4,543**	4,494
Accumulated depreciation as at 31 December	**–1,530**	–1,324	**–22**	–20	**–1,552**	–1,344
Accumulated impairments as at 31 December		–2				–2
Net book value	**2,986**	3,140	**5**	8	**2,991**	3,148

Transfer and other changes relates mainly to the transfer of cars under operating lease to Other assets due to the expiration of the lease contract.

Depreciation of assets under operating leases is included in the profit and loss account in Other income as a deduction from operating lease income.

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

The Group leases assets to third parties under operating leases as lessor. The future minimum lease payments to be received under non–cancellable operating leases are as follows:

Future minimum lease payments by maturity

	2009	2008
Within 1 year	**1,094**	1,072
More than 1 year but less than 5 years	**1,893**	2,072
More than 5 years	**4**	4
	2,991	3,148

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

9 INTANGIBLE ASSETS

Changes in intangible assets

	Value of business acquired		Goodwill		Software		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Opening balance	**2,084**	2,301	**3,070**	2,245	**881**	472	**880**	722	**6,915**	5,740
Additions (bought)			**39**	1,329	**188**	213	**3**	244	**230**	1,786
Capitalised expenses	**79**	98			**132**	420			**211**	518
Amortisation and unlocking	**–120**	–298			**–342**	–173	**–120**	–157	**–582**	–628
Impairments				–155		–27	**–9**	–44	**–9**	–226
Effect of unrealised revaluations in equity	**–482**	555							**–482**	555
Changes in the composition of the group	**–11**	–730	**–94**	–3	**–62**	5	**–143**	229	**–310**	–499
Exchange rate differences	**–48**	158	**62**	–340	**10**	–17	**36**	–113	**60**	–312
Disposals			**–6**	–6	**–4**	–12	**–2**	–1	**–12**	–19
Closing balance	**1,502**	2,084	**3,071**	3,070	**803**	881	**645**	880	**6,021**	6,915
Gross carrying amount as at 31 December	**2,518**	2,980	**3,136**	3,225	**2,217**	1,988	**1,007**	1,125	**8,878**	9,318
Accumulated amortisation as at 31 December	**–1,016**	–896			**–1,393**	–1,051	**–308**	–200	**–2,717**	–2,147
Accumulated impairments as at 31 December			**–65**	–155	**–21**	–56	**–54**	–45	**–140**	–256
Net book value	**1,502**	2,084	**3,071**	3,070	**803**	881	**645**	880	**6,021**	6,915

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

Additions to Goodwill in 2009 mainly relate to the consolidation of 3W Holding B.V. (EUR 26 million) and to the extension of ING Group's Interhyp AG share of EUR 7 million.

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

Goodwill allocation to reporting units

	2009	2008
Retail Banking – Central Europe	**834**	839
Retail Banking – South West Europe	**49**	49
Retail Banking – Netherlands	**1**	1
ING Direct	**460**	456
Commercial Banking Leasing & Factoring	**66**	61
Commercial Banking Real Estate	**39**	11
Commercial Banking Other	**14**	15
Insurance Europe – Benelux	**48**	49
Insurance Europe – Rest of Europe	**122**	124
Insurance Americas – Latin America	**591**	543
Insurance Americas – United States	**483**	501
Insurance Americas – Canada		71
Insurance Asia/Pacific – South Korea	**171**	164
Insurance Asia/Pacific – Rest of Asia	**193**	186
	3,071	3,070

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

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

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

10 DEFERRED ACQUISITION COSTS

Changes in deferred acquisition costs

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

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

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

11 ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale include disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This relates to businesses for which sale is agreed or highly probable at balance sheet date but for which the transaction has not yet fully closed. For 31 December 2009 this relates mainly to the Swiss and Asian Private Banking business, Pacific Antai Life Insurance Company Ltd. (PALIC), and three US independent retail broker-dealer units and for 31 December 2008 this relates to ING Life Taiwan. Reference is made to Note 30 'Companies acquired and companies disposed' for more details.

Assets held for sale

	2009	2008
Cash and balances with central banks	**264**	80
Amounts due from banks	**474**	
Financial assets at fair value though profit and loss	**389**	1,552
Available-for-sale investments	**458**	9,801
Loans and advances to customers	**3,242**	1,341
Reinsurance contracts	**3**	
Property and equipment	**37**	41
Intangible assets	**3**	671
Deferred acquisition costs	**35**	1,164
Other assets	**119**	662
	5,024	15,312

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

Liabilities held for sale		
	2009	2008
Insurance and investments contracts	**191**	14,294
Amounts due to banks	**31**	
Customer deposits and other funds on deposit	**4,480**	
Financial liabilities at fair value through profit and loss	**36**	126
Other liabilities	**152**	600
	4,890	15,020

Cumulative other comprehensive income includes EUR 13 million (2008: EUR 94 million) related to Assets held for sale.

12 OTHER ASSETS

Other assets by type		
	2009	2008
Reinsurance and insurance receivables	**2,125**	3,683
Deferred tax assets	**3,969**	8,034
Property held for sale	**2,515**	3,143
Income tax receivable	**836**	776
Accrued interest and rents	**18,306**	20,156
Other accrued assets	**1,635**	1,758
Pension assets	**3,143**	1,781
Other receivables	**6,700**	8,334
	39,229	47,665

Disclosures in respect of deferred tax assets and pension assets are provided in Note 21 'Other liabilities'.

Accrued interest and rents includes EUR 6,956 million (2008: EUR 7,980 million) accrued interest on assets measured at amortised cost under the IAS 39 classification Loans and receivables.

The total amount of borrowing costs relating to Property held for sale, capitalised in 2009 is EUR 98 million (2008: EUR 115 million).

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

Property held for sale		
	2009	2008
Property developed for sale	**917**	640
Property obtained from foreclosures	**160**	91
Property under development	**1,438**	2,412
	2,515	3,143
Gross carrying amount as at 31 December	**3,228**	3,276
Accumulated impairments as at 31 December	**–713**	–133
Net book value	**2,515**	3,143

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

EQUITY
13 SHAREHOLDERS' EQUITY (PARENT)/NON-VOTING EQUITY SECURITIES

Shareholders' equity (parent)

	2009	2008	2007
Share capital	**919**	495	534
Share premium	**16,034**	9,182	8,739
Revaluation reserve	**2,466**	–8,502	4,937
Currency translation reserve	**–2,008**	–1,918	–1,354
Other reserves	**16,452**	18,077	24,352
Shareholders' equity (parent)	**33,863**	17,334	37,208

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

As at 31 December 2009, Other reserves included an amount of EUR 645 million (2008: EUR 566 million; 2007: EUR 566 million) related to the former Stichting Regio Bank that cannot be freely distributed.

Share capital

	Ordinary shares (par value EUR 0.24) Number x1,000			Amount		
	2009	2008	2007	2009	2008	2007
Authorised share capital	**4,500,000**	4,500,000	3,000,000	**1,080**	1,080	720
Unissued share capital	**668,439**	2,436,852	773,555	**161**	585	186
Issued share capital	**3,831,561**	2,063,148	2,226,445	**919**	495	534

Changes in issued share capital

	Ordinary shares (par value EUR 0.24) Number x1,000	Amount
Issued share capital as at 1 January 2007	2,205,093	530
Issue of shares	5,569	1
Exercise of B warrants and options	15,783	3
Issued share capital as at 31 December 2007	2,226,445	534
Issue of shares	1,848	
Buy-back of shares	–183,158	–44
Exercise of B warrants	18,013	5
Issued share capital as at 31 December 2008	2,063,148	495
Issue of shares	**1,768,413**	**424**
Issued share capital as at 31 December 2009	**3,831,561**	**919**

Share premium
Changes in Share premium are disclosed in the Consolidated statement of changes in equity of ING Group.

Rights issue
On 27 November 2009 existing holders of (depositary receipts for) ordinary shares were offered rights entitling to subscribe for new (depositary receipts for) ordinary shares subject to applicable securities laws. Eligible rights holders could subscribe for 6 new (depositary receipts for) ordinary shares in relation to every 7 subscription rights that they hold. The issue price was set at EUR 4.24 per share. This represented a discount of 37.3% to the Theoretical Ex-Rights Price (TERP), based on the closing price of EUR 8.92 of ING Groep N.V.'s, (depositary receipts for) shares on Euronext Amsterdam and on Euronext Brussels on 26 November 2009.

A total of 1,768,412,544 (depositary receipts for) ordinary shares were offered and sold, of which approximately 97% through the exercise of rights and the remainder through placements to institutional investors. As a result, ING received approximately EUR 7.3 billion in proceeds, net of fees and expenses.

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

Share buy-back programme (2007/2008)
In May 2007, ING Group announced a plan to adopt a buy-back programme under which it planned to purchase (depositary receipts for) ordinary shares with a total value of EUR 5 billion over a period of 12 months, beginning in June 2007. On 23 May 2008 this programme was terminated as ING Group had almost reached the legal limit then in force for the acquisition of its own shares (10% of the issued share capital). In total, 183.2 million (depositary receipts for) ordinary shares were repurchased under this programme at an average price of EUR 26.77 and a total consideration of EUR 4.9 billion (98% of the total amount of the share buy back programme as announced). Repurchased ordinary shares and depositary receipts are included in the table 'Changes in treasury shares'.

These ordinary shares repurchased, were cancelled in two blocks, effective on 25 June 2008 and 7 October 2008 respectively. These now form part of the unissued share capital.

Ordinary shares
All ordinary shares are in registered form. No share certificates have been issued. Ordinary shares may be transferred by means of a deed of transfer. A transfer of ordinary shares requires written acknowledgement by ING Groep N.V. The par value of ordinary shares is EUR 0.24. The authorised ordinary share capital of ING Groep N.V. currently consists of 4,500 million ordinary shares; it increased in 2008 from 3,000 million shares to 4,500 million shares as a result from an amendment made to the Articles of Association on 8 October 2008. As at 31 December 2009, 3,832 million of ordinary shares were issued and fully paid.

Depositary receipts for ordinary shares
More than 99.9% of the ordinary shares issued by ING Groep N.V. are held by Stichting ING Aandelen (ING Trust Office). In exchange for these shares, ING Trust Office has issued depositary receipts in bearer form for these shares. The depositary receipts are listed on various stock exchanges. Depositary receipts can be exchanged upon request of the holders of depositary receipts for (non-listed) ordinary shares without any restriction, other than payment of an administrative fee of EUR 0.01 per depositary receipt with a minimum of EUR 25 per exchange transaction.

The holder of a depositary receipt is entitled to receive from ING Trust Office payment of dividends and distributions corresponding to the dividends and distributions received by ING Trust Office on an ordinary share.

In addition, the holder of a depositary receipt is entitled to attend and to speak at the General Meeting of Shareholders of ING Groep N.V. either in person or by proxy. A holder of a depositary receipt, who thus attends the General Meeting of Shareholders, is entitled to vote as a proxy of the ING Trust Office but entirely at his own discretion for a number of shares equal to the number of his depositary receipts.

A holder of depositary receipts who does not attend the General Meeting of Shareholders in person or by proxy is entitled to give a binding voting instruction to the Trust Office for a number of shares equal to the number of his depositary receipts.

Depositary receipts for ordinary shares held by ING Group (Treasury shares)
As at 31 December 2009, 47.0 million (2008: 36.5 million; 2007: 126.8 million) depositary receipts for ordinary shares ING Groep N.V. with a par value of EUR 0.24 were held by ING Groep N.V. or its subsidiaries. These depositary receipts for ordinary shares were purchased to hedge option rights granted to the Executive Board members and other employees.

Restrictions with respect to dividend and repayment of capital
ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its ordinary shares. Pursuant to the Dutch Civil Code, 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.

Moreover, ING Groep N.V.'s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries and associates. ING Groep N.V. is legally required to create a non-distributable reserve insofar profits of its subsidiaries and associates are subject to dividend payment restrictions which apply to those subsidiaries and associates themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V. Furthermore there can be restrictions as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, or other limitations which may exist in certain countries.

Without prejudice to the authority of the Executive Board to allocate profits to reserves and to the fact that the ordinary shares are the most junior securities issued by ING Groep N.V., no specific dividend payment restrictions with respect to ordinary shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of ordinary shares. Capital may be repaid to the holders of ordinary shares pursuant to an amendment of ING Groep N.V.'s Articles of Association whereby the ordinary shares are written down.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V.'s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

On a distribution of a dividend ING Groep N.V. is in principle required to withhold an income tax on dividends at a rate of 15%.

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

B warrants (2007/2008)

In 1998, ING Groep N.V. authorised the issue of a maximum of 17,317,132 B warrants, of which 17,220,200 were issued. On 5 January 2008 of the remaining 9,266,097 warrants, 259,484 warrants expired and 9,006,613 were exercised. Accordingly no B warrants were outstanding as at 31 December 2009 (2008: nil; 2007: 9,266,097). B warrant holders were entitled to obtain from ING Groep N.V., for a fixed price, depositary receipts for ordinary shares in the proportion of one B warrant to two depositary receipts. B warrant holders could exercise their rights at their own discretion but no later than 5 January 2008.

The closing date for exercising warrants B was 5 January 2008. The exercise price of warrants B was EUR 49.92 for two depositary receipts.

Changes in revaluation reserve

2009	**Property revaluation reserve**	**Available-for-sale reserve**	**Cash flow hedge reserve**	**Total**
Opening balance	**461**	**–10,140**	**1,177**	**–8,502**
Unrealised revaluations after taxation	**–50**	**12,496**		**12,446**
Realised gains/losses transferred to profit and loss		**1,406**		**1,406**
Changes in cash flow hedge reserve			**–805**	**–805**
Transfer to insurance liabilities/DAC		**–2,079**		**–2,079**
Closing balance	**411**	**1,683**	**372**	**2,466**

Changes in revaluation reserve

2008	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	439	4,067	431	4,937
Unrealised revaluations after taxation	22	–18,876		–18,854
Realised gains/losses transferred to profit and loss		2,476		2,476
Changes in cash flow hedge reserve			746	746
Transfer to insurance liabilities/DAC		2,193		2,193
Closing balance	461	–10,140	1,177	–8,502

Changes in revaluation reserve

2007	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	468	7,629	1,356	9,453
Unrealised revaluations after taxation	–29	–1,508		–1,537
Realised gains/losses transferred to profit and loss		–3,186		–3,186
Changes in cash flow hedge reserve			–925	–925
Transfer to insurance liabilities/DAC		1,132		1,132
Closing balance	439	4,067	431	4,937

Transfer to insurance liabilities/DAC includes the change in the deferred profit sharing liability (net of deferred tax). Reference is made to Note 17 ‘Insurance and investment contracts, reinsurance contracts’.

Changes in currency translation reserve

	2009	2008	2007
Opening balance	**–1,918**	–1,354	–473
Unrealised revaluations after taxation	**–294**	388	500
Realised gains/losses transferred to profit and loss	**148**	156	–228
Exchange rate differences	**56**	–1,108	–1,153
Closing balance	**–2,008**	–1,918	–1,354

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

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

Changes in other reserves

2009	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	23,232	726	–866	–5,015	18,077
Result for the year	–935				–935
Unrealised revaluations after taxation	–273	–5			–278
Changes in treasury shares			129		129
Transfer to share of associates reserve	76	–76			
Dividend and repayment premium	–259			–346	–605
Employee stock options and share plans	64				64
Closing balance	21,905	645	–737	–5,361	16,452

Dividend and repayment premium includes the coupon (EUR 259 million) and repayment premium (EUR 346 million) on the repayment of EUR 5 billion non-voting equity securities.

Changes in other reserves

2008	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	27,025	1,202	–3,740	–135	24,352
Result for the year	–360	–369			–729
Unrealised revaluations after taxation	–77	106			29
Changes in treasury shares			–2,030		–2,030
Dividend	–3,387	–213			–3,600
Employee stock options and share plans	31				31
Issuance costs incurred				–20	–20
Cancellation of shares			4,904	–4,860	44
Closing balance	23,232	726	–866	–5,015	18,077

Changes in other reserves

2007	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	20,700	1,181	–1,436	–37	20,408
Result for the year	8,894	347			9,241
Unrealised revaluations after taxation				–98	–98
Changes in treasury shares			–2,304		–2,304
Dividend	–2,826	–173			–2,999
Employee stock options and share plans	104				104
Other	153	–153			
Closing balance	27,025	1,202	–3,740	–135	24,352

Changes in treasury shares

	Amount			Number		
	2009	2008	2007	2009	2008	2007
Opening balance	866	3,740	1,436	36,457,118	126,759,829	53,859,235
Purchased/sold	47	2,159	2,505	11,648,765	94,105,700	79,652,109
Rights issue	–64					
Cancelled		–4,904			–183,158,017	
Share-based payments	–27	–22	–201	–1,058,658	–1,250,394	–6,751,515
Other	–85	–107				
Closing balance	737	866	3,740	47,047,225	36,457,118	126,759,829

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

Non-voting equity securities (Core Tier 1 securities)
On 12 November 2008, ING Groep N.V. issued one billion non-voting equity securities to the Dutch State at EUR 10 per non-voting equity security, resulting in an increase of ING Group's core Tier 1 capital of EUR 10 billion. The nominal value of each security is EUR 0.24. The non-voting equity securities do not form part of ING Group's share capital; accordingly they do not carry voting rights in the General Meeting.

These non-voting equity securities are deeply subordinated and rank pari-passu with ordinary shares in a winding up of ING Group.

On these non-voting equity securities a coupon is payable of the higher of:
- EUR 0.85 per security, payable annually in arrears, with a first coupon of EUR 0.425 per security paid on 12 May 2009; and
- 110% of the dividend paid on each ordinary share over 2009 (payable in 2010);
- 120% of the dividend paid on each ordinary share over 2010 (payable in 2011);
- 125% of the dividend paid on each ordinary share over 2011 onwards (payable in 2012 onwards).

Since ING Groep N.V. had already paid an interim dividend of EUR 0.74 per ordinary share in August 2008, ING recognised a coupon payable of EUR 425 million to the Dutch State as of 31 December 2008. This coupon was paid out on 12 May 2009.

Further coupons are to be paid on 12 May of each year (the coupon date) in cash if the dividend on ordinary shares is paid in cash or to be paid in scrip securities in the event of a scrip dividend on ordinary shares. Coupons are only due and payable, on a non-cumulative basis and if a dividend is paid on ordinary shares over the financial year preceding the coupon date, either on an interim or a final dividend basis, provided that ING Group's capital adequacy position is and remains satisfactory both before and after payment in the opinion of the Dutch central bank.

ING announced on 26 October 2009 that it reached an agreement with the Dutch State to alter the repayment terms of the non-voting equity securities issued in November 2008, in order to facilitate early repayment. Under the agreement, ING repurchased on 21 December 2009 EUR 5 billion of the securities, representing half of the non-voting equity securities, at the issue price (EUR 10) plus the accrued coupon and a repayment premium. The 8.5% coupon payment was EUR 259 million at the time of repayment and the repayment premium was EUR 346 million. The total payment amounted to EUR 5,605 million. The terms for the remaining non-voting equity securities, including restrictions on remuneration and corporate governance, remain unchanged. Reference is made to Note 33 'Related parties'.

Cumulative preference shares
Pursuant to the Articles of Association of ING Groep N.V. as amended on 8 October 2008, the authorised cumulative preference share capital consists of 4.5 billion cumulative preference shares, of which none have been issued. The par value of these cumulative preference shares is EUR 0.24.

The cumulative preference shares rank before the ordinary shares in entitlement to dividend and to distributions upon liquidation of ING Groep N.V.

The dividend on the cumulative preference shares will be equal to a percentage, calculated on the amount compulsorily paid up or yet to be paid up. This percentage shall be equal to the average of the Euro OverNight Index Average (EONIA) as calculated by the European Central Bank. During the financial year for which the distribution is made, this percentage is weighted on the basis of the number of days for which it applies, increased by 2.5 percentage points.

If and to the extent that the profit available for distribution is not sufficient to pay the dividend referred to above in full, the shortfall will be made up from the reserves insofar as possible. If, and to the extent that, the dividend distribution cannot be made from the reserves, the profits earned in subsequent years shall first be used to make up the shortfall before any distribution may be made on shares of any other category.

ING Groep N.V.'s Articles of Association make provision for the cancellation of cumulative preference shares. Upon cancellation of cumulative preference shares and upon liquidation of ING Groep N.V., the amount paid up on the cumulative preference shares will be repaid together with the dividend shortfall in preceding years, insofar as this shortfall has not yet been made up.

Cumulative preference shares - Restrictions with respect to dividend and repayment of capital
ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its cumulative preference shares, when issued. Pursuant to the Dutch Civil Code, 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.

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

Moreover, ING Groep N.V.'s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries. ING Groep N.V. is legally required to create a non-distributable reserve insofar profits of its subsidiaries are subject to dividend payment restrictions which apply to those subsidiaries themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V. or may be the result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, or other limitations which may exist in certain countries.

Without prejudice to the fact that the cumulative preference shares, when issued, will be junior securities of ING Groep N.V., no specific dividend payment restrictions with respect to the cumulative preference shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of cumulative preference shares. Capital may be repaid to the holders of cumulative preference shares pursuant to (i) an amendment of ING Groep N.V.'s articles of association whereby the cumulative preference shares are written down or (ii) a resolution to redeem and cancel the cumulative preference shares.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V.'s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

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

LIABILITIES
14 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of issue	Due date	Notional amount in original currency		Balance sheet value 2009	2008
9.000%	2008	Perpetual	EUR	10	**10**	10
8.500%	2008	Perpetual	USD	2,000	**1,357**	1,393
8.000%	2008	Perpetual	EUR	1,500	**1,479**	1,474
7.375%	2007	Perpetual	USD	1,500	**1,022**	1,048
6.375%	2007	Perpetual	USD	1,045	**713**	731
5.140%	2006	Perpetual	GBP	600	**670**	623
5.775%	2005	Perpetual	USD	1,000	**690**	711
6.125%	2005	Perpetual	USD	700	**472**	487
4.176%	2005	Perpetual	EUR	500	**498**	497
Variable	2004	Perpetual	EUR	1,000	**999**	939
6.200%	2003	Perpetual	USD	500	**337**	348
Variable	2003	Perpetual	EUR	750	**731**	684
7.200%	2002	Perpetual	USD	1,100	**656**	773
7.050%	2002	Perpetual	USD	800	**465**	563
					10,099	10,281

Subordinated loans consist of perpetual subordinated bonds issued by ING Groep N.V. These bonds have been issued to raise hybrid capital for ING Verzekeringen N.V. and Tier 1 capital for ING Bank N.V. Under IFRS-EU these bonds are classified as liabilities. They are considered capital for regulatory purposes.

Except for the 9% 2008 perpetual of EUR 10 million (a private placement), these loans have been subsequently provided as subordinated loans by ING Groep N.V. to ING Verzekeringen N.V. and ING Bank N.V. under the same conditions as the original bonds as follows:

Subordinated loans provided by ING Groep N.V. to ING Bank N.V. and ING Verzekeringen N.V.

	2009	2008
ING Bank N.V.	**6,822**	5,800
ING Verzekeringen N.V.	**3,267**	4,471
	10,089	10,271

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

15 DEBT SECURITIES IN ISSUE

Debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on floating interest rate levels, such as certificates of deposit and accepted bills issued by ING Group, except for subordinated items. Debt securities in issue do not include debt securities presented as Financial liabilities at fair value through profit and loss. ING Group does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

Debt securities in issue – maturities	2009	2008
Fixed rate debt securities		
Within 1 year	**64,994**	50,994
More than 1 year but less than 2 years	**2,376**	2,448
More than 2 years but less than 3 years	**6,551**	2,410
More than 3 years but less than 4 years	**4,938**	2,429
More than 4 years but less than 5 years	**9,542**	4,332
More than 5 years	**8,151**	6,290
Total fixed rate debt securities	**96,552**	68,903
Floating rate debt securities		
Within 1 year	**10,021**	11,858
More than 1 year but less than 2 years	**6,545**	5,325
More than 2 years but less than 3 years	**1,164**	5,189
More than 3 years but less than 4 years	**1,375**	1,423
More than 4 years but less than 5 years	**1,478**	28
More than 5 years	**2,846**	3,762
Total floating rate debt securities	**23,429**	27,585
Total debt securities	**119,981**	96,488

As of 31 December 2009, ING Group had unused lines of credit available including the payment of commercial paper borrowings relating to debt securities in issue of EUR 7,029 million (2008: EUR 5,649 million).

ING Bank issued 3 year government guaranteed senior unsecured bonds amounting to USD 6 billion in January 2009. USD 5 billion of the issue was priced at a fixed rate of 80 basis points over mid-swaps. USD 1 billion was priced at a variable rate of 80 basis points over 3 month LIBOR.

ING Bank issued a 5 year EUR 4 billion fixed rate government guaranteed senior unsecured bond in February 2009. The issue was priced at a fixed rate of 3.375%, 75 basis points over mid-swaps.

ING Bank issued a 5 year USD 2 billion fixed rate government guaranteed senior unsecured bond in March 2009. The issue was priced at a fixed coupon of 3.90%, 145 basis points over USD mid-swaps.

All were issued under the Credit Guarantee Scheme of the State of the Netherlands and are part of ING Group's regular medium-term funding operations. ING Group pays a fee of 84 basis points over the issued bonds to the Dutch State to participate in the Credit Guarantee Scheme.

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

16 OTHER BORROWED FUNDS

Other borrowed funds by remaining term							
2009	**2010**	**2011**	**2012**	**2013**	**2014**	**There after**	**Total**
Subordinated loans of group companies	**1,107**	**3,570**	**1,671**	**681**	**81**	**7,320**	**14,430**
Preference shares of group companies						**1,040**	**1,040**
Loans contracted	**2,985**				**74**	**1,636**	**4,695**
Loans from credit institutions	**2,046**	**201**	**32**	**29**	**24**	**654**	**2,986**
	6,138	**3,771**	**1,703**	**710**	**179**	**10,650**	**23,151**

Other borrowed funds by remaining term							
2008	2009	2010	2011	2012	2013	There after	Total
Subordinated loans of group companies	553	1,058	1,502	1,706	652	10,398	15,869
Preference shares of group companies						1,071	1,071
Loans contracted	5,590	1,126				1,756	8,472
Loans from credit institutions	4,580	279	180	1		746	5,786
	10,723	2,463	1,682	1,707	652	13,971	31,198

Subordinated loans of group companies relate to capital debentures and private loans which are subordinated to all current and future liabilities of ING Bank N.V.

Preference shares of group companies comprise non-cumulative guaranteed Trust Preference Securities which are issued by wholly owned subsidiaries of ING Groep N.V. These securities have a liquidation preference of a certain amount plus any accrued interest and unpaid dividend. Dividends with regard to these preference securities are presented as an interest expense in the profit and loss account. These trust preference securities have no voting rights.

17 INSURANCE AND INVESTMENT CONTRACTS, REINSURANCE CONTRACTS

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

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

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

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

Changes in life insurance provisions

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

Changes in the composition of the group in 2009 relate mainly to the sale of the annuity and mortgage business of Chile. In 2008 it relates mainly to the sale of ING Life Taiwan. Reference is made to Note 30 'Companies acquired and companies disposed'.

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

Insurance provisions include a provision for the estimated cost of the agreement with regard to unit-linked policies. For more information reference is made to Note 31 'Legal proceedings'.

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

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

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

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

Changes in provision for unearned premiums and unexpired risks

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

Changes in the composition of the group in 2009 relate mainly to the sale of ING Canada. Reference is made to Note 30 'Companies acquired and companies disposed'.

Changes in claims provisions

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

Changes in the composition of the group in 2009 relate mainly to the sale of ING Canada. Reference is made to Note 30 'Companies acquired and companies disposed'.

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

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

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

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

Changes in the composition of the group in 2009 relate mainly to the sale of ING Australia. Reference is made to Note 30 'Companies acquired and companies disposed'.

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

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

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

18 AMOUNTS DUE TO BANKS

Amounts due to banks include non-subordinated debt due to banks, other than amounts in the form of debt securities. As at 31 December 2009, liabilities concerning securities sold in repurchase transactions amounted to EUR 17,991 million (2008: EUR 41,336 million).

Amounts due to banks by type

	Netherlands		International		Total	
	2009	2008	**2009**	2008	**2009**	2008
Non-interest bearing	**1,615**	1,108	**669**	2,482	**2,284**	3,590
Interest bearing	**35,681**	74,580	**46,270**	74,095	**81,951**	148,675
	37,296	75,688	**46,939**	76,577	**84,235**	152,265

19 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

Customer deposits and other funds on deposit

	2009	2008
Savings accounts	**304,104**	263,637
Credit balances on customer accounts	**110,087**	174,141
Corporate deposits	**53,272**	80,230
Other	**2,045**	4,775
	469,508	522,783

Customer deposits and other funds on deposit by type

	Netherlands		International		Total	
	2009	2008	**2009**	2008	**2009**	2008
Non-interest bearing	**13,541**	14,220	**5,936**	5,330	**19,477**	19,550
Interest bearing	**124,488**	195,727	**325,543**	307,506	**450,031**	503,233
	138,029	209,947	**331,479**	312,836	**469,508**	522,783

No funds have been entrusted to the Group by customers on terms other than those prevailing in the normal course of business. As at 31 December 2009, Customer deposits and other funds on deposit included liabilities with regard to securities sold in repurchase transactions amounting to EUR 7,326 million (2008: EUR 5,759 million).

Savings accounts relate to the balances on savings accounts, savings books, savings deposits and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

During 2009, certain product features and internal procedures for current accounts were amended. As a result thereof, the balances on these current accounts meet the criteria under IFRS for netting of positive and negative balances per client in the balance sheet. This additional netting resulted in a decrease in Loans and advances to customers (banking operations) and a similar decrease in Customer deposits and other funds on deposit of approximately EUR 73.9 billion.

20 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial liabilities at fair value through profit and loss

	2009	2008
Trading liabilities	**98,245**	152,616
Non-trading derivatives	**20,070**	21,773
Designated as at fair value through profit and loss	**11,474**	14,009
	129,789	188,398

Trading liabilities by type

	2009	2008
Equity securities	**3,052**	3,338
Debt securities	**12,457**	12,448
Funds on deposit	**42,505**	64,463
Derivatives	**40,231**	72,367
	98,245	152,616

As at 31 December 2009, the Funds on deposit include amounts payable of EUR 41,876 million (2008: EUR 63,107 million) with regard to repurchase transactions.

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

Non-trading derivatives by type		
	2009	2008
Derivatives used in:		
– fair value hedges	**8,866**	8,912
– cash flow hedges	**6,468**	6,089
– hedges of net investments in foreign operations	**316**	370
Other non-trading derivatives	**4,420**	6,402
	20,070	21,773

Designated as at fair value through profit and loss by type		
	2009	2008
Debt securities	**9,396**	9,963
Funds entrusted	**560**	1,972
Subordinated liabilities	**1,518**	1,733
Other		341
	11,474	14,009

The change in the fair value of financial liabilities designated as at fair value through profit and loss attributable to changes in the credit risk of that liability during 2009 was EUR –191 million (2008: EUR 230 million) and EUR 39 million (2008: EUR 208 million) on a cumulative basis. This change has been determined as the amount of change in fair value of the financial liability that is not attributable to changes in market conditions that gave rise to market risk (i.e. mainly interest rate risk based on yield curves). At 31 December 2009 the fair value of financial liabilities designated at fair value through profit and loss includes EUR 39 million (2008: EUR 230 million) attributable to own credit risk.

The amount that ING Group is contractually required to pay at maturity to the holders of financial liabilities designated as at fair value through profit and loss is EUR 11,444 million (2008: EUR 14,336 million).

21 OTHER LIABILITIES

Other liabilities by type		
	2009	2008
Deferred tax liabilities	**2,399**	3,602
Income tax payable	**1,225**	940
Pension benefits	**589**	609
Post-employment benefits	**175**	219
Other staff-related liabilities	**484**	342
Other taxation and social security contributions	**1,001**	1,104
Deposits from reinsurers	**870**	909
Accrued interest	**16,789**	17,552
Costs payable	**2,654**	3,764
Amounts payable to brokers	**200**	89
Amounts payable to policyholders	**2,182**	2,231
Reorganisation provision	**644**	583
Other provisions	**747**	969
Share-based payment plan liabilities	**24**	11
Prepayments received under property under development	**120**	175
Amounts to be settled	**2,930**	3,753
Dividend payable		425
Other	**8,321**	8,235
	41,354	45,512

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

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

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

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

Changes in deferred tax

	Net liability 2008	Change through equity	Change through net result	Changes in the composition of the group	Exchange rate differences	Other	Net liability 2009
Investments	–5,418	**5,330**	**341**	**17**	**–114**	**53**	**209**
Financial assets and liabilities at fair value through profit and loss	28	**–1**	**–324**	**–21**	**10**	**–4**	**–312**
Deferred acquisition costs and VOBA	3,481	**–568**	**169**	**–12**	**–174**	**71**	**2,967**
Fiscal reserve			**–48**			**48**	
Depreciation	15		**–4**			**1**	**12**
Insurance provisions	–494	**–483**	**–467**	**55**	**–1**	**–56**	**–1,446**
Cash flow hedges	277	**–197**			**–2**	**–9**	**69**
Pension and post-employment benefits	374		**326**				**700**
Other provisions	–1,422	**2**	**360**	**4**	**116**	**–72**	**–1,012**
Receivables	–61		**–72**		**–5**	**–11**	**–149**
Loans and advances to customers	560		**136**	**–28**	**1**	**45**	**714**
Unused tax losses carried forward	–1,653		**–951**	**7**	**82**	**7**	**–2,508**
Other	–119	**–70**	**–695**	**–34**	**19**	**85**	**–814**
	–4,432	**4,013**	**–1,229**	**–12**	**–68**	**158**	**–1,570**
Comprising:							
– deferred tax liabilities	3,602						**2,399**
– deferred tax assets	–8,034						**–3,969**
	–4,432						**–1,570**

The Change through net result – Other relates mainly to the tax effect on the additional Illiquid Assets Back-Up Facility payments as part of the overall agreement with the European Commission of EUR 1.3 billion and on tax losses of foreign branches carried forward.

The Change through equity relating to Investments of EUR 5,330 million (2008: EUR –5,409 million) consists of a deferred tax component of EUR 4,836 million (2008: EUR –6,832 million) relating to Unrealised revaluations and a deferred tax component of EUR 494 million (2008: EUR 1,423 million) relating to Realised gains/losses transferred to profit and loss.

Changes in deferred tax

	Net liability 2007	Change through equity	Change through net result	Changes in the composition of the group	Exchange rate differences	Other	Net liability 2008
Investments	258	–5,409	–463	114	–268	350	–5,418
Financial assets and liabilities at fair value through profit and loss	156	–2	–303	17	–10	170	28
Deferred acquisition costs and VOBA	3,047	778	36	–632	266	–14	3,481
Fiscal reserve	15		–3	–1		–11	
Depreciation	–11	1	3	22	–4	4	15
Insurance provisions	–871	450	–104	571	–56	–484	–494
Cash flow hedges	43	154	–10		12	78	277
Other provisions	–1,146	19	–255	41	–70	–11	–1,422
Receivables	100		–41	–12	–1	–107	–61
Loans and advances to customers	96		494	–1	–4	–25	560
Unused tax losses carried forward	–932		–633	97	–20	–165	–1,653
Other	–46	–52	24	41	–77	365	255
	709	–4,061	–1,255	257	–232	150	–4,432
Comprising:							
– deferred tax liabilities	3,432						3,602
– deferred tax assets	–2,723						–8,034
	709						–4,432

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

Deferred tax in connection with unused tax losses carried forward	2009	2008
Total unused tax losses carried forward	**10,073**	6,392
Unused tax losses carried forward not recognised as a deferred tax asset	**–1,779**	–638
Unused tax losses carried forward recognised as a deferred tax asset	**8,294**	5,754
Average tax rate	**30.2%**	28.7%
Deferred tax asset	**2,508**	1,653

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

Total unused tax losses carried forward analysed by expiry terms	No deferred tax asset recognised		Deferred tax asset recognised	
	2009	2008	2009	2008
Within 1 year	**54**	2	**79**	56
More than 1 year but less than 5 years	**510**	68	**381**	425
More than 5 years but less than 10 years	**177**	219	**3,199**	2,802
More than 10 years but less than 20 years	**962**	298	**3,960**	1,540
Unlimited	**76**	51	**675**	931
	1,779	638	**8,294**	5,754

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

The deferred tax asset includes balances for which the utilisation is dependent on future taxable profits whilst the related entities have incurred losses in either the current year or the preceding year. The aggregate amount for the most significant entities where this applies is EUR 1,754 million. Recognition is based on the fact that it is probable that the entity will have taxable profits and /or can utilise tax planning opportunities before expiration of the deferred tax assets. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets.

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

Changes in reorganisation provision	2009	2008
Opening balance	**583**	619
Changes in the composition of the group		–22
Additions	**686**	162
Interest	**11**	15
Releases	**–89**	–18
Charges	**–604**	–169
Exchange rate differences	**–2**	–6
Other changes	**59**	2
Closing balance	**644**	583

As at 31 December the provision for reorganisation, of which EUR 433 million relates to termination benefits, mainly related to the reorganisation of Postbank, Postkantoren, Nationale Nederlanden, RVS and Insurance Americas.

The provision for reorganisation as at 31 December 2008 includes EUR 360 million for the restructuring of the retail business of Postbank and ING Bank.

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

Changes in other provisions	Litigation		Other		Total	
	2009	2008	2009	2008	2009	2008
Opening balance	371	229	598	552	969	781
Changes in the composition of the group	7	–1	–35	8	–28	7
Additions	24	202	247	313	271	515
Releases	–3		–11	–6	–14	–6
Charges	–109	–28	–347	–279	–456	–307
Exchange rate differences	1	–6	6	–15	7	–21
Other changes	16	–25	–18	25	–2	
Closing balance	307	371	440	598	747	969

In 2009 Other provisions includes the provision for the industry-wide deposit guarantee scheme in the Netherlands due to the bankruptcy of DSB Bank.

Included in Other provisions in 2008 is a provision for a loss of EUR 292 million relating to the agreed disposal of ING Life Taiwan as disclosed in Note 30 'Companies acquired and companies disposed'.

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

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

Pension and post-employment benefits

Summary of pension benefits	2009	2008	2007	2006	2005
Defined benefit obligation	14,209	14,271	14,499	15,758	15,782
Fair value of plan assets	15,310	13,366	14,708	14,361	12,937
	–1,101	905	–209	1,397	2,845
Unrecognised past service costs	–3	–5	–3		
Unrecognised actuarial gains/(losses)	–1,450	–2,072	198	–687	–1,778
	–2,554	–1,172	–14	710	1,067
Presented as:					
– Other liabilities	589	609	425	961	1,067
– Other assets	–3,143	–1,781	–439	–251	
	–2,554	–1,172	–14	710	1,067

Summary of post-employment benefits	2009	2008	2007	2006	2005
Defined benefit obligation	156	210	220	239	441
	156	210	220	239	441
Unrecognised past service costs	8	2	4	10	–6
Unrecognised actuarial gains/(losses)	11	7	8	–2	–27
	175	219	232	247	408
Presented as:					
– Other liabilities	175	219	232	247	408
	175	219	232	247	408

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

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

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

The Group provides other post-employment employee benefits to certain employees and former employees. These are primarily post-employment healthcare benefits and discounts on ING products provided to employees and former employees.

Certain group companies sponsor defined contribution pension plans. The assets of all ING Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in current liabilities. The amount incurred in 2009 was EUR 81 million (2008: EUR 68 million).

Actuarial gains and losses related to pensions and post-employment benefits for the year ended 31 December 2009 include EUR 387 million (2008: EUR –2,647 million; 2007: EUR –789 million; 2006: EUR –180 million; 2005: EUR 873 million) experience gain adjustments for assets and EUR 172 million (2008: EUR –70 million; 2007: EUR 83 million; 2006: EUR –163 million; 2005 EUR 116 million) experience gain adjustments for liabilities.

Changes in defined benefit obligations

	Pension benefits		Post-employment benefits other than pensions	
	2009	2008	**2009**	2008
Opening balance	**14,271**	14,499	**210**	220
Current service cost	**320**	356	**–8**	–1
Interest cost	**778**	787	**10**	12
Employer's contribution				2
Participants contributions	**3**	7		
Benefits paid	**–640**	–601	**–6**	–8
Actuarial gains and losses	**–100**	–369	**–10**	1
Past service cost	**18**	79	**–27**	1
Changes in the composition of the group and other changes	**–372**	–169	**–10**	–18
Effect of curtailment or settlement	**–96**	–135		
Exchange rate differences	**27**	–183	**–3**	1
Closing balance	**14,209**	14,271	**156**	210
Relating to:				
– funded plans	**14,160**	14,219		
– unfunded plans	**49**	52	**156**	210
	14,209	14,271	**156**	210

The estimated unrecognised past services cost and unrecognised actuarial gains and losses for the defined benefit plans to be amortised to pension and other staff related liability costs during 2010 are nil and EUR 16 million, respectively.

Changes in fair value of plan assets

	Pension benefits	
	2009	2008
Opening balance	**13,366**	14,708
Expected return on plan assets	**842**	886
Employer's contribution	**1,632**	1,366
Participants contributions	**3**	7
Benefits paid	**–600**	–584
Actuarial gains and losses	**387**	–2,647
Changes in the composition of the group and other changes	**–374**	–127
Exchange rate differences	**54**	–243
Closing balance	**15,310**	13,366

The actual return on the plan assets amounted to EUR 1,229 million (2008: EUR –1,761 million).

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

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

Categories of plan assets in percentages

	Target allocation	Percentage of plan assets		Weighted average expected long term rate of return	
	2010	**2009**	2008	**2009**	2008
Equity securities	**44**	**40**	33	**7.8**	8.1
Debt securities	**45**	**48**	53	**4.8**	4.7
Other	**11**	**12**	14	**6.3**	6.5
	100	**100**	100	**6.0**	6.2

Equity securities include ING Group ordinary shares of EUR 3 million (0.02% of total plan assets) as at 31 December 2009 (2008: EUR 4 million, 0.03% of total plan assets). Other includes mainly real estate. Real estate occupied by ING Group as at 31 December 2009 which is included in Other includes nil (0.0% of total plan assets) (2008: nil, 0.0% of total plan assets).

Determination of expected return on assets

An important aspect of financial reporting is the assumption used for return on assets (ROA). The ROA is updated at least annually, taking into consideration the Plans' asset allocations, historical returns on the types of assets held in the Funds, and the current economic environment. Based on these factors, it is expected that the Funds' assets will earn an average annual percentage in the long term. This estimate takes into account a reduction for administrative expenses and non-ING investment manager fees paid from the Funds. For estimation purposes, it is assumed that the long term asset mixes will be consistent with the current mixes. Changes in the asset mixes could have an impact on the amount of recognised pension income or expense, the funded status of the Plans, 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	
	2009	2008	**2009**	2008
Discount rates	**5.70**	5.70	**5.30**	5.50
Mortality rates	**1.30**	1.60	**1.30**	1.60
Expected rates of salary increases (excluding promotion increases)	**2.80**	2.70	**3.10**	3.20
Medical cost trend rates			**6.10**	6.60
Consumer price inflation	**2.00**	2.10	**2.10**	2.10

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

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

An increase of 1% in the assumed medical cost trend rate for each future year would have resulted in an additional accumulated defined benefit obligation of EUR 4 million as at 31 December 2009 (2008: EUR 4 million) and EUR 2 million increase in the charge for the year (2008: nil). A decrease of 1% in the medical cost trend rate for each future year would have resulted in lower defined benefit obligation of EUR 3 million as at 31 December 2009 (2008: EUR 4 million) and EUR 1 million decrease in the charge for the year (2008: nil).

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

Expected cash flows
During 2010 the expected contributions to pension plans are EUR 1,193 million.

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

Benefit payments

	Pension benefits	Post-employment benefits other than pensions
2010	**611**	**15**
2011	**589**	**14**
2012	**543**	**14**
2013	**583**	**14**
2014	**594**	**13**
Years 2015 – 2019	**3,183**	**44**

Additional information to the consolidated balance sheet of ING Group

amounts in millions of euros, unless stated otherwise

22 ASSETS BY CONTRACTUAL MATURITY

Assets by contractual maturity

2009	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Cash and balances with central banks	15,390						15,390
Amounts due from banks	25,598	2,649	4,448	7,733	2,969		43,397
Financial assets at fair value through profit and loss							
– trading assets	39,844	8,316	12,827	28,014	22,443		111,444
– investments for risk of policyholders [(1)]						104,597	104,597
– non-trading derivatives	320	205	668	4,843	5,596		11,632
– designated as at fair value through profit and loss	412	169	626	1,244	1,577	1,489	5,517
Investments							
– available-for-sale	3,129	6,716	15,449	67,065	83,655	21,689	197,703
– held-to-maturity	172	475	1,840	10,336	1,586		14,409
Loans and advances to customers	61,973	14,357	32,322	141,482	324,625	4,187	578,946
Reinsurance contracts	13	27	122	626	2,591	2,101	5,480
Intangible assets	3	7	254	705	317	4,735	6,021
Deferred acquisition costs	28	20	128	451	2,752	8,019	11,398
Assets held for sale	4,524	218	282				5,024
Other assets	15,564	3,621	7,451	6,385	5,594	614	39,229
Remaining assets (where maturities are not applicable) [(2)]						13,456	13,456
Total assets	166,970	36,780	76,417	268,884	453,705	160,887	1,163,643

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

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

Assets by contractual maturity

2008	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Cash and balances with central banks	22,045						22,045
Amounts due from banks	32,620	3,086	5,019	6,299	1,423		48,447
Financial assets at fair value through profit and loss							
– trading assets	52,759	13,871	22,061	36,396	34,784	507	160,378
– investments for risk of policyholders						95,366	95,366
– non-trading derivatives	2,456	1,024	1,521	3,907	7,531	45	16,484
– designated as at fair value through profit and loss	703	232	829	2,057	2,154	2,302	8,277
Investments							
– available-for-sale	4,508	10,485	14,589	77,844	101,595	33,831	242,852
– held-to-maturity	74	139	1,109	10,758	3,360		15,440
Loans and advances to customers	145,911	16,390	30,279	111,262	314,858	1,091	619,791
Reinsurance contracts	30	46	204	886	1,148	3,483	5,797
Intangible assets	3	7	315	810	2,268	3,512	6,915
Deferred acquisition costs	11	110	247	390	2,637	8,448	11,843
Assets held for sale		15,312					15,312
Other assets	15,446	4,669	9,526	7,075	8,254	2,695	47,665
Remaining assets (where maturities are not applicable)						15,051	15,051
Total assets	276,566	65,371	85,699	257,684	480,012	166,331	1,331,663

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

23 LIABILITIES BY CONTRACTUAL MATURITY

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

Liabilities by contractual maturity

2009	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment	Total
Subordinated loans						10,099		10,099
Debt securities in issue	18,851	36,436	19,717	34,563	11,143		–729	119,981
Other borrowed funds	2,692	528	2,923	4,109	12,332	1,040	–473	23,151
Amounts due to banks	45,326	15,044	10,131	9,768	3,966			84,235
Customer deposits and other funds on deposit	410,522	26,092	21,819	9,418	1,657			469,508
Financial liabilities at fair value through profit and loss								
– other trading liabilities	41,942	1,891	3,243	7,022	4,376		–460	58,014
– trading derivatives	2,725	3,419	11,235	27,908	12,258		–17,314	40,231
– non-trading derivatives	1,459	2,369	6,696	24,150	9,755	677	–25,036	20,070
– designated as at fair value through profit and loss	218	616	1,715	5,220	4,047		–342	11,474
Financial liabilities	523,735	86,395	77,479	122,158	59,534	11,816	–44,354	836,763
Insurance and investment contracts	1,618	1,830	7,300	33,723	90,322	106,065		240,858
Liabilities held for sale	4,630	77	183					4,890
Other liabilities	15,567	3,059	12,256	5,586	4,319	567		41,354
Total liabilities	545,550	91,361	97,218	161,467	154,175	118,448	–44,354	1,123,865
Coupon interest due on financial liabilities	4,163	1,578	5,654	15,371	55,681			82,447

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

Liabilities by contractual maturity

2008	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Subordinated loans						10,281	10,281
Debt securities in issue	25,666	24,299	11,886	24,585	10,052		96,488
Other borrowed funds	3,354	4,700	2,668	6,505	13,971		31,198
Insurance and investment contracts	2,345	2,485	9,289	33,569	93,538	99,564	240,790
Amounts due to banks	83,456	38,600	17,626	9,454	3,129		152,265
Customer deposits and other funds on deposit	438,451	18,801	49,951	12,843	2,737		522,783
Financial liabilities at fair value through profit and loss							
– trading liabilities	62,251	13,121	16,632	31,011	29,598	3	152,616
– non-trading derivatives	1,316	882	1,134	7,831	10,575	35	21,773
– designated as at fair value through profit and loss	573	833	2,429	5,935	4,239		14,009
Liabilities held for sale		15,020					15,020
Other liabilities	17,053	5,782	9,540	7,855	3,715	1,567	45,512
Total liabilities	634,465	124,523	121,155	139,588	171,554	111,450	1,302,735

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

24 DERIVATIVES AND HEDGE ACCOUNTING

Use of derivatives and hedge accounting

As described in the 'Risk management' section, ING Group uses derivatives (principally interest rate swaps and cross currency interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios and structural positions. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure. The impact of ING Group's hedging activities is to optimise the overall cost to the Group of accessing debt capital markets and to mitigate the market risk which would otherwise arise from structural imbalances in the duration and other profiles of its assets and liabilities. In addition, hedging activities are undertaken to hedge against the interest rate risk in the mortgage offer period in relation to retail mortgages and to lock-in the interest margin in relation to interest bearing assets and the related funding.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies under the IFRS-EU hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-EU are classified and accounted for according to the nature of the instrument hedged and the type of IFRS-EU hedge model that is applicable. The three models applicable under IFRS-EU are: fair value hedge accounting, cash flow hedge accounting and net investment hedge accounting. These are described under the relevant headings below. The company's detailed accounting policies for these three hedge models are set out in section 'Principles of valuation and determination of results'.

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non qualifying hedges are taken to the profit and loss account. However, in certain cases, the Group mitigates the resultant profit and loss account volatility by designating hedged assets and liabilities at fair value through profit and loss. If hedge accounting is applied under IFRS-EU, it is possible that during the hedge a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amounts of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however they do not represent amounts at risk. ING Group uses credit derivatives to manage its exposure to credit risk, including total return swaps and credit default swaps, to sell or buy protection for credit risk exposures in the loan, investment and trading portfolios. Hedge accounting is not applied in relation to credit derivatives.

Fair value hedge accounting

ING Group's fair value hedges principally consist of interest rate swaps and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates.

Gains and losses on derivatives designated under fair value hedge accounting are recognised in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognised in the profit and loss account. As a result, only the net accounting ineffectiveness has an impact on the net result.

For the year ended 31 December 2009, ING Group recognised EUR –1,130 million (2008: EUR –5,492 million) of fair value changes on derivatives designated under fair value hedge accounting in the profit and loss account. This amount was partly offset by EUR 975 million (2008: EUR 5,697 million) fair value changes recognised on hedged items. This resulted in EUR –155 million (2008: EUR 205 million) net accounting ineffectiveness recognised in the profit and loss account. As at 31 December 2009, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR –6,139 million (2008: EUR –5,050 million), presented in the balance sheet as EUR 2,727 million (2008: EUR 3,862 million) positive fair values under assets and EUR 8,866 million (2008: EUR 8,912 million) negative fair values under liabilities.

ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. The EU 'carve-out' macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket. ING Group applies the IFRS-EU 'carve-out' to its retail operations in which the net exposure of retail funding (savings and current accounts) and retail lending (mortgages) is hedged. The hedging activities are designated under a portfolio fair value hedge on the mortgages, using the IFRS-EU provisions.

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

Cash flow hedge accounting
ING Group's cash flow hedges principally consist of (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on non-trading assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities, based on contractual terms and other relevant factors including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows for the respective portfolios form the basis for identifying the notional amount subject to interest rate risk that is designated under cash flow hedge accounting.

Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recognised in Shareholders' equity. Interest cash flows on these derivatives are recognised in the profit and loss account in interest income consistent with the manner in which the forecast cash flows affect net result. The gains and losses on ineffective portions of such derivatives are recognised immediately in the profit and loss account.

For the year ended 31 December 2009, ING Group recognised EUR –805 million (2008: EUR 746 million) after tax in equity as effective fair value changes on derivatives under cash flow hedge accounting. As a consequence, the balance of the cash flow hedge reserve in equity as at 31 December 2009 was EUR 442 million (2008: EUR 1,457 million) gross and EUR 372 million (2008: EUR 1,177 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value changes of the underlying derivatives and will be reflected in the profit and loss account under Interest income/expense over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities, up to 44 years for insurance operations and 50 years for banking operations, with the largest concentrations in the range of 4 to 9 years for insurance operations and 1 to 13 years for banking operations. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting of EUR –10 million (2008: EUR 22 million) was recognised in the profit and loss account.

As at 31 December 2009, the fair values of outstanding derivatives designated under cash flow hedge accounting was EUR –947 million (2008: EUR –318 million), presented in the balance sheet as EUR 5,521 million (2008: EUR 5,771 million) positive fair values under assets and EUR 6,468 million (2008: EUR 6,089 million) negative fair values under liabilities.

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

Included in Interest income and interest expense on non-trading derivatives is EUR 2,159 million (2008: EUR 3,082 million) and EUR 1,964 million (2008: EUR 2,744 million), respectively, relating to derivatives used in cash flow hedges.

Hedges of net investments in foreign operations
ING Group's net investment hedges principally consist of derivatives (including currency forwards and swaps) and non-derivative financial instruments such as foreign currency denominated funding that are used to protect against foreign currency exposures on foreign subsidiaries.

Gains and losses on the effective portions of derivatives designated under net investment hedge accounting are recognised in Shareholders' equity. The balance in equity is recognised in the profit and loss account when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognised immediately in the profit and loss account.

As at 31 December 2009, the fair values of outstanding derivatives designated under net investment hedge accounting was EUR –278 million (2008: EUR 300 million), presented in the balance sheet as EUR 38 million (2008: EUR 670 million) positive fair values under assets and EUR 316 million (2008: EUR 370 million) negative fair values under liabilities.

As at 31 December 2009, the fair values of outstanding non-derivatives designated under net investment hedge accounting was EUR 555 million, presented in the balance sheet as positive fair values under assets (2008: EUR –881 million presented as negative fair value under liabilities). Non-derivatives designated as hedging instruments consist mainly of loan agreements.

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

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

25 MAXIMUM CREDIT EXPOSURE

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

Maximum credit exposure	2009	2008
Cash and balances with central banks	**15,390**	22,045
Amounts due from banks		
– loans and advances to banks	**39,696**	40,705
– cash advances, overdrafts and other balances	**3,701**	7,742
Trading assets:		
– debt securities	**25,287**	26,652
– loans and receivables	**41,975**	59,449
– derivatives	**41,450**	71,925
Non-trading derivatives	**11,632**	16,484
Designated as at fair value through profit and loss	**5,517**	8,277
Available-for-sale debt securities	**188,850**	234,030
Held-to-maturity debt securities	**14,409**	15,440
Loans and advances to customers:		
– policy loans	**2,903**	2,960
– public authorities	**51,079**	26,385
– secured by mortgages	**319,174**	318,917
– guaranteed by credit institutions	**10,229**	5,816
– unsecured loans	**5,995**	2,612
– other personal lending	**19,270**	29,615
– mortgage backed securities	**22,135**	9,055
– other corporate lending	**147,097**	222,533
– other	**1,062**	1,898
Reinsurance contracts	**5,480**	5,797
Reinsurance and insurance receivables	**2,125**	3,683
Other receivables	**6,700**	8,334
Maximum credit exposure on balance sheet	**981,156**	1,140,354
Off-balance sheet credit commitments		
– discounted bills – Bank	**1**	1
– guarantees – Bank	**21,545**	22,391
– irrevocable letters of credit – Bank	**12,352**	10,458
– other – Bank	**202**	453
– irrevocable facilities	**85,835**	89,081
– commitments – Insurance	**1,646**	4,221
– guarantees – Insurance	**3,463**	2,460
Maximum credit exposure off balance sheet	**125,044**	129,065
Maximum credit exposure	**1,106,200**	1,269,419

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

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

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

26 ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable consist primarily of interest bearing securities pledged to secure deposits from De Nederlandsche Bank (the Dutch central bank) and other banks and serve to secure margin accounts or are used for other purposes required by law. The assets not freely disposable are as follows:

Assets not freely disposable

	2009	2008
Investments	**5,906**	6,521
Loans and advances to customers	**33,053**	3,136
Banks	**7,441**	6,889
Other assets	**6,350**	6,438
	52,750	22,984

Banks includes Amounts due from banks and balances with central banks. ING Bank N.V. has an obligation to maintain a reserve with an average monthly balance with the Dutch central bank. In December 2009 the required monthly average was EUR 5,620 million (2008: EUR 5,810 million). As at 31 December 2009 the balance on this reserve was EUR 354 million (2008: EUR 3,529 million).

Loans and advances to customers, not freely disposable, includes the loan to the Dutch State in connection with the Illiquid Assets Back-Up Facility agreement as disclosed in Note 33 'Related parties' and loans that for liquidity purposes have been pledged as collateral in the United States of EUR 7 billion and Germany of EUR 5 billion.

There are no material terms and conditions relating to the collateral represented in the above table which are individually significant.

27 CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business the Group is a party to activities whose risks are not reflected in whole or part in the consolidated financial statements. In response to the needs of its customers, the Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total 2009	Total 2008
Banking operations								
Contingent liabilities in respect of								
– discounted bills		**1**					**1**	1
– guarantees	**14,492**	**403**	**1,017**	**2,359**	**3,274**		**21,545**	22,391
– irrevocable letters of credit	**5,413**	**4,460**	**1,190**	**757**	**532**		**12,352**	10,458
– other	**112**	**36**	**42**	**12**			**202**	453
	20,017	**4,900**	**2,249**	**3,128**	**3,806**		**34,100**	33,303
Insurance operations								
Commitments	**1,218**	**8**	**83**	**292**	**2**	**43**	**1,646**	4,221
Guarantees			**826**		**1,679**	**958**	**3,463**	2,460
	1,218	**8**	**909**	**292**	**1,681**	**1,001**	**5,109**	6,681
Irrevocable facilities	**36,284**	**17,539**	**8,351**	**20,130**	**3,531**		**85,835**	89,081
	57,519	**22,447**	**11,509**	**23,550**	**9,018**	**1,001**	**125,044**	129,065

Guarantees relate both to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees given by ING Group in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. In addition to the items included in contingent liabilities, ING Group has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes which apply in different countries.

Irrevocable letters of credit mainly secure payments to third parties for a customer's foreign and domestic trade transactions in order to finance a shipment of goods. ING Group's credit risk in these transactions is limited since these transactions are collateralised by the commodity shipped and are of a short duration.

Other contingent liabilities include acceptances of bills and are of a short-term nature. Other contingent liabilities also include contingent liabilities resulting from the normal operations of the Real Estate business including obligations under development and construction contracts. None of the items included in Other contingent liabilities are individually significant.

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

Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. ING Group's credit risk and interest rate risk in these transactions is limited.

Most of the unused portion of irrevocable credit facilities is secured by customers' assets or counter-guarantees by the central governments and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

Future rental commitments for operating lease contracts

2010	**209**
2011	**170**
2012	**180**
2013	**231**
2014	**157**
Years after 2014	**132**

28 SPECIAL PURPOSE ENTITIES AND SECURITISATION

Securitisation

ING Group as originator

ING Group enters into synthetic securitisation programmes in order to reduce credit risk on certain assets. In synthetic securitisations, ING Group enters into a credit default swap with securitisation Special Purpose Entities (SPEs), in relation to which ING Group purchases credit protection in respect of residential mortgage loans and loans to small and medium-sized enterprises. The SPEs have in turn hedged their exposure with investors through the issue of credit linked notes or credit linked commercial paper. As a result of these transactions, ING Group has transferred a substantial part of the credit risk related to these loan portfolios to third-party investors. In general, the third-party investors in securities issued by the SPE have recourse only to the assets of the SPE and not to ING Group.

After securitisation of these assets ING Group continues to recognise them on its balance sheet under Loans and advances to customers. These transactions are therefore not off-balance sheet arrangements.

Assets under synthetic securitisation programmes

	2009	2008
Loans to small and medium-sized enterprises	**6,583**	8,603
Mortgages	**6,865**	6,101
Total	**13,448**	14,704

ING Group as sponsor of multi-seller conduit

In the normal course of business, ING Group structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients' receivables or other financial assets to an SPE. The SPE issues asset-backed commercial paper to the market to fund the purchases. ING Group, in its role as administrative agent, facilitates these transactions by providing structuring, accounting, funding and operations services.

ING Group supports the commercial paper programmes by providing the SPE with short-term standby liquidity facilities. These liquidity facilities are intended primarily to cover temporarily disruptions in the commercial paper market. Once drawn these facilities bear normal credit risk. A number of programmes are supported by granting structured liquidity facilities to the SPE, in which ING Group covers at least some of the credit risk incorporated in these programmes itself (in addition to normal liquidity facilities), and might suffer credit losses as a consequence. Furthermore, under a Programme Wide Credit Enhancement ING Group guarantees to a limited amount all remaining losses incorporated in the SPE to the commercial paper investors. All facilities, which vary in risk profile, are granted to the SPE subject to normal ING Group credit and liquidity risk analysis procedures. The fees received for services provided and for facilities are charged subject to market conditions. The SPE is included in the consolidation of ING Group. This transaction is therefore not an off-balance sheet arrangement.

The normal non-structured standby liquidity facilities and the structured facilities are reported under irrevocable facilities.

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

Collateralised debt obligations (CDO)-transactions
Within ING Group, SPEs are used for CDO transactions. In a typical CDO transaction an SPE is used to issue structured, rated securities which are backed (or collateralised) by a pool of transferable debt securities. Besides investing in CDOs ING Group often has different roles in these transactions:
- the arranger of the transaction; ING Group structures the SPE, acquires the assets for the SPE and sells the CDOs to investors;
- collateral manager of the assets in the SPE; ING Group manages the assets based on strict conditions of the SPEs charter.

ING Group receives market-rate fees for structuring, asset managing and distributing CDO-securities to investors. The total amount of these fees is not significant.

ING Group as investor
As part of its investment activities, ING Group invests in securitisations by purchasing notes from securitisation SPEs. For certain own asset securitisation programmes ING Group acts as a market maker and holds limited positions in this capacity.

Non-cash investments are made by ING Group by selling credit protection in the market using credit default swaps.

Other entities
ING Group is also a party to other SPEs used, for example, in structured finance and leasing transactions.

Investment funds
ING Group as fund manager and investor
ING Group sets up investment funds for which it acts as a fund manager and sole investor at the inception of the fund. Subsequently, ING Group will seek third-party investors to invest in the fund, thereby reducing the interest of ING Group. In general, ING Group will maintain a small percentage of interest in these funds. These funds are included in the consolidated financial statements of the Group if and when control exists, taking into account both ING Group's financial interests for own risk and its role as investment manager.

ING Group as fund manager
ING Group acts as fund manager for several funds. Fees related to these management activities are charged on an at arm's-length basis. In general, as a fund manager ING Group will hold these funds in a fiduciary capacity. These funds are therefore generally not included in the consolidated financial statements of ING Group.

29 PRINCIPAL SUBSIDIARIES
The principal subsidiaries of ING Groep N.V. are as follows:

Companies treated as part of the banking operations

ING Bank N.V.	The Netherlands
Bank Mendes Gans N.V.	The Netherlands
ING Lease Holding B.V.	The Netherlands
ING Corporate Investments B.V.	The Netherlands
ING Vastgoed Management Holding B.V.	The Netherlands
InterAdvies N.V.	The Netherlands
Nationale-Nederlanden Financiële Diensten B.V.	The Netherlands
ING Commercial Finance B.V.	The Netherlands
Westland Utrecht Hypotheekbank N.V.	The Netherlands
ING België N.V.	Belgium
ING Bank Slaski S.A.	Poland
ING Bank Deutschland A.G.	Germany
ING Financial Holdings Corporation	United States of America
ING Middenbank Curaçao N.V.	Netherlands Antilles
ING Vysya Bank Ltd.	India
ING Direct N.V.	Canada, Germany, Spain, Australia, France, United States of America, Italy, United Kingdom
ING Bank A.S.	Turkey

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

Companies treated as part of the insurance operations

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

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

30 COMPANIES ACQUIRED AND COMPANIES DISPOSED

Goodwill recognised in 2009 amounted to EUR 39 million as disclosed in Note 9 'Intangible assets'. This includes EUR 26 million in relation to the consolidation of 3W Holding B.V as disclosed below. There were no significant acquisitions in 2009.

In August 2009 ING obtained control of its 50% owned joint venture 3W Holding B.V., a real estate development company. ING obtained a majority representation in the Supervisory Board of 3W Holding B.V. and entered into an option agreement that allows ING to acquire the remaining 50%. As a result of obtaining control, 3W Holding B.V. is fully included in the consolidation as of September 2009. Net assets upon consolidation amounted to EUR –21 million. The estimated consideration payable for obtaining the remaining 50% under the option agreement is approximately EUR 5 million. Therefore, goodwill of EUR 26 million is recognised. This goodwill is mainly attributable to operational synergies arising from obtaining control of the professional network of 3W and the future business potential in the southern Netherlands where 3W is active.

	3W Holding B.V.
General	
Primary line of business	**Bank**
Date of full consolidation	**1 September 2009**
Estimated purchase consideration payable	**5**
Assets	
Miscellaneous other assets	**51**
Liabilities	
Customer deposits and other funds on deposit	**21**
Miscellaneous other liabilities	**51**
Net assets	**–21**
Goodwill recognised	**26**
Profit since date of full consolidation	**–16**
Income if fully consolidated as of start of year	**–5**
Profit if fully consolidated as of start of year	**–19**

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

Disposals effective in 2009

Most significant companies disposed in 2009	ING Life Taiwan [5]	ING Canada	Annuity and Mortgage business of Chile	Australia/ New Zealand	Total
General					
Primary line of business	Insurance	Insurance	Insurance	Insurance	
Sales proceeds					
Cash proceeds [1]		1,316	217	1,106	2,639
Non-cash proceeds	466				466
Sales proceeds	466	1,316	217	1,106	3,105
Assets					
Cash assets	80	322	2	233	637
Investments	9,801	2,350	1,803	385	14,339
Loans and advances to customers	1,341	79	413		1,833
Financial assets at fair value through profit and loss	1,552	1,075	52	8,370	11,049
Miscellaneous other assets	2,538	2,092	74	639	5,343
Liabilities					
Insurance and investment contracts	14,294	3,761	2,009	8,524	28,588
Miscellaneous other liabilities	260	223	95	334	912
Net assets	758	1,934	240	769	3,701
% disposed	100%	70% [4]	100%	100%	
Net assets disposed	758	1,354	240	769	3,121
Gain/loss on disposal [2]	–292 [3]	–38	–23	337	–16

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

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

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

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

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

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

Acquisitions and disposals announced and occurring or expected to occur in 2010
In October 2009 ING reached an agreement to sell its Swiss Private Banking business to Julius Baer for a consideration of EUR 344 million (CHF 520 million) in cash. The transaction generates a profit for ING of approximately EUR 70 million which will be recognised upon completion in 2010. A tax benefit of EUR 83 million related to Private Banking Switzerland was recognised in 2009. At the closing date of the sale of Private Banking Switzerland, ING announced a total gain of approximately EUR 150 million. The sale was completed in January 2010. The Swiss Private Banking business is included in the segment Retail Banking.

In October 2009 ING reached an agreement to sell its Asian Private Banking business for a consideration of USD 1,463 million (approximately EUR 1,000 million). The Asia franchise offers private banking services in 11 markets, including Hong Kong, the Philippines and Singapore. The transaction generates a profit for ING of approximately EUR 300 million. The sale was completed in January 2010. The Asian Private Banking business is included in the segment Retail Banking.

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

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

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

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

Most significant companies acquired in 2008

	Interhyp AG	Universal Lease Iberia	Chile Pension business of Santander	CitiStreet	Oyak Emeklilik	Total
General						
Primary line of business	Bank	Bank	Insurance	Insurance	Insurance	
Date of acquisition	1 August 2008	1 October 2008	16 January 2008	1 July 2008	1 December 2008	
Percentage of voting shares acquired	99%	100%	100%	100%	100%	
Purchase price						
Purchase price	418		397	578	110	1,503
Costs directly attributable to the acquisition			4	5		9
Cash purchase price	418		401	583	110	1,512
Cash in company acquired				45	35	80
Cash outflow on acquisition [2]	418		401	538	75	1,432
Assets						
Cash assets				45	35	80
Investments			8			8
Loans and advances to customers			6			6
Amounts due from banks	43					43
Financial assets at fair value through profit and loss			78			78
Intangible assets			31	73		104
Miscellaneous other assets	20	235	2	24	8	289
Liabilities						
Insurance and investment contracts			7			7
Customer deposits and other funds on deposit		224				224
Miscellaneous other liabilities	16	20	6	26	2	70
Net assets	47	–9	112	116	41	307
Minority interests						
Net assets acquired	47	–9	112	116	41	307
Goodwill recognised [1]	371	9	285	462	69	1,196
Profit since date of acquisition	–7		3	–7		–11
Income if acquisition effected at start of year	61	42	17	275	12	407
Profit if acquisition effected at start of year	–20	–1	1	8		–12

[1] Goodwill recognised in 2008 on immaterial acquisitions and real estate portfolios was EUR 133 million, resulting in total Goodwill recognised in 2008 of EUR 1,329 million as disclosed in Note 9 ‘Intangible assets’.
[2] Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial acquisitions and real estate portfolios in addition to the cash flows presented herein.

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

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

In August 2008, ING acquired approximately 97% of Interhyp AG, Germany's largest independent residential mortgage distributor for a total consideration of EUR 418 million. Goodwill of EUR 371 million was recognised on the acquisition and is mainly attributable to the future potential for enhancing ING's distribution platforms in Europe resulting from the acquisition.

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

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

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

Most significant companies disposed in 2008	NRG	Mexican non-life business	Total
General			
Primary line of business	Insurance	Insurance	
Sales proceeds			
Sales proceeds	272	950	1,222
Cash proceeds	272	950	1,222
Cash in company disposed	12	26	38
Cash inflow on disposal [1]	260	924	1,184
Assets			
Cash assets	12	26	38
Investments	461	1,146	1,607
Loans and advances to customers	137	65	202
Financial assets at fair value through profit and loss		41	41
Miscellaneous other assets	26	1,261	1,287
Liabilities			
Insurance and investment contracts	210	1,497	1,707
Miscellaneous other liabilities	10	274	284
Net assets	416	768	1,184
% disposed	100%	100%	
Net assets disposed	416	768	1,184
Gain/loss on disposal [2]	–144	182	38

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

Disposals effective in 2008

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

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

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

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

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

Most significant companies acquired in 2007

	Oyak Bank	Sharebuilder Corporation	Landmark	Latin American Pension business of Santander	Total
General					
Primary line of business	Bank	Bank	Insurance	Insurance	
Date of acquisition	31 December 2007	15 November 2007	31 July 2007	4 December 2007	
Percentage of voting shares acquired	100%	100%	100%	100%	
Purchase price					
Purchase price	1,903	152	255	692	3,002
Costs directly attributable to the acquisition	2	1	2	8	13
Cash purchase price	1,905	153	257	700	3,015
Cash in company acquired	75	12	29	28	144
Cash outflow on acquisition (2)	1,830	141	228	672	2,871
Assets					
Cash assets	75	12	29	28	144
Investments	1,332			86	1,418
Loans and advances to customers	4,824	15			4,839
Amounts due from banks	508				508
Financial assets at fair value through profit and loss	41	2		520	563
Intangible assets	236			154	390
Miscellaneous other assets	474	80	18	85	657
Liabilities					
Insurance and investment contracts				500	500
Amounts due to banks	632				632
Customer deposits and other funds on deposit	5,369				5,369
Miscellaneous other liabilities	601	51		182	834
Net assets	888	58	47	191	1,184
Minority interests					
Total net assets acquired	888	58	47	191	1,184
Goodwill recognised (1)	1,015	94	208	501	1,818
Profit since date of acquisition		–1	1	8	8
Income if acquisition effected at start of year		38	15	209	262
Profit if acquisition effected at start of year (3)	80	–2	4	46	128

(1) Goodwill recognised in 2007 on immaterial acquisitions and real estate portfolios was EUR 222 million, resulting in total Goodwill recognised in 2007 of EUR 2,040 million as disclosed in Note 9 'Intangible assets'.
(2) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial acquisitions and real estate portfolios in addition to the cash flows presented herein.
(3) Estimate of full year profit of acquired company based on local accounting principles.

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 South Korea. The purchase price paid for Landmark was EUR 255 million. Goodwill of approximately EUR 208 million was recognised on acquisition and is mainly attributable to the operational synergies and to the future business potential resulting from the acquisition. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. All significant intangibles were recognised separately from goodwill and are included in Intangible assets. No significant adjustments were made in 2008 to amounts recognised provisionally in 2007.

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

In November 2007, ING acquired 100% of Sharebuilder Corporation, a Seattle-based brokerage company for EUR 152 million, to extend its retail investment products range and geographical spread in the United States. Goodwill of approximately EUR 94 million was recognised on acquisition and is mainly attributable to the operational synergies and to the future business potential resulting from the acquisition. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. All significant intangibles were recognised separately from goodwill and are included in Intangible assets. No significant adjustments were made in 2008 to amounts recognised provisionally in 2007.

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

In December 2007, ING announced the completion of the acquisition of 100% of the shares in Oyak Bank for an amount of EUR 1,903 million. Oyak Bank is a leading bank in the Turkish market, offering a full range of banking services with a focus on retail banking. Goodwill of EUR 1,015 million was recognised on acquisition and is mainly attributable to the future business potential resulting from the acquisition, as Oyak is a major bank, also offering a platform to distribute insurance, asset management and retirement products, in one of Europe's fastest growing economies. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. All significant intangibles were recognised separately from goodwill and are included in Intangible assets. The profit for the year (before amortisation of the intangibles recognised on purchase accounting) was approximately EUR 80 million, but no profit or loss was included in the ING Group net result over 2007.

Most significant companies disposed in 2007

	ING Trust	ING Regio B.V.	Belgian Broker & employee benefits	Total
General				
Primary line of business	Bank	Bank	Insurance	
Sales proceeds				
Sales proceeds	25	51	777	853
Cash proceeds	25	51	777	853
Cash in company disposed			11	11
Cash inflow on disposal [1]	25	51	766	842
Assets				
Cash assets			11	11
Investments			4,622	4,622
Loans and advances to customers	4	1,156	301	1,461
Financial assets at fair value through profit and loss			350	350
Miscellaneous other assets	10	110	463	583
Liabilities				
Insurance and investment contracts			5,075	5,075
Customer deposits and other funds on deposit		2,052		2,052
Miscellaneous other liabilities	–4	–811	178	–637
Net assets	18	25	494	537
% disposed	100%	100%	100%	
Net assets disposed	18	25	494	537
Gain/loss on disposal [2]	7	26	418	451

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

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

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

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

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

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

31 LEGAL PROCEEDINGS
ING Group companies are involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, including the United States, involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as insurers, lenders, employers, investors and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, the Company's management is of the opinion that neither it nor any of its subsidiaries is aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Company.

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

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

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

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

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

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

32 JOINT VENTURES

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

Most significant joint ventures

2009	Interest held (%)	Assets	Liabilities	Income	Expenses
Postkantoren B.V.	50	147	152	143	141
KB Life Insurance Company	49	748	702	281	277
ING Capital Life Insurance Company Ltd	50	236	214	57	59
ING Vysya Life Insurance Company Ltd [1]	26	342	329	112	122
Total		1,473	1,397	593	599

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

Most significant joint ventures

2008	Interest held (%)	Assets	Liabilities	Income	Expenses
ING Australia Ltd	51	6,690	6,218	406	317
Postkantoren B.V.	50	161	169	226	266
KB Life Insurance Company	49	498	462	254	257
ING (NZ) Holdings Ltd	51	95	3	38	34
ING Capital Life Insurance Company Ltd	50	200	186	94	105
ING Vysya Life Insurance Company Ltd [1]	26	193	186	112	132
Total		7,837	7,224	1,130	1,111

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

33 RELATED PARTIES

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

Transactions with joint ventures and associates

	Joint ventures		Associates	
	2009	2008	2009	2008
Receivables	432	204	648	389
Liabilities	187	122	6	164
Income received	103	35	115	158
Expenses paid	136	82		31

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

	ING Bank N.V.		ING Verzekeringen N.V.	
	2009	2008	2009	2008
Receivables	9,154	8,764	3,412	4,564
Liabilities	793	1,317	7	2
Income received	725	675	299	248
Expenses paid	237	226		

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

Transactions with key management personnel (Executive Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. These transactions are disclosed in more detail in the remuneration report in the annual report. For the post-employment benefit plans see Note 21 'Other liabilities'.

As a result of the change in strategy of ING Groep N.V. the Executive Board of ING Groep N.V. was reduced from eight to three members during 2009. The effective date of this change was 1 June 2009. At the same time the Executive Board of ING Bank N.V. and ING Verzekeringen N.V. were transformed into Management Boards for ING Bank N.V. and ING Verzekeringen N.V. The former Executive Board members of ING Groep N.V. became Management Board members of ING Bank N.V and ING Verzekeringen N.V. Furthermore, the three members of the Executive Board of ING Groep N.V. are also member of both Management Boards.

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

Key management personnel compensation (Executive Board and Management Boards)

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

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

Key management personnel compensation (Supervisory Board)

	Supervisory Board	
amounts in thousands of euros	2009	2008
Base salary and short-term bonus	1,128	986
Total compensation	1,128	986

Loans and advances to key management personnel

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

The total number of stock options on ING Groep N.V. shares held by the Executive Board members of ING Group N.V. amounted to 164,689 as at 31 December 2009 (2008: 896,934) and total number of stock options on ING Groep N.V. shares held by Management Board members of ING Bank N.V. and ING Verzekeringen N.V. amounted to 2,718,765 as at 31 December 2009 (2008: 2,539,649). As at 31 December 2009, members of the Executive Board held 60,883 ING Groep N.V. shares (2008: 39,456) and members of the Management Boards of ING Bank N.V. and ING Verzekeringen N.V. held 266,239 ING Groep N.V. shares (2008: 209,131). As at 31 December 2009, members of the Supervisory Board held 140,207 ING Groep N.V. shares (2008: 8,940).

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

Transactions with the Dutch State

Illiquid Assets Back-up Facility

ING Group and the Dutch State reached an agreement on an Illiquid Assets Back-Up Facility ('IABF') on 26 January 2009. The transaction closed on 31 March 2009. The IABF covers the Alt-A portfolios of both ING Direct US and ING Insurance Americas, with a par value of approximately EUR 30 billion. Under the IABF, ING transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. As a result, an undivided 80% interest in the risk and rewards on the portfolio was transferred to the Dutch State. ING retained 100% of the legal ownership of its Alt-A portfolio. The transaction price was 90% of the par value with respect to the 80% proportion of the portfolio of which the Dutch State has become the economic owner. The transaction price remains payable by the Dutch State to ING and will be redeemed over the remaining life. Furthermore, under the IABF ING pays a guarantee fee to the State and receives a funding fee and a management fee. As a result of the transaction ING derecognised 80% of the Alt-A portfolio from its balance sheet and recognised a receivable from the Dutch State. The transferred Alt-A portfolio was previously included in Available-for-sale debt securities. The Dutch State also acquired certain consent rights with respect to the sale or transfer of the 20% proportion of the Alt-A portfolio that is retained by ING.

Under the terms of the transaction as agreed on 26 January 2009, the overall sales proceeds amounted to EUR 22.4 billion. The amortised cost (after prior impairments) at the date of the transaction was also approximately EUR 22.4 billion. The transaction resulted in a loss in the first quarter of 2009 of EUR 109 million after tax (the difference between the sales proceeds and the amortised cost). The fair value under IFRS at the date of the transaction was EUR 15.2 billion.

In order to obtain approval from the European Commission on ING Group's Restructuring Plan (see below), ING agreed to make additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission to the Dutch State corresponding to an adjustment of the fees for the Illiquid Assets Back-up Facility. In total, these additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission amounted to a net present value of EUR 1.3 billion pre-tax, which was

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

recognised as a one-off charge in the fourth quarter of 2009. The remainder of the IABF as agreed in January 2009, including the transfer price of the securities of 90%, remains unaltered.

The difference between the total sales proceeds of EUR 21.1 billion (EUR 22.4 billion -/- adjustment of EUR 1.3 billion) and the fair value under IFRS-EU of EUR 15.2 billion represents a 'Government grant' under IAS 20. This government grant is considered to be an integral part of the transaction and is therefore accounted for as part of the result on the transaction.

The transaction resulted in a reduction of the negative revaluation -and therefore an increase in equity- of EUR 4.6 billion (after tax).

The valuation method of the 20% Alt-A securities in the IFRS balance sheet is not impacted by the IABF. The methodology used to determine the fair value for these assets in the balance sheet under IFRS-EU is disclosed in Note 34 'Fair value of financial assets and liabilities'.

Non-voting equity securities (Core Tier 1 securities)
On 12 November 2008, ING Groep N.V. issued one billion non-voting equity securities to the Dutch State at EUR 10 per non-voting equity security, resulting in an increase of ING Group's core Tier 1 capital of EUR 10 billion. The nominal value of each security is EUR 0.24. The non-voting equity securities do not form part of ING Group's share capital; accordingly they do not carry voting rights in the General Meeting of Shareholders.

The non-voting equity securities are deeply subordinated and rank pari-passu with ordinary shares in a winding up of ING Group.

On these non-voting equity securities a coupon is payable of the higher of:
- EUR 0.85 per security, payable annually in arrears, with a first coupon of EUR 0.425 per security paid on 12 May 2009; and
- 110% of the dividend paid on each ordinary share over 2009 (payable in 2010);
- 120% of the dividend paid on each ordinary share over 2010 (payable in 2011);
- 125% of the dividend paid on each ordinary share over 2011 onwards (payable in 2012 onwards).

Since ING Groep N.V. had already paid an interim dividend of EUR 0.74 in August 2008, ING recognised a coupon payable of EUR 425 million to the Dutch State as of 31 December 2008. This coupon was paid on 12 May 2009.

Further coupons are to be paid on 12 May of each year (the coupon date) in cash if dividend on ordinary shares is paid in cash or to be paid in scrip securities in the event of a scrip dividend on ordinary shares. Coupons are only due and payable, on a non-cumulative basis and if a dividend is paid on ordinary shares over the financial year preceding the coupon date, either on an interim or a final dividend basis, provided that ING Groep N.V.'s capital adequacy position is and remains satisfactory both before and immediately after payment in the opinion of the Dutch Central Bank.

ING Groep N.V. has the right to repurchase all or some of the non-voting equity securities at EUR 15 per security at any time, together with the pro-rata coupon, if due, accrued to such date. ING Groep N.V. and the Dutch State have agreed in October 2009 that up to EUR 5 billion of the EUR 10 billion core Tier 1 securities may be repurchased at any time until 31 January 2010 at the original issue price of EUR 10 per non-voting equity security, plus a repurchase premium and accrued interest.

ING Groep N.V. also has the right to convert all or some of the non-voting equity securities into ordinary shares on a one-for-one basis from three years after the issue date onwards, subject to certain conditions. The Dutch State in that case has the right to demand a redemption payment of EUR 10 per non-voting equity security, together with the pro-rata coupon, if due, accrued to such date.

Both repurchase and conversion of the securities must be approved by the Dutch Central Bank.

Repayment non-voting equity shares
ING Groep N.V. announced on 26 October 2009 that it reached an agreement with the Dutch State to alter the repayment terms of the non-voting equity securities issued in November 2008, in order to facilitate early repayment. This early repayment option was valid until the end of January 2010. ING Groep N.V. repurchased EUR 5 billion of the non-voting equity securities on 21 December 2009.

Under the agreement, ING repurchased EUR 5 billion of the securities, representing half of the non-voting equity securities, at the issue price (EUR 10) plus the accrued coupon and a repayment premium. The 8.5% coupon payment was approximately EUR 259 million at the time of repayment and the repayment premium was EUR 346 million. The total payment amounted to EUR 5,605 million. The terms of the remaining non-voting equity securities, including restrictions on remuneration and corporate governance, remain unchanged.

In order to finance the repayment of the non-voting equity securities and the associated expenses as well as to mitigate the capital impact of the additional Illiquid Assets Back-Up Facility payments as part of the overall agreement with the European Commission, ING launched a capital increase with preferential subscription rights for holders of (depositary receipts for) ordinary shares of up to EUR 7.5 billion. The rights issue, as disclosed in Note 13 'Shareholders' equity (parent)/non-voting equity securities' was authorised by the Extraordinary General Meeting of Shareholders on 25 November 2009. Proceeds of the issue in excess of the above amounts were used to strengthen ING's capital position.

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

European Commission Restructuring Plan

In 2009, ING Groep N.V. submitted a Restructuring Plan to the European Commission as part of the process to receive approval for the government support measures. The Restructuring Plan has formally been approved by the European Commission. The main elements of the Restructuring Plan as announced on 26 October 2009 are as follows:

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

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

Credit Guarantee Scheme

As part of the measures adopted to protect the financial sector, the Dutch State introduced a EUR 200 billion credit guarantee scheme for the issuance of medium term debt instruments by banks (the Credit Guarantee Scheme). ING Bank N.V. issued government guaranteed debt instruments under this Credit Guarantee Scheme ('Government Guaranteed Bonds') as part of its regular medium-term funding operations. The relevant Rules of the Credit Guarantee Scheme promulgate the rules applicable to any issues under the Credit Guarantee Scheme and include information such as scope, denomination, tenor and fees payable by the banks. ING Group pays a fee of 84 basis points over the issued bonds to the Dutch State to participate in the Credit Guarantee Scheme. Reference is made to Note 15 'Debt securities in issue'.

Other

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

In the framework of the transactions with the Dutch State disclosed in this note, certain arrangements with respect to corporate governance and executive remuneration were agreed with the Dutch State which will remain in place as long as the Dutch State owns at least 250 million non-voting equity securities, as long as the Illiquid Assets Back-Up Facility is in place or any of the Government Guaranteed Bonds is outstanding (whichever expires last). These arrangements entail that:

- the Dutch State may recommend two candidates (the 'State Nominees') for appointment to the Supervisory Board. Certain decisions of the Supervisory Board require approval of the State Supervisory Board members;
- ING Group will develop a sustainable remuneration policy for the Executive Board and Senior Management that is aligned to new international standards and submit this to its General Meeting for adoption. This remuneration policy shall include incentive schemes which are linked to long-term value creation, thereby taking account of risk and restricting the potential for 'rewards for failure'. The new remuneration policy will, amongst others, include objectives relating to corporate and social responsibility;
- members of the Executive Board will not receive any performance-related payment - either in cash, options, shares or bearer depositary receipts - for the years 2008, 2009 and subsequent years until the adoption of the new remuneration policy mentioned above;
- severance payments to Executive Board members will be limited to a maximum of one year's fixed salary, in line with the Tabaksblat Code;
- ING has undertaken to support the growth of the lending to corporates and consumers (including mortgages) for an amount of EUR 25 billion, on market conforming terms;
- ING agreed to pro-actively use EUR 10 billion of the Dutch Guarantee Scheme over 2009;
- ING has committed itself to maintaining the Dutch payment system PIN on its payment debit cards as long as other market participants, representing a substantial market share, are still making use of this payment system; and
- appointment of the Chief Executive Officer of the Executive Board requires approval of the State Nominees.

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

34 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	2009	2008	**2009**	2008
Financial assets				
Cash and balances with central banks	**15,390**	22,045	**15,390**	22,045
Amounts due from banks	**43,506**	48,308	**43,397**	48,447
Financial assets at fair value through profit and loss				
– trading assets	**111,444**	160,378	**111,444**	160,378
– investments for risk of policyholders	**104,597**	95,366	**104,597**	95,366
– non-trading derivatives	**11,632**	16,484	**11,632**	16,484
– designated as at fair value through profit and loss	**5,517**	8,277	**5,517**	8,277
Investments				
– available-for-sale	**197,703**	242,852	**197,703**	242,852
– held-to-maturity	**14,809**	15,566	**14,409**	15,440
Loans and advances to customers	**578,488**	622,641	**578,946**	619,791
Other assets [(1)]	**28,764**	33,931	**28,764**	33,931
	1,111,850	1,265,848	**1,111,799**	1,263,011
Financial liabilities				
Subordinated loans	**7,478**	6,277	**10,099**	10,281
Debt securities in issue	**118,950**	93,536	**119,981**	96,488
Other borrowed funds	**22,261**	26,544	**23,151**	31,198
Investment contracts for risk of company	**5,896**	9,804	**5,896**	9,804
Investment contracts for risk of policyholders	**5,406**	11,281	**5,406**	11,281
Amounts due to banks	**84,968**	153,368	**84,235**	152,265
Customer deposits and other funds on deposit	**466,822**	522,693	**469,508**	522,783
Financial liabilities at fair value through profit and loss				
– trading liabilities	**98,245**	152,616	**98,245**	152,616
– non-trading derivatives	**20,070**	21,773	**20,070**	21,773
– designated as at fair value through profit and loss	**11,474**	14,009	**11,474**	14,009
Other liabilities [(2)]	**33,946**	36,533	**33,946**	36,533
	875,516	1,048,434	**882,011**	1,059,031

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

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

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

Financial assets

Cash and balances with central banks

The carrying amount of cash approximates its fair value.

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

Amounts due from banks
The fair values of receivables from banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics, similar to Loans and advances to customers described below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amounts due to banks
The fair values of payables to banks are generally based on quoted market prices or, if not available, on estimates based on discounting future cash flows using available market interest rates and credit spreads for payables to banks with similar characteristics.

Customer deposits and other funds on deposit
The carrying values of customer deposits and other funds on deposit with no stated maturity approximate their fair values. The fair values of deposits with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities.

Financial liabilities at fair value through profit and loss
The fair values of securities in the trading portfolio and other liabilities at fair value through profit and loss are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal discounted cash flow valuation techniques using interest rates and credit spreads that apply to similar instruments. Reference is made to Financial assets at fair value through profit and loss above.

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

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

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

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

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

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

Methods applied in determining fair values of financial assets and liabilities

2009	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	**40,357**	**70,872**	**215**	**111,444**
Investments for risk of policyholders	**100,541**	**4,002**	**54**	**104,597**
Non-trading derivatives	**308**	**11,110**	**214**	**11,632**
Financial assets designated at fair value through profit and loss	**1,469**	**2,477**	**1,571**	**5,517**
Available-for-sale investments	**113,913**	**76,827**	**6,963**	**197,703**
	256,588	**165,288**	**9,017**	**430,893**
Liabilities				
Trading liabilities	**27,234**	**70,956**	**55**	**98,245**
Non-trading derivatives	**444**	**18,739**	**887**	**20,070**
Financial liabilities designated at fair value through profit and loss	**3,955**	**7,184**	**335**	**11,474**
Investment contracts (for contracts carried at fair value)	**3,040**	**2,327**	**39**	**5,406**
	34,673	**99,206**	**1,316**	**135,195**

Methods applied in determining fair values of financial assets and liabilities

2008	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	72,139	87,027	1,212	160,378
Investments for risk of policyholders	92,340	2,723	303	95,366
Non-trading derivatives	2,651	13,830	3	16,484
Financial assets designated at fair value through profit and loss	2,930	3,474	1,873	8,277
Available-for-sale investments	121,437	94,054	27,361	242,852
	291,497	201,108	30,752	523,357
Liabilities				
Trading liabilities	69,853	82,406	357	152,616
Non-trading derivatives	3,313	18,435	25	21,773
Financial liabilities designated at fair value through profit and loss	5,591	8,354	64	14,009
Investment contracts (for contracts carried at fair value)	9,352	1,830	99	11,281
	88,109	111,025	545	199,679

Level 1 – Quoted prices in active markets

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

Level 2 – Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable, the instrument is still classified in this category, provided that the impact of those unobservable inputs on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data.

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

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

Revised IFRS 7 (effective 2009)
IFRS 7 'Financial Instruments: Disclosures' was revised in March 2009 when the IASB published the amendment: 'Improving Disclosures about Financial Instruments'. The revised IFRS 7 is applicable as of the 2009 Annual Accounts and requires a disclosure of assets and liabilities at fair value in a three-level hierarchy. ING Group already provided a disclosure of a three-level hierarchy in its previous years' financial statements as of 2007. Although ING Group's previous disclosure is conceptually in line with the new requirements in IFRS 7, the specific requirements of IFRS 7 result in a number of differences. As a result, certain financial instruments that were previously classified in the category 'Reference to published price quotations in active markets' (the equivalent of Level 1 in IFRS 7) are classified in Level 2 as of 2009. The 2008 comparatives have been adjusted accordingly, resulting in a reclassification in the 2008 comparatives from Level 1 to Level 2. This mainly relates to derivatives (trading and non-trading) for EUR 38.6 billion (assets) and EUR 38.0 billion (liabilities) and to debt securities (available-for-sale investments, designated at fair value through profit and loss and investments /liabilities for risk of policyholders) for EUR 28.9 billion (assets) and EUR 1.8 billion (liabilities).

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

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

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

- *Decrease in Level 1 and Level 2 – reclassifications from Available-for-sale investments to Loans and advances and Amounts due from banks:*
  The reclassification in the first quarter from Available-for-sale investments to Loans and advances (EUR 17.2 billion) and Amounts due from banks (EUR 5.6 billion) resulted in a reduction in Level 2 of approximately EUR 22.8 billion. Furthermore, certain asset backed securities (approximately EUR 6.1 billion) were reclassified from Level 2 to Level 3 during the first quarter because the relevant markets had become inactive; subsequently these were reclassified to Loans and advances during the second quarter. After reclassification to Loans and advances and Amounts due from banks these are no longer recorded at fair value and therefore no longer subject to disclosure in the fair value hierarchy;
- *Decrease in Level 3 – derecognition of asset backed securities in the US:*
  The Illiquid Assets Back-up Facility agreed with the Dutch State resulted in the derecognition of asset backed securities in the United States that were classified in Level 3. As a result of this transaction, financial assets in Level 3 (Available-for-sale investments) decreased by approximately EUR 15.2 billion. This decrease includes the sale proceeds of EUR 22.4 billion and revaluation recognised in equity of EUR 7.2 billion;
- *Decrease in Level 3 – reclassification of asset backed securities in the US and certain private equities to Level 2:*
  During 2009, the pricing transparency and the level of trading activity in the secondary markets for asset backed securities in the United States increased and the price of the securities as provided by the external pricing services converged . Accordingly, in the fourth quarter of 2009, investments in asset backed securities in the United States of approximately EUR 2.8 billion were transferred from Level 3 to Level 2. These assets were transferred into Level 3 during 2008, when the market became inactive and the dispersion between prices for the same security from different prices sources increased significantly. Furthermore approximately EUR 0.7 billion of equity securities in the private equity business (included in Trading and Available-for-sale) were transferred from Level 3 to Level 2 as pricing inputs became market observable;

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

- *Other:*
  Amounts in each of the levels are impacted by changes in the amount and composition of the relevant balance sheet items during the year.

Changes in Level 3 Assets

2009	Trading assets	Investment for risk of policy-holders	Non-trading derivatives	Financial assets designated at fair value through profit and loss	Available-for-sale investments	Total
Opening balance	1,212	303	3	1,873	27,361	30,752
Amounts recognised in profit or loss during the year	–69	2	–133	–90	–1,512	–1,802
Revaluation recognised in equity during the year					7,344	7,344
Purchase of assets	164	65	6	718	997	1,950
Sale of assets	–112	–113	94	–569	–22,204	–22,904
Maturity/settlement	–41	–68	–4	–171	–3,103	–3,387
Reclassifications	–43			–67	–5,994	–6,104
Transfers into Level 3		8	243	123	7,095	7,469
Transfers out of Level 3	–896	–123		–76	–3,641	–4,736
Exchange rate differences		–20	5	–78	698	605
Changes in the composition of the group				–92	–78	–170
Closing balance	215	54	214	1,571	6,963	9,017

Changes in Level 3 Liabilities

2009	Trading liabilities	Non-trading derivatives	Financial liabilities designated at fair value through profit and loss	Investment contracts (for contracts carried at fair value)	Total
Opening balance	357	25	64	99	545
Amounts recognised in profit or loss during the year	–64	–87	124	2	–25
Issue of liabilities	57	541	539	22	1,159
Early repayment of liabilities	–110	–26	–155	–72	–363
Maturity/settlement	–173		–121		–294
Transfers into Level 3	30	417	174	8	629
Transfers out of Level 3	–42		–290	–10	–342
Exchange rate differences		18		–10	8
Changes in the composition of the group		–1			–1
Closing balance	55	887	335	39	1,316

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

2009	Held at balance sheet date	Derecognised during the year	Total
Assets			
Trading assets	–69		–69
Investments for risk of policyholders		2	2
Non-trading derivatives	–133		–133
Financial assets designated at fair value through profit and loss	–104	14	–90
Available-for-sale investments	–1,523	11	–1,512
	–1,829	27	–1,802
Liabilities			
Trading liabilities	–64		–64
Non-trading derivatives	–154	67	–87
Financial liabilities designated at fair value through profit and loss	124		124
Investment contracts (for contracts carried at fair value)		2	2
	–94	69	–25

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

Sensitivities of fair values in Level 3

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

Asset backed securities in the United States

Level 3 assets include EUR 6.4 billion at 31 December 2009 and EUR 25.2 billion at 31 December 2008 for investments in asset backed securities in the United States. The decrease mainly relates to the transfer of Alt-A securities to the Dutch State as part of the Illiquid Asset Back-Up Facility and a transfer to Level 2 as described above. These assets are valued using external price sources that are obtained from third party pricing services and brokers.

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

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

Valuation for these securities is inherently complex and subjective. Although each security in the portfolio is priced based on an external price, without modification by ING Group, and management is confident that it has selected the most appropriate price in the current market circumstances, the valuation of these portfolios would have been different had different prices been selected. The sensitivity of the valuation in this respect is illustrated as follows:
- had the valuation been based on the highest available market price for each security in these portfolios, the overall valuation would have been approximately 2.8% higher than the valuation applied by ING Group (31 December 2008: approximately 7.6% higher);
- had the valuation been based on the lowest available market price for each security in these portfolios, the overall valuation would have been approximately 1.6% lower than the valuation applied by ING Group (31 December 2008: approximately 18.3% lower);
- had the valuation been based on the weighted average available market price for these portfolios, the overall valuation would have been approximately 0.6% higher than the valuation applied by ING Group (31 December 2008: approximately 6.3% lower).

These are indicators of sensitivity and not alternatives for fair value under IFRS-EU. These sensitivities mainly relate to the banking operations.

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

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

Notes to the consolidated profit and loss account of ING Group

amounts in millions of euros, unless stated otherwise

35 INTEREST RESULT BANKING OPERATIONS

Interest result banking operations	2009	2008	2007
Interest income on loans	**24,983**	31,174	26,390
Interest income on impaired loans	**24**	–24	–26
Total interest income on loans	**25,007**	31,150	26,364
Interest income on available-for-sale securities	**3,923**	7,449	7,397
Interest income on held-to-maturity securities	**612**	669	736
Interest income on trading portfolio	**40,844**	45,510	32,443
Interest income on non-trading derivatives	**3,936**	7,076	6,190
Other interest income	**5,528**	5,157	3,619
Interest income banking operations	**79,850**	97,011	76,749
Interest expense on deposits by banks	**1,266**	4,856	5,131
Interest expense on customer deposits and other funds on deposit	**10,976**	19,594	18,563
Interest expense on debt securities	**2,657**	4,109	3,648
Interest expense on subordinated loans	**1,784**	1,784	1,167
Interest on trading liabilities	**40,023**	44,093	29,383
Interest on non-trading derivatives	**4,483**	7,391	6,115
Other interest expense	**6,286**	4,142	3,766
Interest expense banking operations	**67,475**	85,969	67,773
Interest result banking operations	**12,375**	11,042	8,976

Interest margin			
in percentages	**2009**	2008	2007
Interest margin	**1.34**	1.07	0.94

In 2009, the decline in average total assets led to a decrease of the interest result amounting to EUR 929 million (in 2008 the growth in average assets led to an increase of the interest result of EUR 811 million; in 2007 the growth in average assets led to an increase of the interest result of EUR 753 million). The increase of the interest margin by 25 basis points led to an increase of the interest result with EUR 2,406 million (in 2008 the increase of the interest margin by 13 basis points led to a increase of the interest result with EUR 1,440 million; in 2007 the decrease of the interest margin by 12 basis points led to a decrease of the interest result with EUR 1,051 million).

36 GROSS PREMIUM INCOME

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

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

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

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

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

Effect of reinsurance on non-life premiums earned			
	2009	2008	2007
Direct gross premiums earned	**1,746**	4,889	6,003
Reinsurance assumed gross premiums earned	**26**	20	24
Total gross premiums earned	**1,772**	4,909	6,027
Reinsurance ceded	**–68**	–190	–326
	1,704	4,719	5,701

See Note 43 'Underwriting expenditure' for disclosure on reinsurance ceded.

37 INVESTMENT INCOME

Investment income by banking and insurance operations			Banking operations			Insurance operations			Total
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Income from real estate investments	**157**	196	252	**63**	75	80	**220**	271	332
Dividend income	**46**	84	70	**172**	646	750	**218**	730	820
	203	280	322	**235**	721	830	**438**	1,001	1,152
Income from investments in debt securities				**5,429**	6,535	6,857	**5,429**	6,535	6,857
Income from loans									
– unsecured loans				**223**	209	76	**223**	209	76
– mortgage loans				**856**	1,044	1,313	**856**	1,044	1,313
– policy loans				**177**	200	215	**177**	200	215
– other				**101**	92	323	**101**	92	323
Income from investments in debt securities and loans				**6,786**	8,080	8,784	**6,786**	8,080	8,784
Realised gains/losses on disposal of debt securities	**–945**	40	138	**–168**	48	–9	**–1,113**	88	129
Impairments of available-for-sale debt securities	**–1,491**	–2,127	–57	**–584**	–777	–76	**–2,075**	–2,904	–133
Realised gains/losses and impairments of debt securities	**–2,436**	–2,087	81	**–752**	–729	–85	**–3,188**	–2,816	–4
Realised gains/losses on disposal of equity securities	**24**	30	330	**404**	685	2,975	**428**	715	3,305
Impairments of available-for-sale equity securities	**–49**	–331	–17	**–360**	–1,585	–36	**–409**	–1,916	–53
Realised gains/losses and impairments of equity securities	**–25**	–301	313	**44**	–900	2,939	**19**	–1,201	3,252
Change in fair value of real estate investments	**–588**	–350	93	**–125**	–50	75	**–713**	–400	168
Investment income	**–2,846**	–2,458	809	**6,188**	7,122	12,543	**3,342**	4,664	13,352

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

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

38 NET RESULT ON DISPOSALS OF GROUP COMPANIES

Net result on disposals of group companies in 2009	
	2009
ING Australia and New Zealand	**337**
ING Canada	**–38**
Annuity and Mortgage business in Chile	**–23**
Other	**–12**
	264

Other relates to net result on disposals of minor group companies that are individually insignificant.

Net result on disposals of group companies in 2008	
	2008
ING Salud, Chile	55
Seguros ING, Mexico	182
NRG	–15
ING Life Taiwan	–214
Other	9
	17

Reference is made to Note 30 ‘Companies acquired and companies disposed’ for more details.

39 COMMISSION INCOME

Gross fee and commission income	Banking operations			Insurance operations			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Funds transfer	**859**	888	746				**859**	888	746
Securities business	**780**	891	1,049				**780**	891	1,049
Insurance broking	**188**	175	180	**241**	87	124	**429**	262	304
Asset management fees	**584**	934	1,140	**1,874**	2,129	2,025	**2,458**	3,063	3,165
Brokerage and advisory fees	**317**	256	233	**582**	763	1,014	**899**	1,019	1,247
Other	**825**	850	818	**540**	531	364	**1,365**	1,381	1,182
	3,553	3,994	4,166	**3,237**	3,510	3,527	**6,790**	7,504	7,693

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

Other include commission fees of EUR 18 million (2008: EUR 21 million; 2007: EUR 26 million) in respect of underwriting syndication loans.

Fee and commission expenses	Banking operations			Insurance operations			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Funds transfer	**200**	185	144				**200**	185	144
Securities business	**159**	268	370				**159**	268	370
Insurance broking		–4		**332**	574	686	**332**	570	686
Management fees	**24**	169	230	**241**	217	182	**265**	386	412
Brokerage and advisory fees	**43**	5	5	**496**	573	673	**539**	578	678
Other	**449**	476	491	**233**	76	85	**682**	552	576
	875	1,099	1,240	**1,302**	1,440	1,626	**2,177**	2,539	2,866

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

40 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives

	Banking operations			Insurance operations			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Change in fair value of derivatives relating to									
– fair value hedges	**–1,321**	–5,299	924	**191**	–193	–227	**–1,130**	–5,492	697
– cash-flow hedges (ineffective portion)	**–2**		–4	**–8**	22	–5	**–10**	22	–9
– hedges of net investment in foreign entities (ineffective portion)				**1**	–6	–14	**1**	–6	–14
– other non-trading derivatives	**–237**	–28	36	**–3,722**	2,412	–753	**–3,959**	2,384	–717
Net result on non-trading derivatives	**–1,560**	–5,327	956	**–3,538**	2,235	–999	**–5,098**	–3,092	–43
Change in fair value of assets and liabilities (hedged items)	**1,201**	5,533	–886	**–226**	164	223	**975**	5,697	–663
Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading)	**–557**	127	56	**4**	–432	89	**–553**	–305	145
Net valuation results	**–916**	333	126	**–3,760**	1,967	–687	**–4,676**	2,300	–561

Valuation results on non-trading derivatives is mainly a result of negative fair value changes on derivatives used to hedge direct and indirect equity exposures without applying hedge accounting. Indirect equity exposures relate to certain guaranteed benefits in insurance liabilities in the US, Japan, and the Netherlands. In 2009 the fair value changes on these derivatives were negative, as stock market returns became positive. The fair value changes on the derivatives related to the indirect equity exposures are generally offset by an opposite amount in underwriting expenditure (reference is made to Note 43 'Underwriting expenditure').

The Valuation results on assets and liabilities designated at fair value through profit and loss are mainly a result of changes in fair value of financial liabilities, designated at fair value through profit and loss, due to market circumstances; it includes fair value changes on issued debt securities, designated at fair value through profit and loss, including fair value changes attributable to changes in own credit risk as disclosed in Note 20 'Financial liabilities at fair value through profit and loss'.

41 NET TRADING INCOME

Net trading income

	Banking operations			Insurance operations			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Securities trading results	**331**	130	–2,147	**155**	–239	246	**486**	–109	–1,901
Foreign exchange transactions results	**–158**	274	401	**167**	–90	174	**9**	184	575
Derivatives trading results	**815**	–766	2,469		79	30	**815**	–687	2,499
Other	**–185**	–43	26		–94	–80	**–185**	–137	–54
	803	–405	749	**322**	–344	370	**1,125**	–749	1,119

Securities trading results 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. Foreign exchange transactions results 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 2009 relating to trading securities still held as at 31 December amounted to EUR 105 million (2008: EUR –246 million; 2007: EUR –60 million).

The majority of the risks involved in security and currency trading is economically hedged with derivatives. The securities trading results are partly offset by results on these derivatives. The result of these derivatives is included in Derivatives trading results.

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

42 OTHER INCOME

Other income

	Banking operations			Insurance operations			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Net operating lease income	**175**	195	79				**175**	195	79
Income from real estate development projects	**59**	124	95				**59**	124	95
Income post office	**99**	144	148				**99**	144	148
Other	**123**	28	258	**235**	153	305	**358**	181	563
	456	491	580	**235**	153	305	**691**	644	885

Net operating lease income comprises income of EUR 967 million (2008: EUR 961 million; 2007: EUR 803 million), depreciation of EUR 792 million (2008: EUR 766 million; 2007: EUR 724 million) and other expenses of nil (2008: nil; 2007: nil).

43 UNDERWRITING EXPENDITURE

Underwriting expenditure

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

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

Underwriting expenditure by class

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

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

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

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

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

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

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

ING Group transferred part of its life insurance business to Scottish Re in 2004 by means of a co-insurance contract. A loss amounting to EUR 160 million was recognised in Underwriting expenditure in 2004 on this transaction. This loss represented the reduction of the related deferred acquisition costs. In addition, an amount of EUR 240 million is being amortised over the life of the underlying business, starting in 2005 and gradually decreasing in subsequent years as the business tails off. The amount amortised in 2009 was EUR 13 million (2008: EUR 12 million; 2007: EUR 15 million). The cumulative amortisation as at 31 December 2009 was EUR 107 million (2008: EUR 96 million; 2007: EUR 81 million). On 23 January 2009, Hannover Re and Scottish Re announced that Hannover Re has agreed to assume the ING individual life reinsurance business originally transferred to Scottish Re in 2004.

44 INTANGIBLE AMORTISATION AND OTHER IMPAIRMENTS

Intangible amortisation and (reversals of) impairments	Impairment losses			Reversals of impairments			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Property and equipment	**8**	19	2	**–12**		–14	**–4**	19	–12
Property held for sale (development projects)	**450**	93	41	**–7**	–31	–43	**443**	62	–2
Goodwill		155						155	
Software and other intangible assets	**9**	71	15				**9**	71	15
Other						–4			–4
(Reversals of) other impairments	**467**	338	58	**–19**	–31	–61	**448**	307	–3
Amortisation of other intangible assets							**120**	157	18
							568	464	15

Impairments on Loans and advances to customers are presented under Addition to loan loss provision. Impairments on investments are presented under Investment income. Reference is made to the 'Risk management' section for further information on impairments.

The impairments on Property held for sale (development projects) are recognised on a large number of Real Estate development projects in Europe, Australia (Waterfront City project) and the US. Circumstances that have led to these impairments are unfavourable economic circumstances in all regions that have resulted into lower expected sales prices, changes in strategy of ING Real Estate Development whereby certain projects are not developed further and operational inefficiencies in a limited number of projects.

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

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

45 STAFF EXPENSES

Staff expenses

	Banking operations			Insurance operations			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Salaries	**3,555**	3,816	3,646	**1,521**	2,069	2,050	**5,076**	5,885	5,696
Pension and other staff-related benefit costs	**178**	104	159	**142**	140	48	**320**	244	207
Social security costs	**510**	516	466	**161**	205	201	**671**	721	667
Share-based compensation arrangements	**58**	75	73	**38**	49	54	**96**	124	127
External employees	**660**	1,056	668	**96**	160	160	**756**	1,216	828
Education	**57**	105	81	**8**	11		**65**	116	81
Other staff costs	**195**	252	331	**159**	206	324	**354**	458	655
	5,213	5,924	5,424	**2,125**	2,840	2,837	**7,338**	8,764	8,261

Share-based compensation arrangements includes EUR 65 million (2008: EUR 98 million; 2007: EUR 110 million) relating to equity-settled share-based payment arrangements and EUR 31 million (2008: EUR 26 million; 2007: EUR 17 million) relating to cash-settled share-based payment arrangements.

Pension and other staff-related benefit costs

	Pension benefits			Post-employment benefits other than pensions			Other			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Current service cost	**320**	356	408	**–8**	–2	11	**–38**	5	–13	**274**	359	406
Past service cost	**20**	77	–86	**–21**					–1	**–1**	77	–87
Interest cost	**778**	787	739	**10**	11	13	**9**	4	9	**797**	802	761
Expected return on assets	**–842**	–886	–869				**1**			**–841**	–886	–869
Amortisation of unrecognised past service cost				**–1**	–1	–5				**–1**	–1	–5
Amortisation of unrecognised actuarial (gains)/losses	**106**	–23	29	**–5**			**5**		4	**106**	–23	33
Effect of curtailment or settlement	**–96**	–140	–32							**–96**	–140	–32
Other	**–14**	–18	–62			–7	**15**	6	1	**1**	–12	–68
Defined benefit plans	**272**	153	127	**–25**	8	12	**–8**	15	0	**239**	176	139
Defined contribution plans										**81**	68	68
										320	244	207

Remuneration of senior management, Executive Board and Supervisory Board
Reference is made to Note 33 'Related parties'.

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

ING Group holds its own shares in order to fulfil its obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned (so-called delta hedge). As at 31 December 2009, 35,178,086 own shares (2008: 32,367,870; 2007: 36,028,881) were held in connection with the option plan compared to 122,334,486 options outstanding (2008: 87,263,381; 2007: 76,888,553). As a result the granted option rights were (delta) hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour. The hedge is rebalanced regularly at predetermined points in time.

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

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

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

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

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

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

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

The option rights are valid for a period of five or ten years. Option rights that are not exercised within this period lapse. Option rights granted will remain valid until the expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a certain continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Group shares at the date on which the options are granted.

The entitlement to the share awards is granted conditionally. If the participant remains in employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional. In 2009, no shares (2008: 211,049; 2007: 139,113) have been granted to the members of the Executive Board of ING Group, Management Boards of ING Bank and ING Insurance and 6,273,467 shares (2008: 3,380,706; 2007: 2,415,649) have been granted to senior management and other employees remaining in the service of ING Group.

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

Changes in option rights outstanding[1]

	Options outstanding (in numbers)			Weighted average exercise price (in euros)		
	2009	2008	2007	**2009**	2008	2007
Opening balance	**87,263,381**	76,888,553	74,175,909	**25.93**	26.66	25.99
Granted	**14,803,109**	14,905,232	12,139,472	**3.93**	21.85	32.13
Exercised	**–22,757**	–1,225,856	–7,163,332	**5.33**	18.09	19.73
Forfeited	**–5,974,275**	–3,304,548	–2,263,496	**26.30**	28.87	27.68
Rights issue	**28,395,811**					
Expired	**–2,130,783**			**32.11**		
Closing balance	**122,334,486**	87,263,381	76,888,553	**17.31**	25.93	26.66

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

As per 31 December 2009 total options outstanding consists of 103,523,988 options (2008: 73,826,891) relating to equity-settled share-based payment arrangements and 18,810,498 options (2008: 13,436,490) relating to cash-settled share-based payment arrangements.

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

Changes in option rights non-vested [1]

	Options non-vested (in numbers)			Weighted average grant date fair value (in euros)		
	2009	2008	2007	**2009**	2008	2007
Opening balance	**37,867,732**	38,405,158	38,551,921	**6.03**	5.83	4.57
Granted	**14,803,109**	14,905,232	12,139,472	**2.52**	5.28	6.52
Vested	**–11,100,675**	–13,173,224	–10,112,348	**6.48**	3.49	6.14
Forfeited	**–2,931,533**	–2,269,434	–2,173,887	**5.67**	5.64	5.46
Rights issue	**11,678,032**					
Closing balance	**50,316,665**	37,867,732	38,405,158	**3.52**	6.03	5.83

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

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

Summary of stock options outstanding and exercisable

2009 Range of exercise price in euros	**Options outstanding as at 31 December 2009**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at 31 December 2009**	**Weighted average remaining contractual life**	**Weighted average exercise price**
0.00 – 5.00	**18,394,697**	**3.57**	**2.88**			
5.00 – 10.00	**7,257,362**	**8.76**	**9.17**	**6,826,298**	**3.18**	**9.20**
10.00 – 15.00	**11,132,430**	**3.51**	**14.20**	**10,802,627**	**3.35**	**14.20**
15.00 – 20.00	**35,095,363**	**6.19**	**17.29**	**17,396,930**	**4.50**	**17.77**
20.00 – 25.00	**28,576,153**	**4.02**	**23.38**	**15,861,602**	**1.73**	**22.38**
25.00 – 30.00	**21,878,481**	**4.50**	**25.82**	**21,130,364**	**4.40**	**25.83**
	122,334,486			**72,017,821**		

Summary of stock options outstanding and exercisable [(1)]

2008 Range of exercise price in euros	Options outstanding as at 31 December 2008	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2008	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 15.00	5,772,054	4.19	12.11	5,772,054	4.19	12.11
15.00 – 20.00	9,425,787	4.70	18.69	9,149,037	4.55	18.69
20.00 – 25.00	28,055,499	7.49	22.49	14,212,102	5.83	23.22
25.00 – 30.00	15,390,859	2.74	28.57	14,729,456	2.44	28.71
30.00 – 35.00	23,157,582	7.71	32.46	71,400	2.57	33.06
35.00 – 40.00	5,461,600	2.13	35.51	5,461,600	2.13	35.51
	87,263,381			49,395,649		

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

Summary of stock options outstanding and exercisable [(1)]

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 remaining contractual life	Weighted average exercise price
0.00 – 15.00	6,236,710	5.19	12.02	6,236,710	5.19	12.02
15.00 – 20.00	9,773,356	5.55	18.47	9,773,356	5.55	18.47
20.00 – 25.00	15,180,545	6.84	23.10	1,556,832	3.21	21.83
25.00 – 30.00	15,338,397	3.46	28.72	15,206,363	3.42	28.74
30.00 – 35.00	24,726,711	8.69	32.47	77,300	3.59	33.08
35.00 – 40.00	5,632,834	3.14	35.51	5,632,834	3.14	35.51
	76,888,553			38,483,395		

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

The aggregate intrinsic value of options outstanding and exercisable as at 31 December 2009 was EUR 74 million and nil, respectively.

As at 31 December 2009 total unrecognised compensation costs related to stock options amounted to EUR 62 million (2008: EUR 94 million; 2007: EUR 69 million). These costs are expected to be recognised over a weighted average period of 1.6 years (2008: 1.8 years; 2007: 1.7 years). Cash received from stock option exercises for the year ended 31 December 2009 was nil (2008: EUR 22 million; 2007: EUR 131 million).

The fair value of options granted is recognised as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined by using a Monte Carlo simulation. This model takes the risk free interest rate into account (2.64% to 4.62%), as well as the expected life of the options granted (5 year to 8 years), the exercise price, the current share price (EUR 2.90 - EUR 26.05), the expected volatility of the certificates of ING Group shares (25% - 84%) and the expected dividends yield (0.94% to 8.99%). The source for implied volatilities used for the valuation of the stock options is ING's trading system. The implied volatilities in this system are determined by ING's traders and are based on market data implied volatilities not on historical volatilities.

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

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

Changes in share awards[1]	Share awards (in numbers)			Weighted average grant date fair value (in euros)		
	2009	2008	2007	**2009**	2008	2007
Opening balance	**7,792,009**	7,133,714	8,373,146	**22.60**	27.52	24.90
Granted	**6,273,467**	3,591,755	2,554,762	**3.29**	16.74	19.74
Performance effect	**–1,085,987**	–451,070	2,463,058	**32.52**	27.44	19.35
Vested	**–1,228,764**	–1,945,092	–5,569,061	**32.63**	27.51	19.35
Forfeited	**–498,553**	–537,298	–688,191	**24.01**	25.92	26.39
Rights issue	**3,401,501**					
Closing balance	**14,653,673**	7,792,009	7,133,714	**7.53**	22.60	27.52

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

As per 31 December 2009 the share awards consists of 10,810,687 share awards (2008: 5,719,281) relating to equity-settled share-based payment arrangements and 3,842,986 share awards (2008: 2,072,728) relating to cash-settled share-based payment arrangements.

The fair value of share awards granted is recognised as an expense under staff expenses and is allocated over the vesting period of the share awards. The fair values of share awards have been determined by using a Monte Carlo simulation based valuation model. The model takes into account the risk free interest rate, the current stock prices, expected volatilities and current divided yields of the performance peer group used to determine ING's Total Shareholder Return (TSR) ranking.

As at 31 December 2009 total unrecognised compensation costs related to share awards amounted to EUR 41 million (2008: EUR 56 million; 2007: EUR 53 million). These costs are expected to be recognised over a weighted average period of 1.8 years (2008: 1.8 years; 2007: 1.7 years).

46 OTHER INTEREST EXPENSES

Other interest expenses mainly consist of interest in connection with the insurance operations, including interest on the perpetual subordinated loans.

Other interest expenses include nil and EUR 86 million dividends paid on preference shares and trust preferred securities (2008: EUR 1 million and EUR 94 million; 2007: EUR 7 million and EUR 92 million).

Total interest income and total interest expense for items not valued at fair value through profit and loss for 2009 were EUR 41,856 million (2008: EUR 52,505 million; 2007: EUR 46,900 million) and EUR 22,253 million (2008: EUR 33,507 million; 2007: EUR 31,173 million) respectively. Net interest income of EUR 18,445 million is presented in the following lines in the profit and loss account.

Net interest income	**2009**	2008	2007
Interest result bank 35	**12,375**	11,042	8,976
Investment income – insurance 37	**6,786**	8,080	8,784
Interest expense	**–716**	–978	–1,102
	18,445	18,144	16,658

47 OTHER OPERATING EXPENSES

Other operating expenses	Banking operations			Insurance operations			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Depreciation of property and equipment	**365**	353	321	**84**	95	98	**449**	448	419
Amortisation of software	**282**	103	117	**60**	70	104	**342**	173	221
Computer costs	**637**	733	561	**270**	297	289	**907**	1,030	850
Office expenses	**679**	687	628	**476**	599	660	**1,155**	1,286	1,288
Travel and accommodation expenses	**99**	163	153	**66**	101	102	**165**	264	255
Advertising and public relations	**539**	833	759	**90**	204	258	**629**	1,037	1,017
External advisory fees	**401**	459	491	**289**	373	455	**690**	832	946
Postal charges	**111**	130	113				**111**	130	113
Addition/(releases) of provision for reorganisations and relocations	**339**	136	434	**258**	8	11	**597**	144	445
Other	**1,003**	627	969	**663**	836	684	**1,666**	1,463	1,653
	4,455	4,224	4,546	**2,256**	2,583	2,661	**6,711**	6,807	7,207

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

Other operating expenses include lease and sublease payments in respect of operating leases of EUR 169 million (2008: EUR 172 million; 2007: EUR 156 million) in which ING Group is the lessee. In 2009 other operating expenses also include EUR 22 million related to integration costs of CitiStreet, EUR 21 million related to the sale of ING Advisors Network and EUR 59 million related to premium taxes. Other operating expenses also includes the expenses related to the industry-wide deposit guarantee scheme in the Netherlands due to the bankruptcy of DSB Bank and premiums for deposit guarantee schemes in other countries.

For Addition/(releases) of provision for reorganisations and relocations reference is made to the disclosure on the reorganisation provision in Note 21 'Other liabilities'.

No individual operating lease has terms and conditions that materially affect the amount, timing and certainty of the consolidated cash flows of the Group.

The External advisory fees include fees for audit services and non-audit services provided by the Group's auditors.

Fees of Group's auditors

	2009	2008	2007
Audit fees	**35**	46	61
Audit related fees	**6**	3	7
Tax fees	**2**	3	5
All other fees	**2**	7	2
Total	**45**	59	75

48 TAXATION

Taxation by type

			Netherlands			International			Total
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Current taxation	**159**	–296	6	**598**	830	1,069	**757**	534	1,075
Deferred taxation	**–1,051**	–197	133	**–178**	–1,058	327	**–1,229**	–1,255	460
	–892	–493	139	**420**	–228	1,396	**–472**	–721	1,535

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

	2009	2008	2007
Result before taxation	**–1,525**	–1,487	11,043
Weighted average statutory tax rate	**36.3%**	49.9%	28.7%
Weighted average statutory tax amount	**–554**	–742	3,169
Associates exemption	**–135**	69	–814
Other income not subject to tax	**–227**	–210	–577
Expenses not deductible for tax purposes	**47**	106	93
Impact on deferred tax from change in tax rates		–25	–9
Deferred tax benefit from previously unrecognised amounts	**–32**		–64
Current tax benefit from previously unrecognised amounts			–222
Write down/reversal of deferred tax assets	**546**	360	8
Adjustment to prior periods	**–117**	–279	–49
Effective tax amount	**–472**	–721	1,535
Effective tax rate	**30.9%**	48.5%	13.9%

The weighted average statutory tax rate decreased in 2009 compared to 2008 mainly caused by the fact that a smaller part of the losses was incurred in high tax jurisdictions than in 2008.

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

The effective tax rate in 2009 was lower than the weighted average statutory tax rate, resulting in a lower tax benefit for the pre-tax loss. This is caused by the fact that a reduction of the carrying value of deferred tax assets and non-deductible expenses exceeded tax exempt income and releases from tax provisions.

The effective tax rate in 2008 was slightly lower than the weighted average statutory tax. Main reasons for this are tax exempt income and releases of tax provisions, partly offset by non deductible expenses and a reduction of the deferred tax assets.

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

49 EARNINGS PER ORDINARY SHARE

Earnings per ordinary share

	Amount (in millions of euros)			Weighted average number of ordinary shares outstanding during the period (in millions)			Per ordinary share (in euros)		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Net result	**–935**	–729	9,241	**2,102.9**	2,042.7	2,141.1	**–0.44**	–0.36	4.32
Attribution to non-voting equity securities [(1)]	**–605**								
Impact of rights issue [(2)]				**583.1**	617.5	647.2			
Basic earnings	**–1,540**	–729	9,241	**2,686.0**	2,660.2	2,788.3	**–0.57**	–0.27	3.31
Effect of dilutive securities:									
Non-voting equity securities									
Warrants						4.2			
Stock option and share plans				**5.7**	1.0	16.0			
				5.7	1.0	20.2			
Diluted earnings	**–1,540**	–729	9,241	**2,691.7**	2,661.2	2,808.5	**–0.57**	–0.27	3.29

(1) The 2009 amount of EUR 605 million includes the coupon (EUR 259 million) and repayment premium (EUR 346 million) on the repayment of EUR 5 billion non-voting equity securities. The 2008 coupon of EUR 425 million paid on the non-voting securities did not impact basic earnings.

(2) The rights issue, which was finalised on 15 December 2009 has an effect on the basic earnings per share and the diluted earnings per share, as defined in IFRS. All weighted average number of shares outstanding before the rights issue are restated with an adjustment factor of approximately 1.3 that reflects the fact that the exercise price of the rights issue was less than the fair value of the shares. The effect of dilutive securities is adjusted as well.

Diluted earnings per share data are computed as if the stock options and warrants outstanding at year-end had been exercised at the beginning of the period. It is also assumed that ING Group uses the cash received from exercised stock options and warrants or non-voting equity securities converted to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from exercising warrants and stock options or converting non-voting equity securities is added to the average number of shares used for the calculation of diluted earnings per share. The potential conversion of the non-voting equity securities has an antidilutive effect on the earnings per share calculation in 2008 and 2009 (the diluted earnings per share becoming less negative than the basic earnings per share). Therefore, the potential conversion is not taken into account in determining the weighted average number of shares for the calculation of diluted earnings per share for these years.

50 DIVIDEND PER ORDINARY SHARE

Dividend per ordinary share

	2009 [(1)]	2008	2007
Per ordinary share (in euros)	**0.00**	0.74	1.48
Total amount of dividend declared (in millions of euros)	**0**	1,500	3,180

(1) The Executive Board, with the approval of the Supervisory Board, has proposed, subject to the ratification by the General Meeting of Shareholders, a cash dividend of EUR 0.00 per share for the year 2009.

In 2009 a coupon to the Dutch State of EUR 259 million was paid as part of the repayment of EUR 5 billion non-voting equity securities.

In 2008 coupon was payable to the Dutch State per non-voting equity security of EUR 0.425, provided that ING Group's capital adequacy position was and remained satisfactory both before and after payment in the opinion of the Dutch central bank. The full amount of EUR 425 million was recognised as a liability as at 31 December 2008. The amount was paid on 12 May 2009.

Segment reporting

amounts in millions of euros, unless stated otherwise

51 OPERATING SEGMENTS

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

ING Group's operating segments relate to the internal segmentation by business lines. These include the business lines: Retail Banking, ING Direct, Commercial Banking, Insurance Europe, Insurance Americas and Insurance Asia/Pacific. Until 2008, the operating segment Commercial Banking was named Wholesale Banking. The content of this segment remained unchanged. Other mainly includes items not directly attributable to the business lines.

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 policies in conformity with the strategy and performance targets set by the Executive Board.

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

The Corporate Line Banking and the Corporate Line Insurance are both included in Other. These are not separate reportable segments as they do not qualify as an operating segment that engages in business activities from which it may earn revenue and incur expenses.

Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. ING Group applies a system of capital charging for its banking operations in order to create a comparable basis for the results of business units globally, irrespective of the business units' book equity and the currency they operate in. ING Group's policy is that equity held locally must be invested notionally at the local risk-free rate. The Corporate Line charges business units for the income they make on the book equity invested. Business units receive a benefit equivalent to the risk free euro rate on the economic capital they employ. Consequently, the results of the businesses as disclosed are the local results after Group overhead charges, while the investment returns |on equity are based on the risk free euro rate on economic capital.

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

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

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

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

Segment	Main source of income
Retail Banking	Income from retail and private banking activities. The main products offered are savings accounts and mortgages.
ING Direct	Income from direct retail banking activities. The main products offered are savings accounts and mortgages.
Commercial Banking	Income from wholesale banking activities. A full range of products is offered, from cash management to corporate finance. Commercial Banking also includes ING Real Estate.
Insurance Europe	Income from life insurance, non-life insurance, investment management, asset management and retirement services in Europe.
Insurance Americas	Income from life insurance, investment management, asset management and retirement services in the US and Latin America.
Insurance Asia/Pacific	Income from life insurance, investment management, asset management and retirement services in Asia/Pacific.

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

Segment reporting (continued)

Operating segments										
2009	Retail Banking	ING Direct	Commercial Banking	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Other	Total segments	Eliminations	Total
Underlying income										
– Gross premium income				9,750	13,973	6,422	34	30,179		30,179
– Net interest result – banking operations	5,737	3,136	3,821				–155	12,539	–164	12,375
– Commission income	1,332	167	1,185	494	1,194	107		4,479		4,479
– Total investment and other income	170	–1,541	–318	2,390	1,095	1,089	1,436	4,321	–3,161	1,160
Total underlying income	7,239	1,762	4,688	12,634	16,262	7,618	1,315	51,518	–3,325	48,193
Underlying expenditure										
– Underwriting expenditure				10,163	14,365	5,877	33	30,438		30,438
– Operating expenses	4,708	1,663	2,350	1,503	1,611	599	358	12,792		12,792
– Other interest expenses				318	225	922	2,576	4,041	–3,325	716
– Additions to loan loss provision	997	765	1,211					2,973		2,973
– Other impairments			433				132	565		565
Total underlying expenses	5,705	2,428	3,994	11,984	16,201	7,398	3,099	50,809	–3,325	47,484
Underlying result before taxation	1,534	–666	694	650	61	220	–1,784	709		709
Taxation	328	–252	186	135	146	80	–544	79		79
Minority interest	17		–158	27	6	2	–12	–118		–118
Underlying net result	1,189	–414	666	488	–91	138	–1,228	748		748

While the reserves for the segment Insurance Americas are adequate at the 50% confidence level, a net reserve inadequacy exists using a prudent (90%) confidence level. In line with Group Policy, Insurance Americas is taking measures to improve adequacy in that region. This inadequacy was offset by reserve adequacies in other segments, such that at the Group level there is a net adequacy at the prudent (90%) confidence level.

Reconciliation between IFRS and Underlying income, expenses and net result			
2009	Income	Expenses	Net result
Underlying	48,193	47,484	748
Divestments	840	754	76
Special items	–1,268	1,052	–1,759
IFRS as applied by ING Group	47,765	49,290	–935

Divestments in 2009 mainly include the net impact of the sale of ING's 70% stake in ING Canada, the Nationale Nederlanden Industry Pension fund portfolio, the Annuity and Mortgage businesses in Chile, three US independent retail broker-dealer units (three quarters of ING Advisors Network) and ING Australia Pty Limited.

Special items in 2009 reflects mainly the net impact of transaction result on the Illiquid Asset Back-up Facility, including the additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission of EUR 1.3 billion (EUR 930 million after tax), and restructuring costs.

Impairments on investments are presented within Investment income, which is part of Total income. In 2009, total impairments of EUR 2,485 million are included in the following segments: nil in Retail Banking, EUR 1,393 million in ING Direct, and EUR 130 million in Commercial Banking, EUR 244 million in Insurance Europe, EUR 501 million in Insurance Americas, EUR 12 million in Insurance Asia/Pacific and EUR 205 million in Other.

Segment reporting (continued)

Operating segments										
2008	Retail Banking	ING Direct	Commercial Banking	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Other	Total segments	Eliminations	Total
Underlying income										
– Gross premium income				10,194	18,935	8,591	40	37,760		37,760
– Net interest result – banking operations	5,556	2,517	3,240				–228	11,085	–43	11,042
– Commission income	1,535	150	1,213	491	1,201	116	3	4,709		4,709
– Total investment and other income	308	–1,790	–346	3,804	2,903	2,730	1,028	8,637	–2,861	5,776
Total underlying income	7,399	877	4,107	14,489	23,039	11,437	843	62,191	–2,904	59,287
Underlying expenditure										
– Underwriting expenditure				11,559	22,022	10,017	6	43,604		43,604
– Operating expenses	5,307	1,719	2,840	1,764	1,753	702	73	14,158		14,158
– Other interest expenses				513	222	719	2,428	3,882	–2,904	978
– Additions to loan loss provision	401	283	596					1,280		1,280
– Other impairments			62	2			134	198		198
Total underlying expenses	5,708	2,002	3,498	13,838	23,997	11,438	2,641	63,122	–2,904	60,218
Underlying result before taxation	1,691	–1,125	609	651	–958	–1	–1,798	–931		–931
Taxation	355	–394	193	159	–240	20	–658	–565		–565
Minority interest	36	2	–107	–6	5	19	–11	–62		–62
Underlying net result	1,300	–733	523	498	–723	–40	–1,129	–304		–304

Reconciliation between IFRS and Underlying income, expenses and net result			
2008	Income	Expenses	Net result
Underlying	59,287	60,218	–304
Divestments	7,004	7,167	–97
Special items		393	–328
IFRS as applied by ING Group	66,291	67,778	–729

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

Special items in 2008 relate to the nationalisation of the annuity business in Argentina, the combining of ING Bank and Postbank and the unwinding of Postkantoren.

Impairments on investments are presented within Investment income, which is part of Total income. In 2008, total impairments of EUR 4,820 million are included in the following segments: EUR 4 million in Retail Banking, EUR 1,891 million in ING Direct and EUR 267 million in Commercial Banking, EUR 241 million in Insurance Europe, EUR 692 million in Insurance Americas, EUR 223 million in Insurance Asia/Pacific and EUR 1,502 million in Other.

Segment reporting (continued)

Operating segments										
2007	Retail Banking	ING Direct	Commercial Banking	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Other	Total segments	Eliminations	Total
Underlying income										
– Gross premium income				10,253	19,156	9,347	46	38,802		38,802
– Net interest result – banking operations	5,378	1,932	1,748				3	9,061	–60	9,001
– Commission income	1,591	98	1,235	476	978	120	9	4,507		4,507
– Total investment and other income	486	166	1,818	4,626	4,280	1,007	3,804	16,187	–1,838	14,349
Total underlying income	7,455	2,196	4,801	15,355	24,414	10,474	3,862	68,557	–1,898	66,659
Underlying expenditure										
– Underwriting expenditure				11,205	20,825	9,181	53	41,264		41,264
– Operating expenses	4,855	1,598	2,884	1,726	1,705	690	292	13,750		13,750
– Other interest expenses				582	327	175	1,910	2,994	–1,898	1,096
– Additions to loan loss provision	198	68	–142				1	125		125
– Other impairments				2			–5	–3		–3
Total underlying expenses	5,053	1,666	2,742	13,515	22,857	10,046	2,251	58,130	–1,898	56,232
Underlying result before taxation	2,402	530	2,059	1,840	1,557	428	1,611	10,427		10,427
Taxation	532	105	262	252	410	120	–229	1,452		1,452
Minority interest	44		68	16	8	44	–21	159		159
Underlying net result	1,826	425	1,729	1,572	1,139	264	1,861	8,816		8,816

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

Reconciliation between IFRS and Underlying income, expenses and net result			
2007	Income	Expenses	Net result
Underlying	66,659	56,232	8,816
Divestments	9,971	8,865	795
Special items	–44	446	–370
IFRS as applied by ING Group	76,586	65,543	9,241

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

Special items in 2007 relate to the restructuring of Oyak Bank and the combining of ING Bank and Postbank.

Interest income (external) and interest expense (external) breakdown by business lines								
2009	**Retail Banking**	**ING Direct**	**Commercial Banking**	**Insurance Europe**	**Insurance Americas**	**Insurance Asia/Pacific**	**Other**	**Total**
Interest income	**16,412**	**10,532**	**52,051**	**2,443**	**3,579**	**658**	**1,458**	**87,133**
Interest expense	**8,903**	**7,451**	**48,743**	**43**	**284**	**3**	**3,261**	**68,688**
	7,509	**3,081**	**3,308**	**2,400**	**3,295**	**655**	**–1,803**	**18,445**

Segment reporting (continued)

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

2008	Retail Banking	ING Direct	Commercial Banking	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Other	Total
Interest income	15,754	13,293	67,834	2,543	4,311	912	444	105,091
Interest expense	12,792	10,501	60,855	87	333	4	2,375	86,947
	2,962	2,792	6,979	2,456	3,978	908	–1,931	18,144

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

2007	Retail Banking	ING Direct	Commercial Banking	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Other	Total
Interest income	15,068	12,040	49,753	3,026	4,603	975	68	85,533
Interest expense	12,442	9,963	43,583	85	376	4	2,422	68,875
	2,626	2,077	6,170	2,941	4,227	971	–2,354	16,658

52 INFORMATION ON GEOGRAPHICAL AREAS

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

Geographical areas

2009	**Netherlands**	**Belgium**	**Rest of Europe**	**North America**	**Latin America**	**Asia**	**Australia**	**Other**	**Eliminations**	**Total**
Total income	**13,165**	**4,569**	**7,658**	**15,222**	**1,210**	**8,322**	**838**	**–150**	**–3,069**	**47,765**
Total assets	**526,248**	**156,059**	**317,312**	**291,658**	**15,671**	**80,594**	**33,889**	**28,871**	**–286,659**	**1,163,643**

Geographical areas

2008	Netherlands	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Total income	13,888	4,070	7,942	24,958	2,498	14,224	786	–513	–1,562	66,291
Total assets	740,436	173,064	428,722	290,340	25,199	108,074	37,124	45,139	–516,435	1,331,663

Geographical areas

2007	Netherlands	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Total income	16,263	5,149	7,151	27,777	3,364	14,303	1,025	3,526	–1,972	76,586
Total assets	676,676	177,716	363,178	313,263	23,631	89,079	40,915	36,243	–408,191	1,312,510

Notes to the consolidated statement of cash flows of ING Group

amounts in millions of euros, unless stated otherwise

53 NET CASH FLOW FROM INVESTING ACTIVITIES

Information on the impact of companies acquired or disposed of is presented in Note 30 'Companies acquired and companies disposed'.

54 INTEREST AND DIVIDEND INCLUDED IN NET CASH FLOW

Interest and dividend received and paid

	2009	2008	2007
Interest received	**89,229**	103,534	82,707
Interest paid	**–69,274**	–84,061	–66,463
	19,955	19,473	16,244
Dividend received	**218**	730	820
Dividend paid	**–1,030**	–3,207	–3,039

55 CASH AND CASH EQUIVALENTS

Cash and cash equivalents

	2009	2008	2007
Treasury bills and other eligible bills	**3,182**	7,009	4,130
Amounts due from/to banks	**2,387**	2,217	–33,347
Cash and balances with central banks	**15,390**	22,045	12,406
Cash and cash equivalents at end of year	**20,959**	31,271	–16,811

Treasury bills and other eligible bills included in cash and cash equivalents

	2009	2008	2007
Treasury bills and other eligible bills included in trading assets	**2,284**	2,770	1,806
Treasury bills and other eligible bills included in available-for-sale investments	**898**	4,239	2,324
	3,182	7,009	4,130

Amounts due to/from banks

	2009	2008	2007
Included in cash and cash equivalents:			
– amounts due to banks	**–12,334**	–13,738	–42,154
– amounts due from banks	**14,721**	15,955	8,807
	2,387	2,217	–33,347
Not included in cash and cash equivalents:			
– amounts due to banks	**–71,901**	–138,527	–124,818
– amounts due from banks	**28,676**	32,492	40,068
	–43,225	–106,035	–84,750
Included in balance sheet:			
– amounts due to banks	**–84,235**	–152,265	–166,972
– amounts due from banks	**43,397**	48,447	48,875
	–40,838	–103,818	–118,097

Cash and cash equivalents include amounts due to/from banks with a term of less than three months from the date on which they were acquired.

ING Group's risk management (including liquidity) is explained in the 'Risk management' section.

Risk management

Contents

Risk management

amounts in millions of euros, unless stated otherwise

RISK MANAGEMENT IN 2009

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

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

MARKET DEVELOPMENTS 2009

After the turmoil on the financial markets during 2008, the financial markets improved considerably during 2009, with the exception of direct and indirect Real Estate investments. The volatility levels came down sharply, with volatility levels at year end 2009 similar to the levels in the first half of 2008. Throughout the world the prices of most major asset classes recovered strongly. Equity markets went up significantly: year on year the S&P 500 increased 23% and the Dutch Amsterdam Exchange Index (AEX) increased 36%. Real Estate prices remained under pressure, however. At 31 December 2009 the S&P Case-Shiller Index, the most prominent Real Estate index in the United States, was 3% lower than at the end of 2008. In December 2009, the price index of Dutch owner-occupied residential real estate, as reported by Statistics Netherlands (CBS) and the Dutch Land Registry Office ('Kadaster'), was 5.3% lower than in December 2008. This decline pertained to all types of residential real estate and to all Dutch provinces. Furthermore, after the credit spread widening during 2008, the credit spreads in the financial and corporate sector narrowed in 2009, both in the US and in Europe. Both in the US and Europe short term interest rates decreased further during 2009, with the exception of the 3 month T-bill which remained at a near zero level. Long term interest rates increased in the US, but in Europe they decreased slightly compared to year end 2008.

Risk mitigation

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

The activities for the bank balance sheet reduction were already started in 2008 (EUR 41 billion), but during 2009 the bank balance sheet was further reduced by EUR 153 billion, and as such the reduction target of EUR 108 billion was reached. Balance sheet reduction was also notable in the Available-for-Sale (AFS) portfolio which reduced by EUR 45 billion in 2009. The reduction was realised through maturing bonds and pre-payments, but also reclassifications out of this category to loans and receivables. For ING Bank EUR 22.8 billion of AFS exposure was reclassified to loans and receivables. EUR 13.3 billion of this reclassification is related to ABS securities, and EUR 9.5 billion relates to covered bond exposures. This reclassification was done in January 2009. In January 2009 ING entered into an Illiquid Assets Back-Up Facility with the Dutch State. This agreement resulted in a de-recognition of AFS exposure of EUR 15.2 billion. At the beginning of the second quarter ING Insurance reclassified EUR 6.1 billion of AFS exposure to loans and advances. This reclassification is related to ABS securities.

In ING Direct the investment portfolio was reduced and more emphasis was placed on own originated assets. Next to the fact that ING's revaluation reserve improved significantly during 2009, ING is now also less sensitive for revaluation reserve changes. The combination of a reduced balance sheet and improved IFRS equity made the Bank asset leverage improve from 35.3 at 31 December 2008 to 27.8 at 31 December 2009.

Focus during the year was also on containment of risk weighted assets (RWA). Credit migration due to downgrades of counterparties resulted in higher risk weights for assets, leading to higher required capital. In order to mitigate the RWA increase several de-risking steps were taken. The first major step was taken at the start of the year when ING and the Dutch state entered into the Illiquid Asset Back-Up Facility (IABF) term sheet. The IABF covers ING's Alt-A residential mortgage backed securities (RMBS) portfolio. Through this transaction the Dutch State became the economic owner of 80% of the Alt-A RMBS portfolio. This transaction was concluded at 90% of the par value per year end 2008. Par value of the portfolio was approximately EUR 30 billion at that point in time. ING remains exposed to 20% of the result of the Alt-A RMBS portfolios, as well as the legal owner of 100% of the securities. As such the transaction significantly reduced the uncertainty regarding the impact on ING of any future losses in the portfolio. In addition, as a result of the IABF, 80% of the Alt-A RMBS portfolios was derecognised from ING's balance sheet under IFRS. Therefore, 80% of the negative revaluation reserve on the securities was reversed, resulting in an increase of EUR 4.6 billion in Shareholders' equity. The transaction also reduced ING's risk weighted assets by approximately EUR 13 billion.

Risk management (continued)

Second, additional mitigation of the RWA migration was done by further reducing the RMBS portfolio, for example via the sale of US Prime RMBS trades during the fourth quarter. ING Direct sold 27 US prime RMBS securities with an amortised cost value of EUR 0.8 billion. The sale resulted in a pre-tax loss of EUR 83 million. The remaining US prime RMBS portfolio within ING Direct has a market value of EUR 0.9 billion and is fully investment grade rated. These and other management actions resulted in a RWA reduction during 2009 of EUR 11 billion, reducing them from EUR 343 billion at year end 2008 to EUR 332 billion at year end 2009.

During 2009, ING lowered, in its new production of Dutch mortgage loans the share of mortgages with non-standard debt capacity calculations or high Loan to Value (LTV) ratios.

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

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

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

Impact of financial crisis

Impact on pressurised asset classes

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

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

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

	31 December 2009	Change in 2009			31 December 2008	
	Fair value	Revaluation through equity (pre-tax)	Write-downs through P&L (pre-tax)	Other changes	Fair value	Revaluation through equity (pre-tax)
US Subprime RMBS	1,428	335	–350	–335	1,778	–1,146
US Alt-A RMBS	2,964	7,235	–1,405	–21,713	18,847	–7,474
CDOs/CLOs	4,087	225	133	260	3,469	–352
CMBS	7,711	1,176	–25	–1,179	7,739	–3,010
Total	16,190	8,971	–1,647	–22,967	31,833	–11,982

- ING Group's total EUR 1.4 billion exposure to US sub-prime assets relates to non originated loans acquired as investments in RMBS and represents 0.1% of total assets. At 31 December 2009 approximately 50% of ING's US sub-prime portfolio was rated A or higher. ING Group does not originate sub-prime mortgages. (Residential) mortgages that are not classified as sub-prime are the vast majority of the total mortgage backed securities (MBS).
- ING Group's total US Alt-A RMBS exposure at 31 December 2009 was EUR 3.0 billion. About 32% of this portfolio was A rated or higher. ING's Available-for-Sale Alt-A investments are measured at fair value in the balance sheet. The significant reduction in exposure as indicated by 'Other changes' is primarily due to the Illiquid Asset Back-Up Facility. The substantial amount of the negative pre-tax revaluation reserve in equity is mainly a result of the decline of market prices in illiquid markets. Under applicable accounting standards, impairments on debt securities are triggered by credit events only. Upon impairment, the full unrealised revaluation on the impaired security (including the amount attributable to market illiquidity) is recognised in the profit and loss account. The amount of impairments recognised in the profit and loss statement is principally a reflection of an illiquid market and occurred credit events.
- Net investments in CDOs/CLOs at 31 December 2009 were 0.4% of total assets. The vast majority of the CDOs/CLOs has investment grade corporate credit as underlying assets. Other changes includes purchases and sales of CDOs/CLOs, as well as foreign currency effects.
- The CMBS portfolio had a market value of EUR 7.7 billion at 31 December 2009. The current fair value is 81% of original purchase price. Improvements in the portfolio were mainly visible in the super senior and AAA tranches; however, ING still had to book EUR 25 million of impairments on the CMBS portfolio during 2009.

Risk management (continued)

Of the EUR 16.2 billion exposure on US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS EUR 12.6 billion is measured at fair value (with the revaluation recognised in equity, except impairments on these trades going through P&L). At 31 December 2009 the fair value of US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS was as provided in the tables below, where the following split is made:
Level 1 – Quoted prices in active markets;
Level 2 – Valuation technique supported by observable inputs;
Level 3 – Valuation technique supported by unobservable inputs.
An analysis of the method applied in determining the fair values of financial assets and liabilities is provided in Note 34 'Fair value of financial assets and liabilities'.

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

2009	Level 1	Level 2	Level 3	Total
US Subprime RMBS		16	1,412	1,428
US Alt-A RMBS		2,308	656	2,964
CDOs/CLOs	2,509	454	54	3,017
CMBS	123	5,074	18	5,215
Total	2,632	7,852	2,140	12,624

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

2008	Level 1	Level 2	Level 3	Total
US Subprime RMBS	20	26	1,732	1,778
US Alt-A RMBS		244	18,244	18,488
CDOs/CLOs	3,273	162	34	3,469
CMBS	5,020	2,050	42	7,112
Total	8,313	2,482	20,052	30,847

Risk management (continued)

Impact on Real Estate
By the end of 2009 ING Group's total exposure to Real Estate was EUR 13.1 billion (2008: EUR 15.5 billion) of which EUR 7.7 billion (2008: EUR 9.8 billion) is in the accounting class fair value through profit and loss. In 2009, ING recorded EUR 2,156 million pre-tax negative revaluations and impairments. ING's Real Estate portfolio has high occupancy rates and is diversified over sectors and regions, but is clearly affected by the ongoing negative Real Estate markets throughout the world.

Impact on Equity securities – available-for-sale
Direct equity exposure at 31 December 2009 was EUR 6.5 billion (listed) and EUR 2.4 billion (non-listed). During 2009 ING recognised EUR 409 million of pre-tax impairments on equity exposure. ING generally decides to impair a listed equity security based on two broad guidelines: when the fair value of the security is below 75% of the cost price or when the market price of the security is below the cost price for longer than six months.

Impact on counterparty risk
The impact on counterparties for 2009 is limited mainly to the collapse of the DSB Bank in the Netherlands. The DSB Bank was covered by the Dutch Deposit Guarantee scheme, and as such ING Group as a participant in the scheme is obliged to contribute to cover the claims from deposit holders. Under the scheme deposits upto an amount of EUR 100,000 per person, meeting definitions of the scheme, are guaranteed.

Impact on monolines
ING has an exposure of EUR 1.1 billion to monolines at the end of 2009 (2008: EUR 2.2 billion). This position decreased during the year primarily due to sales.

Impact on Liquidity profile
Due to the financial crisis liquidity became scarce and central banks around the world provided funding to prevent the interbank market drying up. Throughout the year ING's liquidity position remained within internally set limits. ING Bank has a favourable funding profile as the majority of the funding stems from client deposits.

Impact on loan loss provisioning
ING's loan book consists mainly of corporate loans and mortgages. The loan book continues to perform well despite increases in risk cost over the year. The additions to ING Bank loan loss provisions were EUR 2,973 million or 102 basis points of average credit risk weighted assets (compared to net additions of EUR 1,280 million or 48 basis points in 2008). During the first half of 2009, the larger part of the risk costs were visible in the Commercial Bank; in the Structured Finance and Real Estate portfolios. During the second half of 2009, risk costs in the Commercial Bank came down due to less incidents and closing of several restructurings. The risk costs in the second half of 2009 were negatively impacted, however, by the distress in the Mid Corporate and SME sector in the home markets Netherlands and Belgium. The risk costs in the mortgage portfolio in the home markets were moderate as there were no material increases in arrears and default levels during 2009. ING Direct risk costs were impacted by the US housing market.

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

- More stringently aligning risk taking with the capital position of the financial institutions (revised Basel II for Banks). The revised Basel II proposal narrows the definition of core Tier 1 and Tier 1 capital, and introduces a new definition for a leverage ratio that should become part of Pillar 1 of the Basel framework. The Basel Committee has also issued a proposal for new liquidity requirements.
- Apart from the above mentioned proposals, another aim is to reduce 'pro-cyclicality', to avoid that banks would be required to increase their capital in bad times when it is most scarce. Lastly, there is the proposal to introduce additional capital requirements for counterparty credit risk.
- The Basel II proposals are still in consultation phase, and the benchmarks and limits remain to be specified after a series of quantitative impact studies have been performed.
- Separate from but in line with the revised Basel II proposal, on a country level local regulators are becoming more stringent on the maximum credit risk bank subsidiaries and branches are allowed to run on their parents. This leads to a new phenomenon of so-called trapped pools of liquidity, i.e. excess liquidity in a country can not merely be transferred (unsecured) to a central Treasury in another country.
- Solvency II: In 2009 the Solvency II Framework Directive was formally approved by the European Commission and European Parliament, with a specified deadline for implementation of October 2012. ING has always been a firm supporter of the Solvency II initiative, being an economic, risk-based solvency system that is based on commonly agreed principles, empirical insights and the economic reality in the financial markets. The detailed legislative implementing measures are currently under development. However industry participants have significant concerns on several aspects of the current proposals, which would be detrimental to consumers, the insurance industry, and the European economy. ING is committed to work actively together with all stakeholders to develop pragmatic solutions that would result in Solvency II meeting its original intent.

Risk management (continued)

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

ING GROUP

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

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

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

RISK GOVERNANCE

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

Group Risk Management Function

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

Chief Risk Officer

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

Group Risk Organisation

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

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

Risk management (continued)

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

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

Group Risk Committees

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

- ING Group Credit Committee – Policy (GCCP): Discusses and approves policies, methodologies and procedures related to credit, country and reputation risks within ING Group. The GCCP meets on a monthly basis
- ING Group Credit Committee – Transaction Approval (GCCTA): Discusses and approves transactions which entail taking credit risk (including issuer investment risk). The GCCTA meets twice a week
- ING Group Investment Committee (GIC): Discusses and approves investment proposals for ING Real Estate. The GIC meets on a monthly basis
- Asset and Liability Committee ING Bank (ALCO Bank): Discusses and approves the overall risk profile of all ING Bank's market risks that occur in its Commercial Banking, Retail Banking and ING Direct activities. ALCO Bank defines the policy regarding funding, liquidity, interest rate mismatch and solvency for ING Bank. ALCO Bank meets on a monthly basis
- Asset and Liability Committee ING Insurance (ALCO Insurance): Discusses and approves all risks associated with ING's Insurance activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. ALCO Insurance meets ten times a year
- Operational and Residual Risk Committee (ORRC): Discusses and approves issues related to Methods, Models and Parameters related to Operational risk, Business risk in Banking, inter-risk diversification and consistency across risk types and businesses. The committee meets at least twice a year.

In addition, the Finance and Risk Committee (F&RC) is a platform for the CRO and the CFO, along with their respective direct reports, to discuss and decide on issues that relate to both the finance and risk domains. After the Back to Basics initiative was launched in April 2009, the Finance & Risk Committee was split into a F&RC Bank and F&RC Insurance, in line with the strategy to manage the Bank and Insurance separately. At least on a quarterly basis there is also a F&RC Group meeting, covering specific Group issues.

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

Board level risk oversight

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

- The Executive Board is responsible for managing risks associated with the activities of ING Group. Its responsibilities include ensuring that internal risk management and control systems are effective and that ING Group complies with relevant legislation and regulations. On a regular basis, the Executive Board reports on these issues and discusses the internal risk management and control systems with the Supervisory Board. On a quarterly basis, the Executive Board reports on the Group's risk profile versus its risk appetite to the Audit Committee, explaining changes in the risk profile.
- The Supervisory Board is responsible for supervising the policy of the Executive Board, the general course of affairs of the Company and its business (including its financial policies and corporate structure). The Supervisory Board has several sub-committees related to specific topics. Of these, two sub-committees are relevant for the risk management organisation and risk reporting, which are:
  - The Audit Committee, which assists the Supervisory Board in reviewing and assessing ING Group's major risk exposures and the operation of internal risk management and control systems, as well as policies and procedures regarding compliance with applicable laws and regulations.
  - The Risk Committee, which assists the Supervisory Board on matters related to risk governance, risk policies and risk appetite setting. The committee was established in 2009. It reports in the Supervisory Board on the main risk issues in the group.

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

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

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

Group risk policies

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

ING GROUP FINANCIAL RISK PROFILE

ING Group uses an integrated risk management approach. The risk dashboard captures the risks in all Banking and Insurance business lines in terms of Earnings at Risk and Capital at Risk, and shows the impact of diversification across the Group. The Executive Board uses the risk dashboard to monitor and manage the actual risk profile in relation to the Group risk appetite. It enables the Executive Board to identify possible risk concentrations and to support strategic decision making. The risk dashboard is reported to the Executive Board on a quarterly basis and is subsequently presented to the Risk Committee.

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

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

ING Group risk metrics in 2009

The Group's risk appetite is captured in three different metrics which are disclosed below:

- Earnings at Risk: the potential reduction in IFRS earnings over the next year, during a moderate (i.e. '1 in 10') stress scenario. Maintaining a high quality of earnings helps ING to safeguard against being downgraded by the rating agencies;
- Capital at Risk: the potential reduction of the current net asset value (based on fair values) over the next year, during a moderate (i.e. '1 in 10') stress scenario;
- Economic Capital: the amount of capital that is required to absorb unexpected losses in times of a severe (i.e. '1 in 2000') stress scenario given ING Group's 'AA' target rating.

ING Group's risk metrics cover the most important aspects in terms of different severities (moderate vs. extreme stress) and performance measures where risk can materialise (value vs. earnings). The Earnings and Capital at Risk metrics are important metrics from a shareholder point of view since they provide insight in the level of risk ING takes under 'moderate stress' market expectations to generate return. From the debt and policy holder point of view, Economic Capital is more important since it is the buffer against extreme losses.

Risk management (continued)

ING Group

The main differences and similarities between the risk metrics are illustrated below;

	Earnings at Risk	Capital at Risk	Economic Capital
Confidence interval	90%	90%	99.95% (based on AA target rating)
Stressed metric	IFRS earnings	Value	Value
Deviation from	IFRS earnings before market volatilities and risk costs (over the next year)	Current net asset value based on fair values (over the next year)	Current net asset value based on fair values (over the next year)
Interpretation	Potential IFRS earnings reduction during a 'moderate' stress scenario (i.e. 1 in 10)	Potential value reduction of net value during a 'moderate' stress scenario (i.e. 1 in 10)	Potential value reduction of net value during a 'severe' stress scenario (i.e. 1 in 2000)

When interpreting the Earnings and Capital at Risk metrics it is important to note that these are not loss estimates of a specific adverse scenario. Further, the metrics do not take into account discretionary management intervention in a specific crisis situation, and are based on instantaneous shock scenarios.

The methodology for the risk metric Earnings at Risk was upgraded during 2009 to more closely align with accounting rules. In particular, the impairment risk component was improved. The methodology now also takes into account potential impairments on goodwill, and better incorporates of impairments on debt securities. The approximate impact of these changes is an increase of EUR 900 million on total EaR level.

The revised risk appetite framework that will be implemented in 2010 will include some new metrics, like for instance Risk Weighted Assets at Risk for ING Bank, and Local Solvency at Risk for ING Insurance. The new metrics combined with the existing metrics will provide a better understanding of the movement in capital ratios in a moderate (i.e. '1 in 10') stress scenario.

Risk types

ING's financial risk profile measures the following main types of risks that are associated with its business activities:
- Credit risk: the risk of potential loss due to default by ING's debtors (including bond issuers) or trading counterparties;
- Market risk: the risk of potential loss due to adverse movements in market variables, such as equity prices, real estate prices, interest rates and foreign exchange rates. These four market risks cover all market risks identified in ING's businesses;
- Insurance risk: risks such as mortality, morbidity and property and casualty associated with the claims under insurance policies it issues/underwrites; specifically, the risk that premium rate levels and provisions are not sufficient to cover insurance claims;
- Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss, as well as legal risk; whereas strategic risks are not included;
- Business risk: the exposure to value loss due to fluctuations in volumes, margins and costs, as well as client behaviour risk. These fluctuations can occur because of internal, industry, or wider market factors. It is the risk inherent to strategy decisions and internal efficiency.

The business risk methodology for ING Bank was revised during 2008 and the first quarter of 2009. The methodology was changed to more closely align with the methodology used for ING Insurance and to make sure that the volumes, margins and cost fluctuations were better reflected than in the previous methodology. The new business risk methodology for Bank consists of three components, (i) volume/ margin risk, (ii) expense risk, and (iii) client behaviour risk. The new methodology was implemented during the first quarter of 2009, after approval by the ORRC.

The above risk metrics do not cover liquidity risk: the risk that ING or one of its subsidiaries cannot meet its financial liabilities, at reasonable cost and in a timely manner, when they fall due. ING has a separate liquidity management framework in place to manage this risk. This framework is described below in the Liquidity Risk section of ING Bank and ING Insurance respectively.

A description of the models, underlying assumptions and key principles used by ING for calculating Earnings at Risk, Capital at Risk and Economic Capital is provided in the Model Disclosure section at the end of the risk management section.

Earnings at Risk

The level of Earnings at Risk (EaR) provides insight into the level of risk ING can absorb relative to its earnings capacity. The below two tables show the EaR figures per risk type, split between Bank and Insurance and combined for ING Group. The levels shown are undiversified levels for ING Bank and ING Insurance, meaning that the diversification between Bank and Insurance is not yet included in these figures. This diversification benefit is shown separately. The row 'Bank-Insurance diversification %' shows the benefit of combining the Bank and Insurance EaR figures. For example: the 1% for Credit and Transfer Risk indicates that the Group figure for Credit & Transfer Risk is 1% lower than the Bank and Insurance figures for Credit and Transfer Risk combined. Similarly the column 'Inter-risk diversification %' shows the diversification benefit derived from combining the different risk types at the Bank, Insurance or Group level respectively. This presentation format differs from the format in the 2008 annual report and as such the figures are different from those shown last year. Since this is only a different representation the final figure for ING Group has not changed.

Risk management (continued)

ING Group

Earnings at Risk by risk type

2009	Credit and Transfer	Market: Interest Rate	Market: Equity	Market: Real Estate	Market: FX	Insurance	Business	Operational	Inter-risk diversification %	Total
ING Bank	2,117	510	85	454	135		1,750	607	38%	3,505
ING Insurance	1,378	259	753	428	224	194	211	260	39%	2,269
Bank-Insurance diversification %	1%	4%	2%	6%	6%	0%	7%	16%		7%
Total ING Group	3,471	737	821	825	337	194	1,814	730	40%	5,371

Earnings at Risk by risk type

2008	Credit and Transfer	Market: Interest Rate	Market: Equity	Market: Real Estate	Market: FX	Insurance	Business	Operational	Inter-risk diversification %	Total
ING Bank	2,519	444	303	476	89		357	626	30%	3,367
ING Insurance	320	61	699	525	224	214	223	344	42%	1,519
Bank-Insurance diversification %	5%	9%	2%	6%	5%	0%	20%	26%		12%
Total ING Group	2,699	458	982	936	297	214	466	714	36%	4,313

Over 2009, the reported Earnings at Risk for ING increased. The increase is not due to additional risk taking, but due to the inclusion of risks which were not yet taken into account in the 2008 figures. Credit risk has increased because specific impairment rules for available for sale debt securities, whereby securities are written down to market value, even if expected credit losses are much smaller, are now better reflected in the dashboard. Furthermore, the business risk figures have gone up significantly due to the inclusion of a) goodwill impairment risk and b) the risk that the business volumes are lower than expected.

Without the model refinements mentioned above, the Earnings at Risk profile of ING Group would have decreased in 2009. For example, Credit risk would have gone down due to large additions to provisions which were made during 2009. The decrease in equity risk is caused by the recovery of the markets: equity investments are now further away from the impairment thresholds.

Risk management (continued)

Capital at Risk

The level of Capital at Risk (CaR) provides understanding as to whether ING can maintain a sound financial position under a 'moderate' (i.e. 1 in 10) stress scenario.

The below two tables show the CaR figures per risk type, split over Bank and Insurance and combined for ING Group. The levels shown are undiversified levels for ING Bank and ING Insurance, meaning that the diversification between Bank and Insurance is not yet included in these figures. This diversification benefit is shown separately. The column 'Inter-risk diversification %' shows the benefit of combining the CaR figures for all risk types. For example, the 39% for ING Bank indicates that the total Bank figure for all risk types is 39% lower than the sum of the individual CaR figures per risk type. Similarly the row 'Bank-Insurance diversification %' shows the diversification benefit derived from combining the Bank and Insurance CaR figures for each risk type into a Group CaR figure for each risk type. This presentation format differs from the format in the 2008 annual report and as such the figures are different from those shown last year. Since this is only a different representation, the final figure for ING Group has not changed.

Capital at Risk by risk type

	Credit and Transfer	Market				Insurance	Business	Operational	Inter-risk diversification %	Total
2009		**Interest Rate**	**Equity**	**Real Estate**	**FX**					
ING Bank	**3,396**	**2,128**	**930**	**720**	**210**		**1,367**	**607**	**39%**	**5,673**
ING Insurance	**1,047**	**3,287**	**2,209**	**401**	**681**	**736**	**1,059**	**260**	**42%**	**5,609**
Bank-Insurance diversification %	**0%**	**45%**	**8%**	**6%**	**5%**	**0%**	**21%**	**16%**		**18%**
Total ING Group	**4,427**	**2,970**	**2,892**	**1,054**	**850**	**736**	**1,928**	**730**	**41%**	**9,240**

Capital at Risk by risk type

	Credit and Transfer	Market				Insurance	Business	Operational	Inter-risk diversification %	Total
2008		Interest Rate	Equity	Real Estate	FX					
ING Bank	2,852	2,169	760	773	416		357	626	36%	5,097
ING Insurance	710	2,146	1,641	473	608	758	801	344	44%	4,226
Bank-Insurance diversification %	0%	24%	4%	6%	6%	0%	18%	26%		12%
Total ING Group	3,562	3,294	2,306	1,171	960	758	955	714	40%	8,223

The Capital at Risk figure substantially increased over 2009 due to higher credit risk, equity risk and business risk.

The increase in credit risk was mainly caused by rating migration. The higher equity risk is primarily due to the recovery of the markets: higher values of equity investments mean higher exposures as well. The increase in business risk for the Bank resulted from the reclassification of client behaviour risk from interest rate risk to business risk. Client behaviour risk is related to retail portfolios; examples are outflow risk from savings portfolios and prepayment model risk for mortgages. Although the reclassification initially led to lower interest rate risk for the bank, that decrease was off-set by the inclusion of the interest rate risk for investments of core equity.

Risk management (continued)

The table below shows the Earnings at Risk and Capital at Risk figures per line of business. The levels shown are undiversified levels for ING Bank and ING Insurance, meaning that the diversification between Bank and Insurance is not yet included in these figures. This diversification benefit is shown separately. The row 'Bank-Insurance diversification %' shows the diversification benefit derived from combining the Bank and Insurance CaR figures for each risk type into a Group CaR figure for each risk type. This presentation format differs from the format in the 2008 annual report and as such the figures are different from those shown last year. Since this is only a different representation the final figure for ING Group has not changed.

Capital at Risk and Earnings at Risk by Line of Business (Group diversified)

	Earnings at Risk		Capital at Risk	
	2009	2008	**2009**	2008
Commercial Banking	**2,186**	2,310	**2,238**	2,752
Retail Banking	**1,124**	788	**1,747**	1,365
ING Direct	**565**	558	**1,575**	1,143
Corporate Line Bank	**120**	110	**1,240**	513
Line of Business diversification % Bank	**12%**	11%	**17%**	12%
ING Bank	**3,505**	3,367	**5,673**	5,097
Insurance Americas	**1,738**	790	**3,812**	2,467
Insurance Asia/Pacific	**232**	250	**678**	1,038
Insurance Europe	**718**	655	**1,593**	1,278
Corporate Line Insurance	**134**	208	**768**	782
Line of Business diversification % Insurance	**20%**	20%	**18%**	24%
ING Insurance	**2,269**	1,519	**5,609**	4,226
Bank-Insurance diversification %	**7%**	12%	**18%**	12%
ING Group	**5,371**	4,313	**9,240**	8,223

Bank-Insurance diversification for EaR decreased from 12% to 7% because the credit risk component increased. Credit Risk hardly diversifies between Bank and Insurance.

Bank-Insurance diversification for CaR increased from 12% to 18%. Main driver is the increase in off-setting positions for interest rate risk.

Economic Capital ING Group

Since 1999 ING Bank has been disclosing Economic Capital information externally, whereas ING Insurance disclosed Economic Capital information for the first time in 2007. Although the fundamental principles are the same, ING Bank and ING Insurance Economic Capital information is currently calculated based on (partly) separately developed models (see Model Disclosure section below) that may differ in the calculation and aggregation approach due to different market practices and standards used in the banking and insurance industries.

ING's Group Economic Capital is determined by applying one common aggregation approach to Bank and Insurance.

The table below shows the build up of ING Group Economic Capital. Please refer to the Bank and Insurance paragraphs below for further explanation on the respective EC numbers.

Risk management (continued)

ING Group

Group Economic Capital (in EUR billion)		
	2009	2008
ING Bank	**23.1**	22.4
ING Insurance	**18.1**	13.7
Consolidated Benefit	**–6.2**	–5.4
Total ING Group	**35.0**	30.7

The potential risk capital impact for ING Group of the ING employee pension liability is currently not included in the aggregated group risk metrics. The standalone Economic Capital impact for ING employee pension liabilities is calculated separately, and from a capital management perspective there is currently no need to reserve any additional capital for ING pension liabilities.

ING Group Economic Capital is 15% lower than the sum of the parts (bank and insurance). Three different factors contribute to this consolidation benefit:

1. Offsetting positions between bank and insurance, especially on the interest rate risk side, where the long duration assets of the bank are offset by the long duration liabilities of Insurance;
2. Diversification between bank and insurance asset classes based on observed correlations; e.g. less than full correlation between insurance equity positions and bank Real Estate positions;
3. Diversification between bank and insurance risk drivers based on expert opinion correlations; e.g. less than perfect correlation between operational risk incidents at the bank and interest rate risk in insurance.

The 15% diversification benefit used for 2009 is supported by calculations done at ING Group level (2008: 15%).

The table below shows the contribution of the different risk drivers to the consolidation benefit:

Contribution to consolidated benefit		
	2009	2008
Risk Type		
Interest Rate risk	**70%**	60%
Equity risk	**7%**	7%
Foreign Exchange risk	**1%**	1%
Real Estate risk	**2%**	3%
Credit risk	**1%**	3%
Business risk	**13%**	12%
Operational risk	**6%**	14%
Total	**100%**	100%

Risk measurement ING Bank and ING Insurance

The overall ING Group risk appetite is translated into specific limits which are cascaded down into the organisation, e.g.

- Credit risk limits for bank and insurance business;
- Market Value at Risk limits for the insurance business;
- ALM/Value at Risk limits for bank operations;
- Mortality and concentration limits for insurance operations.

The following risk disclosures provide more insight into how the risk measures used by the risk organisation are linked to the Group risk dashboard and Group Economic Capital.

Risk management (continued)

ING BANK

ING Bank is engaged in selling a broad range of products. The Bank Management Board is responsible for managing risks associated with the activities of ING Bank. The financial risks that arise from selling these products are managed by the Corporate Credit and Market Risk departments. Operational risks are managed by the Corporate Operational Risk department.

ING BANK RISK PROFILE

Economic Capital ING Bank

One of the main risk management tools for ING Bank is Economic Capital which is used to determine the amount of capital that a transaction or business unit requires to support the economic risks it faces. ING Bank implemented Economic Capital for internal use in 1998. Since 1999 ING Bank has been disclosing Economic Capital information externally. The tables below provide ING Bank's Economic Capital by risk type and business line.

Economic Capital (Bank diversified only) by risk type

	2009	2008
Credit risk (including Transfer risk)	**9,991**	8,686
Market risk	**8,435**	10,349
Business risk	**2,581**	1,221
Operational risk	**2,074**	2,151
Total banking operations	**23,081**	22,407

Economic Capital (Bank diversified only) by Line of Business

	2009	2008
Commercial Banking	**8,662**	9,849
Retail Banking	**7,166**	6,169
ING Direct	**4,466**	4,050
Corporate Line Bank (1)	**2,787**	2,339
Total banking operations	**23,081**	22,407

(1) Corporate Line includes funding activities at ING Bank level, internal transactions between business units and the Corporate Line, and is managed by Capital Management.

Figures shown reflect all diversification effects within ING Bank, including risk reduction between the risk categories. Diversification effects that arise as a result of combining ING Bank and ING Insurance activities are not taken into account. Business risk is to cover unexpected losses that may arise as a result of changes in client behaviour risk and costs.

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

Despite de-risking activities, credit deterioration increased the credit risk capital. Starting in 2009, client behaviour risk is captured under business risks instead of market risk. This explains the increase in business risk. The drop in market risk capital is due to de-risking.

The de-risking efforts of Commercial banking have resulted in lower capital. For Retail banking, the increase in value of the strategic equity stakes and deterioration of the retail portfolio explains an increase of economic capital. Credit migrations for securitisations are the main contributor for the higher capital in ING Direct.

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

Risk management (continued)

ING BANK – CREDIT RISKS

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

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

ING Group's credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the business lines by means of top-down concentration limits for countries, individual borrowers and borrower groups. The aim within the banking sector is to expand relationship-banking activities, while maintaining stringent internal risk/return guidelines and controls.

Credit analysis is risk/reward-oriented in that the level of credit analysis is a function of the risk amount, tenor, structure (e.g. covers received) of the facility, and the risks entered into. For credit risk management purposes, financial obligations are classified into lending, investments, pre-settlement, money market and settlement. ING Bank applies a Risk Adjusted Return on Capital framework (RAROC) which measures the performance of different activities and links to shareholder value creation. The use of RAROC increases focus on risks versus rewards in the decision making process, and consequently stimulates the use of scarce capital in the most efficient way. More sophisticated RAROC-based tools are used internally to ensure a proper balance of risk and reward within the portfolio and concentration parameters. ING's credit analysts make use of publicly available information in combination with in-house analysis based on information provided by the customer, peer group comparisons, industry comparisons and other quantitative techniques.

Lending risk

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

Investment risk

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

Money market risk

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

Pre-settlement risk

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

Settlement risk

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

Risk management (continued)

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

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

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

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

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

Collateral policies
As with all financial institutions and banks in particular, ING is in the business of taking credit risks in an informed and measured fashion. As such, the creditworthiness of our customers, trading partners and investments is continually evaluated for their ability to meet their financial obligations to ING. During the assessment process of creating new loans, trading limits, or making investments, as well as reviewing existing loans trading positions and investments, ING determines the amount and type of collateral, if any, that a customer may be required to pledge to ING. Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more collateral the customer or counterparty will have to provide. Within counterparty trading activities, ING actively enters into various legal arrangements whereby ING and/or counterparties may have to post collateral to one another to cover market fluctuations of their relative positions. Laws in various jurisdictions also affect the type and amount of collateral that ING can receive or pledge. Additionally, ING will sometimes enter into credit default swaps, and other similar instruments, in order to reduce the perceived credit risk on a given borrower or portfolio. The type of collateral which is held as security is determined by the structure of the loan or position. Consequently, since ING's portfolio is diversified, the profile of collateral it receives is also diversified in nature and does not reflect any particular collateral type more than others.

ING BANK CREDIT RISK PROFILE
ING Bank's credit exposure is mainly related to traditional lending to individuals and businesses followed by investments in bonds and other securitised assets. Loans to individuals are mainly mortgage loans secured by residential property. Loans (including guarantees issued) to businesses are often collateralised, but can be unsecured based on internal analysis of the borrowers' creditworthiness. Bonds in the investment portfolio are generally unsecured. Securitised assets such as Mortgage Backed Securities (MBS) and Asset Backed Securities (ABS) are secured by the pro rata portion of the underlying diversified pool of assets (commercial or residential mortgages, car loans and other assets) held by the issuer of the security. The last major area of credit risk involves pre-settlement credit exposures which arise from trading activities, including derivatives, repurchase transactions and securities lending/borrowing and foreign exchange transactions.

For the banking operations, ING uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING's potential future exposure on individual and portfolios of trades. Master agreements and collateral agreements are frequently entered into to reduce these credit risks.

Risk management (continued)

Problem loans

Renegotiated Loans

ING's credit restructuring activities focus on managing the client relationships, improving the borrower's risk profile, maximising collection opportunities and, if possible, avoiding foreclosure or repossession. These activities are pro-actively pursued and primarily relate to Wholesale and Small and Medium Enterprise (SME) borrowers ('Business'), which are not yet in default. Common actions taken include, but are not limited to, revising or extending repayment arrangements, assisting in financial reorganisation and/or turnaround management plans, deferring foreclosure, modifying loan conditions and deferring certain payments pending a change in circumstances. For consumer and residential mortgage loans ('Consumer') the approach is more portfolio oriented.

Restructuring activities for Business borrowers normally start with a watch list indication. Borrowers on the watch list maintain their rating (1-19). A watch list indication may develop into a restructuring status (18-19) or even a recovery status (20-22). Most borrowers with a watch list indication return to a regular status. For Consumer clients the watch list of 'potential problem loan' status is usually caused by payment arrears (more than 1 month) which are subsequently reflected in the risk rating of 18-19 (or comparable status based on an increased probability of default). Following restructuring relationship management is either transferred to the regular commercial banking departments or terminated.

ING's renegotiated loans that would otherwise be past due or impaired are reflected below:

ING Bank renegotiated loans that would otherwise be past due or impaired (outstandings)

	2009	2008
From restructuring (18-19) to regular (1-17) status	2,737	1,183
From recovery (20-22) to regular or restructuring status (1-19)	6,105	3,556
Total of renegotiated loans	8,842	4,739

This total is broken down by Business and Consumer clients as follows:

Renegotiated business loans that would otherwise be past due or impaired (outstandings)

	2009	2008
From restructuring (18-19) to regular (1-17) status	2,737	1,183
From recovery (20-22) to regular or restructuring status (1-19)	2,895	978
Total of renegotiated Business loans	5,632	2,161

ING continues to take a proactive approach in working with its Business customers which are experiencing financial difficulties to restructure their loans and help return the companies to economic viability. The large increases in 2009 are a reflection of the larger part of loans eligible for restructuring as a result of the financial crisis.

Renegotiated consumer and mortgage loans that would otherwise be past due or impaired (outstandings)

	2009	2008
From recovery (20-22) to regular or restructuring status (1-19)	3,210	2,578
Total of renegotiated consumer and mortgages loans ('Consumer')	3,210	2,578

The increase in the total amount of renegotiated consumer and mortgage loans is a reflection of the growth of the portfolio and of ING's proactive (portfolio) management approach involving the automation of reminder and warning letters to Consumer borrowers who may otherwise be facing financial difficulties. Consumer borrowers do not have a restructuring status.

Past-due obligations

ING continually measures its portfolio in terms of payment arrears. Particularly the retail portfolios are closely monitored on a monthly basis to determine if there are any significant changes in the level of arrears. Generally, an obligation is considered 'past-due' if a payment of interest or principal is more than one day late. In practice, the first 5-7 days after an obligation becomes past due are considered to be operational in nature for the retail loans and small businesses. After this period, letters are sent to the obligor reminding the obligor of its (past due) payment obligations. If the arrear still exists after 90 days, the obligation is transferred to one of the 'problem loan' units. In order to reduce the number of arrears, ING banking units encourage their obligors to set up automatic debits from their (current) accounts to ensure timely payments.

Risk management (continued)

ING Bank

Credit quality: ING Bank portfolio, outstandings	2009	2008
Neither past due nor impaired	**790,377**	817,069
Past due but not impaired (1-90 days) [(1)]	**7,404**	7,224
Impaired	**11,983**	8,592
	809,764	832,885

[(1)] Based on lending (consumer loans and residential mortgages only).

Aging analysis (past due but not impaired): ING Bank portfolio, outstandings [(1)(2)]	2009	2008
Past due for 1-30 days	**5,967**	5,844
Past due for 31-60 days	**1,281**	1,223
Past due for 61-90 days	**156**	157
	7,404	7,224

[(1)] Based on lending (consumer loans and residential mortgages only).
[(2)] The amount of past due but not impaired financial assets in respect of non-lending activities was not material.

There is no significant concentration of a particular type of loan structure in the past due or the impaired loan portfolio.

ING tracks past due but not impaired loans most closely for the consumer loan and residential mortgage portfolios. Generally, all loans with past due financial obligations of more than 90 days are automatically reclassified as impaired. For the wholesale lending portfolios and securities obligations, there are generally reasons for declaring a loan impaired prior to being 90 days past due. These include, but are not limited to, ING's assessment of the customer's perceived inability to meet its financial obligations, or the customer filing for bankruptcy or bankruptcy protection. In some cases, a material breach of financial covenants will also trigger a reclassification of a loan to the impaired category.

Repossession policy

It is ING's general policy not to take possession of assets of defaulted debtors. Rather, ING attempts to sell the assets from within the legal entity that has pledged these assets to ING, in accordance with the respective collateral or pledge agreements signed with the obligors. In those cases where ING does take possession of the collateral, ING generally attempts to sell the assets as quickly as possible to prospective buyers. Based on internal assessments to determine the highest and quickest return for ING, the sale of repossessed assets could be the sale of the obligor's business as a whole (or at least all of its assets), or the assets could be sold piecemeal.

Impaired Loans: ING Bank portfolio, outstandings by economic sector	2009	2008
Private Individuals	**4,589**	3,718
Real Estate	**1,528**	1,094
General Industries	**933**	1,036
Food, Beverages & Personal Care	**681**	397
Builders & Contractors	**628**	676
Services	**611**	270
Media	**583**	135
Transportation & Logistics	**415**	146
Other	**2,015**	1,120
Total	**11,983**	8,592

The table above represents the economic sector breakdown of credit risk outstandings (including impaired amounts) for loans and positions that have been classified as problem loans and for which provisions have been made. Against this portfolio, ING holds specific and collective provisions of EUR 2,115 million and EUR 1,246 million, respectively (2008 EUR 1,067 million and EUR 799 million respectively), representing the difference between the amortised cost of the portfolio and the estimated recoverable amount discounted at the effective rate of interest. In addition, there is EUR 1,005 million in provisions against the performing portfolio.

Provisions

The credit portfolio is under constant review. A formal analysis takes place quarterly to determine the provisions for possible bad debts, using a bottom-up approach. Conclusions are discussed by the ING Provisioning Committee (IPC), which advises the Executive Board on specific provisioning levels. ING Bank identifies as impaired loans those loans for which it is probable, based on current information and events that the principal and interest amounts contractually due will not be collected in accordance with the contractual terms of the loan agreements.

Risk management (continued)

ING Bank

Provisions: ING Bank portfolio

	Commercial Banking		Retail Banking		ING Direct		Total ING Bank	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Opening balance	**1,024**	921	**1,070**	771	**517**	309	**2,611**	2,001
Changes in the composition of the group		2	**–3**				**–3**	2
Write-offs	**–520**	–260	**–493**	–399	**–204**	–69	**–1,217**	–728
Recoveries	**21**	24	**125**	63	**2**	4	**148**	91
Increase/(decrease) in loan loss provision	**1,211**	596	**997**	401	**765**	283	**2,973**	1,280
Exchange differences	**–28**	–17	**–12**	–36	**–8**	3	**–48**	–50
Other changes	**–80**	–242	**27**	270	**–12**	–13	**–65**	15
Closing balance	**1,628**	1,024	**1,711**	1,070	**1,060**	517	**4,399**	2,611

Following the trend in the global economy, risk costs began to increase in 2008. The trend continued in 2009, albeit at a slower pace in the second half of 2009.

Collateral

As part of its securities financing business, ING entities actively enter into agreements to sell and buy back marketable securities. These transactions can take many legal forms. Repurchase and reverse repurchase agreements, buy/sellback and sell/buyback agreements, and securities borrowing and lending agreements are the most common. The amount of marketable securities that ING held as collateral under these types of agreements was EUR 72.7 billion at 31 December 2009 and EUR 82.1 billion at 31 December 2008. The reduction is commensurate with the overall decline in open securities financing trades at year end 2009 compared to year end 2008. These amounts exclude the cash leg of the respective transactions, as well as any pledges of securities under Tri-Party agreements (as the underlying is not directly pledged to or owned by ING). As a general rule, the marketable securities that have been received under these transactions are eligible to be resold or repledged in other (similar) transactions. ING is obliged to return equivalent securities in such cases.

Risk classes

Risk classes are defined based upon the quality of the exposures in terms of creditworthiness, varying from investment grade to problem grade expressed in S&P equivalents.

Risk classes ING Bank portfolio by business line, as % of total outstandings (1)

		Commercial Banking		Retail Banking		ING Direct (2)		Total ING Bank	
		2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
1	(AAA)	**3.7%**	9.3%	**0.2%**	1.3%	**19.8%**	27.6%	**7.8%**	12.6%
2-4	(AA)	**18.7%**	19.3%	**3.5%**	5.7%	**17.2%**	17.1%	**13.4%**	14.5%
5-7	(A)	**21.4%**	16.7%	**4.9%**	4.0%	**18.3%**	15.6%	**15.2%**	12.5%
8-10	(BBB)	**20.7%**	23.2%	**37.5%**	34.3%	**25.0%**	22.2%	**27.4%**	26.2%
11-13	(BB)	**22.0%**	23.3%	**40.9%**	42.9%	**11.4%**	14.8%	**24.5%**	26.6%
14-16	(B)	**8.5%**	5.8%	**7.7%**	6.9%	**5.6%**	1.5%	**7.3%**	4.8%
17-22	(CCC & Problem Grade)	**5.0%**	2.4%	**5.3%**	4.9%	**2.7%**	1.2%	**4.4%**	2.8%
		100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities.
The ratings reflect probabilities of default and do not take collateral into consideration.
(2) Covered bonds are presented on the basis of the external credit rating of the issuer in question. Covered bond issues generally possess a better external credit rating than the issuer standalone, given structural features of such covered bonds.

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

		Lending		Investment		Money Market		Pre-settlement		Total ING Bank	
		2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
1	(AAA)	**0.8%**	1.3%	**36.9%**	49.8%	**1.2%**	7.1%	**5.9%**	8.1%	**7.8%**	12.6%
2-4	(AA)	**7.0%**	4.2%	**29.4%**	28.8%	**45.6%**	57.3%	**26.1%**	48.3%	**13.4%**	14.5%
5-7	(A)	**9.1%**	10.2%	**23.1%**	15.0%	**40.9%**	26.3%	**46.7%**	21.5%	**15.2%**	12.5%
8-10	(BBB)	**35.0%**	36.1%	**6.5%**	3.6%	**7.2%**	4.8%	**11.0%**	11.2%	**27.4%**	26.2%
11-13	(BB)	**32.7%**	37.8%	**1.8%**	1.5%	**4.7%**	4.4%	**7.3%**	7.2%	**24.5%**	26.6%
14-16	(B)	**9.9%**	6.6%	**0.6%**	0.6%	**0.2%**	0.1%	**1.8%**	2.7%	**7.3%**	4.8%
17-22	(CCC & Problem Grade)	**5.5%**	3.8%	**1.7%**	0.7%	**0.2%**		**1.2%**	1.0%	**4.4%**	2.8%
		100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

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

Risk management (continued)

ING Bank

ING Bank experienced a considerable downward migration in terms of risk classes, largely as a result of continuing downward pressure on external ratings related to securitisation tranches held by ING Direct and deteriorating credit worthiness in the general economy. Additionally problem grades also increased during the year, largely related to increasing financial difficulties in the SME markets. This was reinforced by downgrades of financial institutions as visible in Money Market and Pre-Settlement activities.

Risk concentration: ING Bank portfolio, by economic sector [(1)(2)]

	Commercial Banking		Retail Banking		ING Direct		Total ING Bank	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Private Individuals	**0.2%**	0.2%	**70.5%**	68.4%	**49.7%**	44.1%	**38.2%**	34.5%
Non-Bank Financial Institutions	**13.0%**	13.5%	**1.9%**	2.0%	**20.0%**	29.9%	**11.8%**	15.0%
Commercial Banks	**19.5%**	20.4%	**0.8%**	1.2%	**14.4%**	15.4%	**12.0%**	13.1%
Central Governments	**12.3%**	12.8%	**1.8%**	1.5%	**8.6%**	2.7%	**7.8%**	6.2%
Real Estate	**13.8%**	12.5%	**4.1%**	3.9%	**0.8%**	0.6%	**6.6%**	6.2%
Natural Resources	**8.7%**	6.9%	**0.8%**	0.7%			**3.4%**	2.9%
Central Banks	**3.7%**	2.4%	**0.3%**	1.6%	**2.8%**	4.5%	**2.3%**	2.8%
Transportation & Logistics	**5.6%**	5.4%	**1.5%**	1.6%			**2.5%**	2.6%
Services	**3.2%**	3.5%	**3.3%**	3.1%	**0.1%**		**2.2%**	2.3%
Other	**20.0%**	22.4%	**15.0%**	16.0%	**3.6%**	2.8%	**13.2%**	14.4%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

(1) Based on the total amount of credit risk in the respective column using ING's internal credit risk measurement methodologies.
(2) Economic sectors below 2% are not shown separately but grouped in Other.

ING Direct continued to increase its diversification into residential mortgages, while proportionally reducing its securitisation and bond portfolios. The increased concentration in 'Governments' at ING Direct was due to the Alt-A transaction with the Dutch government. The following industries fell below the 2.0% threshold during 2009: Food, Beverage and Personal Care (2008: 2.2%), General Industries (2.1%) and Builders and Contractors (2.0%).

Largest economic exposures: ING Bank lending portfolio, by country [(1)(2)]

	Commercial Banking		Retail Banking		ING Direct		Total ING Bank	
amounts in billions of euros	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Netherlands	**54.8**	56.2	**187.0**	171.9	**17.7**	1.0	**259.5**	229.1
Germany	**11.2**	12.5	**0.2**	0.2	**70.3**	61.5	**81.7**	74.2
Belgium	**26.5**	25.6	**52.9**	52.6	**0.9**	1.1	**80.3**	79.3
United States	**31.3**	35.3	**0.6**	0.2	**48.2**	63.6	**80.1**	99.1
Spain	**12.3**	15.2	**0.4**	0.4	**36.4**	40.1	**49.1**	55.7
Australia	**4.4**	4.3	**0.1**		**31.8**	23.0	**36.3**	27.3
France	**23.0**	23.4	**0.8**	0.7	**5.1**	4.2	**28.9**	28.3
Italy	**13.6**	14.7	**0.6**	0.5	**12.2**	12.8	**26.4**	28.0
United Kingdom	**13.9**	15.8	**0.2**	0.2	**12.1**	13.5	**26.2**	29.5
Canada	**0.7**	1.4	**0.0**	0.0	**21.8**	17.4	**22.5**	18.8
Poland	**9.0**	9.7	**6.2**	2.1			**15.2**	11.8
Turkey	**0.7**	0.8	**9.0**	8.6			**9.7**	9.4

(1) Only covers total exposures in excess of EUR 9 billion, including intercompany exposure with ING Insurance. The selection contains the same countries as in the previous year, albeit in a different order.
(2) Country is based on the country of residence of the obligor.

In line with ING's de-risking strategy, the portfolio developments in most countries mirrored the developments in the portfolio as a whole. The growth at ING Direct in The Netherlands and the decrease in the United States are the result of the Alt-A transaction with the Dutch government. The increase in Australia is largely driven by exchange rate effects. In Canada, the increase in exposure was principally caused by growth of the Residential Mortgage portfolio.

ING BANK – MARKET RISKS

Market risk is the risk that movements in market variables, such as interest rates, equity prices, foreign exchange rates and real estate prices, negatively impact the bank's earnings, market value or liquidity position. Market risk either arises through positions in trading books or through the banking book positions. The trading positions are held for the purpose of benefiting from short-term price movements, while the banking book positions are intended to be held in the long term (or until maturity) or for the purpose of hedging other banking book positions.

Within ING Bank, market risk (including liquidity risk) falls under the supervision of the ALCO function with ALCO Bank as the highest approval authority. ALCO Bank determines the overall risk appetite for market risk. The ALCO function is regionally organised with the exception of ING Direct, which has a separate ALCO. The business lines Retail Banking and Commercial Banking are represented within the respective regional and local ALCO's. The ALCO structure within ING Bank facilitates top-down risk management, limit setting and the monitoring and control of market risk. This ensures a correct implementation of the ING Bank risk appetite.

Risk management (continued)

The Corporate Market Risk Management department (CMRM) is the designated independent department that is responsible for the design and execution of the bank's market risk management functions in support of the ALCO function. The CMRM structure recognises that risk taking and risk management to a large extent occurs at the regional/local level. Bottom-up reporting allows each management level to fully assess the market risk relevant at the respective levels.

CMRM is responsible for determining adequate policies and procedures for managing market risk and for monitoring the compliance with these guidelines. An important element of the market risk management function is the assessment of market risk in new products and businesses. Furthermore CMRM maintains an adequate limit framework in line with ING Bank's risk appetite. The businesses are responsible for adhering to the limits that ultimately are approved by ALCO Bank. Limit breaches are reported to senior management on a timely basis and the business is required to take the appropriate actions to reduce the risk position.

Market risk in trading books

Organisation

Within the trading portfolios, positions are maintained in the professional financial markets for the purpose of benefiting from short term price movements. Market risk arises in the trading portfolios through the exposure to various market risk factors, including interest rates, equity prices and foreign exchange rates.

The Financial Markets Risk Committee (FMRC) is the market risk committee that, within the guidelines set by ALCO Bank, sets market risk limits both on an aggregated level and on a desk level, and approves new products. CMRM advises both the FMRC and ALCO Bank on the market risk appetite of Commercial Banking activities.

For the trading portfolios, CMRM focuses on the management of market risks of Commercial Banking (mainly Financial Markets) as this is the only business line where significant trading activities take place. Trading activities include facilitation of client business, market making and proprietary position taking in cash and derivatives markets. CMRM is responsible for the development and implementation of trading risk policies and risk measurement methodologies, the reporting and monitoring of risk exposures against approved trading limits and the validation of pricing models. CMRM also reviews trading mandates and limits, and performs the gatekeeper role in the product review process. The management of trading market risk is performed at various organisational levels, from CMRM overall down to specific business areas and trading offices.

Measurement

CMRM uses the Value at Risk (VaR) methodology as its primary risk measure. The VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remain unchanged for a time period of one day. The impact of historical market movements on today's portfolio is estimated, based on equally weighted observed market movements of the previous year. ING uses VaR with a 1-day horizon for internal risk measurement, control and backtesting, and VaR with a 10-day horizon for determining regulatory capital. ING's VaR model has been approved by the De Nederlandsche Bank (DNB: the Dutch Central Bank) to be used for the regulatory capital calculation of its most important trading activities.

Market risk management for the fixed income and equity markets is split into two components: general market risk and specific market risk. The general market risk component estimates the VaR resulting from general market-value movements (e.g. interest rate movements). The specific market risk component estimates the VaR resulting from market-value movements that relate to e.g. the underlying issuer of securities in the portfolios. This specific risk relates to all value movements not related to general market movements.

CMRM has implemented a historical simulation Value at Risk model for consolidated risk reporting for the trading books that has replaced the Variance Covariance method used previously. ING has chosen to use a phased rollout approach and as of 1 January 2009, implemented the first phase after approval from DNB. In this first phase, calculations for linear portfolios and equity derivative positions have changed from variance-covariance to historical simulation. Most of the other non-linear risks and specific risks are still measured by Monte Carlo, or variance-covariance, methods. In due time, all non-linear and specific risks will be replaced by actual historical simulation results mainly based on full revaluation. The harmonization of VaR methodologies is one of the main targets of CMRM for 2010.

Limitations

VaR as a risk measure has some limitations. VaR uses historical data to forecast future price behaviour. Future price behaviour could differ substantially from past behaviour. Moreover, the use of a one-day holding period (or ten days for regulatory calculations) assumes that all positions in the portfolio can be liquidated or hedged in one day. In periods of illiquidity or market events, this assumption may not hold true. Also, the use of 99% confidence level means that VaR does not take into account any losses that occur beyond this confidence level.

The Basel Committee has proposed to supplement the current VaR regulatory capital framework for trading exposures with e.g. an Incremental Risk Charge (IRC) and Stressed VaR to cover for the shortcomings of the current risk framework. The IRC will ensure that Basel II capital charges will capture certain risks which are not reflected in the current 99%, 10-day VaR model for the trading book such as defaults and credit migrations. The Basel II requirements on the incremental risk charge will come into force from 2011 onwards.

Risk management (continued)

Backtesting

Backtesting is a technique for the ongoing monitoring of the plausibility of the VaR model in use. Although VaR models estimate potential future results, estimates are based on historical market data. In a backtest, the actual daily result is compared with the 1-day VaR. In addition to using actual results for backtesting, ING also uses hypothetical results, which measure results excluding the effect of intraday trading, fees and commissions. When the actual or hypothetical loss exceeds the VaR an 'occurrence' has taken place. Based on ING's one-sided confidence level of 99% an occurrence is expected once in every 100 business days. In 2009, like in 2008, there was no occurrence where a daily trading loss exceeded the daily consolidated VaR of ING Commercial Banking. ING reports the results of this backtesting to DNB on a quarterly basis.

Stress testing

Stress tests are used for the monitoring of market risks under extreme market conditions. Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, ING uses structured stress tests for monitoring the market risk under these extreme conditions. Stress scenarios are based on historical and hypothetical extreme events. The result of the stress testing is an event risk number, which is an estimate of the profit and loss account effect caused by a potential event and its world-wide impact for ING Commercial Banking. The event risk number for the ING Commercial Banking trading activity is generated on a weekly basis. Like VaR, event risk is limited by ALCO Bank. The event-risk policy (and its technical implementation) is specific to ING as there is no event risk calculation method that is generally accepted by other banks and regulators (like the Value at Risk model). ING's event risk policy basically consists of defined stress parameters per country and per market (fixed income, equity, foreign exchange, credit and related derivative markets). The scenarios and stress parameters are back-tested against extreme market movements that actually occurred in the markets. If and when necessary, ING evaluates specific stress scenarios, as an addition to its structural stress tests. These specific scenarios relate to current concerns, like political instability in certain regions, terrorist attacks or extreme movements in energy prices.

Other trading controls

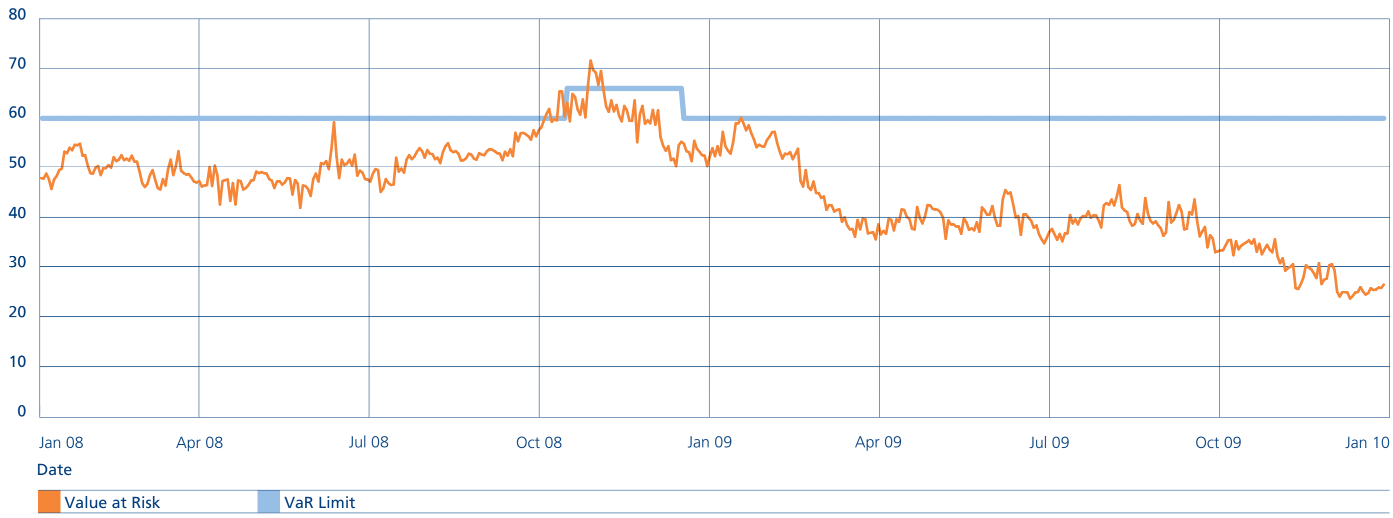
VaR and event risk limits are the most important limits to control the trading portfolios. Furthermore, ING uses a variety of other limits to supplement VaR and event risk. Position and sensitivity limits are used to prevent large concentrations in specific issuers, sectors or countries. In addition to this, other risk limits are set with respect to the activities in exotic derivatives trading. The market risk of these products is controlled by product specific limits and constraints.

Development of market risks

The following chart shows the development of the overnight VaR under a 99% confidence interval and a 1-day horizon. The overnight VaR is presented for the ING Commercial Banking trading portfolio which was risk managed by CMRM Trading during 2008 and 2009. Several banking books are governed by the trading risk process and are therefore excluded from the non-trading risk table and included in the trading risk graph and table below.

Consolidated trading VaR ING Commercial Banking 2008-2009

in EUR millions



Risk management (continued)

ING Bank

During 2009 the overnight VaR for the ING Commercial Banking trading portfolio ranged from EUR 25 million to EUR 60 million. One minor limit excess was observed in 2009. On 16 January 2009, the EUR 60 million VaR limit was exceeded by EUR 50,000.

The average VaR over 2009 was substantially lower than 2008 (average VaR 2009: EUR 39 million and average VaR 2008: EUR 53 million). After the extreme market volatility in Q4 2008 following the failure of several financial institutions and the gloomy economic outlook, the VaR decreased to EUR 27 million in Q4 2009. This decrease is to a large extent related to the de-risking strategy of ING and the decrease of volatility in the different financial markets.

More details on the VaR of the ING Commercial Banking trading portfolio for 2009 and 2008 are provided in the table below.

Consolidated VaR trading books: ING Commercial Bank

	Minimum		Maximum		Average		Year-end	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Foreign exchange	**1**	4	**11**	9	**5**	5	**3**	7
Equities	**4**	5	**11**	13	**7**	8	**5**	7
Interest rate / Credit spread	**20**	33	**54**	58	**33**	45	**24**	43
Diversification [(1)]					**–6**	–5	**–5**	–3
Total VaR	**24**	42	**60**	72	**39**	53	**27**	54

[(1)] The total VaR for the columns Minimum and Maximum can not be calculated by taking the sum of the individual components since the observations for both the individual markets as well as total VaR may occur on different dates.
Note: the above categories are consistent with those used for internal risk management purposes and do not relate to financial statement captions.

In general, the level of the trading VaR was lower in 2009, and also showed a decreasing trend after February 2009. The interest rate market, which includes both the general interest rate and credit spread exposures, provided the largest contribution to the trading VaR.

The following tables show the largest trading foreign exchange positions and interest rate and corporate credit spread sensitivities. The corporate credit spread sensitivities are furthermore split in different risk classes and sectors.

Most important foreign exchange positions trading books (year end 2009)

	2009		2008
Foreign exchange		**Foreign exchange**	
US dollar	**–266**	Singapore dollar	–91
Chinese yuan	**208**	Mexican peso	69
Bulgarian lev	**37**	South Korean won	–68
Polish zloty	**31**	US dollar	55
South Korean won	**20**	Chinese yuan	46

Most important interest rate and credit spread sensitivities trading books (year end 2009)

in EUR thousands	**2009**		2008
Interest Rate (BPV [(1)])		**Interest Rate (BPV [(1)])**	
Eurozone	**–1,175**	Eurozone	–1,272
United States	**–359**	Mexico	–289
Mexico	**–153**	United States	241
UK	**–109**	South Korea	–111
Japan	**107**	Taiwan	60
Credit Spread (BPV [(1)])		**Credit Spread (BPV [(1)])**	
United States	**–115**	Eurozone	–247
Eurozone	**–86**	United States	–187
Mexico	**–57**	Mexico	–97
Japan	**–17**	Japan	–56
Russia	**–13**	United Kingdom	–32

[(1)] Bpv (or basis point value) refers to profit and loss account sensitivity per 1bp increase in the interest rate or credit spread.

Risk management (continued)

Credit spread sensitivities per risk class and sector trading books (year end 2009)

in EUR thousands Credit Spread (BPV [1])	2009 Corporate	2009 Financial Institutions	2008 Corporate	2008 Financial Institutions
Risk classes				
1 (AAA)	**–18**	**–145**	–20	–40
2-4 (AA)	**–18**	**–34**	–19	–115
5-7 (A)	**83**	**–100**	4	–88
8-10 (BBB)	**16**	**14**	–75	–103
11-13 (BB)	**–12**	**–20**	–37	–54
14-16 (B)	**–21**	**20**	–6	–18
17-22 (CCC and Problem Grade)	**–47**	**–11**	–21	–2
No rating	**15**	**–16**	–19	–28
Total	**–2**	**–292**	–193	–448

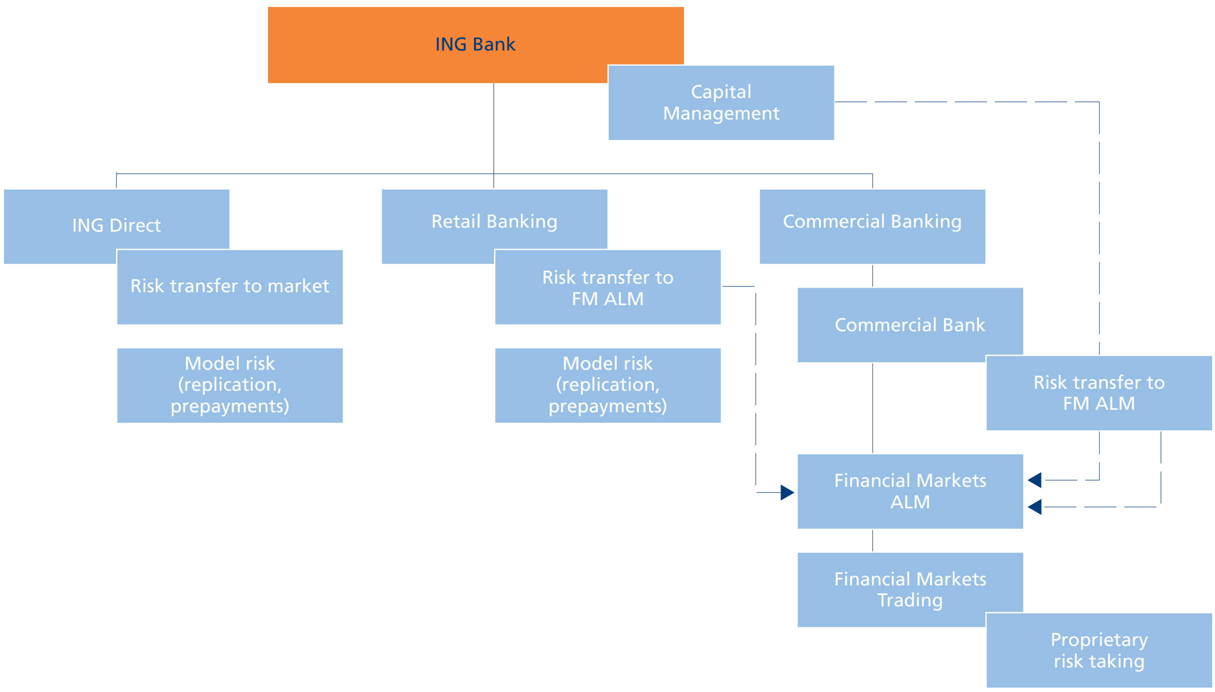
[1] BPV (or basis point value) refers to profit and loss account sensitivity per 1bp increase in the credit spread.

Market risk in banking books
Organisation

Within ING Bank, positions are either labelled as trading or non-trading (banking book) positions. The most important aspect in segregating the banking from the trading books is the intent of the positions held in these books. The banking book positions are intended to be held for the long-term (or until maturity) or for the purpose of hedging other banking positions emerging from commercial business, as for instance in the mortgage book.

Interest rate risk in banking books

The interest rate risk of the banking books is the risk that ING Bank's earnings or market value resulting from the non-trading positions is negatively impacted by movements in interest rates. To assign clear responsibilities for risk and return within the banking book structure an Asset and Liability Management (ALM) framework has been implemented by ALCO Bank. This framework enables a clear separation of three types of activities: the investment of own capital, the commercial business and the management of the bank's strategic interest rate risk position in the designated ALM books. The figure below presents the ALM framework of ING Bank within which the interest rate risk is measured and monitored:



Risk management (continued)

ING Bank's capital management positions, i.e. the own funds (core capital) and the investments of these own funds, are isolated in the ING Bank Corporate Line. ALCO Bank determines the target maturity profile over which ING Bank's own funds must be invested. This maturity profile reflects the long term nature of the rate of return required by ING Bank's investors and aims for both earnings maximisation and stabilisation. ALCO Bank considers a well balanced portfolio of long-dated fixed income investments as the risk neutral position in its internal risk transfer framework.

The risk transfer principle forms the basis of ING Bank's ALM framework. This refers to the principle whereby the outright interest rate risk resulting from the commercial business is transferred to the ALM books. The interest rate risk from the commercial business arises from the fact that own originated assets and liabilities do not reprice simultaneously with respect to interest rate characteristics. The transfer of the outright interest rate risk is to a large degree based on modelling client behaviour. Within CMRM, extensive research is being done in order to optimise this modelling. For this purpose, several methods are in place to replicate the interest rate risk, taking into account both the contractual and behavioural characteristics of demand deposits, saving accounts and mortgages. All models and assumptions are back-tested regularly and results are presented to the designated ALCO.

For the determination of the interest rate sensitivity of savings accounts and current accounts, several methods depending on the focus of the risk analysis have been developed, e.g. historical simulation, Earnings Sensitivity analysis and valuation models. Pricing strategies, outstanding volumes and the level and shape of the yield curve are taken into account in these models. Based on these analyses, investment rules are determined for the various portfolios.

The hedging of the embedded prepayment options within mortgage portfolios is based on prepayment prediction models. These models include the incentive for clients to prepay. The parameters of these models are based on historical data and are regularly updated. The interest sensitivity of the embedded offered rate options for the mortgage portfolio is determined as well and a hedging process is in place to minimise the resulting interest rate risk.

After transferring the outright interest rate risk position to the ALM books, the residual interest rate risk that remains in the commercial banking books is caused by basis risk and optionality. The commercial business units bear responsibility for these residual interest rate risks that result from banking products of which future cash flows depend on client behaviour (e.g. optionality in mortgages) and from banking products of which the client rate earned and paid imperfectly correlate with the changing market rates (basis risk). Examples of products in which these risks are inherent are current accounts, saving accounts and mortgages.

Within ING Direct the interest rate risk is managed and measured at the level of the local ING Direct entities. The interest rate risk that remains in the ING Direct entities also largely results from basis risk and optionality as the outright interest rate risk is to a large extent hedged.

The ALM books are managed within ING Commercial Banking and contain the strategic interest rate risk position of ING Bank. The main objective is to maximise the economic value of the book and to generate adequate and stable yearly earnings within the risk appetite boundaries of ING Bank.

In the following sections, the risk figures for interest rate risk in the banking books are presented. In line with the group risk metrics, ING Bank uses several risk measures to manage interest rate risk both from an earnings and a value perspective. Earnings Sensitivity (ES) is used to provide the earnings perspective and the Net Present Value (NPV)-at-Risk and Basis Point Value (BPV) figures provide the value perspective. Several small banking books are governed by the trading risk process and are therefore excluded from the following banking book risk tables. These are included in the trading risk graph and table under 'Market Risk in Trading Books'.

Earnings Sensitivity (ES)
ES measures the impact on (pre tax) IFRS earnings resulting from changes of market interest rates over a time period of one year. Management interventions are not incorporated in these calculations; balance sheet dynamics (e.g. new business) only where significant. The ES figures in the table below are determined on the basis of an instantaneous upward 1% parallel shock in market rates. After the shock the market rates are assumed to remain stable for the next 12 months. For the ALM books ES measures the potential loss of earnings due to the structural mismatch in interest rate positions. The calculations for the ALM books capture the ES resulting from the current positions. For the commercial banking books the ES captures the interest rate risks resulting from savings, current accounts and the main mortgage portfolios. The impact of new business is included in the ES calculations for the savings and demand deposits portfolios, as it is most relevant for these portfolios. The ES of the Corporate Line, i.e. the investment of ING Bank's equity capital, reflects the interest risk profile of the investments only.

Risk management (continued)

Earnings Sensitivity banking books (1% instantaneous upward shock to interest rates)	2009	2008
By Business Line		
ING Commercial Banking	**–44**	–91
ING Retail Banking	**–115**	–102
ING Direct	**–281**	5
ING Bank Corporate Line	**5**	46
ING Bank Total	**–435**	–142
By Currency		
Euro	**–262**	–220
US dollar	**–193**	80
Pound sterling	**–26**	5
Other	**46**	–7
Total	**–435**	–142

Note: Compared to ES figures in the group risk dashboard, the above figures exclude diversification with other bank risk types and group/insurance risks.

The total ES figure increased from EUR –142 million to EUR –435 million. In 2008 interest rates decreased to exceptionally low levels in the light of substantial rate cuts by central banks. Retail Banking and ING Direct in particular invested in more short term assets. This led to a relatively low level ES figure at the end of 2008. In the course of 2009 the client coupons on savings accounts were lowered in line with the development of market rates. Simultaneously, client rates became more sensitive to upward rate shocks, leading to a further increase of the ES figure. This effect was magnified by the growth in savings volume. Moreover, the duration of mortgages of ING Direct US increased significantly after the increase of long term interest rates by approx +1% in the course of 2009. Consequently, Earnings Sensitivity further increased. The ES of Commercial Banking decreased following a reduction in the structural interest rate mismatch position in the strategic ALM portfolio.

Net Present Value at Risk (NPV)

The Net Present Value (NPV) at Risk figures represent the full value impact (i.e. including convexity) on the banking books resulting from changing interest rates. This full value impact cannot be linked directly to the balance sheet or profit and loss account as the fair value movements in banking books are generally not reported through the profit and loss account or through equity. The largest part, namely the value mutations of the amortised cost balances, is neither recognised in the balance sheet nor directly in the profit and loss account. These mutations would be expected to materialise over time in e.g. the profit and loss account, if interest rates develop according to forward rates throughout the remaining maturity of the portfolio. The NPV at Risk figures in the table below are determined on the basis of an instantaneous upward 1% parallel shock of market rates in line with the ES calculations. For the ALM books the NPV at Risk figures again capture the potential change of value due to the structural mismatch in interest rate positions. For the commercial banking books the NPV at Risk calculations capture the convexity resulting from the optionality in the main mortgage portfolios, e.g. the option for clients to prepay in case of moving house. In these calculations it is assumed that savings and other demand deposits of Retail and Commercial Banking are perfectly represented via the replicating methods and therefore are fully hedged. The NPV at Risk of the Corporate Line again only reflects the interest risk profile of the investments of the bank's own funds.

NPV at Risk banking books (1% instantaneous upward shock to interest rates)	2009	2008
By Business Line		
ING Commercial Banking	**–427**	–674
ING Retail Banking	**–51**	–100
ING Direct	**49**	–232
ING Bank Corporate Line	**–1,406**	–1,388
ING Bank Total	**–1,835**	–2,394
By Currency		
Euro	**–1,811**	–2,105
US dollar	**–39**	–238
Pound sterling	**–53**	–40
Other	**68**	–11
Total	**–1,835**	–2,394

The end-of-year NPV at Risk decreased significantly by EUR 559 million to EUR –1,835 million. This change is mainly driven by ING Direct where shortening of investments at certain units changed the NPV at Risk figure from a negative to a positive value. Within Commercial Banking the structural interest rate mismatch position in the strategic ALM portfolio was reduced, leading to a reduction in NPV at Risk.

Risk management (continued)

Basis Point Value (BPV)
The Basis Point Value (BPV) figures below represent the value impact to the banking books resulting from a change in interest rates of 1 basis point. The BPV figures represent the directional position under a small upward shift in interest rates and do not capture the convexity resulting from the optionality in mortgages under larger interest rate movements.

BPV per currency banking books		
in EUR thousands	**2009**	2008
Currency		
Euro	**–15,340**	–19,176
US dollar	**757**	337
Pound sterling	**–684**	–582
Other	**475**	–373
Total	**–14,792**	–19,794

The outright interest rate risk that is represented through the BPV positions in the table above is mainly caused by the investments of the Bank's core capital. The BPV figures are consistent with the NPV-at-Risk figures, showing the reduced exposure to changing interest rates.

Foreign exchange risk in banking books
Foreign exchange (FX) exposures in banking books result from commercial banking business (business units doing business in other currencies than their base currency), FX translation risk on foreign currency investments (including realised results) and strategic equity stakes in foreign currencies. The policy regarding these exposures is briefly explained below.

Commercial banking business
Every business unit hedges the FX risk as result of their commercial activities into the base currency of the unit. Consequently assets and liabilities are matched in terms of currency.

FX Translation result
ING's strategy is to protect the bank's Tier 1 ratio against unfavourable FX rate fluctuations [1]. The protection is largely achieved by the issuance of US dollar and Pound sterling denominated hybrid debt that qualifies as Tier 1 capital ('Tier 1 securities') and furthermore by taking structural foreign currency positions. The goal of deliberately taking open FX positions is to make the Tier 1 capital and risk-weighted assets evenly sensitive to changing FX rates. The US dollar, Pound sterling, Polish zloty, Australian dollar and Turkish lira are the main currencies in this respect.

The following tables present the currency exposures in the banking books.

Net banking currency exposures banking books						
	Foreign investments		Hedges		Net Exposure	
	2009	2008	**2009**	2008	**2009**	2008
US dollar	**6,913**	9,061	**–3,980**	–4,502	**2,933**	4,559
Pound sterling	**–1,155**	–1,132	**1,220**	1,113	**65**	–19
Polish zloty	**1,153**	1,027	**–486**	–490	**667**	537
Australian dollar	**2,186**	1,031	**–1,423**	–700	**763**	331
Turkish lira	**1,752**	1,687	**–233**	–193	**1,519**	1,494
Other currency	**7,321**	4,897	**–3,549**	–3,794	**3,772**	1,103
Total	**18,170**	16,571	**–8,451**	–8,566	**9,719**	8,005

The US dollar Foreign Investments declined in 2009 due to significant negative results, mainly within ING Direct US. The Australian dollar Foreign investments increased significantly for different reasons: a capital injection in ING Direct Australia, strengthening of the FX rate by 25% and positive realised results. The significantly increased Net Exposure in the category 'Other currency' is mainly caused by increased share prices related to strategic equity stakes. For example, the share price of Bank of Beijing increased over 100%, increasing the exposure to the Chinese renminbi.

In order to measure the remaining sensitivity of the Tier 1 ratio against FX rate fluctuations, the Tier 1 ratio at Risk (TaR) measure is used as presented in the following table. It measures the drop in the Tier 1 ratio when stressing a certain FX rate.The stress scenarios for the FX rates that are used for calculating the TaR, are presented in the last two columns. A positive stress scenario means that the foreign currency appreciates against the Euro. For the US dollar this means that at the end of 2009 the Tier 1 ratio would decrease by 0.030% in absolute terms (e.g. from 9.030% to 9.000%) if the US dollar depreciates by 15%.

[1] Recently, the strategy changed and the core Tier 1 ratio, instead of the Tier 1 ratio, will be protected against FX rate fluctuations going forward.

Risk management (continued)

ING Bank

Tier 1 ratio sensitivity ING Bank

	TaR		Stress Scenario	
	2009	2008	**2009**	2008
US dollar	**0.030%**	0.041%	**–15%**	–10%
Pound sterling	**0.002%**	0.000%	**–15%**	+5%
Polish zloty	**0.006%**	0.001%	**–15%**	+20%
Australian dollar	**0.010%**	0.003%	**–20%**	+5%
Turkish lira	**0.006%**	0.017%	**–25%**	–30%
Total	**n/a**	n/a	**n/a**	n/a

Equity price risk in banking books

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments whose price reacts similarly to a particular security, a defined basket of securities, or a securities index. ING Bank maintains a strategic portfolio with substantial equity exposure in its banking books. This equity exposure mainly consists of the investments in associates of EUR 1,396 million (2008: EUR 1,813 million) and equity securities held in the Available-for-Sale portfolio of EUR 3,682 million (2008: EUR 1,863 million). The value of equity securities held in the Available-for-Sale portfolio is directly linked to equity security prices with increases/decreases being recognised (except in the case of impairment) in the revaluation reserve. During the year ended 31 December 2009 the revaluation reserve relating to equity securities held in the Available-for-Sale portfolio fluctuated between a month-end low amount of EUR 1,198 million (2008: EUR 776 million) and a high amount of EUR 2,536 million (2008: EUR 1,969 million). Investments in associates are measured in accordance with the equity method of accounting and the balance sheet value is therefore not directly linked to equity security prices.

Real Estate price risk in banking books

Real estate price risk arises from the possibility that real estate prices will fluctuate affecting both the value of real estate assets and earnings related to real estate activities.

ING Bank has three different categories of real estate exposure on its banking books. First, ING Bank owns buildings it occupies. Second, ING Bank has a Real Estate Development company for which results are dependent on the overall real estate market, although the general policy is to mitigate risk by pre-sale agreements where possible. Third, for various real estate funds, ING Bank has co-invested seed capital and bridge capital to support the launch of new funds. A decrease in real estate prices will cause the value of this seed and bridge capital to decrease and will lower the level of third party assets under management, which in turn will reduce the fee income from this activity.

The crisis in the financial markets could lead to a further slowdown of the world economy in general. These global economic factors could also have future negative consequences for the value of real estate assets.

For the third category mentioned above real estate price shocks will have a direct impact on reported net profit. ING Bank's real estate exposure (i.e. including leverage and committed purchases) is EUR 7.0 billion of which EUR 3.3 billion is recorded as fair value through P&L and EUR 3.7 billion is not revalued through P&L, but is either booked at cost or is revalued through equity (with impairments going through P&L). In total, Real Estate exposure decreased by EUR 1.9 billion mainly as a result of negative fair value changes (EUR 800 million), impairments (EUR 620 million), net divestments (EUR 900 million) and compensated by FX appreciation (EUR 420 million).

Risk management (continued)

ING Bank

Real Estate Exposure banking books recorded as fair value through P&L						
2009	**Residential**	**Office**	**Retail**	**Industrial**	**Other**	**Total**
Europe		**357**	**196**	**94**	**224**	**871**
Americas	**146**	**93**	**91**	**1,040**	**220**	**1,590**
Australia	**18**	**24**	**298**	**121**	**32**	**493**
Asia	**34**	**24**	**267**			**325**
Total	**198**	**498**	**852**	**1,255**	**476**	**3,279**

Real Estate Exposure banking books recorded as fair value through P&L						
2008	Residential	Office	Retail	Industrial	Other	Total
Europe	1	893	454	133	98	1,579
Americas	237	172	234	1,199	295	2,137
Australia	3	93	261	126	51	534
Asia	244	99	278	7	19	647
Total	485	1,257	1,227	1,465	463	4,897

ING Bank's real estate exposure revalued through P&L has decreased as a result of value declines, outflow of investments in funds and sales. Europe's real estate exposure recognised EUR 80 million of fair value changes and was not severely impacted compared to other regions. However, sales and outflow within funds of EUR 650 million decreased European real estate exposure. Exposure in the Americas was negatively impacted by fair value changes in the Summit portfolio (EUR 290 million) and other US exposures (EUR 200 million). The sale of Canadian assets (EUR 160 million), partly offset by the Canadian dollar appreciation, contributed to a further decrease in exposure. Exposure in Australia decreased slightly because of negative fair value changes (EUR 160 million) partly offset by the Australian dollar appreciation. Asia's real estate exposure decreased mainly due to the sale of assets and outflow within funds (EUR 250 million) and negative fair value changes (EUR 70 million).

Real Estate Exposure banking books not revalued through P&L						
2009	**Residential**	**Office**	**Retail**	**Industrial**	**Other**	**Total**
Europe	**515**	**1,392**	**846**	**74**	**463**	**3,290**
Americas	**95**	**140**				**235**
Australia	**8**	**15**	**37**		**99**	**159**
Total	**618**	**1,547**	**883**	**74**	**562**	**3,684**

Real Estate Exposure banking books not revalued through P&L						
2008	Residential	Office	Retail	Industrial	Other	Total
Europe	644	1,500	853	81	359	3,437
Americas	78	158	7		24	267
Australia	22	1	87		147	257
Total	744	1,659	947	81	530	3,961

ING Bank's real estate exposure not revalued through P&L has decreased. Main changes as a result of impairments (EUR 620 million) and net investments (EUR 290 million) are observed in Europe and Australia, partly offset by the AUD appreciation.

ING BANK – LIQUIDITY RISK

As with other bank market risks, liquidity risk falls under the supervision of the ALCO function within ING Bank with ALCO Bank as the highest approval authority.

Definition

Liquidity risk is the risk that ING Bank or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner. Liquidity risk can materialise both through trading and non-trading positions. Within ING Bank the liquidity risk framework has been determined by ALCO Bank, which bears the overall responsibility for liquidity risk. The liquidity risk framework is further cascaded down the organisation under the responsibility of the regional and local ALCOs. The main objective of ING's liquidity risk framework is to maintain sufficient liquidity in order to ensure safe and sound operations. For this purpose liquidity risk is considered from three different angles namely from a structural, tactical and a contingency point of view.

Risk management (continued)

ING Bank

Structural liquidity risk

Structural liquidity risk is the risk that the structural, long term balance sheet can not be financed timely or at a reasonable cost. In this view of liquidity risk the total on and off balance sheet positions are considered from a structural asset and liability management perspective. For this purpose ALCO Bank established a working group consisting of Corporate Market Risk Management, Capital Management and Financial Markets that focuses on liquidity risk aspects from a going concern perspective. The main objective of the working group is to maintain a sound liquidity profile through:

- Maintaining a well diversified mix of funding sources in terms of instrument types (e.g. unsecured deposits, commercial paper, long term bonds or repurchase agreements), fund providers (e.g. professional money market players, wholesale or retail clients), geographic markets and currencies;
- Actively managing access to the capital markets by regularly issuing public debt in all material markets and the maintenance of investor relations;
- Holding a broad portfolio of eligible assets that can be used to obtain secured funding, e.g. from repo market or ECB; in this respect the total eligible collateral amounts to EUR 165 billion (nominal);
- Maintaining an adequate structural liquidity gap taking into account the asset mix and both the secured and unsecured funding possibilities of ING Bank;
- Maintaining a funds transfer pricing methodology in which ING Bank's cost of liquidity is adequately reflected both under a going concern and a contingency perspective.

With respect to funding sources, ING Bank aims to fund its own originated assets (loans) by an equal amount of own originated liabilities (deposits), meaning a loan-to-deposit-ratio of 1 (ultimo 2009 value equals 1.16). In the table below the actual funding mix is displayed.

ING Bank Funding Mix

	2009	2008
Funding type		
Retail deposits	**46%**	36%
Corporate & other deposits	**17%**	25%
Interbank (incl. central bank)	**10%**	14%
Lending / repurchase agreement	**8%**	11%
Public debt	**16%**	11%
Subordinated debt	**3%**	3%
Total	**100%**	100%

Note: this table excludes IFRS equity, trading and non-trading liabilities, derivatives and other liabilities.

The funding mix remained favourable and well diversified. Deposits accounted for more than 60% of the total funding base.

Tactical liquidity risk

From a tactical, short-term perspective the liquidity risk resulting from the short term cash and collateral positions is managed. ALCO Bank has delegated day-to-day liquidity management to Financial Markets Amsterdam, which is responsible for managing the overall liquidity risk position of ING Bank, while regional and local Financial Markets departments are responsible for managing liquidity in their respective regions and locations.

Within Financial Markets the focus is mainly on the daily and intraday cash and collateral positions and it is policy to sufficiently spread day-to-day funding requirements. For this purpose the Treasury function monitors all maturing cash flows along with expected changes in core business funding requirements.

The liquidity risk management function is delegated to CMRM, which bears the responsibility for liquidity risk stress testing and for the identification, measurement and monitoring of the liquidity risk position. For the measurement and monitoring of the actual liquidity position the focus is on the daily cash and collateral position. For stress testing purposes the liquidity risk positions are calculated in line with the regulatory reporting requirements for liquidity risk of the Dutch Central Bank. For this purpose ING Bank's weekly and monthly liquidity positions are stress tested under a scenario that is a mix between a market event and an ING specific event. The resulting liquidity positions are corrected for liquidity surpluses in inconvertible currencies and in locations with restrictions on capital transfer.

Contingency liquidity risk

Contingency liquidity risk relates to the organisation and planning for liquidity management in times of stress. Within ING a specific crisis team is responsible for the liquidity management in times of crisis. This crisis team consists of the CRO, the CFO, the Board member responsible for Commercial Banking, the Directors of CMRM and Capital Management and all the main treasurers of both ING Bank and ING Insurance. Within ING it is policy to have adequate and up-to-date contingency funding plans in place throughout the organisation. The main objective of ING's contingency funding plans is to enable senior management to act effectively and efficiently in times of crisis. The contingency funding plans are established for addressing temporary and long-term liquidity disruptions caused by a general event in the market or an ING specific event. These plans ensure that all roles and responsibilities are clearly defined and all necessary management information is in place. The contingency funding plans are regularly tested both on consolidated and local level in order to be best prepared for potential liquidity risk issues.

ING INSURANCE

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

The Insurance Management Board is responsible for managing risks associated with the activities of ING Insurance. The responsibility for measurement and management of credit risk and operational risk resides with Corporate Credit Risk Management (CCRM) and Corporate Operational Risk Management (CORM) respectively. Corporate Insurance Risk Management (CIRM) is responsible for insurance risk (actuarial and underwriting) market risk and liquidity risk measurement and management, business risk measurement, as well as 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. The General Manager of CIRM, the Chief Insurance Risk Officer, heads the functional line and reports to the Corporate CRO. Each of the business lines and business units has a similar function headed by a Chief Insurance Risk Officer (business line and business unit CIRO). This layered, functional approach ensures consistent application of guidelines and procedures, regular reporting and appropriate communication vertically through the risk management function, as well as providing ongoing support for the business. The scope, roles, responsibilities and authorities of the risk management function at different levels are clearly described in an Insurance Risk Management Governance Framework to which all consolidated business units and business lines must adhere.

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

Risk management policies and tools

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

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

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

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

Risk management (continued)

To further manage risk, ING Insurance has implemented several limit structures. Examples include but are not limited to the following:
- Market Value at Risk (MVaR) limits that provide the fundamental framework to manage the market and credit risks resulting from the Insurance operations' asset / liability mismatch;
- Credit risk concentration limits;
- Mortality concentration limits;
- Catastrophe and mortality exposure retention limits for its insurance risk; and
- Investment and derivative guidelines.

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

Reserve adequacy

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

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

ING INSURANCE RISK PROFILE

Economic Capital ING Insurance

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

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

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

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

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

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

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

Total diversification across these risk types is 32% for 2009 (34% for 2008).

The Economic Capital for ING Insurance is mostly related to market risks, both hedgeable and non-hedgeable. Overall, Economic Capital and risk profile increased during 2009. The primary change came from increased market risk, relating to a recovery in financial markets in combination with improved modelling of interest rate and credit spread risk exposure. In addition, there were several changes to the risk profile due to selling of business units and increases in business risk due to improved lapse risk modelling.

Risk management (continued)

ING Insurance

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	2009	2008
Insurance Americas	**9,705**	6,049
Insurance Asia/Pacific	**2,256**	2,817
Insurance Europe	**3,969**	2,985
Corporate Line Insurance [1]	**2,175**	1,831
Total insurance operations	**18,105**	13,682

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

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

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

ING INSURANCE – MARKET RISKS

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

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

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

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

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

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

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

Risk management (continued)

The MVaR 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 the policy within the next quarter.

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

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

Real Estate

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

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

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

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

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

Real Estate Exposure recorded as fair value through P&L

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

Real Estate Exposure recorded as fair value through P&L

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

Real Estate Exposure not revalued through P&L

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

Real Estate Exposure not revalued through P&L

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

Risk management (continued)

ING Insurance

Earnings sensitivities
Complementing Economic Capital, which is based on a market value analysis, ING Insurance also measures risk based on IFRS earnings. More specifically, using scenario analysis, ING Insurance measures the potential sensitivity of realised pre tax earnings of the insurance operations to an increase/decrease in different risk factors over a full year. These earnings sensitivities are used as input into the ING Group Earnings at Risk measure, where these sensitivities are fully diversified with the Bank. Interpretation of the underlying earnings sensitivities must be done individually as ING does not assume that all of the scenarios presented below will happen concurrently.

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

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

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

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

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

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

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

MEASUREMENT
For portfolio risks which are not mitigated by diversification, the risks are managed primarily through concentration and exposure limits and through reinsurance and/or securitisation. Aggregate portfolio level limits and risk tolerance levels are set in reference to potential losses stemming from adverse claims in ING's insurance portfolios which are reviewed annually by the ING Group Executive Board. ING 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) the risk tolerance for property and casualty (P&C) business is generally set at 2.5% of the Group's expected after-tax earnings. For 2009, this translated into an aggregated (pre-tax) risk tolerance level of EUR 190 million for the Benelux (2008: EUR 265 million).

Risk management (continued)

ING Insurance

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

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

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

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

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

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

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

Economic Capital Insurance risks

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

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

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

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

Earnings sensitivities for Insurance risks

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

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

Risk management (continued)

ING Insurance

ING INSURANCE – CREDIT RISKS

The credit risks in the general accounts portfolio within ING Insurance are subject to the same principles, policies, definitions and measurement as those of the banking operations. The credit risks are measured and monitored by Corporate Credit Risk Management (CCRM) as well as local credit risk managers within the various locations where credit risk is taken within ING Insurance and ING Investment Management. Within ING Insurance, the goal is to maintain a low risk, well diversified credit risk portfolio that meets or exceeds market based benchmark returns.

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

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

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

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

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

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

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

Risk concentration: ING Insurance portfolio, by economic sector (1) (2)

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

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

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

Risk management (continued)

ING Insurance

Largest economic exposures: ING Insurance portfolio, by country [1] [2]	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
amounts in billions of euros	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
United States	**54.3**	58.6	**2.4**	2.0	**1.2**	1.1	**57.9**	61.7
Netherlands	**2.6**	0.8	**14.7**	14.6	**0.2**	0.2	**17.5**	15.6
France	**0.3**	0.3	**8.1**	6.8	**0.1**	0.1	**8.5**	7.2
South Korea	**0.1**	0.1			**7.4**	6.2	**7.5**	6.3
Germany	**0.2**	0.3	**6.0**	5.3	**0.1**	0.1	**6.3**	5.7
Italy	**0.3**	0.3	**5.0**	5.9		0.2	**5.3**	6.4
United Kingdom	**1.4**	1.8	**3.2**	3.5	**0.3**	0.4	**4.9**	5.7
Japan	**0.2**	0.4	**0.1**		**4.3**	4.5	**4.6**	4.9

[1] Only covers total exposures in excess of EUR 4 billion, including intercompany exposure with ING Bank.
[2] Country is based on the country of residence of the obligor.

The declining portfolio in the United States is primarily the result of the currency depreciation of the US dollar against the Euro, impairments and the Alt-A transaction with the Dutch government. The portfolio in the Netherlands increased due to the IABF Receivable. There were no other significant shifts in the portfolio concentration.

Risk management (continued)

ING GROUP – NON-FINANCIAL RISKS

In addition to the above financial risks (credit, market, insurance and liquidity risk) the next paragraphs describe the non-financial risks, being operational and compliance risks.

GENERAL

Policy implementation

To ensure robust non-financial risk management ING monitors the full implementation of ING's risk policies and Minimum Standards. Business units have to demonstrate that the appropriate steps have been taken to control their operational and compliance risk. ING applies scorecards to measure the quality of the internal control within a business unit. Scoring is based on the ability to demonstrate that the required risk management processes are in place and effective within the business units.

Enhancements of the Non-financial Risk Dashboard

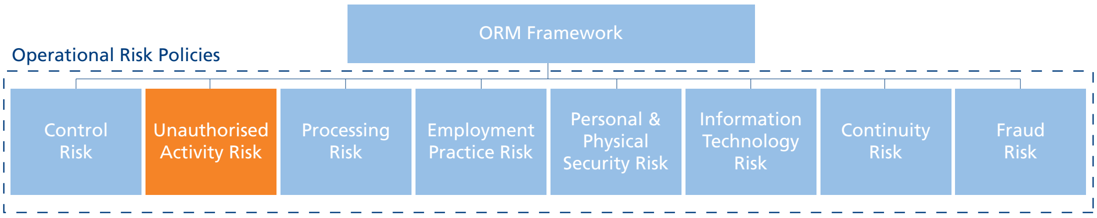
The Non Financial Risk Dashboard (NFRD) is a report, that is standard on the agenda for the meetings of the Management Boards Banking and Insurance and the Risk Committee. NFRD provides management at all organisational levels integrated risk information on Operational, Compliance and Legal Risks. ORM, Compliance Risk Management and Legal work closely together to prepare the NFRD, using a consistent approach and risk language. NFRD gives management an overview of key risks based on their own risk tolerance within their business and a clear description of the risks and responses enabling management to better prioritise and to manage operational, compliance and legal risks.

OPERATIONAL RISKS

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the related risk of reputation loss, as well as legal risk whereas strategic risks are not included. Effective operational risk management leads to more stable business processes (including IT systems) and lower operational risk costs. Generic mandatory controls are described in the ORM policy house. Most of the policies have been updated in 2009 and are structured in line with the risk areas. Each policy has one or more minimum standards.

ING recognises the following operational risk policy areas:



- *Control risk* is the risk of loss due to not complying with controls set through governance procedures and/or project management methods. Control risk deals with, for example, identifying potential flaws in the set-up or structure of the governance process, maintaining a proper control and governance structure, having clear roles and responsibilities, an adequate reporting structure, ensuring good risk response on identification of risks. Control risk events typically deal with a deficiency in the governance framework. Control risks can lead to losses incurred due to non-compliance with controls established in connection with items such as governance procedures, new product approval procedures, and/or project management methods. Control risk can stem from improper or insufficient monitoring of entities or activities;
- *Unauthorised activity risk* is the risk of a loss caused by unauthorised employee activities, including – but not limited to – unauthorised approvals or overstepping of authority;
- *Processing risk* is the risk of losses due to human errors or omissions during (transaction) processing caused by unexpected or unforeseen problems. Processing risk deals with the risk of losses due to failed transaction processing or process management. These events are normally not intentional and usually occur when documenting or completing current business transactions;
- *Employment practice risk* is the risk of loss due to actions which are inconsistent with employment, health or safety laws, or agreements, from payment of personal injury claims or from diversity /discrimination events;
- *Personal and physical security risk* is the risk of criminal and environmental threats that might endanger the security of ING personnel (within and outside ING locations, while travelling or being expatriated) and ING assets or might have an impact on the ING organisation;
- *Information (Technology) risk* is the risk of loss due to inadequate information security, resulting in a loss of information confidentiality and/or integrity and/or availability. Aspects of information (technology) risks are user access controls, IT resilience, platform security controls, change management controls, sourcing controls, security monitoring controls and fundamental information security controls;
- *Continuity risk* is the risk of events (e.g. natural disasters, power outages, terrorism) leading to a situation that threatens the continuation of business (including people and assets);
- *Internal and external fraud risk* is the risk of loss due to deliberate abuse of procedures, systems, assets, products and/or services of ING by those who intend to deceitfully or unlawfully benefit themselves or others.

Risk management (continued)

Clear and accessible policies and minimum standards are embedded in ING business processes in all business lines. An infrastructure is in place to enable management to track incidents and operational risk issues. A comprehensive system of internal controls creates an environment of continuous improvement in managing operational risk. ING uses this knowledge (including lessons learned from incidents) to improve the control of key processes.

Organisation of Operational Risk Management

The General Manager Corporate Operational Risk Management (CORM) reports directly to the CRO and is responsible for managing operational risks and developing and establishing the Operational Risk Framework within ING Group, ING Bank and ING Insurance. The General Manager Corporate ORM also establishes and approves the policies and minimum standards, and assists and supports the Executive Board in managing ING's operational risks. The ORM function is organised along functional reporting lines. The Business Line operational risk managers report functionally to the General Manager CORM.

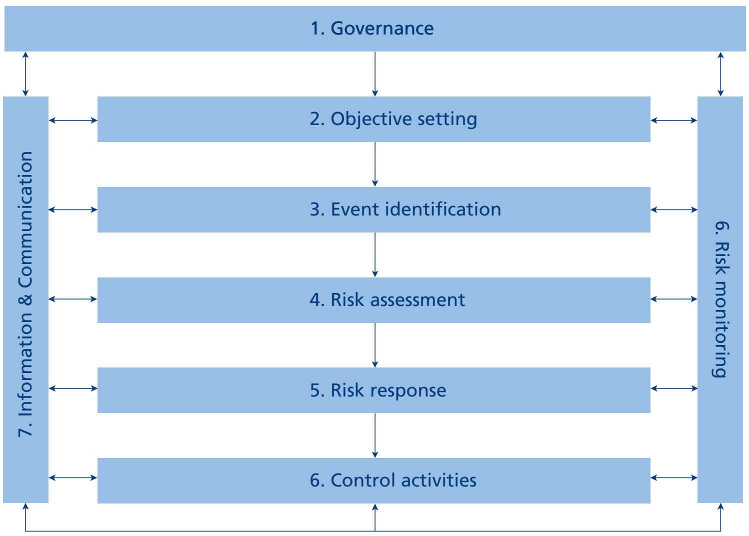
The CORM function consists of functional departments for Operational risks (including policies, systems, SOX testing, capital allocation and reporting), for Information (Technology) risks and for Security & Investigations. The CORM function is responsible for developing and communicating ING's operational risk framework, policies, minimum standards and guidelines. The corporate function advises the Executive Board and senior management, supports the business line ORM staff, monitors the quality of operational risk management and leads the group-wide reporting of operational risks to the Executive Board.

ORM uses a layered functional approach within business lines to ensure systematic and consistent implementation of the group-wide ORM framework, policies and minimum standards. The local and regional/division ORM Officer has the responsibility to assist local and regional/division management in managing operational risk. The business line ORM officer has a monitoring role in the operational risk management process and manages and supervises all functional activities of the ORM officers in the business line and region/division.

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

Operational risk framework

ING has developed a comprehensive framework supporting and governing the process of identifying, mitigating, measuring and monitoring operational risks thus reflecting the stages described in the Enterprise Risk Management model of COSO (Committee of Sponsoring Organisations of the Treadway Commission).



At all levels in the organisation Operational Risk Committees (ORC's) are established that identify, measure and monitor the operational risks of the region or business unit with appropriate quality of coverage (granularity) and to ensure that appropriate management action is taken by the responsible line managers at the appropriate level of granularity. ORC's, chaired by the business management, steer the risk management activities of the first and second line of defence in their entities. On a group level the Operational & Residual Risk Committee approves the operational risk capital model.

Risk management (continued)

IT Risk Governance: IT risk management has become more and more important because of increasing dependency on IT and the increase of IT risk due to amongst others cybercrime. In 2009 the Executive Board has established two Executive IT Risk Steering Committees, one for Banking and one for Insurance, to be able to steer and monitor ING's IT Risk Management process and results more closely. The operational risk appetite within ING is defined as the acceptable and authorised maximum level of risk, in each of the operational risk areas that must be adhered to in order for ING to achieve its business plan within approved budgets. This risk appetite is monitored quarterly through the Non-Financial Risk Dashboard which reports the key risk exposures.

Processes are in place to identify key threats, vulnerabilities and the associated risks which might cause adverse events. Event identification is performed proactively and precedes a risk assessment. Different techniques for event identification exist within ING, e.g. the structured team approach, scenario analysis, external events inventories, internal incident analysis (e.g. based on information from incident reporting), key risk indicator events and threat scans.

At least once a year business units and departments perform an integrated risk assessment with involvement of other departments such as Operational Risk, Compliance, Legal and Finance.

Based on the results of the risk assessment, response measures must be determined for the identified risks. Risk response actions balance the expected cost for implementing these measures with the expected benefits regarding the risk reduction. Risk response can be achieved through several combinations of mitigation strategies, for example reducing likelihood of occurrence, reducing impact, risk avoidance, risk acceptance or through the transfer of risk. Tracking takes place through a global Action Tracking system.

Certain operational risks can best be transferred to the insurance market if risks are high but difficult to mitigate internally. In order to protect ING against financial consequences of uncertain operational events ING has acquired insurance policies issued by third-party insurers with world-wide cover for (Computer) Crime, Professional Liability, Directors and Officers Liability, Employment Practices Liability and Fiduciary Liability. The portion of the risks that ING retains is of a similar magnitude to the risk retained for casualty business-related catastrophe exposures.

Control activities are defined as the control measures that have been implemented and are maintained. Generic mandatory controls are described in the ORM policy house.

Management at all levels in the organisation periodically need information on their key operational risks (including compliance and legal risks) and mitigating actions. In order to make it easier for management to access this kind of information, business units periodically report through the Non-Financial Risk Dashboard (NFRD).

The yearly objective setting process for both business management and ORM professionals aims to keep improving the management of operational risk throughout ING to ensure that ING stays in control of its current and future operational risks. ING's ORM Framework is further maturing towards an integrated controls framework according to pre-agreed requirements and development stages in the individual business units. This development is measured through the scorecard process. The scorecards are an integral part of ING's operational risk capital model.

The Operational Risk Capital calculation model of ING Bank and ING Insurance calculates the amount of capital that is required to absorb unexpected operational risk losses in times of severe stress. The Operational Risk Capital model of ING is based on a Loss Distribution Approach (LDA). The Loss Distribution is based on both external and internal loss data exceeding EUR 1 million. The model is adjusted for the scorecard results taking into account the specific quality of control in a business line and the occurrence of large incidents ('bonus/ malus'). This provides an incentive to local (operational risk) management to better manage operational risk.

Main developments in 2009

Control risk policy

A new Control Risk policy was developed which now provides overall-policy direction for control-risk related areas from ORM, Finance and Legal, such as governance, new product approval, project management, financial reporting, outsourcing and operational control. This policy integrates the control-risk related standards of the contributing functions and is part of ING's efforts to work towards a more integrated risk management.

Fraud risks

Based on the Corporate Anti-Fraud policy each business unit had to complete the implementation of anti-fraud key controls for the identified top three fraud risks. Furthermore, fraud patterns and fraud alerts (red flags) had to be identified and communicated to staff. Generic anti-fraud training has been rolled out to ensure that all staff (including management) will be trained. To make the ORM community more streetwise an e-learning training anti-fraud has been developed and rolled out via the ING learning centre.

Risk management (continued)

Information (Technology) risk
ING has fully reviewed and updated its IT risk policy and minimum standards and aligned it with regulatory and (external) international ISO standards. All IT-related staff worldwide were informed about the changes in policy and standards and e-learning is being developed. ING's quarterly monitoring process through NFRD was also aligned with the new policy and standards.

Continued risk mitigation efforts were made in the IT risk domain worldwide as IT is a key resource and enabler for ING businesses. Managing IT risk is amongst ING's key management priorities. The Executive IT Risk Steering Committee is chaired by ING's CEO.

ING developed a Risk Forecasting methodology that shows over time the effects on the risk profile of Business Units from ongoing and intended mitigating actions. In the course of 2009, forecasting has been implemented successfully for the Information (Technology) area.

Continuity risk
A continuity risk forecasting model has been introduced. Through this model, Management can determine if current actions are sufficient to maintain the continuity risks at an acceptable level or if additional mitigation projects are necessary. Furthermore an overall Group value chain ranking list for critical products and services has been introduced in which management can prioritise supporting activities. Because of the worldwide influenza (H1N1) pandemic outbreak special focus has been put on business continuity planning and crisis management using a realistic scenario of a staff absence of 50%.

COMPLIANCE RISKS
Compliance Risk is defined as the risk of damage to ING's integrity as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies, procedures and ethical standards. In addition to reputational damage, failure to effectively manage Compliance Risk could expose ING to fines, civil and criminal penalties, and payment of damages, court orders and suspension or revocation of licenses, which would adversely impact customers, staff and shareholders of ING.

ING believes that fully embedded Compliance Risk Management preserves and enhances the trust of its customers, shareholders and staff. Being trusted is essential to building sustainable businesses. ING's Business Principles set the foundation for the high ethical standards ING expects of all our business activities.

ING's Business Principles require all staff at every level to conduct themselves, not only in compliance with laws and regulations, but also by acting with integrity, being open and clear, respectful, and responsible.

Clear and practical policies and procedures are embedded in ING business processes in all Business Lines. Systems are in place to enable management to track current and emerging Compliance Risk issues, to communicate these to internal and external stakeholders, and to drive continuous improvement. ING understands that good Compliance Risk Management involves understanding and delivering on the expectations of customers and other stakeholders, thereby strengthening the quality of key relationships.

The Scope of the Compliance Risk Management function
The Compliance Risk Management function focuses on managing the risks arising from laws, regulations and standards which are specific to the financial services industry. The Compliance Risk Management function actively educates and supports the business in managing areas including anti-money laundering, preventing terrorist financing, conflicts of interest, proper sales and trading conduct and protection of customer interest.

ING separates Compliance Risk into four conduct-related integrity risk areas. These are shown below with examples of the sub-risks in each risk area:

Client Related Integrity Risk	Personal Conduct Related Integrity Risk	Organisational Conduct Related Integrity Risk	Financial Services Conduct Related Integrity Risk
• Money laundering • Terrorist financing • Political or reputational exposed person • Client engagements or transactions with (ultra) high risk countries	• Market abuse & personal trading • Breaches of the ING Business Principles or local code of conduct • Outside positions by ING officers • Gifts or entertainment given or received; bribery. • External incident reporting	• Organisational conflicts of interest, market abuse and insider trading. • Anti-trust/competition law • New or modified products and services (e.g. customer base, design) and governance changes • Agreed sector /industry standards. • Regulatory registration and reporting requirements • Third party intermediaries as representatives of ING	• Marketing, sales & Marketing, sales & trading conduct • Conduct of advisory business • Complaint handling • Transparency of product offerings (e.g. costs, disclosures).

Risk management (continued)

In addition to effective reporting systems, ING has a Whistleblower procedure which encourages staff to speak up if they know of or suspect a breach of external regulations or internal policies or Business Principles.

The Compliance Risk Management function
The Chief Compliance Officer (CCO) reports directly to the Chief Risk Officer who is a member of the Executive Board. The CCO is responsible for developing and establishing the company-wide Compliance Risk Management Charter & Framework, establishes the Minimum Standards for managing Compliance Risks and assists and supports the Executive Board in managing ING's Compliance Risks.

ING uses a functional approach within Business Lines to ensure systematic and consistent implementation of the company-wide Charter & Framework, policies, Minimum Standards and related procedures. The Local Compliance Officer has the responsibility to assist local management in managing Compliance Risk within that business unit. The regional or division Compliance Officer has a management and supervisory role over all functional activities of the Compliance Officers in the respective region or division. Reporting functionally into the CCO, the Business Line Compliance Officers perform this task for their Business Line and also provide leadership and overall direction to the regional or divisional Compliance Officers.

To avoid potential conflicts of interest, it is imperative that the Compliance Officers are impartial and objective when advising business management on Compliance Risk in their Business Unit, region, division or Business Line. To facilitate this, a strong functional reporting line to the next higher level Compliance Officer is in place. The functional reporting line has clear accountabilities relating to objective setting, remuneration, performance management and the appointment of new Compliance Risk Management staff as well as obligations to veto and escalate.

Compliance Risk Management Policies and Tools
The responsibility of the Compliance Risk Management function is, in accordance with the Charter and Framework, to proactively:
- Identify, assess, monitor and report on the Compliance Risks faced by ING;
- Assist, support and advise management in fulfilling its responsibilities to manage Compliance Risks;
- Advise any employee or officer with respect to their (personal) obligations to manage Compliance Risks.

The Framework consists of three key components: the Compliance Chart, an Advisory component and the Scorecard as illustrated below

Compliance Risk Management Framework

1. The Chart
The Chart is an output from five key activities carried out in accordance with the requirements of the Framework:
A. Identification of Compliance Risk Obligations;
B. Risk Assessment;
C. Compliance Risk Mitigation (includes Training and Education);
D. Compliance Risk Monitoring (includes Action Tracking);
E. Compliance Risk Reporting (includes Incident Management).

2. Advisory
Compliance Officers proactively advise their CEO, Management, local boards and committees, the next higher level Compliance Officer, and employees on Compliance Risk, responsibilities, obligations and concerns.

The Compliance Risk Management function participates in the Operational Risk Management Scorecard process which measures how the risk management framework including Compliance Risk Management is embedded in each business. Scoring is based on the ability of the business unit to demonstrate that the required policies and procedures are implemented.

3. Scorecard
The Compliance Risk Management function works with the Operational Risk Management Scorecard process to evaluate how well the Compliance Risk Management Framework is embedded in each business. Scoring is based on the ability of the business unit to demonstrate that the required policies and procedures are implemented. The scoring indicates the level of control within the business units and the result is integrated with the Operational Risk Management results into ING's Dutch Central Bank approved regulatory capital model (AMA).

Extra-Territorial regulations
As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives ING continues to believe that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba. ING Bank N.V. has in 2009 liquidated the Netherlands Caribbean Bank, which had been a 100% owned subsidiary since 2007.

ING Bank N.V. has continued discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the US and other authorities and its earlier review of transactions involving sanctioned parties. In connection with that review and related discussions ING Bank has undertaken to complete the global implementation of enhanced compliance and risk management procedures, and to monitor the implementation of such procedures on an ongoing basis, as instructed by DNB. ING Bank also remains in discussions with authorities in the US and in other jurisdictions concerning these matters, including with respect to ongoing information requests and it is not possible to predict at this time the outcome thereof. Financial institutions continue to experience close scrutiny by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws, regulations, standards and expectations. Bank and insurance regulators and other supervisory authorities in Europe, the US and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and conduct business in an efficient, orderly and transparent manner. ING seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinizing account holder information, payment processing and other transactions to support compliance with regulations governing money-laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or perceived failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING's licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING's reputation and financial condition, and accordingly ING's primary focus is to support good business practice through its Business Principles and group policies.

Main developments in 2009
Building Customer Trust
Group Compliance Risk Management and Corporate Operational Risk Management have worked closely together with the business lines to strengthen ING's Product Approval and Review Process. This work demonstrates ING's commitment to treating customers fairly and ensuring alignment with the various regulatory initiatives including the Dutch Banking Code, new FSA regulations in the UK and US President Obama's white paper on financial regulatory reform.

Regulator relationships
Group Compliance Risk Management continued to invest in pro-active relationships with regulators in the jurisdictions where ING operates, striving for an open approach and cooperation in identifying and mitigating compliance risks for ING.

Further embedding of Financial Economic Crime & Extra-Territorial Laws
ING's commitment to prevent any involvement in criminal activity was reinforced by the review and updating of the Financial Economic Crime and Extra Territorial policies.

In keeping with our obligation to provide consistent relevant education a series of specialised face-to-face training sessions were held for over 250 Money Laundering Reporting Officers. These global events not only provided information on the updated policies but also gave a valuable opportunity to share best practices.

Risk management (continued)

Learning
The 'Leading Compliance Risk Management in your business' workshop targeted the top four echelons of ING management (Bank and Insurance) worldwide. It helped provide over 12,000 Managers with a deeper understanding of the effective embedding of ING's Three Lines of Defence model and the strategic value of Compliance Risk Management. Managers also learned in practical steps what actions they can take to strengthen the management of Compliance Risk as well as how to apply the Framework and tools.

Additionally over 700 Compliance Officers world-wide completed a five day face to face Compliance Officer training focused on raising technical knowledge and enhancing personal effectiveness.

Compliance risk reporting - Quality Assurance – Challenging Process
The embedding of policies in all ING's Business Units is vital to the effectiveness of ING's Compliance Risk Management strategy.

To ensure that ING has clarity on the status of policy embedding and what actions are planned or in place to ensure all policies are operationally effective, all ING Business Units produce quarterly progress reports.

To ensure the quality of the policy embedding data, Group Compliance Risk Management has formalised a robust Risk Challenging and verification process. The process is lead by the Chief Compliance Officer and is conducted with members of the Business units and the Group Compliance Reporting and Analytics team.

Communication
Communication in 2009 focused on delivering clear messages and useable knowledge to the Compliance Risk Management community through vehicles such as E-Bulletins, workshops and poster campaigns. The Group Compliance Risk Management intranet site was re-designed to provide all employees with an easier more engaging tool to find reference material, policies and Compliance Risk Management news.

When communicating to all ING's' employees, Group Compliance Risk Management embraced all forms of media from high tech intranet to engaging cartoons that convey the key messages on how to apply compliance risk management policies in their work environment.

MODEL DISCLOSURES

The risk profile of ING Group, as described in the risk management section is captured by three key risk metrics:

- Earning at Risk;
- Capital at Risk;
- Economic Capital.

The analyses set out in the risk management section provide a valuable guide to investors as to the risk profile of ING Group. Users of the information should bear in mind that the analyses provided are forward looking measures that rely on assumptions and estimates of future events, some of which are considered extreme and therefore unlikely to occur. In the normal course of business ING Group continues to develop, recalibrate and refine the various models that support risk metrics, which may result in changes to the risk metrics as disclosed.

This model disclosure section explains the models applied in deriving these three metrics. The methodology to derive the Earnings at Risk and Capital at Risk metrics, as presented in the ING Group risk dashboard, is described first. Thereafter, the methodologies used to determine Economic Capital for ING Bank, ING Insurance and ING Group are described. The risk models used for the ING Bank and Insurance Economic Capital calculations and the ING Group risk dashboard are reviewed on a periodical basis and validated by the internal Model Validation department. The ING Bank Economic Capital calculation is also used as part of the Basel II Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP) that is performed regularly by the Dutch Central Bank.

EARNINGS AND CAPITAL RISK

Earnings at Risk

Earnings at Risk (EaR) measures the potential reduction in IFRS earnings over the next year. EaR is measured using a 90% confidence level (i.e. '1 in 10' stress scenario). Discretionary management interventions are not explicitly modelled unless their measurement can be based on historical performance tracking (e.g. regular or planned actions). It should be noted that the 90% confidence level used for EaR is not an absolute requirement, but regarded as a general guideline. For each major risk type the earnings sensitivities are calculated based on existing best-practice e.g. 1% instantaneous shock to interest rates. To reflect bottom-line IFRS earnings as close as possible in EaR measurement, the amount is compared to the forecasted commercial result (IFRS earnings excluding volatile items) to determine risk appetite levels. The ING Bank credit risk component of EaR bank is adjusted for forecasted risk costs (addition to Loan Loss Provision).

Capital at Risk

The Capital at Risk (CaR) measures the potential reduction of the net asset value (based on fair values) over the next year relative to expected value. CaR is measured using a 90% confidence level (i.e. '1 in 10' stress scenario).

Economic value is defined as the mark-to-market net asset value (assets less liabilities). For each major risk type the value sensitivities are calculated based on the existing Economic Capital methodology, applying the 90% confidence level. CaR risk appetite is measured against Available Financial Resources.

Aggregation model risk dashboard

To derive the Earnings at Risk and Capital at Risk figures at an ING Group level, the underlying risk inputs from the ING Bank and ING Insurance business units are aggregated bottom-up, using a combination of the 'variance-covariance' method and Monte Carlo simulation. For aggregation up to Group level, two sets of correlation assumptions are required, namely the Bank-Insurance correlations per risk type and inter-risk correlations.

The basic data input for the group risk dashboard is provided along 13 major risk types (e.g. equity risk Europe; see table below) and diversified within ING Bank or ING Insurance.

The first aggregation step is between ING Bank and ING Insurance for each major risk type. All risk capitals, except for credit risk that is already aggregated for ING Bank and ING Insurance, are delivered on a standalone basis for ING Bank and ING Insurance. These risk capitals are aggregated between ING Bank and ING Insurance using a variance-covariance approach. Depending on the accounting treatment the Bank – Insurance correlation factors used for EaR may differ from CaR correlation factors (e.g. for interest rate risk). The result of this aggregation step are Group diversified EaR and CaR figures for each major risk type.

Risk management (continued)

Model Disclosures

Major risk types distinguished:

Risk type	Distribution used
Credit and transfer risk (2)	KMV distribution
Market risk (8) – Interest rate risk Europe, Asia and America – Equity risk Europe, Asia and America – FX risk – Real Estate risk	Normal distribution
Insurance risk (1)	Normal distribution
Business risk (1)	Normal distribution
Operational risk (1)	Empirical distribution

(Note numbers in parentheses indicate the number of risk types distinguished (total of 13)).

A second aggregation step exists between these major risk types at an ING Group level. The Group diversified EaR and CaR figure for each major risk type are aggregated using a Monte Carlo simulation in combination with an inter-risk correlation matrix to obtain the overall EaR and CaR figures for ING Group. The outcomes of the simulation represent the potential losses arising from the major risk types, which are summed together to derive the aggregate potential losses. The diversified Group EaR or CaR is then calculated as the 90th percentile of the simulated aggregate potential losses.

Principal assumptions of EaR and CaR measurement
CaR and EaR figures should always be viewed in the context of principal assumptions made to enable both comparability and updated measurement of ING Group's risk profile:

- Risk dynamics are based on historic observation; historical events are used as a proxy for future risk estimates e.g. price changes, defaults, dependencies of markets;
- Point-in-time risk profile of in-force business is presented; in general risk measurement does not include future volumes and margins;
- Discretionary management interventions are not explicitly modelled unless their measurement can be based on historical performance tracking (e.g. regular or planned actions);
- Correlation factors between risk types used for diversification are based on best estimate assumptions supported by statistical analysis of historical data, ING risk expert judgement, external benchmark studies and common logic;
- Behavioural assumptions for clients are included in risk measurement where applicable e.g. variable savings, embedded mortgage options or lapse ratios.

Reporting Framework
All data for each risk type and business line, as well as the empirical Group risk distributions, are uploaded to a web-based risk dashboard program. The aggregation and simulation steps, as described above, are performed in a secure server based environment.

ECONOMIC CAPITAL ING BANK
Economic Capital is defined as the amount of capital that a transaction or business unit requires in order to support the economic risks it originates. In general Economic Capital is measured as the unexpected loss above the expected loss at a given confidence level. Specific measurement by risk type is described in greater detail in the separate risk type sections; i.e. credit and transfer and operational risk as well as market and business risk bank.

This Economic Capital definition is in line with the net market value (or surplus) definition. The process of Economic Capital modelling enables ING Bank to allocate Economic Capital to the business units and support risk-adjusted performance measurement (RAROC).

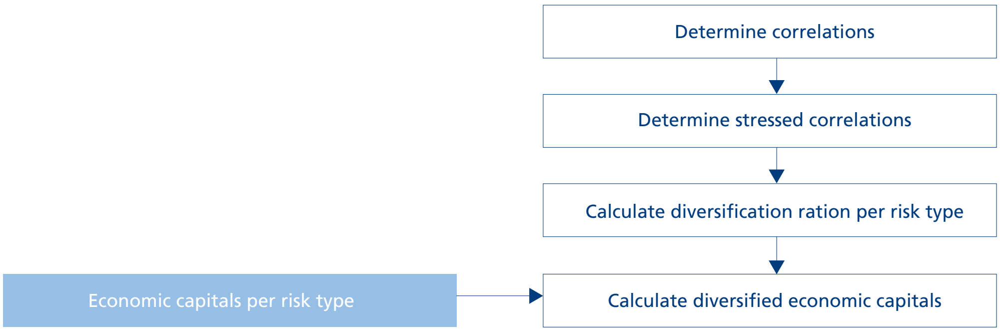
The following fundamental principles and definitions have been established for the model:

- ING Bank uses a one-sided confidence level of 99.95% - consistent with ING's target debt rating (AA) - and a one-year time horizon to calculate Economic Capital;
- It is assumed that all currently known measurable sources of risk are included;
- The best estimate risk assumptions are as objective as possible and based on proper analysis of statistical data. There is one set of best-estimate assumptions for each risk type to be used at ING Bank;
- The Economic Capital calculation is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;
- The Economic Capital calculations reflect known embedded options and the influence of client behaviour in banking products;
- The Economic Capital calculations are on a pre-tax basis and do not consider the effect of regulatory accounting and solvency requirements on capital levels;
- The framework does not include any franchise value of the business, discretionary management intervention or future business volumes and margins.

Further details are provided in the relevant model descriptions for each risk area.

Risk management (continued)

Aggregation model
The main processes executed in the ING Bank Economic Capital aggregation model are depicted in the flowchart below. The white boxes show the processes performed by the model while the shaded box indicates inputs from other corporate risk departments.



As a foundation the correlations in the risk dashboard are applied based on a 90% confidence level, i.e. they correspond to the correlations observed in the 10% largest downward movements (a '1 in 10' event). As shown in the flow-chart, these correlation factors are stressed upwards where necessary to account for potential measurement inaccuracy in extreme events due to limited historic data observations. For aggregating other risk (business and operational), expert opinion is used.

The Economic Capital for ING Bank involves the aggregation of the underlying Economic Capitals of five risk types, namely credit, transfer, market, operational and business risks (latter two also referred to as other risks). These risk types are aggregated to provide a total diversified ING Bank Economic Capital by applying the variance-covariance approach with a 5 x 5 inter-risk correlation matrix.

For allocation of Economic Capital to units and products, diversification factors are calculated for each risk type. These factors are applied consistently throughout ING Bank. The level of diversification benefit is dependent on both the inter-risk correlations as well as the relative size of the undiversified Economic Capital exposure for each risk type.

Reporting Framework
For each business unit and product line, the gross Economic Capital for each risk type is delivered to MISRAROC - the financial data warehouse for RAROC and Economic Capital reporting of ING Bank. The net Economic Capital figures are calculated by taking the product of the gross Economic Capital and one minus the diversification factor. Total Economic Capital is calculated as the sum of the net Economic Capital for each risk type at all reporting levels.

CREDIT AND TRANSFER RISK
Economic Capital for credit risk and for transfer risk is the portion of Economic Capital held to withstand unexpected losses inherent in the credit portfolios related to (unexpected) changes in the underlying creditworthiness of debtors or the recovery value of underlying collateral (if any). Credit risk and transfer risk capital are calculated on all portfolios which contain credit or transfer risk, including investment portfolios. The same methodology is used for both the banking and the insurance operations.

Economic Capital for credit risk and for transfer risk are calculated using internally developed models with a 99.95% confidence level and a time horizon of one year, which represents ING's desired credit rating.

ING uses a series of credit risk models that can be grouped into three principal categories: Probability of Default (PD) models, which measure the standalone creditworthiness of individual debtors; Exposure at Default models (EAD) which estimate the size of the financial obligation at the moment of default in the future; and Loss Given Default Models (LGD), which estimate the recovery value of the underlying collateral or guarantees received (if any) and the unsecured part. Collectively, ING uses over 100 models for credit risk. The various models can be grouped into three categories: statistical, expert and hybrid. Each model is individually reviewed and validated annually by the Model Validation department (MV), in order to determine the continued viability or need to adjust each individual model.

The Economic Capital formula for credit and transfer risks relies on seven different risk drivers. In addition to the PD, EAD, and LGD models mentioned above, the formula also considers the industry and the country of the debtor as well as the remaining term of the respective underlying transactions. Lastly, the formula considers the correlation of the individual transactions to the portfolio as a whole. ING uses Monte Carlo simulation tools to determine certain parameters which are then applied to individual transactions in determining the level of Economic Capital related to credit and transfer risk in a bottom up approach. The correlations, which are updated quarterly, are determined at a business line level, and diversification effects are applied at the transactional level.

Risk management (continued)

Model Disclosures

The underlying formulas and models that are used for determining Economic Capital for credit and transfer risk are similar to those used for determining the level of regulatory capital that is required under Basel II (Pillar 1). Despite the fact that the same underlying formulas are used, (internal) Economic Capital and regulatory capital are not the same, due to various specific rules imposed by Basel II, such as regulatory caps and floors, and the use of the standardised approach for certain portions of ING's portfolio. These differences are permitted under the Basel II guidelines.

The table below summarises different capital measures used for different purposes and shows the difference in key elements and purposes.

Credit Risk Capital Measurements	Methodology	Location	Confidence level	Inputs	Purpose
Regulatory Capital	Basel II Formula	Vortex Basel Engine ('VBE') in the Central Risk Database	99.90%	Basel II model outputs	RWA
Economic Capital	Risk Adjusted Capital (RAC) Closed Algebraic Formula	Vortex Risk Engine ('VRE') in the Central Risk Database	99.95%	Basel II model outputs excluding Basel II caps and floors, maturity, repayment schedules, correlation factors, migration matrix. Some inputs come from EC-MC portfolio calculator but with 99.95% confidence level country and industry.	Pricing, Economic Capital for credit at transactional level and above
Capital and earnings at risk	Monte Carlo simulation based on aggregate portfolio ('EC-MC portfolio calculator')	Stand alone tool using same data from Central Datawarehouse as VRE	90.00%	Basel II model outputs excluding Basel II caps and correlation factors, migration matrix country and industry.	Risk Dashboard at Line of Business Level and above

With regard to methodology, the EC-MC Portfolio calculator provides a sophisticated and consistent framework to measure capital numbers for credit risk. Because of its complexity and required calculation time the EC-MC Portfolio calculator is more suited for portfolio calculation, rather than to be implemented in an environment requiring real time reporting at a transactional level for day-to-day management, pricing of new transactions and limit setting. As a result, Economic Capital figures are based on RAC figures that are derived from the EC-MC Portfolio calculator but are not fully equivalent. The main characteristics are:
- RAC is calculated at facility level with closed algebraic formulas rather than from a Monte Carlo Simulation. The RAC algebraic formula includes parameters which incorporate the impact of portfolio dynamics, such as correlations and diversification effects. These parameters are derived through a regression of the outputs of the EC-MC portfolio calculator;
- Due to its proprietary nature the inputs in the EC-MC Portfolio calculator are subject to certain technical caps and floors (LGD/EAD is constant and PD migration matrix is capped) which are not applicable in RAC. Also, due to the implemented mathematical routines the EC-MC portfolio calculator is subject to a minimum Probability of default (PD) and maximum tenor, which are not applicable in RAC.

Additionally the banking operations use the RAC model for determining the optimal pricing on (new) lending transactions in order to ensure that ING meets its desired RAROC returns.

During 2009, the Economic Capital levels for credit and transfer risk were calculated on a daily basis for most of the Commercial Bank and ING Direct investment portfolios and for the SME portfolios within the Retail banking operations. For consumer loans, residential mortgages, credit cards, and the insurance portfolios, the calculations are made on a monthly basis. On a quarterly basis, the Economic Capital for credit risk and transfer risk figures are consolidated with the corresponding Economic Capital components from other disciplines.

Governance of Economic Capital for Credit and Transfer Risk
All PD, EAD and LGD models are approved by the Credit Risk Committee (CRC) after thorough review of documentation by the Model Development Steering Committee (MDSG) and MV. In addition, each model is validated on an annual basis by MV. Each model has both a credit risk and a front office co-sponsor. Both the MDSG and the CRC have participation from both credit risk officers as well as the front office to ensure maximum acceptance by the organisation.

MARKET RISK BANK
General
Economic Capital for market risk is the Economic Capital necessary to withstand unexpected value movements due to changes in market variables, such as interest rates, equity prices, foreign exchange rates and Real Estate prices. Economic Capital for market risk is calculated for exposures both in trading portfolios and non-trading portfolios.

Risk management (continued)

Model Disclosures

Measurement
Economic capital for market risk is calculated using internally developed methodologies with a 99.95% confidence interval and a horizon of one year, which represents extreme events and ING's target rating. The Economic Capital for market risk for non trading portfolios is calculated for each risk type, while for trading portfolios it is calculated on a portfolio level. The calculations for Economic Capital market risk include Real Estate risk, foreign exchange rate risk, equity price risk, interest rate risk and model risks.

Real Estate price risk includes both the market risks in the investment portfolio and the development risk of ING Real Estate. The Real Estate price risk for ING Real Estate is calculated by stressing the underlying market variables. The stress scenarios at a portfolio level take into account all diversification effects across regions and Real Estate sectors. Also, the leverage of participations in the Real Estate investment funds is taken into account.

For the Real Estate development process, in addition to market sale price risk, the risk drivers of market rent, investor yield and construction delays are taken into account. Furthermore the risk model differs for each development phase (i.e., research, development, and construction) to appropriately reflect the risk taken in each phase. Using correlations, all risk drivers, and stages are used to calculate a possible market value loss representing the Economic Capital for market risk for the development portfolio.

For the direct market risks, the actual VaR (measured at a 99% confidence interval, a one day holding period and under the assumption of an expected value of zero) of the trading and non-trading portfolios is taken as a starting point for the Economic Capital calculations for market risk. To arrive at the Economic Capital for market risk, a simulation based model is used which includes scaling to the required confidence interval and holding period. In determining this scaling factor, several other factors are also taken into account like the occurrence of large market movements (events) and management interventions.

The economic capital for the equity investments is calculated based on the ECAPS system. Using Monte-Carlo simulation, the 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 is recalculated and the 99.95% worst-case change in market value is the Economic Capital level.

Economic Capital for market risk for the mortgage portfolios within ING Retail Banking and ING Commercial Banking is calculated for embedded option risk (e.g. the prepayment option and offered rate option in mortgages). The embedded options are hedged using a delta-hedging methodology, leaving the mortgage portfolio exposed to convexity and volatility risk. The Economic Capital model for market risk is based on the estimated 99% confidence adverse interest rate change.

While aggregating the different Economic Capital market risk figures for the different portfolios, diversification benefits are taken into account as it is not expected that all extreme market movements will appear at the same moment.

The nature of market risk Economic Capital, evaluating the impact of extreme stress with a 99.95% confidence level, can sometimes be difficult to evidence in a statistical sound manner with the available historical data. The Economic Capital figures disclosed by ING Group are a best effort estimate based on available data and expert opinions.

OPERATIONAL RISK
Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss, as well as legal risk, whereas strategic risks are not included. While operational risk can be limited through management controls and insurance, operational risk incidents may have a substantial impact on the profit and loss account of financial institutions.

The capital model, an actuarial model, consists of a combination of three techniques:
- Loss Distribution approach (LDA), which applies statistical analysis to historical loss data;
- Scorecard approach, which focuses on the quality of risk control measures within a specific business unit;
- 'Bonus/Malus' approach, which focuses on the actual operational incidents of a specific business unit.

Risk management (continued)

Loss Distribution approach

The main objective of the LDA approach is to derive an objective capital amount based on the size and the risk appetite of an institution and its business units. This approach estimates the likely (fat-tailed) distribution of operational risk losses over some future horizon for each combination of business line and loss event type. The main characteristic of the LDA is the explicit derivation of a loss distribution, which is based on separate distributions for event frequency (Poisson) and severity (Inverse Gaussian). The model uses both external and internal loss data above one million EUR.

The calculation of operational risk capitals for the units follows five basic principles:

- Principle 1: If the world gets riskier, the business units need more Economic Capital;
- Principle 2: If a business unit's size increases, so does its capital;
- Principle 3: If the business of a business unit is more complex, it needs more capital;
- Principle 4: If the level of control of a business unit is higher, it needs less capital;
- Principle 5: If the business units' losses from internal incidents exceed the level of expected loss accounted for in the first four framework principles, it needs more capital.

The capital calculated according to the first three is 'generic': if two business units operate in the same markets and have the same size, the resulting capital will be the same. The specific capital adjustments mentioned below adjust the generic capital of a specific institution to its specific operational risk capital.

Scorecard approach (principle 4)

The scorecard adjustment reflects the level of quality of control in a specific institution. Scorecards aim to measure the quality of key operational risk management processes. The scorecard procedure concerns questions that require quantitative data, qualitative judgements or simple yes/no questions (e.g. indicating compliance with certain group policies). The scorecards are completed by all business units using self-assessment and reviewed by an expert panel who determines the final score. The set of scorecards then leads to an increase or decrease of the capital of the specific institution.

'Bonus/Malus' approach (principle 5)

Units are assigned additional capital in case losses from internal incidents exceed the level of expected losses that have been accounted for in the LDA. When the actual loss of a business unit is lower than expected based on a comparison with external losses of peers, the capital of the related business unit is reduced.

BUSINESS RISK BANK

Business Risk for ING Bank has been defined as the exposure to value loss due to fluctuations in volumes, margins and costs, as well as client behaviour risk. It is the risk inherent to strategy decisions and internal efficiency. The calculation of Business Risk Capital is done by calculation of three components,

(i) volume/margin risk, (ii) expense risk, and (iii) client behaviour risk.

(i) Volume/Margin risk relates to volumes and margins developing adversely compared to their expected levels;

(ii) Expense risk relates to the (in)flexibility to adjust expenses, when that is needed;

(iii) Client behaviour risk relates to clients behaving differently than expected and the effect that this behaviour can have on customer deposits and mortgage pre-payments. The client behaviour risk is calculated by stressing the underlying assumptions in the models for behavioural assets and liabilities.

Each of these components is calculated separately, and combined to one business risk figure via the variance-covariance methodology. For the calculation of EaR, CaR and EC the same methodology is used, with two differences. The first difference is the confidence interval used for EaR and CaR is 90%, while for EC this is 99.95%. The second difference is that the Volume/Margin component is used for EaR, but not used for CaR and EC.

ECONOMIC CAPITAL ING INSURANCE

Economic Capital, 'EC', is defined by ING as the amount of assets that needs to be held in addition to the market value of liabilities to assure a non-negative surplus at a 99.95% level of confidence on a 1 year time horizon. ING measures Economic Capital by quantifying the impact on the market value surplus (MVS) as a result of adverse events that occur with a specified probability related to the AA rating. Therefore ING's Economic Capital model is based on a 'Surplus-at-Risk' concept. The confidence level consistent with an AA rating has been defined as the 99.95% one-sided confidence level over a one-year horizon. The change in market value surplus (MVS) is the combined effect of changes in Market Value of Assets (MVA) minus market value of liabilities (MVL) and an adjustment for illiquidity spreads due to current dislocated asset markets. The MVS is adjusted to correct this asymmetry by applying an illiquidity spread to the insurance liability cash flows.

ING continues to adjust AFR to reflect the illiquidity in its insurance portfolios as reporting AFR with MVLs discounted at the swap rates results in an asymmetry between the assets and liabilities in terms of reflection of illiquidity premiums. In addition to valuing assets at current market values, the Euro denominated liability illiquidity risk profile has been proxied by applying a Bloomberg composite Euro AAA spread (weighed average of 44 bps over swaps). For the US illiquid liabilities the Bloomberg composite Euro AAA spread is adjusted by the Basis swap curve, which gives a further +20 bps average illiquid premium over USD swaps.

Risk management (continued)

The adjustment of the MVS for the illiquidity of our insurance liabilities impacts the market risk in our Economic Capital model in the following ways:
- Interest Rate Risk: The illiquidity spread applied on our liability cash flows effectively reduces the duration of our liabilities and therefore reduces the duration mismatch between our assets and liabilities resulting in a reduced interest rate risk;
- Credit Spread Risk: The Economic Capital model stresses both the asset spreads and the illiquidity spread on our liabilities. The netting of asset spread risk with illiquidity liability spread risk results in a lower credit spread risk. During 2009 the modelling of the illiquidity spread has been refined and illiquidity spreads have significantly declined resulting in a lower impact on our Economic Capital compared with 2008. Discussions have also started within the industry and with regulators to achieve a consistent application of illiquidity across the industry;
- Foreign Exchange Risk: The adjustment of the MVS for illiquidity results in a reduced net exposure to foreign currency movements and in particular the US dollar. This results in a lower foreign exchange risk.

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

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

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

Strategic business risk has been excluded from the EC calculations of ING Insurance.

Risk management (continued)

Model Disclosures

Economic Capital Model

The ING Economic Capital calculation is calculated based on a 'Surplus-at-Risk' concept. 'Surplus-at-Risk' is calculated based on the steps:

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

In 2007, ING Insurance introduced ECAPS as an intranet-based Economic Capital reporting system utilising replicating portfolio techniques. The ECAPS system provides a well controlled and automated basis for Economic Capital and risk measurement. Each business unit enters the risk characteristics of its assets and liabilities into the ECAPS system on a regular basis. These risk characteristics are then translated to a uniform basis in the form of replicating portfolios of standardised financial instruments. Based on the constellation of replicating portfolios (including representations of non-market risks), the ECAPS system then is capable of calculating Economic Capitals at every level of aggregation. The following is a brief description of the model.

1. Market Data and Scenario Generation

- Automated retrieval of all current and historical market data
- 500 Risk scenarios sent to each business unit to locally develop stochastic asset and liability cash flows
- 20,000 Real World Monte-Carlo scenarios for Economic Capital calculation

2. Stochastic Cash flows and Non-market Risk Capital

- Actuarial software used to produce the stochastic cash flows by scenario
- Business units upload stochastic asset and liability cash flows for optimised replicating portfolio
- Non-market risk capitals calculated in accordance with ING Standards of Practice submitted to ECAPS for risk aggregation

3. Replicating Portfolio

- Capture the risk profile of the financial component of insurance liabilities by mapping onto a small set of standard financial instruments
- Standard instruments contain discount bond, swaption, callable bonds, equity forward/option and FX option
- Find a replicating portfolio that matches the cash flows as closely as possible for the 500 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

Risk management (continued)

Model Disclosures

Further details on Economic Capital model

Market Data and Scenario Generation

ING Insurance uses ING Bank's Global Market Database (GMDB) as a provider of market price and risk data for financial risk drivers. All market data is obtained from reputable data providers such as Reuters and Bloomberg. The GMDB operational team then validates the market data and calculates relevant risk parameters. This validated data is then automatically delivered to the ECAPS system.
Since ING Insurance operates in many developing financial markets, extrapolation algorithms are in place for extending beyond observable market data when this is needed for the calculation of the Market Value Liabilities and the Economic Capital. These algorithms are based on comparable data in mature markets.

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

Stochastic Cash Flows and Non-Market Risk Capital

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

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

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

Replicating Portfolios

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

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

The quality of the replicating portfolio is monitored by several statistical criteria including R-squared and benchmarked against market value sensitivities such as duration, convexity, and changes in value for larger interest rate and equity shocks. High quality replicating portfolios are important in several ways. First, they ensure a good reflection of the actual risk profile and an accurate calculation of

Economic Capital. Second, they assist business units in hedging strategies and management of Economic Capital. Third, the process of replicating portfolio calculations increases the understanding of the complex nature of insurance liabilities in a market consistent environment.

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

Economic Capital Calculation

ECAPS uses Monte-Carlo simulation to determine diversification benefits for the complete 'portfolio hierarchy', from business unit level up to an ING 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.

ECONOMIC CAPITAL GROUP

ING's Group Economic Capital and Bank-Insurance diversification benefit is determined by applying one common aggregation approach to the banking and insurance businesses. The starting point is the actual reported Economic Capital figures for ING Bank and ING Insurance, excluding inter-risk diversification. In addition an aligned set of best-estimate correlation assumptions is constructed by applying the weighted average of the Bank and Insurance specific inter-risk correlation assumptions for each of the five major risk types i.e. credit, market, insurance, business, and operational (See also Economic Capital model sections of Bank and Insurance).

The group diversification benefit is calculated by applying a 'Gaussian-copula' simulation approach. Due to the inherent uncertainties around correlation assumptions and changes in risk exposures the results are put to extensive sensitivity tests.

Capital management

amounts in millions of euros, unless stated otherwise

OBJECTIVES

ING Group Capital Management (Capital Management) is responsible for the sufficient capitalisation of ING Group entities at all times in order to manage the risk associated with ING's business activities. This involves the management, planning and allocation of capital within ING Group. ING's Corporate Treasury is part of Capital Management. It executes the necessary capital market transactions, term (capital) funding and risk management transactions. Capital Management monitors and plans capital adequacy on a consolidated basis at three levels: ING Group, ING Insurance and ING Bank. The rating objective for these three entities is AA. Capital Management takes into account the metrics and requirements of regulators (EU Solvency, Tier 1 and BIS ratios and limits for hybrid capital), rating agencies (leverage ratios, Adjusted Equity) and internal models such as the economic capital and market value balance sheets approach for ING Insurance including Available Financial Resources (AFR).

ING applies three main capital definitions:

- Adjusted Equity (ING Group and ING Insurance) – This rating agency concept is defined as shareholders' equity plus core Tier 1 securities, hybrid capital, prudential filters and an adjustment for Value in Force and Deferred Acquisition Cost. See 'Capital Base' disclosures in this section. This capital definition is applied in comparing available capital to core debt (leverage) for ING Group and ING Insurance;
- Core Tier 1 capital, Tier 1 capital and total BIS capital (ING Bank) – Tier 1 capital is defined as shareholders' equity including core Tier 1 securities plus hybrid capital less certain prudential filters and deductible items. Tier 1 and BIS capital divided by risk weighted assets equals the Tier 1 and BIS ratio respectively. Core Tier 1 capital is equal to Tier 1 capital excluding hybrid capital;
- AFR (ING Insurance) – This is a market value concept, defined as market value of assets (MVA) less the market value of liabilities (MVL) on the balance sheet. The liabilities do not include perpetual hybrid capital which are included in AFR as equity. The valuation of ING Insurance includes an adjustment for portfolio illiquidity. AFR is used as the measure of available capital in comparison with EC employed. EC, or Economic Capital, is the amount of capital that is required to absorb unexpected losses in times of severe stress given the 'AA' target rating of ING Insurance.

In prior years, ING also measured AFR for ING Bank and ING Group. However, during 2009, the management focus shifted mainly to regulatory and rating agency metrics for ING Bank (core Tier 1, Tier 1, BIS) and ING Group (debt/equity). For ING Insurance, AFR continues to be important but is a lower priority than in prior years. For ING Insurance, the main focus is now on ensuring operating entities are adequately capitalized based on local regulatory and rating agency requirements and ensuring that on a consolidated basis, the leverage of ING Insurance (debt/equity) is appropriate.

DEVELOPMENTS

In 2009 Capital Management's main focus was to strengthen the capital position of ING Group, ING Bank and ING Insurance. To achieve this ING Group did not pay dividend in 2009 and launched a rights issue in November of EUR 7.5 billion. The proceeds of the rights issue were largely used to repay EUR 5 billion of the core Tier 1 securities issued in November 2008 to the Dutch State and to provide for additional pre-tax EUR 1.3 billion future payments to the Dutch State for the Illiquid Assets Back-up Facility (IABF) as agreed with the European Commission.

POLICIES

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

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

PROCESSES FOR MANAGING CAPITAL

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

CAPITAL ADEQUACY ASSESSMENT

As at 31 December 2009 and 2008, ING Group, ING Bank and ING Insurance met all key target capital ratios and metrics and regulatory requirements. As at 31 December 2009 and 2008, ING Group, ING Bank and ING Insurance were adequately capitalised in relation to their risk profile and strategic objectives.

Capital management (continued)

ING's Capital base

	Insurance		Bank		Group	
	2009	2008	**2009**	2008	**2009**	2008
Shareholders' equity (parent)	**15,887**	11,893	**30,222**	22,889	**33,863**	17,334
Core Tier 1 securities					**5,000**	10,000
Group hybrid capital (1)	**3,410**	4,560	**8,057**	7,085	**11,478**	11,655
Group leverage/core debt (2)					**6,913**	7,170
Total capitalisation	**19,297**	16,453	**38,279**	29,974	**57,254**	46,159
Adjustments to equity:						
Revaluation reserve debt securities	**2,334**	8,271	**123**	5,185	**2,481**	13,456
Revaluation reserve crediting to life policyholders	**–156**	–2,235			**–156**	–2,235
Revaluation reserve cashflow hedge	**–926**	–1,360	**472**	128	**–372**	–1,177
Goodwill	**–1,857**	–1,889	**–1,636**	–1,636	**–3,244**	–3,275
– Revaluation reserves fixed income & other	**–605**	2,787	**–1,040**	3,677	**–1,291**	6,769
– Revaluation reserves excluded from Tier 1 (3)			**–3,111**	–1,790		
– Insurance hybrid capital (4)	**2,250**	2,250				
– Minorities	**80**	520	**960**	1,198		
Deductions Tier 1			**–1,073**	–1,040		
Available capital (Tier 1 capital for Bank)	**21,022**	22,010	**34,015**	32,019		
Other qualifying capital (5)			**10,716**	11,870		
DAC/ViF adjustments (50%) (6)	**2,931**	1,893				
Group leverage (core debt)					**–6,913**	–7,170
Adjusted Equity (BIS capital for Bank) (a)	**23,954**	23,903	**44,731**	43,889	**49,050**	45,758
Ratios						
Core debt (b)	**2,586**	2,301			**6,913**	7,170
Debt/Equity ratio (b/(a+b))	**9.74%**	8.78%			**12.35%**	13.55%

(1) Tier 1 instruments issued by ING Group (e.g. perpetual debt securities and preference shares) at nominal value. Group hybrid Tier 1 instruments other than preference shares are provided as hybrid capital to ING Insurance or ING Bank.
(2) Investments in subsidiaries less equity (including core Tier 1 securities) of the Group holding company. This net debt position is provided as equity to ING Insurance and ING Bank.
(3) Includes mainly EUR –2,536 million (2008: EUR –1,019 million) in participations (e.g. Kookmin, Bank of Beijing) and other equity investments, EUR –546 million (2008: EUR –615 million) for Real Estate for own use. The Dutch banking regulator requires this deduction to be made from Tier 1 capital. This deduction is added back to Tier 2 capital.
(4) Dated subordinated debt issued by ING Insurance at nominal value.
(5) Includes EUR 11,789 million (2008: EUR 12,910 million) Tier 2 capital and nil (2008: nil) Tier 3, offset by EUR 1,073 million (2008: EUR 1,040 million) of regulatory deductions.
(6) Mainly includes 50% of the excess of the present value of future profits generated by policies in force (Value in Force) over the after-tax deferred acquisition costs.

All leverage ratios were within their targets at the end of the year. The debt/equity ratio of ING Group as at year-end 2009 was 12.35% (2008: 13.55%). The debt/equity ratio of ING Insurance as at year-end 2009 was at 9.74% (2008: 8.78%). The Basel II ING Bank Tier 1 ratio ended at 10.23%, this is a strong increase from 9.32% at year-end 2008.

REGULATORY REQUIREMENTS

ING Bank

Capital adequacy and the use of regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision (The Basel Committee) and the European Union Directives, as implemented by the Dutch Central Bank (DNB) for supervisory purposes. The minimum Tier 1 ratio is 4% and the minimum total capital ratio (known as the BIS ratio) is 8% of all risk-weighted assets.

BASEL II

As of 2008 ING Bank publishes risk weighted assets (RWA), Tier 1 and BIS capital and the accompanying capital ratios based on Basel II data only. In addition, ING publishes the minimum required capital level according to Basel II and according to the Basel I floor. As of 2009 the Basel I floor is based on 80% of Basel I RWA. The minimum requirements according to Basel II and Basel I are both compared to total BIS available capital according to Basel II.

Capital management (continued)

Capital position of ING Bank	2009	2008
Shareholders' equity (parent)	**30,222**	22,889
Minority interests	**960**	1,198
Subordinated loans qualifying as Tier 1 capital (1)	**8,057**	7,085
Goodwill and intangibles deductible from Tier 1	**–1,636**	–1,636
Deductions Tier 1	**–1,073**	–1,040
Revaluation reserve (2)	**–2,515**	3,523
Available capital – Tier 1	**34,015**	32,019
Supplementary capital – Tier 2 (3)	**11,789**	12,910
Available Tier 3 funds		
Deductions	**–1,073**	–1,040
BIS capital	**44,731**	43,889
Risk-weighted assets	**332,375**	343,388
Tier 1 ratio	**10.23%**	9.32%
BIS ratio	**13.46%**	12.78%
Required capital based on Basel I floor (4)	**28,709**	34,369
BIS ratio based on Basel I floor (4)	**12.46%**	10.22%

(1) Subordinated loans qualifying as Tier 1 capital have been placed by ING Groep N.V. with ING Bank N.V.
(2) Includes revaluation debt securities, revaluation reserve cash flow hedge and revaluation reserves equity and real estate (see Capital base table, note 3).
(3) Includes eligible lower Tier 2 loans and revaluation reserves equity and real estate revaluations removed from Tier 1 capital.
(4) Using 80% and 90% of Basel I Risk Weighted Assets in 2009 and 2008 respectively. In case a 80% floor would have been used in 2008, the required capital would have been EUR 30,550 million and the BIS ratio based on Basel I floor 11.49%.

ING INSURANCE
European Union directives require insurance companies established in member states of the European Union to maintain minimum capital positions. The ING Insurance companies outside the EU have to comply with their respective local requirements. ING Insurance's companies comply with local regulatory requirements. The table below shows the global required capital of ING Insurance measured on the basis of the European Union requirement. This requirement is compared with ING Insurance consolidated available capital.

Capital position of ING Insurance	2009	2008
Available capital (1)	**21,022**	22,010
Required capital	**7,774**	8,582
Surplus capital	**13,248**	13,428
Ratio of available versus required capital	**270%**	256%

(1) For breakdown of available capital see Capital base table.

Under ING's internal economic capital (EC) and market value balance sheet approach, the ratio of Available Financial Resources (AFR) to EC was 107% at the end of 2009 compared to 106% at the end of 2008.

ING GROUP
ING Group reports to the Dutch Central Bank as required under the Dutch implementation of the financial conglomerates directive. The directive mainly covers risk concentrations in the group, intra-group transactions and an assessment of the capital adequacy of the Group.

In the following table, we show the Group's capital adequacy on the following basis:
- Insurance required capital from applying European Solvency I rules to all of ING Insurance entities globally (regardless of local capital requirements);
- Bank required capital based on applying Basel II with the Basel I floor. (80% and 90% in 2009 and 2008 respectively);
- Group available capital using an approach similar to that used for Bank BIS capital whereby IFRS equity is adjusted for certain revaluation reserves, minority interests are added, goodwill and certain intangibles are deducted and Group hybrids and qualifying subordinated debt of Bank and Insurance are included.

Capital management (continued)

Regulatory required capital ING Group	2009	2008
Shareholders' equity (parent)	**33,863**	17,334
Core Tier 1 securities	**5,000**	10,000
Excluding: Revaluation reserves [1]	**1,953**	10,044
Group hybrid capital	**11,478**	11,655
Goodwill and intangibles deductible from Tier 1	**–3,244**	–3,275
Minorities	**915**	1,593
Capital base ING Group	**49,966**	47,351
Subordinated loans ING Bank N.V. (included in Tier 2)	**10,127**	11,879
Subordinated loans ING Verzekeringen N.V.	**2,250**	2,250
Capital base including subordinated loans	**62,343**	61,480
Required capital banking operations	**28,709**	34,369
Required capital insurance operations	**7,774**	8,582
Total required capital	**36,484**	42,951
Surplus capital	**25,859**	18,529
Group capital ratio	**171%**	143%

[1] Revaluation reserves debt securities, crediting to life policyholders and cashflow hedge (see ING's Capital base table).

Capital adequacy and ratios

Quantitative disclosures on capital measures and ratios	Group		Bank		Insurance	
	2009	2008	**2009**	2008	**2009**	2008
Tier 1 ratio (Bank)						
Year-end actual Tier 1 ratio			**10.23%**	9.32%		
Regulatory minimum Tier 1 ratio			**4.00%**	4.00%		
Target minimum Tier 1 ratio			**9.00%**	7.20%		
BIS ratio (Bank)						
Year-end actual BIS ratio			**13.46%**	12.78%		
Regulatory minimum BIS ratio			**8.00%**	8.00%		
Target minimum BIS ratio			**10.50%**	10.80%		
Capital coverage ratio (Insurance)						
Year-end actual Capital coverage ratio					**270%**	256%
Required capital					**100%**	100%
Target ratio					**150%**	150%
Debt/Equity ratio						
Debt/Equity ratio	**12.35%**	13.55%			**9.74%**	8.78%
Target maximum Debt/Equity ratio	**15.00%**	15.00%			**15.00%**	15.00%

Capital management (continued)

Main credit ratings of ING at 31 December 2009 (1)

	Standard & Poor's		Moody's		Fitch	
ING Group						
– long term	A	stable	A1	negative	A	stable
ING Bank						
– short term	A-1		P-1		F1+	
– long term	A+	stable	Aa3	negative	A+	stable
– financial strength			C+			
ING Insurance						
– short term	A-2		P-2			
– long term	A-	negative	Baa1	developing	A-	negative

(1) Moody's changed the long term outlook from ING Group and ING Bank from negative to stable on 2 February.

ING's key credit ratings and outlook 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, 15 March 2010

THE SUPERVISORY BOARD
Peter A.F.W. Elverding, *chairman*
Jeroen van der Veer, *vice-chairman*
Tineke (J.) P. Bahlman
Henk W. Breukink
Claus Dieter Hoffmann
Piet Hoogendoorn
Piet C. Klaver
Godfried J.A. van der Lugt
Harish Manwani
Aman Mehta
Joan E. Spero
Jackson P. Tai
Karel Vuursteen
Lodewijk de Waal

THE EXECUTIVE BOARD
Jan H.M. Hommen, *CEO and chairman*
Patrick G. Flynn, *CFO*
Koos (J.) V. Timmermans, *CRO*

Parent company balance sheet of ING Group

as at 31 December before appropriation of result

amounts in millions of euros	2009	2008
Assets		
Investments in wholly owned subsidiaries 1	**46,006**	34,698
Other assets 2	**13,124**	13,610
Total assets	**59,130**	48,308
Equity 3		
Share capital	**919**	495
Share premium	**16,034**	9,182
Non-voting equity securities	**5,000**	10,000
Legal reserves [1]	**1,030**	–9,670
Other reserves	**16,815**	18,056
Unappropriated result	**–935**	–729
	38,863	27,334
Liabilities		
Subordinated loans 4	**11,139**	11,352
Other liabilities 5	**9,128**	9,622
Total equity and liabilities	**59,130**	48,308

[1] Legal reserves includes Share of associates reserve of EUR 1,985 million (2008: EUR –8,719 million) and Currency translation reserve of EUR –955 million (2008: EUR –951 million).

References relate to the notes starting on page 260. These form an integral part of the parent company annual accounts.

Parent company profit and loss account of ING Group

for the years ended 31 December

amounts in millions of euros	2009	2008
Result of group companies after taxation	167	–569
Other results after taxation 6	–1,102	–160
Net result	–935	–729

Parent company statement of changes in equity of ING Group

for the years ended 31 December

amounts in millions of euros	Share capital	Share premium	Non-voting equity securities	Share of associates reserve	Currency translation reserve	Other reserves [1]	Total
Balance as at 1 January 2008	534	8,739		6,053	–950	22,832	37,208
Unrealised revaluations after taxation				–19,042		324	–18,718
Realised gains/losses transferred to profit and loss				2,476			2,476
Transfer to insurance liabilities/DAC				2,193			2,193
Change in cash flow hedge reserve revaluations				746			746
Unrealised revaluations from net investment hedges				388			388
Exchange rate differences				–951	–1		–952
Total amount recognised directly in equity				–14,190	–1	324	–13,867
Net result				–369		–360	–729
				–14,559	–1	–36	–14,596
Issuance costs incurred						–20	–20
Employee stock option and share plans						–76	–76
Issue of non-voting equity securities			10,000				10,000
Dividend				–213		–3,387	–3,600
Purchases/sales of treasury shares	–44					–1,986	–2,030
Exercise of warrants and options	5	443					448
Balance as at 31 December 2008	495	9,182	10,000	–8,719	–951	17,327	27,334
Unrealised revaluations after taxation				**12,344**		**–112**	**12,232**
Realised gains/losses transferred to profit and loss				**1,406**			**1,406**
Transfer to insurance liabilities/DAC				**–2,079**			**–2,079**
Change in cash flow hedge reserve revaluations				**–805**			**–805**
Unrealised revaluations from net investment hedges				**–294**			**–294**
Exchange rate differences				**208**	**–4**		**204**
Total amount recognised directly in equity				**10,780**	**–4**	**–112**	**10,664**
Net result						**–935**	**–935**
				10,780	**–4**	**–1,047**	**9,729**
Transfer to share of associates reserve				**–76**		**76**	
Issuance costs incurred		**–222**					**–222**
Repayment of non-voting equity securities			**–5,000**				**–5,000**
Dividend and repayment premium [2]						**–605**	**–605**
Proceeds from right issue	**424**	**7,074**					**7,498**
Purchases/sales of treasury shares						**129**	**129**
Balance as at 31 December 2009	**919**	**16,034**	**5,000**	**1,985**	**–955**	**15,880**	**38,863**

[1] Other reserves includes Retained earnings, Treasury shares, Other reserves and Unappropriated result.
[2] The 2009 amount of EUR 605 million includes the coupon (EUR 259 million) and repayment premium (EUR 346 million) on the repayment of EUR 5 billion non-voting equity securities.

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

BASIS OF PRESENTATION

The parent company accounts of ING Group are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The accounting policies applicable to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The principles of valuation and determination of results stated in connection with the consolidated balance sheet and profit and loss account are also applicable to the parent company balance sheet and profit and loss account with the exception of Investments in group companies and investments in associates which are recognised at net asset value with goodwill, if any, recorded under intangible assets.

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

A list containing the information referred to in Section 379 (1), Book 2, of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Section 379 (5), Book 2, of the Dutch Civil Code.

Changes in balance sheet values due to changes in the Revaluation reserve of the associates are reflected in the Share of associates reserve, which forms part of Shareholders' equity. Changes in balance sheet values due to the results of these associates, accounted for in accordance with ING Group accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these associates, other than those due to changes in share capital, are included in Share of associates reserve in Other reserves.

A legal reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Share of associates reserve.

Notes to the parent company balance sheet of ING Group

amounts in millions of euros, unless stated otherwise

1 INVESTMENTS IN WHOLLY OWNED SUBSIDIARIES

Investments in wholly owned subsidiaries

	Balance sheet value	
	2009	2008
ING Bank N.V.	**30,211**	22,885
ING Verzekeringen N.V.	**15,880**	11,887
Other	**–85**	–74
	46,006	34,698

Other includes certain intercompany eliminations between ING Bank N.V. and ING Verzekeringen N.V.

Changes in investments in wholly owned subsidiaries

	2009	2008
Opening balance	**34,698**	41,864
Revaluations	**10,800**	–13,709
Result of the group companies	**167**	–569
Capital contribution	**700**	12,720
Dividend	**–350**	–7,050
	46,015	33,256
Changes in ING Groep N.V. shares held by group companies	**–9**	1,442
Closing balance	**46,006**	34,698

2 OTHER ASSETS

Other assets

	2009	2008
Receivables from group companies	**12,566**	13,322
Other receivables, prepayments and accruals	**558**	288
	13,124	13,610

3 EQUITY

Equity

	2009	2008
Share capital	**919**	495
Share premium	**16,034**	9,182
Non-voting equity securities	**5,000**	10,000
Share of associates reserve	**1,985**	–8,719
Currency translation reserve	**–955**	–951
Other reserves	**15,880**	17,327
Equity	**38,863**	27,334

The Share of associates reserve includes the following components: Reserve for non-distributable profit of associates of EUR 645 million (2008: EUR 726 million) and Revaluation reserve of associates of EUR 1,340 million (2008: EUR –9,445 million).

Share capital

	Ordinary shares (par value EUR 0.24)			
	Number x1,000		Amount	
	2009	2008	**2009**	2008
Authorised share capital	**4,500,000**	4,500,000	**1,080**	1,080
Unissued share capital	**668,439**	2,436,852	**161**	585
Issued share capital	**3,831,561**	2,063,148	**919**	495

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

Changes in issued share capital		
	Ordinary shares (par value EUR 0.24)	
	Number x1,000	Amount
Issued share capital as at 31 December 2007	2,226,445	534
Issue of shares	1,848	
Buy-back of shares	–183,158	–44
Exercise of B warrants	18,013	5
Issued share capital as at 31 December 2008	2,063,148	495
Issue of shares	**1,768,413**	**424**
Issued share capital as at 31 December 2009	**3,831,561**	**919**

SHARE PREMIUM

Changes in Share premium are disclosed in the Parent company statement of changes in equity of ING Group.

Changes in other reserves and unappropriated result

2009	**Retained earnings**	**Treasury shares**	**Other reserves**	**Total Other reserves**	**Unappro-priated result**	**Total**
Opening balance	**23,838**	**–866**	**–4,916**	**18,056**	**–729**	**17,327**
Result for the year					**–935**	**–935**
Unrealised revaluations after taxation	**–112**			**–112**		**–112**
Changes in treasury shares		**129**		**129**		**129**
Dividend and repayment premium			**–346**	**–346**	**–259**	**–605**
Transfer to share of associates reserve	**76**			**76**		**76**
Transfer to retained earnings	**–988**			**–988**	**988**	
Closing balance	**22,814**	**–737**	**–5,262**	**16,815**	**–935**	**15,880**

Dividend and repayment premium includes the coupon (EUR 259 million) and repayment premium (EUR 346 million) on the repayment of EUR 5 billion non-voting equity securities.

Changes in other reserves and unappropriated result

2008	Retained earnings	Treasury shares	Other reserves	Total Other reserves	Unappro-priated result	Total
Opening balance	17,367	–3,740	–36	13,591	9,241	22,832
Result for the year					–729	–729
Unrealised revaluations after taxation	324			324		324
Changes in treasury shares		–2,030		–2,030		–2,030
Dividend					–3,600	–3,600
Transfer to share of associates reserve	582			582		582
Transfer to retained earnings	5,641			5,641	–5,641	
Employee stock option and share plans	–76			–76		–76
Issuance costs incurred			–20	–20		–20
Cancellation of shares		4,904	–4,860	44		44
Closing balance	23,838	–866	–4,916	18,056	–729	17,327

As at 31 December 2009, the Share of associates reserve included an amount of EUR 645 million (2008: EUR 566 million) related to the former Stichting Regio Bank that cannot be freely distributed.

Positive components of the Share of associates reserve and Currency translation reserve cannot be freely distributed. The reserve for cash flow hedges is included in the Share of associates reserve on a net basis. Retained earnings can be freely distributed, except for an amount equal to the negative balance in each of the components of the Currency translation reserve and Share of associates reserve. Unrealised gains and losses on derivatives, other than those used in cash flow hedges, are presented in the profit and loss account and are therefore part of Retained earnings and are not included in Share of associates reserve.

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

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

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

The total amount of non-distributable reserves is EUR 2,940 million (2008: EUR 11,121 million).

See Note 13 'Shareholders' equity (parent)/non-voting equity securities' in the consolidated annual accounts for additional information, including restrictions with respect to dividend and repayment of capital.

Change in treasury shares

	Amount		Number	
	2009	2008	**2009**	2008
Opening balance	**866**	3,740	**36,457,118**	126,759,829
Purchased/sold	**47**	2,159	**11,648,765**	94,105,700
Rights issue	**–64**			
Cancelled		–4,904		–183,158,017
Share-based payments	**–27**	–22	**–1,058,658**	–1,250,394
Other	**–85**	–107		
Closing balance	**737**	866	**47,047,225**	36,457,118

4 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of issue	Due date	Notional amount in original currency	Balance sheet value **2009**	Balance sheet value 2008
9.000%	2008	Perpetual	EUR 10	**10**	10
8.500%	2008	Perpetual	USD 2,000	**1,357**	1,393
8.000%	2008	Perpetual	EUR 1,500	**1,479**	1,474
7.375%	2007	Perpetual	USD 1,500	**1,022**	1,048
6.375%	2007	Perpetual	USD 1,045	**713**	731
5.140%	2006	Perpetual	GBP 600	**670**	623
5.775%	2005	Perpetual	USD 1,000	**690**	711
6.125%	2005	Perpetual	USD 700	**472**	487
4.176%	2005	Perpetual	EUR 500	**498**	497
Variable	2004	Perpetual	EUR 1,000	**999**	939
6.200%	2003	Perpetual	USD 500	**337**	348
Variable	2003	Perpetual	EUR 750	**731**	684
7.200%	2002	Perpetual	USD 1,100	**656**	773
7.050%	2002	Perpetual	USD 800	**465**	563
8.439%	2000	31 December 2030	USD 1,500	**1,040**	1,071
				11,139	11,352

5 OTHER LIABILITIES

Other liabilities by type

	2009	2008
Debenture loans	**6,545**	7,488
Amounts owed to group companies	**532**	1,254
Other amounts owed and accrued liabilities	**1,783**	815
Derivatives from group companies	**268**	65
	9,128	9,622

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

Debenture loans				
			Balance sheet value	
Interest rate	Year of issue	Due date	**2009**	2008
5.625%	2008	3 September 2013	**1,073**	1,053
4.699%	2007	1 June 2035	**117**	117
4.750%	2007	31 May 2017	**1,864**	1,830
Variable	2006	28 June 2011	**749**	749
Variable	2006	11 April 2016	**997**	996
4.125%	2006	11 April 2016	**745**	745
6.125%	2000	4 January 2011	**1,000**	999
5.500%	1999	14 September 2009		999
			6,545	7,488

The number of debentures held by group companies as at 31 December 2009 was 114,760 with a balance sheet value of EUR 11 million (2008: 49,540 with a balance sheet value of EUR 4 million).

Amounts owed to group companies by remaining term		
	2009	2008
Within 1 year	**32**	1,254
More than 1 year but less than 5 years	**500**	
	532	1,254

Derivatives from group companies by remaining term		
	2009	2008
More than 1 year but less than 5 years	**30**	43
More than 5 years	**238**	22
	268	65

6 OTHER RESULTS AFTER TAXATION

In order to obtain approval from the European Commission on ING Group's Restructuring Plan, ING Group agreed in October 2009 to make additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission to the Dutch State corresponding to an adjustment of the fees for the Illiquid Assets Back-up Facility. In total, these additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission amounted to a net present value of EUR 1.3 billion pre-tax (EUR 930 million after tax), which was recognised as a one-off charge in the fourth quarter of 2009 for ING Groep N.V.(parent company). Reference is made to Note 33 'Related parties' in the consolidated annual accounts.

Guarantees

As at 31 December 2009, ING Group had no guarantees given on behalf of third parties (2008: nil). ING Group has issued statements of liabilities in connection with Section 403, Book 2 of the Dutch Civil Code and other guarantees for a number of group companies.

REMUNERATION OF SENIOR MANAGEMENT, EXECUTIVE BOARD AND SUPERVISORY BOARD

The information on share-based payment plans and remuneration of the members of the Executive Board and the Supervisory Board is included in the Consolidated annual accounts (page 166 up to and including page 167).

AUTHORISATION OF PARENT COMPANY ANNUAL ACCOUNTS

Amsterdam, 15 March 2010

THE SUPERVISORY BOARD

Peter A.F.W. Elverding, *chairman*
Jeroen van der Veer, *vice-chairman*
Tineke (J.) P. Bahlman
Henk W. Breukink
Claus Dieter Hoffmann
Piet Hoogendoorn
Piet C. Klaver
Godfried J.A. van der Lugt
Harish Manwani
Aman Mehta
Joan E. Spero
Jackson P. Tai
Karel Vuursteen
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THE EXECUTIVE BOARD

Jan H.M. Hommen, *CEO and chairman*
Patrick G. Flynn, *CFO*
Koos (J.) V. Timmermans, *CRO*

Auditor's report

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

REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts 2009 of ING Groep N.V., Amsterdam (as set out on pages 90 to 264). The annual accounts consist of the consolidated annual accounts and the parent company annual accounts. The consolidated annual accounts comprise the consolidated balance sheet as at 31 December 2009, the profit and loss account, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The parent company annual accounts comprise the parent company balance sheet as at 31 December 2009, the parent company profit and loss account for the year then ended and the notes.

Management's responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law and the standards of the Public Company Accounting Oversight Board (United States). This law and these standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated annual accounts

In our opinion, the consolidated annual accounts give a true and fair view of the financial position of ING Groep N.V. as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the parent company annual accounts

In our opinion, the parent company annual accounts give a true and fair view of the financial position of ING Groep N.V. as at 31 December 2009 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL REQUIREMENTS

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

Amsterdam, 15 March 2010

For Ernst & Young Accountants LLP

signed by C.B. Boogaart

Proposed appropriation of result

amounts in millions of euros, except for amounts per share

PROPOSED APPROPRIATION OF RESULT

The result is appropriated pursuant to Article 37 of the Articles of Association of ING Groep N.V., the relevant stipulations of which state that the Executive Board, subject to the approval of the Supervisory Board, determines what part of the result is to be appropriated to reserves and that the remaining part of the result shall be at the disposal of the General Meeting.

For 2009, the Executive Board, with the approval of the Supervisory Board, has determined to appropriate the entire result to reserves, so that no dividend will be paid.

In 2009 no interim dividend was paid.

Proposed appropriation of result

Net result	**–935**
Deduction from reserves pursuant to Article 37 (4) of the Articles of Association	**–1,194**
Paid on non-voting equity securities [1]	**259**
At the disposal of the General Meeting of Shareholders pursuant to Article 37 (5) of the Articles of Association	**0**
Dividend of EUR 0.00 per ordinary share	

[1] This amount represents the coupon that was paid to the Dutch State in relation to the repayment of EUR 5 billion non-voting equity securities. As the non-voting equity securities are presented as equity in the balance sheet, the coupon is presented as a dividend and is part of the appropriation of result.

Risk factors

Any of the risks described below could have a material adverse effect on the business activities, financial condition, results of operations and prospects of ING. The market price of ING shares could decline due to any of these risks, and investors could lose all or part of their investments. Additional risks of which the Company is not presently aware could also affect the business operations of ING and have a material adverse effect on ING's business activities, financial condition, results of operations and prospects. In addition, the business of a multinational, broad-based financial services firm such as ING is inherently exposed to risks that only become apparent with the benefit of hindsight. The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences.

RISKS RELATED TO THE FINANCIAL SERVICES INDUSTRY

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

Factors such as interest rates, securities prices, credit (including liquidity) spreads, exchange rates, consumer spending, business investment, real estate and private equity valuations, government spending, inflation, the volatility and strength of the capital markets, and terrorism all impact the business and economic environment and, ultimately, the amount and profitability of business we conduct in a specific geographic region. For example, in an economic downturn, such as the one that has affected world economies since mid-2007, characterised by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investment and consumer spending, the demand for banking and insurance products is adversely affected and our reserves and provisions are likely to increase, resulting in lower earnings. Securities prices, real estate valuations and private equity valuations may be adversely impacted, and any such losses would be realised through profit and loss and shareholders' equity. Some insurance products contain minimum return or accumulation guarantees. If returns do not meet or exceed the guarantee levels we may need to set up additional reserves to fund these future guaranteed benefits. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Similarly, a downturn in the equity markets causes a reduction in commission income we earn from managing portfolios for third parties, income generated from our own proprietary portfolios, asset-based fee income on certain insurance products, and our capital base. We also offer a number of insurance and financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. See also 'Risks Related to the Group - Interest rate volatility may adversely affect our profitability' below.

In case one or more of the factors mentioned above adversely affects the profitability of our business this might also result, among others, in the following:
- the unlocking of deferred acquisition costs impacting earnings; and/or
- reserve inadequacies which could ultimately be realised through profit and loss and shareholders' equity; and/or
- the write down of tax assets impacting net results; and/or
- impairment expenses related to goodwill and other intangible assets, impacting net results.

In 2008 and 2009, shareholders' equity and our net result were significantly impacted by the turmoil and the extreme volatility in the worldwide financial markets. Further negative developments in financial markets and/or economies may have a material adverse impact on shareholders' equity and net result in future periods, including as a result of the potential consequences listed above. We are currently recalibrating our economic capital models to reflect the extreme market conditions experienced over recent quarters in order to align them more closely with regulatory measures. This may have a material impact on our economic capital for credit risk. See 'Risks Related to the Group - Ongoing turbulence and volatility in the financial markets have adversely affected us, and may continue to do so'.

Adverse capital and credit market conditions may impact our ability to access liquidity and capital, as well as the cost of credit and capital.

The capital and credit markets have been experiencing extreme volatility and disruption for more than two years. In the second half of 2008, the volatility and disruption reached unprecedented levels. In some cases, market developments have resulted in restrictions on the availability of liquidity and credit capacity for certain issuers.

We need liquidity in our day-to-day business activities to pay our operating expenses, interest on our debt and dividends on our capital stock; maintain our securities lending activities; and replace certain maturing liabilities. The principal sources of our liquidity are deposit funds, insurance premiums, annuity considerations, cash flow from our investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. Sources of liquidity in normal markets also include a variety of short- and long-term instruments, including repurchase agreements, commercial paper, medium-and long-term debt, junior subordinated debt securities, capital securities and stockholders' equity.

In the event current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or

Risk factors (continued)

lenders could develop a negative perception of our long- or short-term financial prospects. Similarly, our access to funds may be limited if regulatory authorities or rating agencies take negative actions against us. If our internal sources of liquidity prove to be insufficient, there is a risk that external funding sources might not be available, or available at unfavorable terms.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital required to operate our business. Such market conditions may limit our ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements. This could force us to (1) delay raising capital, (2) reduce, cancel or postpone payment of dividends on our shares, (3) reduce, cancel or postpone interest payments on other securities, (4) issue capital of different types or under different terms than we would otherwise, or (5) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility. Our results of operations, financial condition, cash flows and regulatory capital position could be materially adversely affected by disruptions in the financial markets.

In the course of 2008 and 2009, governments around the world, including the Dutch government, implemented unprecedented measures to provide assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. In certain cases governments nationalised companies or parts thereof. The measures adopted in the Netherlands include both liquidity provision and capital reinforcement, and a Dutch Credit Guarantee Scheme. The liquidity and capital reinforcement measures expired on 10 October 2009, while the Credit Guarantee Scheme of the Netherlands is scheduled to run through 30 June 2010. To date, we have been able to benefit from these measures, but our participation in these measures has resulted in certain material restrictions on us, including those agreed to with the European Commission ('EC') as part of our Restructuring Plan. See 'Risks Related to the Group - Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions', 'Risks Related to the Group - The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group'. The Restructuring Plan as well as any potential future transactions with the Dutch State or any other government, if any, or actions by such government regarding ING could adversely impact the position or rights of shareholders, bondholders, customers or creditors and our results, operations, solvency, liquidity and governance.

In addition, we have built our liquidity risk framework on the premise that our liquidity is most efficiently and effectively managed by a centralised Group function. However, we are subject to the jurisdiction of a variety of banking and insurance regulatory bodies, some of which have proposed regulatory changes that, if implemented, would hinder our ability to manage our liquidity in such a centralised manner. Furthermore, regulatory liquidity requirements in certain jurisdictions in which we operate are generally becoming more stringent, undermining our efforts to maintain this centralised management of our liquidity. These developments may cause trapped pools of liquidity, resulting in inefficiencies in the cost of managing our liquidity, and hinder our efforts to integrate our balance sheet, which is an essential element of our Back to Basics program and our Restructuring Plan.

The default of a major market participant could disrupt the markets.

Within the financial services industry the default of any one institution could lead to defaults by other institutions. The failure of a sufficiently large and influential institution could disrupt securities markets or clearance and settlement systems in our markets. This could cause market declines or volatility. Such a failure could lead to a chain of defaults that could adversely affect us and our contract counterparties. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, as was the case after the bankruptcy of Lehman Brothers, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as 'systemic risk' and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis. Systemic risk could have a material adverse effect on our ability to raise new funding and on its business, financial condition, results of operations, liquidity and/or prospects. In addition, such a failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

Management believes that despite increased attention recently, systemic risk to the markets in which we operate continues to exist, and dislocations caused by the interdependency of financial market participants continues to be a potential source of material adverse changes to our business, results of operations and financial condition.

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

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods, earthquakes and epidemics, as well as events such as terrorist attacks.

Risk factors (continued)

The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and cannot always be adequately reserved for. Furthermore, we are subject to actuarial and underwriting risks such as, for instance, mortality, longevity, morbidity, and adverse home claims development which result from the pricing and acceptance of insurance contracts. In accordance with industry practices, modelling of natural catastrophes is performed and risk mitigation measures are made. In case claims occur, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established and includes updates when more information becomes available. Although we continually review the adequacy of the established claim reserves, there can be no assurances that our actual claims experience will not exceed our estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, our earnings may be reduced and our net results may be adversely affected. In addition, because unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, our banking and insurance operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions, insurance and pension benefits to employees and also to key personnel. If our business continuity plans are not able to be put into action or do not take such events into account, losses may further increase.

We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business.

We are subject to detailed banking, insurance, asset management and other financial services laws and government regulation in each of the jurisdictions in which we conduct business. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices. Banking, insurance and other financial services laws, regulations and policies currently governing us and our subsidiaries may also change at any time in ways which have an adverse effect on our business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, bank regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. Regulation is becoming increasingly more extensive and complex and regulators are focusing increased scrutiny on the industries in which we operate, often requiring additional Company resources. These regulations can serve to limit our activities, including through our net capital, customer protection and market conduct requirements, and restrictions on businesses in which we can operate or invest. If we fail to address, or appear to fail to address, appropriately any of these matters, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties.

In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. Most of the principal markets where we conduct our business have adopted, or are currently considering, major legislative and/or regulatory initiatives in response to the financial crisis. In particular, governmental and regulatory authorities in the Netherlands, the United Kingdom, the United States and elsewhere are implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including in the areas of prudential rules, capital requirements, executive compensation and financial reporting, among others. For example, the EC is conducting a full scale review of solvency margins and provisions for insurance companies known as 'Solvency II'. Each member state of the EEA, including the Netherlands, is required to implement Solvency II by 31 October 2012. On 17 December 2009 the Basel Committee issued two consultative documents proposing reforms to bank capital and liquidity regulation and the EC is also considering increasing the capital requirements for banks. In addition, the International Accounting Standards Board ('IASB') is considering changes to several IFRS standards, including significant changes to the standard on financial instruments (IAS 39) and to the standard on pensions (IAS 19). These changes could have a material impact on our reported results and financial condition.

Governments in the Netherlands and abroad have also intervened on an unprecedented scale, responding to stresses experienced in the global financial markets. Some of the measures adopted subject us and other institutions for which they were designed to additional restrictions, oversight or costs. For restrictions related to the Core Tier 1 Securities and the Illiquid Assets Back-up Facility (together, the 'Dutch State Transactions'), see '- Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions'. As a result of having received state aid through the Dutch State Transactions, we were required to submit our Restructuring Plan to the EC in connection with obtaining final approval for the Dutch State Transactions. See 'Risks Related to the Group - The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group'. We cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on our business, results of operations and financial condition.

Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretation or under development or may conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, or we fail to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, amongst other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition.

Risk factors (continued)

RISKS RELATED TO THE GROUP

Ongoing turbulence and volatility in the financial markets have adversely affected us, and may continue to do so.

Our results of operations are materially impacted by conditions in the global capital markets and the economy generally. The stress experienced in the global capital markets that started in the second half of 2007 continued and substantially increased throughout 2008 and, although market conditions have improved, volatility continued in 2009, particularly the early part of the year. The crisis in the mortgage market in the United States, triggered by a serious deterioration of credit quality, led to a revaluation of credit risks. These conditions have resulted in greater volatility, widening of credit spreads and overall shortage of liquidity and tightening of financial markets throughout the world. In addition, prices for many types of asset-backed securities ('ABS') and other structured products have significantly deteriorated. These concerns have since expanded to include a broad range of fixed income securities, including those rated investment grade, the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result, the market for fixed income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also been experiencing heightened volatility and turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including extreme levels of volatility, have had and may continue to have an adverse effect on our revenues and results of operations, in part because we have a large investment portfolio and extensive real estate activities around the world. In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to our or our competitors' failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on our revenues and results of operations, including through an increase of lapses or surrenders of policies and withdrawal of deposits. Because a significant percentage of our customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

As a result of the ongoing and unprecedented volatility in the global financial markets in 2007 and 2008, we have incurred substantial negative revaluations on our investment portfolio, which have impacted our shareholders' equity and earnings. During 2009, the revaluation reserve position improved substantially, positively impacting shareholders' equity. Although we believe that reserves for insurance liabilities are generally adequate at the Group, inadequacies in certain product areas have developed.

Such impacts have arisen primarily as a result of valuation issues arising in connection with our investments in real estate (both in and outside the US) and private equity, exposures to US mortgage-related structured investment products, including sub-prime and Alt-A Residential and Commercial Mortgage-Backed Securities ('RMBS' and 'CMBS', respectively), Collateralised Debt Obligations ('CDOs') and Collateralised Loan Obligations ('CLOs'), monoline insurer guarantees and other investments. In many cases, the markets for such investments and instruments have been and remain highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgment and other factors, and is also impacted by external factors such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. While we continue to monitor our exposures in this area, in light of the ongoing market environment and the resulting uncertainties concerning valuations, there can be no assurances that we will not experience further negative impacts to our shareholders' equity or profit and loss accounts from such assets in future periods.

The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group.

In November 2008 the Dutch State purchased the Core Tier 1 Securities, and in the first quarter of 2009 we and the Dutch State entered into the Illiquid Assets Back-up Facility (the 'Illiquid Assets Back-up Facility') pursuant to which we transferred to the Dutch State the economic risks and rewards of 80% of the approximately EUR 30 billion par value Alt-A residential mortgage-backed securities portfolios of ING Direct US and Insurance Americas.

As a result of having received state aid through the Dutch State Transactions, we were required to submit a restructuring plan (the 'Restructuring Plan') to the EC in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules. On 26 October 2009, we announced our Restructuring Plan, pursuant to which we are required to divest by the end of 2013 all of our insurance business, including the investment management business, as well as ING Direct US, which operates our direct banking business in the United States, and certain portions of our retail banking business in the Netherlands. The EC's approval of the Restructuring Plan was issued on 18 November 2009. On 28 January 2010 we announced that we will file an appeal with the general court of the European Union (the 'General Court') against specific elements of the EC's decision regarding the Restructuring Plan. Notwithstanding the appeal before the General Court, we are committed executing the Restructuring Plan as announced on 26 October 2009. In addition, in order to obtain approval of the Restructuring Plan, we committed to make a series of additional payments to the Dutch State, corresponding to adjustments to the net fees payable under the Illiquid Assets Back-up Facility. These payments have significantly increased the cost of the

Risk factors (continued)

Illiquid Assets Back-up Facility to us and has resulted in a one-time, pre-tax charge of EUR 1.3 billion recorded in the fourth quarter of 2009 which has adversely affected our results of operations and financial condition.

In January 2010 we filed an appeal with the general court of the European Union against specific elements of the EC's decision regarding the Restructuring Plan. Although we believe in the merit of appeal, there can be no assurance as to its success or as to any consequences resulting from its rejection.

In connection with the Restructuring Plan, we have also agreed to not be a price leader in certain EU markets with respect to certain retail, private and direct banking products and to refrain from acquisitions of financial institutions and of businesses that would delay our repurchase of the Core Tier 1 Securities not purchased with the proceeds of the Offering. Those limitations may last until 18 November 2012 and could adversely affect our ability to maintain or grow market share in key markets as well as our results of operations. See 'Risks Related to the Group - The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group'.

We have announced that we will consider making our required divestments by means of initial public offerings, sales, spin-offs, combinations of the foregoing or other means. There can be no assurance that we will be able to implement the Restructuring Plan successfully or complete the announced divestments on favorable terms or at all, particularly in light of both the plan's 2013 deadline and expected challenging market conditions in which other financial institutions may place similar assets for sale during the same time period and may seek to dispose of assets in the same manner. Any failure to successfully implement the Restructuring Plan may result in EC enforcement actions and may have a material adverse impact on the assets, profitability, capital adequacy and business operations of the Group. Moreover, in connection with the implementation of the Restructuring Plan, including any proposed divestments, we or potential buyers may need to obtain various approvals, including of shareholders, works councils and regulatory and competition authorities, and we and potential buyers may face difficulties in obtaining these approvals in a timely manner or at all. In addition, the implementation of the Restructuring Plan may strain relations with our employees, and specific proposals in connection with the implementation may be opposed by labor unions or works councils. Furthermore, following the announcement of the Restructuring Plan, several of our subsidiaries have been downgraded or put on credit watch by rating agencies. See 'Risks Related to the Group - Ratings are important to our business for a number of reasons. Among these are the issuance of debt, the sale of certain products and the risk weighting of bank and insurance assets. Downgrades could have an adverse impact on our operations and net results'.

Other factors that may impede our ability to implement the Restructuring Plan successfully include an inability of prospective purchasers to obtain funding due to the deterioration of the credit markets, insufficient access to equity capital markets, a general unwillingness of prospective purchasers to commit capital in the current market environment, antitrust concerns, any adverse changes in market interest rates or other borrowing costs and any declines in the value of the assets to be divested. Although equity capital markets have improved over the past few months, it may also be difficult to divest all or part of our insurance or investment management business through one or more initial public offerings. There can also be no assurance that we could obtain favorable pricing for a sale of all or part of our insurance or investment management business in the public markets or succeed in turning the relevant subsidiaries into viable standalone businesses. A divestment may also release less regulatory capital than we would otherwise expect. Any failure to complete the divestments on favorable terms, whether by sale, through an initial public offering, a spin-off or otherwise, could have a material adverse impact on our assets, profitability, capital adequacy and business operations. If we are unable to complete the announced divestments in a timely manner, we would be required to find alternative ways to reduce our leverage, and we could be subject to enforcement actions or proceedings by the EC. In particular, if we do not succeed in completing divestitures contemplated by the Restructuring Plan within the timelines set out therein, the EC may request the Dutch State to appoint a divestiture trustee with a mandate to complete the relevant divestiture with no minimum price.

In addition, it is possible that a third party will challenge the EC decision to approve the Restructuring Plan in the European Courts. ING does not believe that any such challenge would be likely to succeed, but if it were to succeed the EC would need to reconsider its decision which may have an adverse impact on our results of operations and financial condition.

The implementation of the divestments announced in connection with the Restructuring Plan, including the separation of the insurance and most of the investment management operations from the banking operations, will also give rise to additional costs related to the legal and financial assessment of potential transactions. The implementation may also result in increased operating and administrative costs. The process of completing the steps contemplated by the Restructuring Plan may be disruptive to our business and the businesses we are trying to sell and may cause an interruption or reduction of our business and the businesses to be sold as a result of, among other factors, the loss of key employees or customers and the diversion of management's attention from our day-to-day business as a result of the need to manage the divestment process as well as any disruptions or difficulties that arise during the course of the divestment process. We may face other difficulties in implementing the Restructuring Plan and completing the planned divestments. For instance, the divestments, individually or in the aggregate, may trigger provisions in various contractual obligations, including debt instruments, which could require us to modify, restructure or refinance the related obligations. We may not be able to effect any such restructuring or refinancing on similar terms as the current contractual obligations or at all. In addition, the announced divestments could be the subject of challenges or litigation, and a court could delay any of the divestment transactions or prohibit them from occurring on their proposed terms, or from occurring at all, which could adversely affect our ability to use the funds of the divestments to repurchase the Core Tier 1 Securities,

Risk factors (continued)

reduce or eliminate our double leverage and strengthen our capital ratios as anticipated and eliminate the constraints on competition imposed by the EC.

The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group.

As part of our Restructuring Plan, we have undertaken with the EC to accept certain limitations on our ability to compete in certain retail, private and direct banking markets in the European Union and on our ability to acquire financial institutions and businesses that would delay our repurchase of the Core Tier 1 Securities held by the Dutch State. These restrictions apply until the earlier of: (1) 18 November 2012, and (2) the date upon which we repurchase all remaining Core Tier 1 Securities held by the Dutch State. We have also agreed to limitations on our ability to call Tier-2 capital and Tier 1 hybrid debt instruments. If the EC does not approve the calling of Tier-2 capital and Tier 1 hybrid debt instruments in the future, this may have adverse consequences for us, result in additional payments on these instruments and limit our ability to seek refinancing on more favorable terms. The limitations described above will impose significant restrictions on our banking business operations and on our ability to take advantage of market conditions and growth opportunities. Such restrictions could adversely affect our ability to maintain or grow market share in key markets, as well as our results of operations.

Upon the implementation of the Restructuring Plan, we will be less diversified and may experience competitive and other disadvantages.

Following completion of the planned divestments under the Restructuring Plan, we expect to become a significantly smaller, regional financial institution focused on retail, direct and commercial banking in the Benelux region and certain other parts of Europe, as well as selected markets outside Europe. Although we will remain focused on banking operations, we may become a smaller bank than that represented by our current banking operations. In the highly competitive Benelux market and the other markets in which we operate, our competitors may be larger, more diversified and better capitalised and have greater geographical reach than us, which could have a material adverse effect on our ability to compete, as well as on our profitability. The divested businesses may also compete with the retained businesses, on their own or as part of the purchasers' enlarged businesses. In addition, the restrictions on our ability to be a price leader and make acquisitions and on our compensation policies could further hinder our capacity to compete with competitors not burdened with such restrictions, which could have a material adverse effect on our results of operations. There can be no assurance that the implementation of the Restructuring Plan will not have a material adverse effect on the market share, business and growth opportunities and results of operations for our remaining core banking businesses.

Our Restructuring Programs may not yield intended reductions in costs, risk and leverage.

In April 2009, we announced our Back to Basics program to reduce our costs, risk and leverage. In addition to restructuring our banking and insurance businesses so that they are operated separately under the ING umbrella, the Back to Basics program includes cost-reduction measures, as well as plans for divestments. On 26 October 2009, we announced that we had reached an agreement with the EC on our Restructuring Plan, pursuant to which we announced further divestments. Projected cost savings and impact on our risk profile and capital associated with these initiatives are subject to a variety of risks, including:
- contemplated costs to effect these initiatives may exceed estimates;
- divestments planned in connection with the Restructuring Plan may not yield the level of net proceeds expected, as described under 'Risks Related to the Group - The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group';
- initiatives we are contemplating may require consultation with various regulators as well as employees and labor representatives, and such consultations may influence the timing, costs and extent of expected savings;
- the loss of skilled employees in connection with the initiatives; and
- projected savings may fall short of targets.

While we have begun and expect to continue to implement these strategies, there can be no assurance that we will be able to do so successfully or that we will realize the projected benefits of these and other restructuring and cost saving initiatives. If we are unable to realize these anticipated cost reductions, our business may be adversely affected. Moreover, our continued implementation of restructuring and cost saving initiatives may have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

There is substantial competition in the Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking, asset management and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If we are not able to match or compete with the products and services offered by our competitors, it could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is

Risk factors (continued)

most pronounced in our more mature markets of the Netherlands, Belgium, the Rest of Western Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors. The Netherlands and the United States are our largest markets for both our banking and insurance operations. Our main competitors in the banking sector in the Netherlands are ABN AMRO Bank/Fortis and Rabobank. Our main competitors in the insurance sector in the Netherlands are Achmea, ASR and Aegon. Our main competitors in the United States are insurance companies such as Lincoln National, Hartford, Aegon Americas, AXA, Met Life, Prudential, Nationwide and Principal Financial. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. In 2008 and 2009, this trend accelerated considerably, as several major financial institutions consolidated, were forced to merge or received substantial government assistance, and this trend may continue in light of the EC's scrutiny of state aid transactions. These developments could result in our competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. We may experience pricing pressures as a result of these factors in the event that some of our competitors seek to increase market share by reducing prices. In addition, under the Restructuring Plan we have agreed to certain restrictions imposed by the EC, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions and other businesses. See - The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group'.

Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions.

For so long as the Dutch State holds at least 25% of the Core Tier 1 Securities, issued by us on 12 November 2008, for so long as the Illiquid Assets Back-up Facility is in place, or for so long as any of the government guaranteed senior unsecured bonds issued by ING Bank N.V. on 30 January 2009, 20 February 2009 and 12 March 2009 under the Credit Guarantee Scheme of the Netherlands (the 'Government Guaranteed Bonds') are outstanding, we are prohibited from issuing or repurchasing any of our own shares (other than as part of regular hedging operations and the issuance of shares according to employment schemes) without the consent of the Dutch State's nominees on the Supervisory Board. In addition, under the terms of the Core Tier 1 Securities and Illiquid Assets Back-up Facility, we have agreed to institute certain restrictions on the compensation of the members of the Executive Board and senior management, including incentives or performance-based compensation. These restrictions could hinder or prevent us from attracting or retaining the most qualified management with the talent and experience to manage our business effectively. In connection with these transactions, the Dutch State was granted the right to nominate two candidates for appointment to the Supervisory Board. The Dutch State's nominees have veto rights over certain material transactions. Our agreements with the Dutch State have also led to certain restrictions imposed by the EC as part of the Restructuring Plan, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions and other businesses. See 'Risks Related to the Group - The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group'.

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

General
Third-parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers whose securities we hold, borrowers under loans originated, customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, etc., or even rumours about potential defaults by one or more of these parties or regarding the financial services industry generally, could lead to losses for us, and defaults by other institutions. In light of the significant constraints on liquidity and high cost of funds in the interbank lending market, which arose in 2008 and early 2009, particularly following the collapse of Lehman Brothers in September 2008, and given the high level of interdependence between financial institutions, we are and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. This is particularly relevant to our franchise as an important and large counterparty in equity, fixed-income and foreign exchange markets, including related derivatives, which exposes it to concentration risk.

We routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, insurance companies and other institutional clients, resulting in large daily settlement amounts and significant credit exposure. As a result, we face concentration risk with respect to specific counterparties and customers. We are exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more financial services institutions could therefore lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions.

Risk factors (continued)

With respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realised, or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. We also have exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. For example, we hold certain hybrid regulatory capital instruments issued by financial institutions which permit the issuer to defer coupon payments on the occurrence of certain events or at their option. The EC has indicated that, in certain circumstances, it may require these financial institutions to defer payment. If this were to happen, we expect that such instruments may experience ratings downgrades and/or a drop in value and we may have to treat them as impaired, which could result in significant losses. There is no assurance that losses on, or impairments to the carrying value of, these assets would not materially and adversely affect our business or results of operations.

In addition, we are subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our income and risk weighting, leading to increased capital requirements. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. Our credit risk may also be exacerbated when the collateral we hold cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to us, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those currently experienced. The termination of contracts and the foreclosure on collateral may subject us to claims for the improper exercise of its rights. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

Any of these developments or losses could materially and adversely affect our business, financial condition, results of operations, liquidity and/or prospects.

Reinsurers
Our insurance operations have bought protection for risks that exceed certain risk tolerance levels set for both our life and non-life businesses. This protection is bought through reinsurance arrangements in order to reduce possible losses. Because in most cases we must pay the policyholders first, and then collect from the reinsurer, we are subject to credit risk with respect to each reinsurer for all such amounts. As a percentage of our (potential) reinsurance as of 31 December 2009, the greatest exposure after collateral to an individual external reinsurer was approximately 27%, approximately 45% related to four other external reinsurers and the remainder of the reinsurance exposure related to various other reinsurers. The inability or unwillingness of any one of these reinsurers to meet its financial obligations to us, or the insolvency of our reinsurers, could have a material adverse effect on our net results and our financial results.

Current market conditions have increased the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending.

We are exposed to the risk that our borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. We may continue to see adverse changes in the credit quality of our borrowers and counterparties, for example as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors. This trend has led and may lead to further impairment charges on loans and other assets, higher costs and additions to loan loss provisions. The volume of impaired loans may continue if unfavorable economic conditions persist.

Furthermore, a significant increase in the size of our provision for loan losses could have a material adverse effect on our financial position and results of operations. Due to worsening economic conditions in the past two years, we have experienced an increase of impaired loans.

The fall of commercial and residential real estate prices and lack of market liquidity during the past two years has had an adverse effect on the value of the collateral we hold. Economic and other factors could lead to further contraction in the residential mortgage and commercial lending market and to further decreases in residential and commercial property prices which could generate substantial increases in impairment losses.

Interest rate volatility may adversely affect our profitability.

Changes in prevailing interest rates may negatively affect our business including the level of net interest revenue we earn, and for our banking business the levels of deposits and the demand for loans. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Changes in the interest rates may negatively affect the value of our assets and our ability to realize gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings. In addition, an increase in interest rates may decrease the demand for loans.

In addition, during periods of declining interest rates, life insurance and annuity products may be relatively more attractive to consumers, resulting in increased premium payments on products with flexible premium features, and a higher percentage of insurance policies remaining in force from year-to-year, creating asset liability duration mismatches. A decrease in interest rates may also require an addition

Risk factors (continued)

to provisions for guarantees included in life policies, as the guarantees become more valuable to policy holders. During a low interest rate period, our investment earnings may be lower because the interest earnings on our fixed income investments will likely have declined in parallel with market interest rates on our assets recorded at fair value. Declining interest rates may also affect the results of our reserve adequacy testing which may in turn result in reserve strengthening. In addition, mortgages and fixed maturity securities in our investment portfolios will be more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates. Consequently, we may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, during periods of declining interest rates, our profitability may suffer as the result of a decrease in the spread between interest rates charged to policyholders and returns on our investment portfolios.

Conversely, in periods of rapidly increasing interest rates, policy loans, and withdrawals and surrenders of life insurance policies and fixed annuity contracts may increase as policyholders choose to forego insurance protection and seek higher investment returns. Obtaining cash to satisfy these obligations may require us to liquidate fixed maturity investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realised investment losses. Regardless of whether we realize an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease our net income. Premature withdrawals may also cause us to accelerate amortisation of deferred policy acquisition costs, which would also reduce our net income.

We may incur losses due to failures of banks falling under the scope of state compensation schemes.

In the Netherlands and other jurisdictions deposit guarantee schemes and similar funds ('Compensation Schemes') have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which we operate, these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. As a result of the increased number of bank failures, in particular since the fall of 2008, we expect that levies in the industry will continue to rise as a result of the Compensation Schemes. In particular, we are a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). The costs involved with making compensation payments under the Dutch Deposit Guarantee Scheme are allocated among the participating banks by the Dutch Central Bank, De Nederlandsche Bank N.V. (the 'DNB'), based on an allocation key related to their market shares with respect to the deposits protected by the Dutch Deposit Guarantee Schemes. Given our size we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which we may be unable to recover from the bankrupt estate. The ultimate costs to the industry of payments which may become due under the Compensation Schemes, remains uncertain although they may be significant and these and the associated costs to us may have a material adverse effect on our results of operations and financial condition.

We may be unable to manage our risks successfully through derivatives.

We employ various economic hedging strategies with the objective of mitigating the market risks that are inherent in our business and operations. These risks include currency fluctuations, changes in the fair value of our investments, the impact of interest rate, equity markets and credit spread changes and changes in mortality and longevity. We seek to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts including from time to time macro hedges for parts of our business.

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from risks associated with those fluctuations. Our hedging strategies also rely on assumptions and projections regarding our assets, general market factors and the credit worthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase our risks and losses. If we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which we have incurred or may incur losses on transactions, perhaps significant, after taking into account our hedging strategies. Further, the nature and timing of our hedging transactions could actually increase our risk and losses. In addition, hedging strategies involve transaction costs and other costs. Our hedging strategies and the derivatives that we use and may use may not adequately mitigate or offset the risk of interest rate volatility, and our hedging transactions may result in losses.

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

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

Risk factors (continued)

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

Because we use assumptions to model client behaviour for the purpose of our market risk calculations, the difference between the realisation and the assumptions may have an adverse impact on the risk figures and future results.
We use assumptions in order to model client behaviour for the risk calculations in our banking and insurance books. Assumptions are used to determine insurance liabilities, the price sensitivity of savings and current accounts and to estimate the embedded optional risk in the mortgage and investment portfolios. The realisation or use of different assumptions to determine the client behaviour could have material adverse effect on the calculated risk figures and ultimately future results.

Our risk management policies and guidelines may prove inadequate for the risks we face.

The methods we use to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than what is suggested by historic experience. For instance, these methods did not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to the government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to us. Such information may not always be correct, updated or correctly evaluated.

We may incur further liabilities in respect of our defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations.

ING Group companies operate various defined benefit retirement plans covering a significant number of our employees. The liability recognised in our consolidated balance sheet in respect of our defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan's assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs. We determine our defined benefit plan obligations based on internal and external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index, and the expected return on plan assets. These assumptions are based on available market data and the historical performance of plan assets, and are updated annually. Nevertheless, the actuarial assumptions may differ significantly from 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 our present and future liabilities to and costs associated with our defined benefit retirement plans.

We are subject to a variety of regulatory risks as a result of our operations in less developed markets.

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

In addition, as a result of our operations in less developed markets, we are subject to risks of possible nationalisation, expropriation, price controls, exchange controls and other restrictive government actions, as well as the outbreak of hostilities, in these markets. In addition, the current economic environment in certain of the less developed countries in which we operate may increase the likelihood for regulatory initiatives to protect homeowners from foreclosures. Any such regulatory initiative could have an adverse impact on our ability to protect our economic interest in the event of defaults on residential mortgages.

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

When new financial products are brought to the market, communication and marketing aims to present a balanced view of the product (however there is a focus on potential advantages for the customers). Whilst we engage in a due diligence process when we develop products, if the products do not generate the expected profit, or result in a loss, or otherwise do not meet expectations, customers may file claims against us. Such claims could have an adverse effect on our operations and net result.

Ratings are important to our business for a number of reasons. Among these are the issuance of debt, the sale of certain products and the risk weighting of bank and insurance assets. Downgrades could have an adverse impact on our operations and net results.

We have credit ratings from Standard & Poor's Ratings Service ('Standard & Poor's'), a division of the McGraw Hill Companies, Moody's Investor Service ('Moody's') and Fitch Ratings. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis

Risk factors (continued)

and may decide on a downgrade at any time. In the event of a downgrade the cost of issuing debt will increase, having an adverse effect on net results. Certain institutional investors may also be obliged to withdraw their deposits from ING following a downgrade, which could have an adverse effect on our liquidity. Following the announcement of the Restructuring Plan, several of our subsidiaries have been downgraded or put on credit watch by rating agencies.

Claims paying ability, at the Group or subsidiary level, and financial strength ratings are factors in establishing the competitive position of insurers. A rating downgrade could elevate lapses or surrenders of policies requiring cash payments, which might force us to sell assets at a price that may result in realised investment losses. Among others, total invested assets decreases and deferred acquisition costs might need to be accelerated, adversely impacting earnings. A downgrade may adversely impact relationships with distributors of our products and services and customers, which may affect new sales and our competitive position.

Furthermore, ING Bank's assets are risk weighted. Downgrades of these assets could result in a higher risk weighting which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on our competitive position.

Capital requirements for ING's insurance businesses in a number of jurisdictions, such as the US and the EU, are based on a risk-based capital model. A downgrade of assets in these markets could result in a higher risk weighting which may lead to higher capital requirements.

Our business may be negatively affected by a sustained increase in inflation.

A sustained increase in the inflation rate in our principal markets would have multiple impacts on us and may negatively affect our business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates which may (1) decrease the value of certain fixed income securities we hold in our investment portfolios resulting in reduced levels of unrealised capital gains available to us which could negatively impact our solvency position and net income, (2) result in increased surrenders of certain life & savings products, particularly, those with fixed rates below market rates, and (3) require us, as an issuer of securities, to pay higher interest rates on debt securities we issue in the financial markets from time to time to finance our operations which would increase our interest expenses and reduce our results of operations. A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may (1) result in impairment charges to equity securities that we hold in our investment portfolios and reduced levels of unrealised capital gains available to us which would reduce our net income and negatively impact our solvency position, (2) negatively impact performance, future sales and surrenders of our unit-linked products where underlying investments are often allocated to equity funds, and (3) negatively impact the ability of our asset management subsidiaries to retain and attract assets under management, as well as the value of assets they do manage, which may negatively impact their results of operations. In addition, in the context of certain property & casualty risks underwritten by our insurance subsidiaries (particularly 'long-tail' risks), a sustained increase in inflation with a resulting increase in market interest rates may result in (1) claims inflation (i.e., an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim), coupled with (2) an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders, and, consequently, (3) actual claims payments significantly exceeding associated insurance reserves which would negatively impact our results of operations. In addition, a failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in a systemic mispricing of our products resulting in underwriting losses which would negatively impact our results of operations.

Operational risks are inherent in our business.

Our businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate personnel, IT failures, inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct including fraud, or from external events that interrupt normal business operations. We depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The equipment and software used in our computer systems and networks may be at or near the end of their useful lives or may not be capable of processing, storing or transmitting information as expected. Certain of our computer systems and networks may also have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, such systems and networks may be vulnerable to unauthorised access, computer viruses or other malicious code and other external attacks or internal breaches that could have a security impact and jeopardize our confidential information or that of our clients or our counterparts. These events can potentially result in financial loss, harm to our reputation and hinder our operational effectiveness. We also face the risk that the design of our controls and procedures prove to be inadequate or are circumvented. We have suffered losses from operational risk in the past and there can be no assurance that we will not suffer material losses from operational risk in the future. Furthermore, while recent widespread outbreaks of communicable diseases, such as the outbreak of the H1N1 influenza virus, also known as 'swine flu,' experienced world-wide in 2009, have not adversely affected us thus far, a worsening of this outbreak, or the occurrence of another outbreak of a different communicable disease, may impact the health of our employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to our employees, either or both of which could adversely impact our business.

Risk factors (continued)

Reinsurance may not be available, affordable or adequate to protect us against losses. We may also decide to reduce, eliminate or decline primary insurance or reinsurance coverage.

As part of our overall risk and capacity management strategy we purchase reinsurance for certain risks underwritten by our various insurance business segments. Market conditions beyond our control determine the availability and cost of the reinsurance protection we purchase. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future business.
In addition, we determine the appropriate level of primary insurance and reinsurance coverage based on a number of factors and from time to time decide to reduce, eliminate or decline coverage based on our assessment of the costs and benefits involved. In such cases, the uninsured risk remains with us.

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

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

Because we are a Dutch company and because the Stichting ING Aandelen holds more than 99.9% of our ordinary shares, the rights of our shareholders may differ from the rights of shareholders in other jurisdictions or companies that do not use a similar trust structure, which could affect your rights as a shareholder.

While holders of our bearer depositary receipts are entitled to attend and speak at our General Meeting of Shareholders ('General Meeting'), voting rights are not attached to the bearer depositary receipts. The Trust holds more than 99.9% of our ordinary shares, and exercises the voting rights attached to the ordinary shares (for which bearer depositary receipts have been issued). Holders of bearer depositary receipts who attend - in person or by proxy - the General Meeting must obtain voting rights by proxy from the Trust. Holders of bearer depositary receipts and holders of the ADSs (American depositary shares) representing the bearer depositary receipts who do not attend the General Meeting may give binding voting instructions to the Trust. The Trust is entitled to vote on any ordinary shares underlying the bearer depositary receipts for which the Trust has not granted voting proxies, or voting instructions have not been given to the Trust. In exercising its voting discretion, the Trust is required to make use of the voting rights attached to the ordinary shares in the interest of the holders of bearer depositary receipts, while taking into account:
- our interests,
- the interests of our affiliates, and
- the interests of our other stakeholders

so as to ensure that all the interests are given as much consideration and protection as possible. The Trust may, but has no obligation to, consult with the holders of bearer depositary receipts in exercising its voting rights in respect of any ordinary shares for which it is entitled to vote. These arrangements differ from practices in other jurisdictions, and accordingly may affect the rights of the holders of bearer depositary receipts and their power to affect ING's business and operations.

The share price of ING shares has been, and may continue to be, volatile which may impact the value of ING shares.

The share price of our bearer depositary receipts has been volatile in the past, in particular over the past year. During and after the Offering, the share price and trading volume of our bearer depositary receipts may continue to be subject to significant fluctuations due, in part, to changes in our actual or forecast operating results and the inability to fulfil the profit expectations of securities analysts, as well as to the high volatility in the securities markets generally and more particularly in shares of financial institutions. Other factors, besides our financial results, that may impact our share price include, but are not limited to:
- market expectations of the performance and capital adequacy of financial institutions in general;
- investor perception of the success and impact of our strategies;
- a downgrade or review of our credit ratings;
- the implementation and outcome of our Restructuring Plan;
- potential litigation or regulatory action involving ING or sectors we have exposure to through our insurance and banking activities;
- announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and
- general market circumstances.

Risk factors (continued)

There can be no assurance that we will pay dividends on our ordinary shares in the future.

It is ING's policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends can only be declared by shareholders when the Executive Board considers such dividends appropriate, taking into consideration the financial conditions then prevailing and the longer-term outlook. Given the uncertain financial environment, ING will not pay a dividend over 2009 and there can be no assurance that we will pay dividends in the future.

Certain transactions have resulted in the cumulative change in ownership of our U.S. subsidiaries of approximately 43% for U.S. tax purposes as of 21 December 2009. Future increases of capital or other changes in ownership may adversely affect our net result and equity.

Sections 382 and 383 of the U.S. Internal Revenue Code contain loss limitation rules, the general purpose of which is to prevent trafficking in tax losses (i.e. they are anti-abuse rules). The rules are triggered when the ownership of a corporation changes by more than 50% (measured by value) on a cumulative basis in any three-year period. If triggered, restrictions may be imposed on the future use of realised tax losses as well as certain losses that are built into the assets of the corporation at the time of the ownership change and that are realised within the next five years. As of 21 December 2009, the cumulative change in ownership of our U.S. subsidiaries was approximately 43% for purposes of Sections 382 and 383 (taking into account the issuance of the Core Tier 1 Securities to the Dutch State on 12 November 2008, the repurchase of some of the Core Tier 1 Securities on 21 December 2009, and the issuance of Ordinary shares on 21 December 2009). However, the calculation is subject to uncertainties and is based on various assumptions. Future increases of capital or other changes in ownership may adversely affect our net result and equity.

The remaining Core Tier 1 Securities issued to the Dutch State may be converted into ordinary shares or bearer depositary receipts and dilute existing shareholders.

In November 2008, we issued EUR 10 billion Core Tier 1 Securities to the Dutch State. EUR 5 billion of the Core Tier 1 Securities were repurchased after the rights issue. Both the repayment and the rights issue were finalised on 21 December 2009. As a result only EUR 5 billion Core Tier 1 Securities is currently outstanding. The terms of the Core Tier 1 Securities permit us, on or after 12 November 2011, to convert any or all of the remaining Core Tier 1 Securities into ordinary shares or bearer depositary receipts on a one-for-one basis. Any such conversion would dilute existing shareholders. If we exercise our conversion right, the Dutch State may opt to require us to redeem the Core Tier 1 Securities on the conversion date.

Certain holders of ING shares may not be able to participate in future equity offerings with subscription rights.

We may undertake future equity offerings with subscription rights. Holders of ING shares in certain jurisdictions, however, may not be entitled to exercise such rights unless the rights and the related shares are registered or qualified for sale under the relevant legislation or regulatory framework. Holders of ING shares in these jurisdictions may suffer dilution of their shareholding should they not be permitted to participate in future equity offerings with subscription rights.

RAROC performance

ING Bank applies the Risk Adjusted Return on Capital framework (RAROC). This method consistently measures the performance of different activities and has a clear link to shareholder-value creation. The use of RAROC increases the focus on risks versus return in the decision-making process. It stimulates the use of scarce capital in the most efficient way. Risk-adjusted pricing tools are also used as a basis for the pricing of certain transactions and as an important determinant in the credit-approval procedures.

RAROC is calculated as the risk-adjusted return divided by economic capital. The risk-adjusted return is based on similar valuation policies as applied in the financial accounts, with two important exceptions. The actual credit-risk provisioning is replaced by expected losses reflecting statistically calculated average credit losses over the entire economic cycle. In addition the profit and loss account is adjusted for effects that relate to replacing actual book capital by economic capital.

Underlying RAROC for banking operations

	RAROC (after-tax)		RAROC (pre-tax)	
	2009	2008	**2009**	2008
The Netherlands	**30.4%**	42.2%	**41.1%**	53.6%
Belgium	**55.0%**	26.3%	**66.6%**	32.7%
Central Europe	**–5.9%**	–7.2%	**–6.1%**	–8.9%
Asia	**5.4%**	5.5%	**6.0%**	6.0%
Total Retail Banking	**22.7%**	21.7%	**29.4%**	27.2%
Total ING Direct	**–1.0%**	–18.2%	**–2.0%**	–27.8%
General Lending & PCM	**15.2%**	9.4%	**19.4%**	11.9%
Structured Finance	**30.5%**	25.1%	**40.6%**	30.9%
Leasing & Factoring	**24.7%**	19.1%	**36.0%**	27.9%
Financial Markets	**36.7%**	7.4%	**44.4%**	11.1%
Other products	**11.9%**	–25.7%	**2.7%**	–40.8%
Subtotal Commercial Banking	**27.0%**	10.0%	**33.6%**	12.9%
ING Real Estate	**–49.2%**	–13.3%	**–55.2%**	–13.5%
Total Commercial Banking	**9.5%**	4.9%	**13.1%**	7.1%
Corporate Line	**–26.9%**	–71.2%	**–36.8%**	–122.1%
Total banking operations	**7.2%**	2.6%	**9.4%**	1.3%
Total banking operations including divestments and special items	**1.7%**	1.2%	**1.8%**	–0.3%

Note: The underlying figures exclude divestments and special items.

Additional Pillar 3 information for ING Bank only

amounts in millions of euros, unless stated otherwise

INTRODUCTION

This Pillar 3 section includes information that Basel II requires to be made publicly available (unless it has already been provided in the risk management section). The information relates to ING Bank N.V. and all of its subsidiaries. The information contained in this section has not been audited by the Group's external auditors.

NEW CAPITAL ADEQUACY RULES – BASEL II ACCORD

The rules on capital adequacy, also referred to as Regulatory Capital (RECAP), express the regulators' and legislators' opinions of how much capital a bank and other regulated credit institutions must retain in relation to the size and the type of risk taking expressed in the form of risk-weighted assets. The most important part of the capital base is the shareholders' equity. In addition to equity, the institution may issue certain liabilities such as subordinated loans to be included in the capital base. The legal minimum requirement stipulates that the capital base must correspond to at least 8% of the Risk-Weighted Assets (RWA).

The Dutch government adopted the Capital Requirements Directive (CRD), the European reflection of the Basel II capital accord in December 2006. Since the new regulations adopt a 'risk-based approach' to determine the required capital base, there is a significant difference in the measurement of capital compared to the former rules. Therefore, the Dutch government adopted legislation to implement the new rules in stages. For 2008, the capital base was not allowed to fall below 90% of the amount that would have been applicable under the former rules, called Basel I. For 2009, the floor reduced to 80%. Although originally the floor was no longer applicable for 2010 and beyond, the Dutch government has decided to keep the floor at 80% for 2010.

This section relates to Pillar 3, market discipline, and as such provides information on several topics. Some of the required information has already been given elsewhere in the annual report, e.g. in the risk management section and in the capital management section. This section provides additional information, as well as references to the relevant sections.

The Pillar 3 information mostly relates to credit risk, but also to market risk, operational risk and securitisations. The requirements are mainly for underlying exposure, risk weighted assets and regulatory capital. As such it relates primarily to the first Basel II pillar, the minimum capital requirement. The second pillar concerns the banks internally used Economic Capital, and the supervisors review of that capital and the underlying models. Economic Capital, and consequently Pillar 2, is disclosed extensively in the risk management section. As such, the text of this Pillar 3 section should be read in conjunction with statements made in the risk management section and capital management section of the annual accounts, where there is a comprehensive discussion of risk management and capital management.

RISK MANAGEMENT AT ING BANK

ING has a group risk management function that is embedded at all levels of the organisation and operates through a comprehensive risk governance framework.

The primary responsibility of the Bank risk management function lies with the Chief Risk Officer (CRO), who is a member of the Executive Board. The CRO is responsible for the management and control of risk on a consolidated level to ensure that ING's bank risk profile is consistent with its financial resources and the risk appetite defined by the Executive Board. The CRO has several direct reports who are all responsible for a specific risk management function within ING Bank.

A more detailed description of risk management at ING can be found in the risk management section.

Additional Pillar 3 information for ING Bank only (continued)

Regulatory capital requirements	2009	2008
Credit risk		
Portfolios subject to standardised approach	**2,540**	3,083
Portfolios subject to advanced IRB approach		
– Central governments and central banks	**245**	309
– Institutions	**1,235**	1,680
– Corporate	**9,629**	9,366
– Residential mortgages	**4,360**	3,062
– Other retail	**1,129**	885
Total portfolios subject to advanced IRB approach	**16,598**	15,302
Securitisation exposures	**1,156**	2,321
Equity portfolios in the banking book under the simple risk weight approach	**364**	194
Other Non-Credit Obligation Assets (ONCOA)	**2,132**	2,166
Total credit risk	**22,790**	23,066
Market risk		
Standardised approach	**150**	449
Internal models approach – trading book	**341**	587
Total market risk	**491**	1,036
Operational risk		
Advanced measurement approach	**3,309**	3,368
Total Basel II required Regulatory Capital	**26,590**	27,470
Basel II floor*	**28,709**	34,369
Additional capital requirement (due to floor)	**2,119**	6,899

* In 2008 the floor was 90% of Basel I required Regulatory Capital, while in 2009 the floor is 80%.

In order to prevent large short term effects on capital requirements, the regulators introduced transition rules (the 'capital floor') for institutions implementing the new capital adequacy reporting. For 2008 and 2009 the capital requirements should be no less than 90% and 80% respectively of the capital requirements calculated under Basel I regulations. The additional capital requirements according to the transition rules are EUR 2,119 million for 2009 (EUR 6,899 million in 2008).

The required regulatory capital shown in this section should be compared to the available regulatory capital for which details can be found in the Capital Management section under the heading 'Regulatory Capital'.

CREDIT RISK

BASIS OF PRESENTATION FOR CREDIT RISK

The following paragraphs address the risk information for Pillar 3 reporting.

For credit risk, data included in these tables is related to ING Bank's core credit risk activities in the areas of: Securities Financing, Derivatives (collectively Pre-Settlement Risk); Money Market activities (including reserve deposits at Central Banks); Lending (both on and off balance sheet); and Investment risks.

The amounts presented in this section relate to amounts used for credit risk management purposes, which follow ING's interpretation of the definitions as prescribed under the Basel II accords. Therefore, the numbers are different than the accounting numbers as reported in the annual accounts under IFRS-EU. Figures for Derivatives and Securities Financing are based on 'risk weighted amounts', which generally is equal to the mark-to-market value of the underlying trades plus a (regulatory defined) 'add-on' which represents estimated potential future exposure. The amounts are then further modified by an adjustment that is related to the underlying collateral (market) values (after a haircut is applied) and any legal netting or compensation that may be permitted under various master agreement arrangements, such as ISDAs, CSAs, GMLAs, etc.

Additional Pillar 3 information for ING Bank only (continued)

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

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

Unless otherwise stated, the tables included in this Section focus on the measurement of Exposure at Default (EAD) and Risk Weighted Assets (RWA) under the Basel II definitions. EAD is generally the sum of the on-balance and off-balance sheet lending, investment and money market activities plus an estimated portion of the unused credit facilities extended to the obligor. Additionally, the risk weighting amounts (plus add-ons) are included. Multiplying RWA by 8% will result in the level of Regulatory Capital (RECAP) that is required to be held against these portfolios (for the credit risk portion of the activities). In this section a threshold of 2% of the total value reported is used for determining materiality where applicable. All categories below that threshold have been reported in the category 'Other'.

CREDIT RISK AT ING

ING Bank's credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the business lines by means of top-down concentration limits for countries, individual obligors and obligor groups. The aim is to expand relationship-banking activities, while maintaining stringent internal risk/return guidelines and controls.

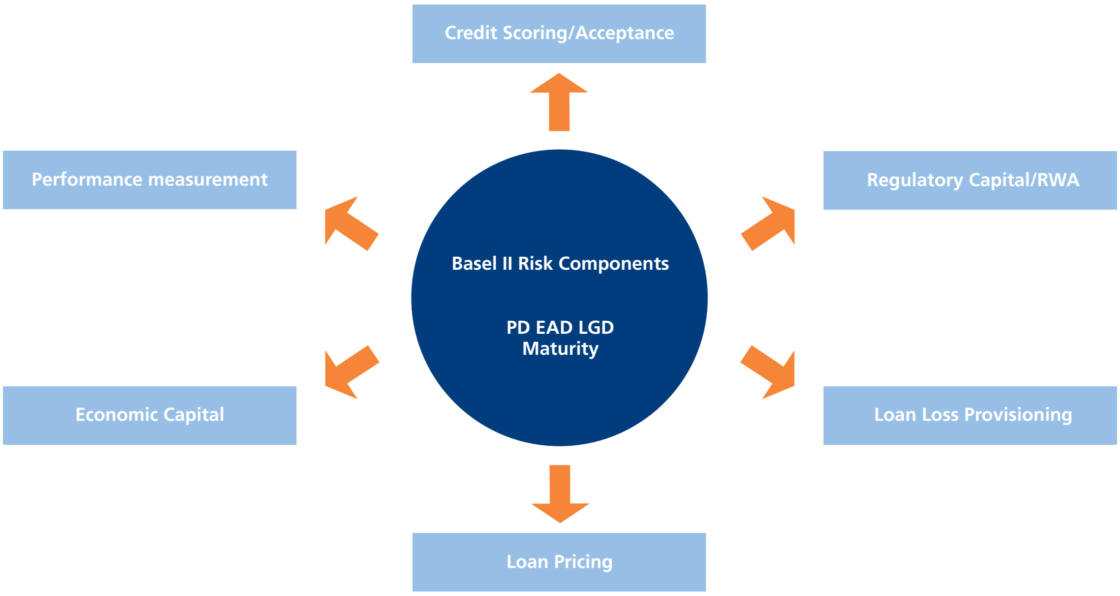
Credit Risk is the risk of loss from the default by debtors or counterparties. Credit risks arise in ING Bank's lending, money market, pre-settlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

ING Bank's credit exposure is mainly related to traditional lending to individuals and businesses, bonds held in the investment portfolios and financial markets trading activities. Loans to individuals are mainly mortgage loans secured by residential property. Loans to businesses are often collateralised, but can be unsecured based on internal analysis of the obligors' creditworthiness. Financial Markets activities include derivatives trading, securities financing, and Foreign Exchange (FX) transactions, which we collectively refer to as Pre-Settlement risks. ING uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING's potential future exposure on individual and portfolios of trades. Master agreements and collateral agreements are frequently entered into to reduce these credit risks.

PILLAR 3 CREDIT RISK IN PRACTICE

The Basel II Accord not only changes the way ING reports its credit risk for regulatory purposes; it also affects the daily operations and practices of all types of risk management at all levels within ING Bank. It has no effect on ING Insurance or Asset Management operations.

One of the key elements of the Basel II Accord is the 'Use Test', which requires ING to use Basel concepts in its day-to-day activities. The diagram below illustrates where ING has incorporated the Basel II concepts into its daily activities, both globally and locally:



Additional Pillar 3 information for ING Bank only (continued)

RISK MEASUREMENT AND REPORTING

ING distinguishes three separate information requirements from senior management related to the Advanced IRB (AIRB) approach for credit risk:

- Reporting on (minimum) regulatory capital requirements;
- Model monitoring reports; and
- Stress testing reports.

The acceptance, maintenance, measurement, management and reporting of credit risks at all levels of ING Bank is accomplished through promotion of single, common credit risk data standards and the integration into common credit risk tools that support standardised and transparent credit risk practices.

THE IRB METHOD IN SHORT

There are four elements which drive the Basel II 'risk-based approach' to the determination of the capital base. For each of these elements, ING has developed a series of statistical, expert and hybrid models based on ING's historical experience and other market observations.

- **Probability of Default (PD):** The first is the borrower's, counterparty's, or issuer's (collectively referred to as the 'obligor') probability of default, which measures an obligor's creditworthiness in terms of likelihood to go into default. The result of this calculation attempts to measure the senior, unsecured standalone creditworthiness of an organisation without consideration of structural elements of the underlying transactions, such as collateral, pricing, or maturity;
- **Exposure at Default (EAD):** The second element is the obligor's exposure at default. These models are intended to estimate the outstanding amount or obligation at the moment of default in the future. Since the fact that an obligor will go into default is not known, and the level of outstandings that may occur on that date is also not known, ING uses a combination of statistical, expert and hybrid models to estimate the Exposure at Default. With the exception of guarantees and letters of credit, the EAD is always equal to or higher than the associated credit risk outstandings, under the assumption that obligors tend to absorb liquidity from available credit resources before financial problems become apparent to the obligor's creditors;
- **Loss Given Default (LGD):** The third element is the loss given default. These models are intended to estimate the amount ING will lose when liquidating collateral pledged in association with a given loan or financial obligation, or alternatively, liquidating the company as a whole, as part of a workout process. LGD models are based on cover types, estimated recovery rates given orderly liquidation, and (in) direct cost of liquidation;
- **Maturity (M):** The fourth element is the time to the maturity of the underlying financial obligation. Basel II caps the maturity element at five years, despite the fact that many obligations extend longer than five years.

Expected Loss (EL): The expected loss provides a measure of the value of the credit losses that ING may reasonably expect to incur on its portfolio. ING must hold a reserve (as part of its capital base) to cover the expected losses in its credit portfolio. In its basic form, the expected loss can be represented as:

$$EL = PD * EAD * LGD$$

Unexpected Loss (UL): Additionally, ING must also maintain a capital buffer against unexpected losses in order to protect itself against credit losses associated with unusual market events outside of the statistical norms.

Basel II uses these same components (expected loss and unexpected loss) conceptually in the determination of the Risk Weighted Assets (RWA). Like EL, RWA takes PD, EAD, and LGD into account, but also includes variables associated with the type of obligor and its size.

The PD, EAD and LGD models that are used in the calculation of Basel II regulatory capital are the same models that ING uses in the determination of its internally based economic capital models. Additionally, these models are used for loan pricing and customer profitability calculations, as well as forming the foundation for loan loss provisioning calculations.

CREDIT RISK MODELS

ING considers a well-balanced and controlled set of rules around model development, maintenance and validation to be an essential component for professional risk measurement and risk management. In 2006, ING developed and implemented a Credit Risk Model Governance framework, which consists of a set of extensive guidelines and requirements to which all stakeholders must adhere when developing, implementing and maintaining PD, LGD and EAD models.

Types of Credit Risk Modelling

Within ING Bank, there are three types of modelling which form the foundation of the PD, EAD and LGD models used throughout the bank.

Additional Pillar 3 information for ING Bank only (continued)

- **Expert models** are based on the knowledge of experts from both Risk Management and Front Office staff and literature from rating agencies, supervisors and academics. These kinds of models are especially appropriate for portfolios for which limited historical defaults exists thereby reducing the reliability of a statistical model. These portfolios are also often referred to as 'Low Default Portfolios';

- **Statistical models** are created where a large set of default or detailed loss data is available. They are characterised by a sufficient number of data points which facilitate meaningful statistical estimation of the model parameters. The model parameters are estimated with statistical techniques based on the data set available;

- **Hybrid models** contain characteristics of both expert and statistical models.

Next to the model choice, the definition of default is an important starting point for model building. ING uses a framework that integrates elements of the regulatory definition of 'Default' and the loan loss provisioning indicators under IAS 39. The rationale is that several indicators are very close to the indications of an obligor's 'unlikeliness to pay' under Basel II and similar regulations.

Integration of both frameworks makes it possible to use the regulatory risk components PD, LGD and EAD in the collective provisioning process under IAS 39, further enhancing ING's compliance with the Basel II 'use test'.

Independent Model Validation is one of the cornerstones of this framework. It consists of the process of determining that a model is appropriate for its intended use. It is an ongoing process whereby the reliability of the model is verified at different stages during its lifecycle: at conception, before approval, periodically after implementation, and when significant changes are made to the model. The validation process contains a mix of developmental evidence, process verification and outcome analysis.

APPROACHES APPLIED BY ING BANK

On 1 January, 2008, ING adopted the AIRB to the majority of its significant portfolios that contain credit risk in accordance with the approvals granted by DNB (Dutch Central Bank), and various local regulators, as required. However, there remains a small portion of the portfolio that is subject to the Standardised Approach (SA). Individually, these portfolios are relatively small, very specialized, or are related to new acquisitions in companies that themselves did not yet follow the AIRB Approach. In some cases, the Standardised Approach is mandated in conjunction with transition restrictions imposed by local regulators.

During 2009 ING reduced its SA Portfolio by 28% in terms of credit risk outstandings, which fell short of the goal of reducing the SA portfolio by 50%. The lower rate of reduction was caused by slower regulatory approvals of internal models in certain countries. ING continues to work towards reducing the portion of its portfolio which falls under the Standardised Approach.

IING uses the AIRB and the Internal Assessment Approach (IAA) for liquidity lines provided to Asset Backed Commercial Paper programs. For a number of portfolios that are either on an exit strategy or immaterial in terms of size and risk profile, the Standardised Approach is used.

EXPOSURE CLASSES

The Basel II Accord has developed the concept of 'Exposure Classes'. These are essentially groupings of credit risks associated with a common obligor type or product type. For the AIRB Approach, most of the exposure classes have subcategories. ING has applied the following definitions to determine Exposure Classes:

Governments include Sovereign Government entities, Central Banks and Basel II recognised Local / Regional Authorities as well as Supranational Organisations;
Institutions include all Commercial Banks, non-Bank Financial Institutions, such as Leasing Companies, Funds and Fund Managers, and Insurance Companies, as well as local and regional government entities not classified as governments;
Corporates includes all legal entities, that are not considered to be Governments, Institutions or Retail Other;
Residential Mortgages include all mortgage loans for residential properties that are not part of a securitisation;
Retail Other includes all other credit obligations related to Retail SMEs, such as partnerships, one-man businesses and private individuals, such as consumer loans, car loans and credit cards.

Under these exposure class definitions, it is possible for a private individual to be included under both Residential Mortgages and Retail Other. For other types of counterparties or issuers, there is no potential overlap.

Additional Pillar 3 information for ING Bank only (continued)

Gross credit risk exposures (EAD) by exposure class

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Standardised Approach	8,721	3,052	15,965	5,981	12,020	45,739	63,848
Advanced IRB Approach	84,994	103,581	252,330	293,074	34,819	768,798	761,857
Total 2009	93,715	106,633	268,295	299,055	46,839	814,537	825,705

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.

Gross credit risk exposures (EAD) by geographic area

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Netherlands	26,399	2,298	74,657	137,985	19,451	260,790	244,843
Germany	10,808	21,880	6,497	47,397	4,239	90,821	92,876
Belgium	13,181	5,906	30,231	19,838	8,813	77,969	80,773
United States of America	2,973	9,590	30,601	26,500	161	69,825	69,178
Spain	4,123	14,681	10,376	7,534	1,263	37,977	45,891
Australia	59	5,953	4,897	25,668	67	36,644	29,308
France	8,345	9,715	12,988	989	310	32,347	37,449
United Kingdom	307	7,335	14,670	2,215	1,535	26,062	29,453
Italy	6,638	2,284	6,973	6,405	2,951	25,251	26,234
Canada	3,176	2,828	941	17,028	476	24,449	20,094
Other	17,706	24,163	75,464	7,496	7,573	132,402	149,606
Total	93,715	106,633	268,295	299,055	46,839	814,537	825,705

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.

The figures presented in this table are EAD based on the country of the residence of the obligor. As such, these figures do not represent the risk associated with a country transfer risk event, such as a restriction on the convertibility of local currency into internationally tradable currencies. Nor do these figures represent the economic exposure that is present in a given country. The figures above are the most significant exposures. Smaller exposures are all group under Other, where none of the individual underlying exposures are more than EUR 15.0 billion. Figures associated with ING's transfer risk positions and economic country risk exposure can be found in risk management section, including their corresponding definitions.

The figures for Exposure Class 'Central Government and Central Banks' for Italy include EUR 1.5 billion in exposure to the Central Bank and EUR 4.8 billion in investments in bonds issued by the central government. The Spanish figures include EUR 2.2 billion in exposure to the Central Bank and EUR 1.5 billion in investments in bonds issued by the central government.

Additional Pillar 3 information for ING Bank only (continued)

Gross credit risk exposures (EAD) by economic sector	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Builders & Contractors			13,506		2,581	16,087	19,351
Central Banks	22,022					22,022	23,786
Central Governments	64,675					64,675	53,794
Commercial Banks	488	87,610	331		65	88,494	112,093
Food, Beverages & Personal Care			17,082		2,435	19,517	20,449
General Industries			14,774		2,096	16,870	20,209
Lower Public Administration	6,177	14,369			96	20,642	20,651
Natural Resources			31,162		441	31,603	29,200
Non-Bank Financial Institutions		3,514	46,262		869	50,645	52,879
Private Individuals			141	299,055	21,978	321,174	299,065
Real Estate	332		53,329		3,045	56,706	55,545
Services			16,891		4,475	21,366	22,973
Transportation & Logistics			21,131		1,366	22,497	25,232
Other	21	1,140	53,686		7,392	62,239	70,478
Total	93,715	106,633	268,295	299,055	46,839	814,537	825,705

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.

The figures presented above are based on the Basel II defined EAD, and differ from the industry distribution figures that are presented in the annual accounts. Note that all other sectors have exposures that are less than EUR 15.0 billion.

ING uses a common industry classification methodology based on the NAICS system (North American Industry Classification System). This methodology has over 1,500 detailed industry descriptions, which are aggregated into 22 industry classes at the highest level. Certain countries require ING to report locally based on other industry classification methodologies, which are generally derived from the NAICS classifications presented here. Residential mortgages are generally only extended to private individuals.

Outstandings by Tenor Bucket (based on credit risk outstandings)	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Current Outstandings	88,331	107,763	232,178	288,244	35,855	752,371	749,213
1 month	80,839	106,565	225,948	287,781	35,268	736,401	714,735
3 month	61,797	85,032	211,372	287,339	34,452	679,992	653,817
6 month	54,379	81,612	203,467	286,568	33,497	659,523	636,540
1 year	51,169	75,423	164,262	283,352	23,739	597,945	572,949
2 years	46,400	68,774	135,767	279,657	20,622	551,220	525,787
3 years	42,219	58,784	110,734	274,706	17,882	504,325	477,955
5 years	30,085	46,538	77,057	256,328	13,270	423,278	400,858
7 years	22,698	33,442	52,417	245,610	10,931	365,098	340,794
10 years	9,763	12,315	35,831	224,947	8,327	291,183	259,858

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Problem Loans (rating 20-22) are excluded in the figures above.

Basel II does not include a cash flow methodology that would look at future portfolio runoff. This table, therefore, presents figures that are based on credit risk outstandings, and not EAD. Credit Risk outstandings include amounts associated with both on and off balance sheet products, but exclude amounts related to unused limits. For derivatives and securities financing, the mark-to-market plus add-on methodology is applied, but the add-ons are generally less conservative than the add-ons applied under the Basel II definitions.

The figures above assume that loans, money market and investments in fixed income securities are fully repaid at their maturity dates and that limits are reduced in conjunction with repayment schedules contained in the associated loan documentation, without regard for potential renewal or extension, or portfolio sales or acquisitions. Pre-Settlement risks are assumed to reduce over the legal maturity of the underlying transactions. However, under mark-to-market plus add-on methodology, it is possible for exposures to increase in time, rather than decrease. This is a function of ING's estimates of future interest rates and foreign exchange rates, as well as potential changes in future obligations that may be triggered by such events. Generally, credit risk outstandings are lower than EAD.

Additional Pillar 3 information for ING Bank only (continued)

Further, all figures assume that no new credit risks are introduced into the portfolio and that there are no delays in repayments associated with problem loans, nor are there write offs associated with provisions or impairments. The portfolio runoff is implied by the difference in the figures between two periods.

LOAN LOSS PROVISIONS

There are three types of provisions that have to be made and accounted for:

- Individually Significant Financial Asset (ISFA) Provisions for those loans where specific, individualized provisions are still required. These are generally loans that exceed the threshold amount. [(1)] These provisions are made using an estimated future recovery methodology and then applying a net present value concept. The future cash flows are based on the restructuring officers' best estimate of when/if recoveries will occur. Recoveries can be from any source, such as the sale of collateral, ongoing cash flows, sale of a business/subsidiary, etc. ISFA provisions are all calculated using a common tool across ING Bank;
- Incurred But Not Recognised (IBNR) Provisions are made for the 'performing' loan portfolio as an estimate or proxy for the losses/defaults that may have already occurred in the portfolio, but which ING has not yet determined or recognised. These provisions are based on a modified expected loss methodology. The primary modification is that the PD time horizon (12 months) is shortened to periods of 3, 6, or 9 months, depending on the type of obligor. Generally, the larger the obligor, the shorter the PD time horizon. IBNR provisions are calculated centrally using a common tool across ING Bank;
- Individually Not Significant Financial Asset (INSFA) Provisions are made for acknowledged problem loans (ratings 20-22) that are below the threshold amount. Due to their small size, the IFRS rules permit a statistical approach to measuring these provisions. Therefore, the calculation is based on the same statistical formula that is used to determine IBNR Provisions and is also calculated centrally using a common tool across ING Bank.

[(1)] The threshold amount varies per business unit, but generally is nil in the international units, and EUR 1 million in the 'home markets'.

Cumulative Provisions by geographic area

Country	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Netherlands			598	104	337	1,039	629
United States of America			211	536	3	750	266
Germany			94	263	122	479	354
Belgium			242	35	152	429	332
Spain			249	5	6	260	116
Poland			131	1	22	154	122
France			147		2	149	98
Turkey	1	2	59	2	73	137	85
Virgin Islands British			107			107	36
Italy			48	3	29	80	60
Romania			48	1	26	75	11
India		1	48	2	23	74	40
Russia		1	59			60	45
Ukraine		17	37			54	40
Australia			29	22		51	14
Other	2	44	396	5	54	501	363
Total	3	65	2,503	979	849	4,399	2,611

* Both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account

Above presentation of the cumulative provisions is based on country of the residence of the obligor. Countries not shown in above table have cumulative provisions of less than EUR 50 million, and are grouped under Other.

Additional Pillar 3 information for ING Bank only (continued)

Cumulative Provisions by economic sector

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Automotive			119		17	136	103
Builders & Contractors			290		65	355	217
Chemicals, Health & Pharmaceuticals			72		12	84	45
Commercial Banks		59	19		1	79	106
Food, Beverages & Personal Care			246		49	295	185
General Industries			359		48	407	226
Media			82		19	101	54
Natural Resources			129		6	135	79
Non-Bank Financial Institutions		4	180		12	196	87
Private Individuals			35	979	365	1,379	870
Real Estate			350		29	379	167
Retail			82		51	133	95
Services			194		71	265	136
Telecom			54		2	56	11
Transportation & Logistics			140		33	173	70
Other	3	2	152		69	226	160
Total	3	65	2,503	979	849	4,399	2,611

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes impairments made directly to the equity accounts.

The tables above should be read in conjunction with the corresponding tables below related to Past due loans by geographic area and Past due loans by economic sector as well as information and statements in the annual accounts. Economic sectors not shown in above table have cumulative provisions of less than EUR 50 million, and are grouped under Other.

Past due loans by geographic area (based on outstandings)

	Residential mortgages	Other retail	Total 2009	Total 2008
Belgium	2,201	324	2,525	2,399
Netherlands	2,374	23	2,397	2,330
Australia	905		905	775
United States of America	454		454	585
Germany	272	10	282	258
Turkey	94	152	246	321
Canada	178	1	179	137
Other	205	211	416	419
Total	6,683	721	7,404	7,224

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

Above presentation of the past due loans is based on country of the residence of the obligor. Countries not shown in above table have past due loans of less than EUR 150 million, and are grouped under Other.

Past due loans by economic sector (based on outstandings)

	Residential mortgages	Other retail	Total 2009	Total 2008
Private Individuals	6,683	373	7,056	6,868
Other		348	348	356
Total	6,683	721	7,404	7,224

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account

Economic sectors not shown in above table have past due loans of less than EUR 150 million, and are grouped under Other.

The tables above should be read in conjunction with the corresponding tables below related to cumulative provisions by geographic area and cumulative provisions by economic sector as well as information and statements in the annual accounts.

Additional Pillar 3 information for ING Bank only (continued)

ING considers past due loans to be those loans where any payment of interest or principal is more than one day past due. The methodology is principally extended to loans to private individuals, such as residential mortgage loans, car loans, and other consumer loans. For business loans (governments, institutions, corporates), ING has adopted a policy to classify the obligor as a problem loan as quickly as possible upon the occurrence of a payment default. Therefore, the concept of past due loans does not exist for these types of obligors (and hence the reason why certain exposure classes show no figures).

The figures above are based on credit risk outstandings, and not EAD. Credit Risk outstandings include amounts associated with both on and off balance sheet products, but exclude amounts related to unused limits. For derivatives and securities financing, the mark-to-market plus add-on methodology is applied, but the add-ons are generally less conservative than the add-ons applied under the Basel II definitions.

Loan Loss Provision Shortfall

The Loan Loss Provision Shortfall is the difference between the EL and loan loss provisions for AIRB exposures. This difference is caused by the different PD time horizons that exist for IAS 39 Loan Provisioning (3, 6, and 9 months) and the 12 month time horizon used for EL and regulatory capital calculation. Basel II requires that the shortfall is deducted from the regulatory capital, 50% from Tier 1 and 50% from Tier 2 capital.

At December 31, 2009, the loan loss provision shortfall (before tax) was: EUR 1,579 million. The relative level of loan loss shortfall compared to actual provisioning levels will generally increase in periods where loan loss provisions are decreasing and will decrease in periods where loan loss provisions are increasing.

The Standardised Approach

Unlike the AIRB approach, the standardised approach applies a fixed risk weight to each asset as dictated by the Financial Supervisory Authorities, and is based on the exposure class to which the exposure is assigned. As such, the Standardised Approach is the least sophisticated of the Basel II methodologies and is not as sensitive as the risk-based approach. Where external rating agency ratings are available, they may be used as a substitute to using the fixed risk weightings assigned by the Financial Supervisory Authorities. Because the underlying obligors are relatively small, the underlying obligors tend not to have external ratings.

PORTFOLIOS UNDER THE STANDARDISED APPROACH

Exposures (EAD) and amounts deducted for standardised approach portfolios

	Exposure before risk mitigation	Exposure after risk mitigation	Exposure before risk mitigation	Exposure after risk mitigation
		2009		2008
Risk buckets used:				
0%	4,722	5,055	6,881	7,072
10%				
20%	9,012	9,029	4,240	4,414
35%	5,639	5,639	20,188	20,188
50%	6,802	7,217	4,131	4,200
75%	16,263	15,636	24,259	21,456
100%	30,808	29,852	35,081	33,947
150%	799	745	610	562
200%				
1250%				

* Includes only the SA Portfolios; excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

Under the standardized approach there are two principal methods for reducing or mitigating credit risk:
a) reduction of credit risk through the acceptance of pledged financial assets as collateral, such as marketable securities or cash; or
b) mitigation or shifting of credit risks to a lower risk weighting group by accepting guarantees from unrelated third parties.

Additional Pillar 3 information for ING Bank only (continued)

The risk weighting categories are defined in Basel II and are interpreted by ING as follows:

0% Risk Weighting

These assets fall into three categories as described below. In all of these cases, ING has developed credit risk models for the specific portfolios, but has not yet implemented the AIRB approach due to restrictions imposed by local regulators. In most cases, these portfolios are eligible to be converted to the AIRB approach in 2009.

Central government and central banks

In accordance with national discretion rules, the risk weight for many central governments and central banks under the standardised approach is 0%.

Regional governments and local authorities

In many countries, exposures to provincial, regional and municipal governments are treated as exposures to the central government in whose jurisdiction they are established.

Multilateral Development Banks

Exposures to certain specific multilateral development banks and other international organisations such as the International Bank for Reconstruction and Development are risk weighted at 0%.

10% Risk Weighting

The 10% risk weighting is applied to covered bonds exposures under the standardised approach. All of ING's covered bond positions are measured under the AIRB.

20% Risk Weighting

20% Risk Weighting is applied to exposures based on their exposure class and external rating. These are generally high quality exposures.

35% Risk Weighting

Exposures secured by mortgages on residential real estate are assigned a risk weight of 35%. The risk weight is only reduced for the part of the exposure that is fully secured.

50% Risk Weighting

50% Risk Weighting is applied to exposures based on their exposure class and external rating. These are generally not prime grade exposures.

75% Risk Weighting

Retail exposures under the standardised approach are assigned a risk weight of 75%.

100% Risk Weighting

Under the standardised approach, exposures without external ratings that do not fall into one of the other categories are assigned a risk weight of 100%.

150% Risk weighting

Under the standardised approach, certain specified exposures, such as exposures to venture capital and private equity, as well as the unsecured portion of any past due obligation is assigned a risk weighting of 150%.

200% Risk weighting

The 200% risk weighting must be applied to collective investment undertakings which contain high risk equity investments.

PORTFOLIOS UNDER THE AIRB APPROACH

RISK RATING METHODOLOGY

In principle all Risk Ratings are based on a Risk Rating (PD) Model that complies with the minimum requirements detailed the CRD, the DNB Supervisory Rules and CEBS guidelines. This concerns all Obligor Types and Segments, including Countries.

ING's Probability of Default (PD) rating models are based on a 1-22 scale, which roughly corresponds to the same rating grades that are assigned by external rating agencies, such as Standard & Poor's and Fitch. For example, an ING rating of 1 would correspond to an S&P/Fitch rating of AAA; an ING rating of 2 would correspond to an S&P/Fitch rating of AA+, and so on.

Additional Pillar 3 information for ING Bank only (continued)

Risk Ratings from Rating Models:

Risk Rating processes take on several forms as described below:

- Rating Models requiring manual interference: these are Models that require manual interference from the User who has to answer Rating Model based questions for each individual legal organisation in order to arrive at a Risk Rating. If not reviewed, the Risk Rating will expire 18 months after the previous review. These models are typically used for Governments, Institutions and larger Corporates; and
- Automated Rating Models: these are Models that do not require manual interference. Instead, data is automatically gathered and used to determine the Risk Rating (this process is detailed further in the sections that describe ING's Data Management and IT processes). These models are typically used for small businesses, consumer loans, and residential mortgage exposures;
- Risk Ratings from Appeals: Rating Model outcomes that are perceived to be inaccurate can be appealed through the relevant Rating Appeal Process, where this exists. The Rating Appeal Process applies to all Rating Models that require manual interference. It does not apply to automated Rating Models developed for consumer lending and residential mortgage business;
- Non-Rating Model based Ratings: this pertains to Risk Ratings not calculated by means of an approved Rating Model, but manually calculated or set on the basis of an approved subjective methodology. These are generally only used for problem loan classifications (20-22) which are owned by the relevant global or regional credit restructuring unit; and for the securitisation portfolios, whereby the external ratings of the tranche in which ING has invested are leading.

Exposures (EAD) by PD grade under the AIRB approach

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
1 (AAA)	14,562	2,129	3,014		10	19,715	38,481
2 (AA+)	41,369	5,435	3,255	71	70	50,200	32,014
3 (AA)	15,958	7,446	5,467	2,014	610	31,495	29,711
4 (AA-)	733	28,297	5,591	467	302	35,390	62,706
5 (A+)	8,304	18,456	7,335	3,887	625	38,607	40,248
6 (A)	2,073	13,412	8,959	3,940	753	29,137	24,966
7 (A-)	84	11,344	15,742	24,490	1,343	53,003	44,940
8 (BBB+)	611	5,907	19,119	26,976	3,689	56,302	52,281
9 (BBB)	153	3,915	25,924	48,909	3,433	82,334	76,884
10 (BBB-)	36	3,131	32,163	54,390	5,296	95,016	93,115
11 (BB+)	320	1,139	28,187	64,684	4,896	99,226	110,469
12 (BB)	468	792	28,032	22,522	3,727	55,541	66,082
13 (BB-)	42	881	23,171	9,739	2,768	36,601	33,177
14 (B+)	159	604	17,061	4,805	2,088	24,717	17,566
15 (B)	56	116	8,394	13,740	1,455	23,761	13,946
16 (B-)	53	101	3,720	2,157	573	6,604	3,894
17 (CCC-C)	10	299	5,372	3,190	999	9,870	8,048
18 (Special Mention)		50	4,364	372	476	5,262	3,034
19 (Substandard)	1	15	1,237	2,935	536	4,724	2,450
20 (Doubtful)	2	102	5,392	2,261	765	8,522	5,689
21 (Liquidation – no loss)			168	1,462	229	1,859	1,607
22 (Liquidation – with loss)		10	663	63	176	912	549
Total	84,994	103,581	252,330	293,074	34,819	768,798	761,857

* Includes only AIRB portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

The figures presented above are based on EAD and as such differ from those presented in the annual accounts due to different measurement methodology.

Over 95% of ING's credit risks have been rated using one of the in-house developed PD rating models. Within the AIRB Portfolio, the level of Basel II ratings exceeds 99% coverage by exposure. Bankwide, ING has implemented more than 100 rating models, including various submodels that may be applicable. Some of these models are universal in nature, such as models for Large Corporate, Commercial Banks, Insurance Companies, Central Governments, Local Governments, Funds, Fund Managers, Project Finance, and Leveraged Companies. While other models are more regional or country specific, such as PD models for SME companies in Central Europe, the Netherlands, Belgium, Luxembourg, and the United Kingdom, as well as residential mortgage and consumer loan models in the various retail markets.

Additional Pillar 3 information for ING Bank only (continued)

Rating Models for retail obligors are predominantly statistically driven and automated, such that they can be updated on a monthly or bi-monthly basis. Models for SME companies, and larger corporates, institutions and banks are manually updated, and are individually monitored on at least an annual basis.

Under Basel II rules, the nominal exposures are weighted to determine the RWA (and regulatory capital) of a portfolio, under a 'risk-based approach'. This approach dictates that less capital is required for credit risks which are well-rated, while progressively more capital is required as an obligor's risk (rating) deteriorates. This effect can cause RWA assets to increase or decrease together with risk rating migration without a significant change in the size of the underlying financial assets, in terms of financial accounting. As such, rating migrations are closely monitored within ING.

Average LGD by PD Grade under the advanced IRB approach

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
1 (AAA)	20%	14%	26%	10%	46%	21%	23%
2 (AA+)	20%	22%	32%	10%	61%	21%	20%
3 (AA)	20%	19%	26%	23%	64%	22%	23%
4 (AA-)	20%	19%	42%	10%	76%	23%	23%
5 (A+)	20%	21%	31%	10%	63%	22%	27%
6 (A)	20%	20%	29%	21%	63%	24%	25%
7 (A-)	27%	24%	33%	19%	43%	25%	26%
8 (BBB+)	30%	23%	36%	18%	39%	26%	27%
9 (BBB)	13%	26%	30%	16%	41%	22%	23%
10 (BBB-)	43%	39%	26%	14%	37%	20%	19%
11 (BB+)	38%	29%	25%	14%	31%	19%	17%
12 (BB)	24%	44%	21%	17%	33%	20%	20%
13 (BB-)	4%	41%	20%	18%	31%	21%	20%
14 (B+)	8%	35%	19%	21%	32%	21%	23%
15 (B)	8%	44%	22%	21%	50%	23%	21%
16 (B-)	60%	51%	20%	19%	41%	22%	25%
17 (CCC-C)	11%	30%	24%	15%	34%	22%	24%
18 (Special Mention)	20%	29%	16%	21%	35%	19%	17%
19 (Substandard)	80%	46%	24%	20%	36%	23%	18%
20 (Doubtful)	36%	43%	28%	29%	47%	30%	27%
21 (Liquidation – no loss)			16%	15%	64%	21%	16%
22 (Liquidation – with loss)		11%	32%	16%	65%	37%	36%
Total	20%	22%	26%	16%	38%	22%	22%

* Includes both AIRB portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

The table above represents the weighted average LGD for each of the represented combination of PD Grade and Exposure Class. For example, the weighted average LGD for an AAA rated Corporate is 26%, while the weighted average LGD for a BBB rated Corporate is 30%. LGD percentages are influenced by the transactional structure of the financial obligation, the related collateral or covers provided, and the country in which the collateral (if any) would have to be recovered.

In certain cases, the portfolio size is relatively small, which can also have an effect on the weighted average LGD in a given PD Grade and Exposure Class. Therefore, this table should be read in conjunction with the previous table (Exposures (EAD) by PD grade).

Undrawn Commitments

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Standardised Approach	6	272	2,470	586	5,492	8,826	10,518
Advanced IRB Approach	195	1,181	52,425	9,232	11,776	74,809	76,177
Total	201	1,453	54,895	9,818	17,268	83,635	86,695

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

These figures represent the potential exposure that may be drawn by ING's obligors under committed facilities. In most cases, the obligors have the right to make use of these facilities unless an event of default has occurred, or another defined event within the associated credit risk agreement has occurred. In most cases, the obligor pays a commitment fee to ING on the unused portion of these facilities. Pre-Settlement, Money Market and Investment limits are generally not committed.

Additional Pillar 3 information for ING Bank only (continued)

If all of the unused commitments were called upon at the same time, ING's credit risks (in terms of outstandings) would increase by 11%. As part of its Exposure at Default (EAD) models, ING makes an estimate of how much of these unused commitments would be drawn under normal circumstances. The effect is included in the calculation of RWA, together with a similar effect applied to uncommitted facilities, albeit at a lower rate.

Exposures secured by third party guarantees received

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Standardised Approach			852		13	865	483
Advanced IRB Approach	14,022	7,738	42,583	563	5,856	70,762	143,444
Total	14,022	7,738	43,435	563	5,869	71,627	143,927

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

From time to time, ING extends loans for which it receives a specific financial guarantee from a non-related counterparty or obligor. The figures in this table represent the EAD that has been guaranteed by these non-related parties. It does not include non-guaranteed amounts. For example, if a given credit risk is only partially guaranteed by a third party then only the portion of the amount which is guaranteed is included in the figures above. These figures exclude any guarantees which are received from a party related to the obligor, such as a parent or sister company. The figures also exclude any guarantees that may be implied as a result of credit default swap activities. Additionally, amounts that have been guaranteed as part of a government-sponsored mortgage program are also excluded. The figures above do include amounts that are guaranteed through an unfunded risk participation construction.

Counterparty credit risk outstandings from derivatives (SA and AIRB)

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Credit Derivatives	9	1,543	875			2,427	4,243
Derivatives		23	92		4	119	64
Equity Derivatives		475	837		11	1,323	1,597
Foreign Exchange Derivatives	203	2,431	2,508		41	5,183	10,694
Interest Rate Derivatives	2,729	11,863	7,616		99	22,307	23,289
Commodity derivative			3			3	0
Total	2,941	16,335	11,931		155	31,362	39,887

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

The figures in above table are calculated using the mark-to-market plus (regulatory) add-on methodology used for calculating Basel II RWA and are shown after adjustments for compensation and legal netting. This methodology allows ING to classify virtually all of its derivatives exposures under the AIRB approach.

Counterparty credit risk outstandings from derivatives (SA and AIRB)

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Gross positive MTM before netting and collateral	3,275	62,566	20,361		156	86,358	129,767
Mark to market (MTM) after netting	2,941	19,254	12,606		155	34,956	43,869
MTM after netting and collateral	2,941	16,335	11,931		155	31,362	39,887

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

As part of its normal securities financing and derivatives trading activities, ING enters into master agreements such as ISDAs, GMRAs, etc. Under the terms contained in sections related to Minimum Threshold Amounts and Minimum Transfer Amounts of Collateral Support Annexes (CSAa) or other similar clauses, both ING and it counterparties may agree to pledge additional collateral to each other in the event that either party is downgraded by one of the established rating agencies. ING Bank has determined that under prevailing market conditions, a one notch downgrade would only have a limited effect on the amount of additional collateral that ING would be required to pledge under these agreements. However, the actual amount that ING may be required to pledge in the future may vary based on ING's portfolio composition of both derivatives and securities pledged in securities financing transactions, market circumstances, the number of downgrade notches as well as the terms and conditions of future CSAs or other similar agreements entered into.

Additional Pillar 3 information for ING Bank only (continued)

Counterparty credit risk outstandings from securities financing (SA and AIRB)	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Bond Financing Given	**330**	**2,997**	**3,062**			**6,389**	2,080
Equity Financing Given		**555**	**2,187**		**42**	**2,784**	11,764
Bond Financing Taken		**2,143**	**1,289**			**3,432**	1,230
Equity Financing Taken		**541**	**607**		**33**	**1,181**	2,292
Total	**330**	**6,236**	**7,145**		**75**	**13,786**	17,366

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

Counterparty credit risk outstandings from securities financing (SA and AIRB)	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Gross positive MTM before netting and collateral	**339**	**10,045**	**10,797**		**75**	**21,256**	29,472
Mark to market (MTM) after netting	**330**	**9,493**	**9,489**		**75**	**19,387**	22,543
MTM after netting and collateral	**330**	**6,236**	**7,145**		**75**	**13,786**	17,366

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

The previous four tables are calculated using the mark-to-market plus (Regulatory) add-on methodology used for calculating Basel II RWA for determining the gross exposures. In order to determine the amount of credit risk applicable, ING first matches the trades with similar characteristics to determine their eligibility for offsetting. This offsetting effect is called 'compensation'. Subsequently, ING reduces the amount by any legal netting that may be permitted under various types of Master Agreements, such as ISDAs, GMRAs, GMSLAs, etc. Lastly, the amount is further reduced by any collateral that is held by ING under CSAs or other similar agreements.

CREDIT RISK MITIGATION

Credit risks from credit derivatives (notional amounts)	2009	2008
Credit derivatives used for hedging purposes		
– credit protection bought	**982**	2,019
Credit derivatives used for trading activities		
– credit protection bought	**35,235**	50,092
– credit protection sold	**30,276**	45,395

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

ING actively participates in the credit risk derivative (CDS) trading market, as a net purchaser of credit risk protection from other counterparties. ING has purchased a small amount of credit risk protection for hedging purposes, usually in order to reduce concentration on certain 'legal one obligor groups' without having to reduce ING's relationship banking activities. ING does not actively sell credit default swaps for hedging or investment purposes. Although Basel II rules permit a reduction of credit risk capital under certain circumstances where ING has purchased CDS protection, ING does not currently make use of this provision in determining its Basel II capital base.

The figures above represent the notional amount of credit risk default swaps that ING has entered into for the represented purpose. The credit risk on the counterparties associated with credit default swap protection bought is included in the pre-settlement risk calculations for the given counterparty, and not in the figures above. For credit default protection sold, ING incurs synthetic issuer risk, on which capital is calculated, depending on its purpose, either hedging or trading.

Additional Pillar 3 information for ING Bank only (continued)

SECURITISATIONS

SCOPE

The following information is prepared taking into account the 'Industry Good Practice Guidelines on Pillar 3 disclosure requirements for securitisations' (the Guidelines) issued by the European Banking Federation and other industry associations on 18 December 2008. It includes qualitative and quantitative disclosures addressing both the exposure securitised as well as securitisations positions held. While quantitative disclosures are limited to those securitisations that are used for the purpose of calculating the regulatory capital requirements under the CRD, qualitative information have a broader scope and give a view on ING Bank's entire securitisation activity.

Depending on ING's role as investor, originator, or sponsor the objectives, the involvement and the rules applied may be different. ING is primarily engaged in securitisation transactions in the role of investor (in securitisations arranged by others). To a lesser extent, ING is also an originator or sponsor of securitisations that are usually traded in the public markets.

Valuation and accounting policies

ING's activities regarding securitisations are described in the Note 'Special Purpose Entities and Securitisation' in the annual accounts. The applicable accounting policies are included in the section 'Accounting policies for the consolidated balance sheet and profit and loss account of ING Group/Bank' in the annual accounts. The most relevant accounting policies for ING's own originated securitisation programmes are 'derecognition of financial assets' and 'consolidation'. Where ING acts as investor in securitisation positions, the most relevant accounting policy is 'classification of financial instruments.'

Regulatory capital method used and Rating Agencies

ING has implemented the AIRB approach for credit risk. As a consequence, ING uses the Rating Based Approach (RBA) for investments in tranches of asset-backed securities (ABS) and mortgage-backed securities (MBS) which have been rated by external rating agencies. Rating agencies which are used by ING under the RBA include: Standard & Poor's, Fitch, Moody's and DBRS.

Under the RBA, the risk-weighted assets (RWA) are determined by multiplying the amount of the exposure by the appropriate regulatory risk weights, which depend on:
- the external rating or an available inferred rating;
- the seniority of the position.

ING uses the Internal Assessment Approach (IAA) for the support facilities it provides to Asset Backed Commercial Paper (ABCP) conduit Mont Blanc Capital Corp., based on externally published rating agency methodologies.

ING as Investor

ING Direct is the primary investor in securitisation transactions within ING Bank. ING Direct's core strategy is gathering customer deposits and reinvesting them in its investment portfolio and retail assets, mainly mortgages. The difference between retail liabilities (the savings product is typically the first product to be launched in a country) and retail assets (the mortgage product is typically the second product launched) is invested in high quality debt. The execution of this business model in a cost-efficient manner is ING Direct's competitive advantage. Given ING Direct's business model as a liability driven operation with a focus on cost efficiency, ING Direct invests with a view to minimise credit risk, while ensuring sufficient liquidity. Hence, ING Direct accumulates highly rated debt securities with minimal credit risk thereby capitalising on its economies of scale.

Securitisation markets provide investment opportunities in highly rated (generally AAA), liquid and discountable bonds and are therefore an important asset class in ING Direct's investment portfolio. At ING Direct, the investment policies define eligible product types, minimum ratings, maximum tenors and exposure amounts both at issue and issuer levels as well as for the portfolio. The dominant product classes in the investment portfolio are RMBS, Agency RMBS, Covered Bonds, and Senior Unsecured Debt issued by Banks, Other Financial Institutions as well as Sovereigns or Quasi-sovereign entities. Prior to purchase, each investment proposal from a Treasury Centre is analysed by Credit Risk Management and decided upon at the appropriate level by a treasury officer and a credit risk manager under delegated approval authorities. In 2009 ING Direct did not purchase any new ABS or MBS, other than Agency MBS.

Purchased Securitisation Exposures

The following table gives the break down of purchased exposures by weight bands. The amount of securitisation positions purchased from third parties are based on the regulatory exposure values calculated according to the CRD after consideration of credit conversion factors (CCFs) where applicable as used for the purpose of Pillar 1, but prior to the application of credit risk mitigants on securitisation positions.

Additional Pillar 3 information for ING Bank only (continued)

Exposures per risk weight band (ING as Investor)		
	Purchased Exposures	
	31 December 2009	31 December 2008
Risk weight band 1 <= 10%	**35,384**	64,678
Risk weight band 2 >10% and >= 18%	**10,397**	11,381
Risk weight band 3 >18% and >= 35%	**605**	1,008
Risk weight band 4 >35% and >= 75%	**162**	764
Risk weight band 5 >75%	**2,652**	933
Risk weight 1250%	**212**	1,336
Total	**49,412**	80,100

ING as Originator
ING originates own securitisation transactions for economic and regulatory capital purposes, as well as liquidity and funding purposes.

- **Economic and Regulatory Capital** Seven synthetic securitisations of mortgages, small and medium enterprise (SME) and corporate exposures have been issued since ING began actively undertaking the securitisation of its own assets in 2003. Upon the closer alignment of transfer and regulatory capital solvency rules at year end 2007, the most senior tranches of ING's own securitisations have been called and are now retained by ING. Except for Memphis 2005, ING has also hedged the first loss tranches in 2009. The mezzanine tranches are still transferred to third parties.

  The first transactions (Moon and Memphis 2003) were repaid in 2008 with no loss for the investors. Mars 2004 repaid in 2009 with no loss to investors either. As of 31 December 2009, four transactions totalling approximately EUR 15 billion (Mars 2004, Mars 2006 and BEL SME 2006 on SME exposures, Memphis 2005 and Memphis 2006 on residential mortgages) remain outstanding, as further detailed below. Memphis 2006 transfers risk on high Loan to Value (LTV) Dutch mortgages.

  Securitisations of residential mortgages release less capital under Basel II than under Basel I because the capital required for this type of exposure has been reduced under Basel II rules.

- **Liquidity/Funding** Although the most senior tranches in securitisations are no longer efficient to release regulatory capital under Basel II, they may still be used to obtain funding and improve liquidity. To be eligible as collateral for central banks securitised exposures must be sold to a Special Purpose Vehicle (SPV) which, in turn, issues securitisation notes ('traditional securitisations') in two tranches, one subordinated tranche and one senior tranche, rated AAA by a rating agency. The AAA tranche can then be used by ING as collateral in the money market for secured borrowings.

  ING Bank has created a number of these securitisations with a 31 December 2009 position of approximately EUR 70 billion of AAA rated notes. The underlying exposures are residential mortgages in the Netherlands, Canada, Germany, Belgium and Australia. ING Direct also created 'own originated RMBS' backed by Spanish mortgages.

  As long as the securitisation exposures created are not transferred to third parties, the regulatory capital remains unchanged. These are not detailed hereunder. Apart from the structuring and administration costs of these securitisations these securitisations are profit/loss neutral.

Exposures securitised as originator: All securitisations reported in this section are synthetic securitisations used to transfer risk to third parties. Transactions for liquidity/funding purpose are not included.

The determination of impairments and losses occurs at least every quarter at the cut-off date applicable to each specific transaction. Figures as of 31 December are used whenever available.

Exposures securitised						
2009	**Cut off Date**	**Initial Pool**	**Outstandings**	**Credit Events**	**Past due Assets**	**Losses**
Residential Mortgages						
Memphis 2005	31 Oct 2009	**3,000**	**2,954**	**2**	**40**	**< 1**
Memphis 2006	31 Oct 2009	**4,000**	**3,911**	**12**	**143**	**2**
		7,000	**6,865**			
SME						
Mars 2006	30 Sep 2009	**4,500**	**4,351**	**29**	**34**	**3**
BEL SME 2006	30 Nov 2009	**2,500**	**2,232**	**22**	**18**	**3**
Total		**7,000**	**6,583**			

Additional Pillar 3 information for ING Bank only (continued)

Exposures securitised						
2008	Cut off Date	Initial Pool	Outstandings	Credit Events	Past due Assets	Losses
Residential Mortgages						
Memphis 2005	31 Oct 2008	3,000	2,351	3	62	< 1
Memphis 2006	31 Oct 2008	4,000	3,750	11	207	2
		7,000	6,101			
SME						
Mars 2004	31 Oct 2008	2,000	1,995	3	25	< 1
Mars 2006	31 Dec 2008	4,500	4,202	12	32	2
BEL SME 2006	30 Nov 2008	2,500	2,406	11	5	1
Total		9,000	8,603			

Notes:
- Cut-Off Date: Most recent date in respect of which determination and allocation of losses have been made pursuant to the legal documentation of the transaction. Information on the performance of ING's securitised exposures is published regularly.
- Outstandings: EAD on 31 December of assets that were performing on the Cut-off date.
- Credit Events: Aggregate outstandings of assets subject to a credit event reported in the twelve months period ending on the Cut-off date.
- Past Due Assets: Outstandings on the Cut-off date of assets that are past due, but not in credit event on that date, as more fully detailed in the quarterly reports. Past due for residential mortgage transactions means 'more than 1 monthly payment in arrears'. Past due for SME deals means 'reference entities that are rated 20-22' .
- Losses: Aggregate losses recognised on securitised assets and reported in the twelve months period ending on the Cut-off date.

Retained Securitisation Exposures
Retained exposures on securitisation of ING's own assets include the most senior tranches and the equity piece (first loss) of Memphis 2005. Economically, on a total of about EUR 13 billion underlying exposures in the four transactions mentioned above, ING has retained approximately EUR 6 million of first loss exposure and has transferred approximately EUR 1.1 billion of mezzanine and equity tranches (first and second loss) to third parties.

Securitisations originated by a company may only be considered for balance sheet derecognition when the requirements for significant credit risk transfer have been fulfilled. However, for a securitisation transaction to be recognized as for RWA reduction, risk transfer alone may be insufficient due to the increasing impact of the maturity mismatch formula. As a consequence, The RWA of the retained tranches for one of the transactions in the table above would be higher than the total RWA of the underlying pool before securitisation, and therefore that transaction is are treated for RWA purposes as if it was not securitised.

ING as Sponsor
In the normal course of business, ING Bank structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients' receivables or other financial assets to an SPV. The transactions are funded by the ING administered multi seller Asset Backed Commercial Paper (ABCP) conduit Mont Blanc Capital Corp. (rated A-1/P-1). Despite the conditions in the international money markets Mont Blanc Capital Corp. continues to fund itself externally in the ABCP markets.

In its role as administrative agent, ING facilitates these transactions by providing structuring, accounting, funding and operations services. ING Bank also provides support facilities (liquidity and program wide enhancement) backing the transactions funded by the conduit.

The types of asset currently in the Mont Blanc Conduit include trade receivables, consumer finance receivables, credit card receivables, auto loans, RMBS and CDOs/CLOs.

Exposures Securitised as Sponsor
The total liquidity facilities, including programme wide enhancements, provided to the Mont Blanc conduit are EUR 3,240 million. The total drawn liquidity amount as of 31 December 2009 is EUR 584 million.

Securitisation in the trading book
The exposures involved are mainly synthetic Collateralized Debt Obligations (CDO's) in which the underlying credit exposures are taken on using a credit default swap rather than a vehicle buy physical assets.

The CDO's are a form of securitisation where payments from a portfolio of fixed-income assets are pooled together and passed on to different classes of owners in various tranches. The assets/loans are divided in different tranches according to their seniority: senior tranches (rated AAA), mezzanine tranches (AA to BB) and equity tranches (unrated). Losses are applied in reverse order of seniority. The CDO's in trading books are valued mark-to-market. The underlying assets are a pool of mostly Corporate Investment Grade names.

The Net Collaterised Debt Obligations position in the Trading portfolio as of 31 December 2009 is EUR –28 million (2008: EUR –83 million).

Additional Pillar 3 information for ING Bank only (continued)

OTHER NON CREDIT OBLIGATION ASSETS
Other Non Credit Obligation Assets (ONCOA) represent assets of non credit obligation character that are not included in the SA or A-IRB calculations. Capital requirement for ONCOA as of 31 December 2009 is EUR 2,275 million (2008: EUR 2,166 million).

OPERATIONAL RISK
The Operational Risk Capital model of ING is based on a Loss Distribution Approach (LDA). The Loss Distribution is based on both external and internal loss data exceeding EUR 1 million. The model is adjusted for the scorecard results, taking into account the specific quality of control in a business line and the occurrence of large incidents ('bonus/malus'). This provides an incentive to local (operational risk) management to better manage operational risk. The capital calculation meets industry standards and was approved in April 2008 by DNB. Originally, the model was designed for Economic Capital (99.95% confidence level) and the Financial Risk Dashboard (90% confidence level). From 2008 onwards, the model is used for regulatory capital reporting purposes as well.

The Operational Risk Capital based on AMA slightly decreased to EUR 3,309 million in 2009, from EUR 3,368 million in 2008, due the reduction of the size of ING Bank relative to the total banking industry.

MARKET RISK
The general description of market risk in ING Bank can be found in the risk paragraph of the annual report, where the organisation, measurement and management of market risk is explained. Further, for 2009 the scope for Pillar 3 non-trading exposures is in line with the risk paragraph where several banking books are governed by the trading risk process. In the 2008 Pillar 3 figures non-trading exposures are excluded from the trading governance resulting in differences with the 2008 numbers from the risk paragraph.

CAPITAL REQUIREMENTS

Capital requirements

	Standardised approach		Internal Model Approach		Total	
	2009	2008	**2009**	2008	**2009**	2008
Interest rate risk	**127**	255	**233**	456	**360**	711
Equity position risk			**75**	80	**75**	80
Foreign exchange risk [(1)]	**23**	194	**33**	51	**56**	245
Total	**150**	449	**341**	587	**491**	1,036

[(1)] The FX exposure under the Standardised Approach contains FX exposures on both trading and banking books.

TRADING BOOK POSITIONS
Model approach
According to the Dutch regulation, regulatory capital for trading portfolios can be calculated using the standardised approach (CAD1) or an internal model approach (CAD2). In 1998, ING received approval from the Dutch Central Bank (DNB) to use an internal Value-at-Risk (VAR) model to determine the regulatory capital for the market risk in the trading book of ING Bank. Market risk capital of CAD2 trading books is calculated according to the internal VaR model, where correlations and volatilities are taken into account. On the other hand, market risk capital of CAD1 books is calculated using standardised fixed risk weights.

In 2009, ING applied the CAD2 model for most of its trading activities. The standard CAD1 model is used for some trading books in smaller locations and / or products for which the internal model is not yet CAD2 compliant. The aim of ING is to receive CAD2 status for all its trading books. It should be noted that due to the conservative nature of the CAD1 model the capital charge for the standardised approach is much larger than for the internal model approach.

VaR Values for IMA Portfolios

	High	Mean	Low	Period-end	
		Over the reporting period 2009		**31 Dec 2009**	31 Dec 2008
Interest rate risk	**49**	**29**	**19**	**21**	40
Equity position risk	**11**	**7**	**4**	**5**	7
Foreign exchange risk	**10**	**4**	**1**	**3**	6
Diversification effect		**6**		**4**	3
Total		**35**		**25**	50

For a summary of the Value-at-Risk measurement applicable to the internal model approach please refer to the Market Risk Paragraph in the Annual Report 2009. It should be noted that the VaR figures in the above table only relate to the CAD2 trading books for which the internal model approach is applied. The VaR figures reported in the Annual Report relate to all books under trading governance.

Additional Pillar 3 information for ING Bank only (continued)

BANKING BOOK POSITIONS

Equities

Total exposure under the Simple Risk Weight Approach at the 31 December 2009 is EUR 1,746 million (2008: EUR 1,042 million) resulting in EUR 364 million (2008: 194 million) of capital requirement.

Equities Unrealised Gains and Losses	2009	2008
Gross unrealised gains	**2,570**	874
Gross unrealised losses	**–12**	–211
Total	**2,558**	663

Please refer to the Market Risk Segment in the Risk Management section for a description of the equity holdings and accounting methodology.

Interest rate risk

Earnings Sensitivity	2009	2008
By line of business		
ING Commercial Banking	**–44**	–132
ING Retail Banking	**–115**	–101
ING Direct	**–281**	5
ING Bank Corporate Line	**5**	46
Total	**–435**	–182
By Currency		
Euro	**–262**	–221
US Dollar	**–193**	36
Pound Sterling	**–26**	3
Other	**46**	
Total	**–435**	–182

Net Present Value at Risk	2009	2008
By line of business		
ING Commercial Banking	**–427**	–710
ING Retail Banking	**–51**	–100
ING Direct	**49**	–232
ING Bank Corporate Line	**–1,406**	–1,388
Total	**–1,835**	–2,430
By Currency		
Euro	**–1,811**	–2,140
US Dollar	**–39**	–238
Pound Sterling	**–53**	–41
Other	**68**	–11
Total	**–1,835**	–2,430

The Earnings Sensitivity and the Net Present Value at Risk are based on a 1% instantaneous upward shock. In the Risk Management section a detailed description is given on the interest rate risk in the Banking book. For 2009 the scope for Pillar 3 non-trading exposures is in line with the risk paragraph where several banking books are governed by the trading risk process. In the 2008 Pillar 3 figures non-trading exposures are excluded from the trading governance resulting in minor differences with the 2008 numbers from the risk paragraph.

Financial glossary

ACTUARIAL AND UNDERWRITING RISK
These risks (mortality, longevity, morbidity, adverse motor or home claims, etc.), result from the pricing and acceptance of insurance contracts. Actuarial risk is the risk that premium levels and provisions in respect of insurance risk may turn out to be (no longer) correct. Underwriting risk is the risk that an issuer will receive a claim under an insurance policy it issues/underwrites. Maximum underwriting exposures are limited through exclusions, cover limits and reinsurance.

ALT-A RESIDENTIAL MORTGAGE BACKED SECURITY (ALT-A RMBS)
A type of US residential mortgage which is considered riskier than 'prime' and less risky than 'sub-prime' mortgages. Parameters generally taken into account are borrower credit scores, residential property values and loan-to-value ratios. Alt-A mortgages are further characterised by a limited degree of income and/or asset verification.

AMORTISED COST
The amount at which the financial asset or liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

ASSET AND LIABILITY COMMITTEE (ALCO)
Manages the balance sheet of ING, especially with regard to strategic non-trading risk. These risks comprise interest rate exposures, equity risk, real estate risk, liquidity, solvency and foreign exchange risk and fluctuations.

ASSET LIABILITY MANAGEMENT (ALM)
The practice of managing a business such that decisions on assets and liabilities are coordinated. It involves the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities.

ASSET BACKED COMMERCIAL PAPER (ABCP)
Commercial paper that is collateralised by other financial assets.

ASSET BACKED SECURITIES (ABS)
A type of bond or note that is based on pools of assets, or collateralised by the cash flows from a specified pool of underlying assets.

ASSOCIATE
An entity over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights, and that is not a subsidiary not a joint venture.

AVAILABLE FINANCIAL RESOURCES (AFR)
The available financial resources equal the market value of assets minus market value of liabilities, excluding hybrids issued by ING Group which is counted as capital. ING's policy is that the available financial resources should exceed economic capital for Bank, Insurance and Group.

AVAILABLE-FOR-SALE FINANCIAL ASSETS
Those non-derivative financial assets that are designated as available-for-sale or are not classified as:
- loans and receivables;
- held-to-maturity investments; or
- financial assets at fair value through profit and loss.

BASEL I
Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation, which are superseded by Basel II, for ING, from 2008 onwards.

BASEL II
Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation, which, for ING, apply from 2008 onwards. Basel II is an international standard for calculating the required capital based on internal models that take into account the financial and operational risks.

BASIS POINT VALUE (BPV)
The change in the Net Present Value of a cash flow or a pool of cash flows due to a one basis point change of the yield curve.

BASIS RISK
This risk arises from an imperfect correlation in the adjustment of the rates earned and paid on different financial instruments. Examples of products in which these risks are inherent are demand deposits, saving accounts and mortgages with prepayment options.

BIS
An international organisation which fosters international monetary and financial co-operation and serves as a bank for central banks. BIS has set a minimum for the solvency ratio reflecting the relationship between capital and risk weighted assets. The ratio should be at least 8%.

BUSINESS RISK
The exposure to value loss due to fluctuations in volumes, margins and costs. These fluctuations can occur because of internal, industry, or wider market factors. It is the risk inherent to strategy decisions and internal efficiency.

CAPITAL AT RISK (CAR)
The maximum negative impact on ING Group's economic surplus over a one year forward looking horizon under normal market conditions. CaR is calculated at a 90% confidence interval.

CERTIFICATES OF DEPOSIT
Short-term negotiable bearer debt instruments issued by banks.

CLAIM
A demand for payment of a policy benefit because of the occurrence of an insured event, such as the death or disability of the insured or the maturity of an endowment, the incurrence of hospital or medical bills, the destruction or damage of property and related deaths or injuries, defects in, liens on, or challenges to the title to real estate, or the occurrence of a surety loss.

CLAIMS RATIO
Claims, including claims handling expenses, expressed as a percentage of net earned premiums.

Financial glossary (continued)

COLLATERALISED DEBT OBLIGATION (CDO)
A type of asset-backed security which provides investors exposure to the credit risk of a pool of fixed income assets.

COLLATERALISED LOAN OBLIGATION (CLO)
A type of CDO which is backed primarily by leveraged bank loans.

COMBINED RATIO
The sum of the claims ratio and the cost ratio for a non-life insurance company or a reinsurance company. A combined ratio of more than 100% does not necessarily mean that there is a loss on non-life insurance policies, because the result also includes the allocated investment income.

COMMERCIAL PAPER
Promissory note (issued by financial institutions or large firms) with very-short to short maturity period (usually 2 to 30 days, and not more than 270 days), and unsecured.

COMPLIANCE RISK
Compliance risk is defined as the risk of damage to ING's reputation as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies and procedures or ethical standards.

CONCENTRATIONS OF CREDIT RISK
Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate exposure is material in relation to ING Group's total exposure.

CONTINGENT LIABILITIES
Possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because:
- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

CONTROL
The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

CONVERTIBLE DEBENTURES
Debentures with embedded options issued by corporations. The holder has the right to exchange a convertible debenture for equity in the issuing company at certain times in the future according to a certain exchange ratio. Very often, the conversion is callable. This means that it can be repurchased by the issuer at a certain price at certain times in the future. Once the debentures have been called, the holder can always choose to convert prior to repurchase.

CONVEXITY
The non-linear relationship between changes in the interest rates and changes in bond prices and their Net Present Value. It is a very important market risk measure for portfolios containing (embedded) options.

CORE DEBT
Investments in ING Group subsidiaries minus the equity of the holding company including hybrids.

COST OF CAPITAL
The costs related to owning capital. These can be split into the cost of equity, hybrids and debt, taking a target leverage into account.

COST RATIO
Underwriting costs expressed as a percentage of premiums written.

COUNTRY RISK
The risk that a government will not fulfil its obligations or obstructs the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (e.g. political risk).

CREDIT INSTITUTIONS
All institutions that are subject to banking supervision by public authorities, including mortgage banks, capital market institutions, multilateral development banks and the International Monetary Fund (IMF).

CREDIT RISK
The risk of loss from default by borrowers (including bond issuers) or counterparties. Credit risks arise in ING's lending, presettlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

DEFERRED TAX LIABILITIES
The amounts of income tax payable in future periods in respect of taxable temporary differences between carrying amounts of assets or liabilities in the balance sheet and tax base, based on tax rates that are expected to apply in the period when the assets are realised or the liabilities are settled.

DEFINED BENEFIT PLAN
Post-employment benefit plans other than defined contribution plans.

DEFINED CONTRIBUTION PLAN
Post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DELTA HEDGE
The delta hedge minimises the exposure of the employee option scheme by holding an appropriate number of (depositary receipts for) ordinary shares. The exposure is reassessed every quarter and, if necessary, ordinary shares are bought from the market.

DEPOSITARY RECEIPT
Depositary receipt for ordinary and preference shares, issued by the ING Trust Office, in exchange for ordinary and preference shares issued by ING Group.

DERIVATIVES
Financial instruments, which include forwards, futures, options and swaps, whose value is based on an underlying asset, index or reference rate.

Financial glossary (continued)

DISCOUNTED BILLS
Bills that are sold under deduction of interest giving the owner the right to receive an amount of money on a given date.

DISCRETIONARY PARTICIPATION FEATURE
A contractual right to receive, as a supplement to guaranteed benefits, additional benefits that: are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the insurer, that are contractually based on the performance of a specified pool or type of contract, (un)realised investment returns on a specified pool of assets held by the insurer, or the profit of the company, fund, or other entity that issues the contract.

EARNINGS AT RISK (EAR)
Measures the impact on earnings resulting from changes in market rates over a one-year horizon.

ECONOMIC CAPITAL
The minimum amount of capital that is required to absorb unexpected losses in times of severe stress. Given ING Group's A target rating, ING calculates economic capital requirements at a 99.95% level of confidence. This confidence level is derived from the historical default frequency of AA-rated companies (probability of default of 1 in 2000 years or 0.05%).

EFFECTIVE INTEREST METHOD
A method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period.

ELIMINATION
A process by which intercompany transactions are matched with each other and deducted, so that the assets, liabilities, income and expenses are not inflated.

EMBEDDED VALUE (EV)
Embedded value is the present value of all future cash flows from the contracts being owned today (embedded value does not take into account future sales). The discount rate used is equal to Weighted average cost of capital.

EMBEDDED VALUE PROFIT (EVP)
Embedded value profit is the change in embedded value over a given period over and above the amount related to the unwinding of the discount rate.

EMPLOYEE BENEFITS
All forms of consideration given by a company in exchange for service rendered by (current and former) employees.

FAIR VALUE
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FINANCE LEASE
A lease that transfers substantially all the risks and rewards associated with ownership of an asset to the lessee. Title may or may not eventually be transferred.

FINANCIAL ASSET
Any asset that is:
- cash;
- an equity instrument of another company;
- a contractual right to;
  - receive cash or another financial asset from another company; or
  - exchange financial instruments with another company under conditions that are potentially favourable; or
  - certain contract that will or may be settled in ING's own equity instruments.

FINANCIAL INSTRUMENTS
Contracts that give rise to both a financial asset for one company and a financial liability or equity instrument for another company.

FINANCIAL LIABILITY
Any liability that is a contractual obligation:
- to deliver cash or another financial asset to another company; or
- to exchange financial instruments with another company under conditions that are potentially unfavourable; or
- certain contracts that will or may be settled in ING's own equity instruments.

FOREIGN EXCHANGE RATE RISK
Probability of loss occurring from an adverse movement in foreign exchange rates.

FORWARD CONTRACTS
Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates.

FUTURE CONTRACTS
Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates. Exchanges act as intermediaries and require daily cash settlement and collateral deposits.

GROSS PREMIUMS WRITTEN
Total premiums (whether or not earned) for insurance contracts written or assumed (including deposits for investment contracts with limited or no life contingencies written) during a specific period, without deduction for premiums ceded.

HELD-TO-MATURITY INVESTMENTS
Non-derivative financial assets with fixed or determinable payments and fixed maturity that ING Group has the positive intention and ability to hold to maturity other than:

a. those that ING Group upon initial recognition designates as at fair value through profit and loss;
b. those that ING Group designates as available-for-sale; and
c. those that meet the definition of loans and receivables.

HISTORICAL SIMULATION
A model to calculate Value at Risk, assuming that future changes in risk factors will have the same distribution as they had in the past taking into account the non-linear behaviour of financial products.

Financial glossary (continued)

IMPAIRMENT LOSS
The amount by which the carrying amount of an asset exceeds its recoverable amount.

INTEREST BEARING INSTRUMENT
A financial asset or a liability for which a time-proportionate compensation is paid or received in relation to a notional amount.

INTERNAL RATE OF RETURN (IRR)
Internal rate of return is the discount rate at which the present value of distributable earnings from new business equals the investment in new business (i.e. the projected return on the investment in new business) is calculated.

INTEREST-RATE REBATES
Profit sharing for group life insurance business. A rebate granted to policyholders based on the discounted value of the difference between the interest rate used to calculate the premiums and the expected yield on investment. The profit sharing is granted by means of a premium discount related to the yield on government bonds.

INTEREST RATE RISK
Probability that the market interest rates will rise significantly higher than the interest rate earned on investments such as bonds, resulting in their lower market value.

IN THE MONEY
A call option is said to be in the money if the exercise price is lower than the price of the underlying value; a put option is said to be in the money if the exercise price is higher than the price of the underlying value.

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

INVESTMENT PORTFOLIO
Comprises those assets which are intended for use on a continuing basis, and have been identified as such. These investments are held in order to cover the insurance provisions and to manage interest rate, capital and liquidity risks.

IRREVOCABLE FACILITIES
Mainly constitute unused portions of irrevocable credit facilities granted to corporate clients and commitments made to purchase securities to be issued by governments and private issuers.

IRREVOCABLE LETTERS OF CREDIT
Concerns an obligation on behalf of a client to pay an amount of money under submission of a specific document or to accept a bill of exchange, subject to certain conditions. An irrevocable letter of credit cannot be cancelled or adjusted by the bank that has granted it during the duration of the agreement unless all those concerned agree.

JOINT VENTURE
A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

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

LIQUIDITY RISK
The risk that ING Group or one of its subsidiaries cannot meet its financial liabilities when they fall due, at reasonable costs and in a timely manner.

MARKET RISK
Market risk is the risk that movements in market variables, such as interest rates, equity prices, implied volatilities, foreign exchange rates, real estate prices negatively impact the earnings or market value.

MARKET VALUE AT RISK (MVAR)
A calculation method which measures the decrease in the market value surplus caused by movements in financial markets, at a 99.95% confidence level over a one year horizon.

MINORITY INTERESTS
The part of the profit or loss and net assets of a subsidiary attributable to an interest which is not owned, directly or indirectly, by the parent company.

MONETARY ASSETS AND LIABILITIES
Assets and liabilities which are fixed in terms of units of currency by contract or otherwise. Examples are cash, short or long-term accounts, notes receivable in cash and notes payable in cash.

MONEY MARKET RISK
Money market risk arises when ING Group 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 Group may lose the deposit placed. Money market risk is therefore measured simply as the notional value of the deposit , excluding any accrued and unpaid interest or the effect of any impairment.

MONOLINER
A financial company that deals specifically with one particular branch of the financial industry.

MONTE CARLO SIMULATION
A model to calculate Value at Risk, assuming that changes in risk factors are (jointly) normally distributed taking into account nonlinear behaviour of financial products.

MORTGAGE BACKED SECURITIES (MBS)
A security whose cash flows are backed by typically the principal and/ or interest payments of a pool of mortgages.

Financial glossary (continued)

NEW SALES
New sales of life insurance, measured as Annual Premium Equivalent (APE), have been defined as the total of annual premiums and 10% of single premiums received on production in a given period.

NET ASSET VALUE
Used in the equity method of accounting. The initial net asset value of the investment is determined by the fair value of the assets and liabilities of the investee. After the initial valuation of assets and liabilities of the investee at fair value, the assets and liabilities of the investee are valued in accordance with the accounting policies of the investor. The profit and loss account reflects the investor's share in the results of operations of the investee.

NET PREMIUMS WRITTEN
Gross premiums written for a given period less premiums ceded to retrocessionaires during the given period.

NET PRESENT VALUE AT RISK (NPV-AT-RISK)
Establishes what the value of future cash flows is in terms of today's monetary value. NPV-at-Risk establishes the change in value of future cash flows as a result of interest rate changes in terms of today's monetary value.

NON-VOTING EQUITY SECURITIES
Core Tier 1 securities issued to the Dutch State in November 2008 for a total consideration of EUR 10 billion. In December 2009 EUR 5 billion was paid back to the Dutch State. This capital injection qualifies as core Tier 1 capital for regulatory purposes.

NOTIONAL AMOUNTS
Represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets. They do not reflect, however, the credit risks assumed by entering into derivative transactions.

OPERATING LEASE
A lease other than a finance lease.

OPERATIONAL RISK
The risk of a direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

OPTION CONTRACTS
Give the purchaser, for a premium, the right, but not the obligation, to buy or sell within a limited period of time a financial instrument or currency at a contracted price that may also be settled in cash. Written options are subject to market risk, but not to credit risk since the counterparties have already performed in accordance with the terms of the contract by paying a cash premium up front.

ORDINARY SHARE
An equity instrument that is subordinate to all other classes of equity instruments. Ordinary shares participate in the net profit for the financial year after other types of shares such as preference shares.

OUT OF THE MONEY
A call option is said to be out of the money if the exercise price is higher than the price of the underlying value; a put option is said to be out of the money if the exercise price is lower than the price of the underlying value.

OVER-THE-COUNTER INSTRUMENT
A non-standardised financial instrument not traded on a stock exchange but directly between market participants.

PLAN ASSETS
Comprise assets held by a long-term employee benefit fund and qualifying insurance policies. Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting enterprise) that:
- are held by an entity (a fund) that is legally separate from the reporting enterprise and exists solely to pay or fund employee benefits; and
- are available to be used only to pay or fund employee benefits, are not available to the reporting enterprise's own creditors (even in bankruptcy), and cannot be returned to the reporting enterprise, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting enterprise or the assets are returned to the reporting enterprise to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting enterprise, if the proceeds of the policy:
- can be used only to pay or fund employee benefits under a defined benefit plan; and
- are not available to the reporting enterprise's own creditors (even in bankruptcy) and cannot be paid to the reporting enterprise, unless either the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations or the proceeds are returned to the reporting enterprise to reimburse it for employee benefits already paid.

POST-EMPLOYMENT BENEFIT PLANS
Formal or informal arrangements under which a company provides post-employment benefits for one or more employees. Post-employment benefits are employee benefits other than termination benefits and equity compensation benefits, which are payable after the completion of employment.

PREFERENCE SHARE
Similar to an ordinary share but carries certain preferential rights. These rights usually concern the guarantee of a fixed (cumulative) return to the shareholder or a guaranteed return on the investment.

PREMIUMS EARNED
The portion of net premiums written in current and past periods which applies to the expired portion of the policy period, calculated by subtracting movements in unearned premium reserves from net premiums.

Financial glossary (continued)

PRE-SETTLEMENT RISK
Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Group 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 Group 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.

PRESSURISED ASSETS
Pressurised assets have been defined as subprime ABS exposures, Alt-A ABS exposures, CDO/CLOs, SIVs, ABCP investment, leveraged finance and exposures on monoliners.

PRIVATE LOAN
Loans to governments, other public bodies, public utilities, corporations, other institutions or individuals with a loan agreement as the only instrument of title.

PRIVATE PLACEMENT
A placement in which newly issued shares or debentures come into possession of a limited group of subscribers who are prepared to buy the new securities.

PROJECTED UNIT CREDIT METHOD
An actuarial valuation method that considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

QUALIFYING ASSET (WITHIN THE MEANING OF BORROWING COSTS)
An asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

RECOGNITION
The process of incorporating in the balance sheet or profit and loss account an item that meets the definition of an element and satisfies the following criteria for recognition:
- it is probable that any future economic benefit associated with the item will flow to or from the enterprise; and
- the item has a cost or value that can be measured reliably.

RECOVERABLE AMOUNT
The higher of an asset’s net selling price and its value in use.

REDEMPTION VALUE
With respect to investments in fixed-interest securities, the amount payable on the maturity date.

REINSURANCE
The practice whereby one party, called the reinsurer, in consideration for a premium paid to him, agrees to indemnify another party, called the reinsured or ceding company, for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued. The reinsured may also be referred to as the original or primary insurer, the direct writing company, or the ceding company.

RETURN ON EQUITY (ROE)
The return on equity is the net result as percentage of the average equity.

RISK ADJUSTED RETURN ON CAPITAL (RAROC)
A performance indicator that measures revenues in the perspective of the risks that had to be taken to obtain that revenue. RAROC is calculated by dividing the risk-adjusted-return by economic capital. In the RAROC calculation, the actual credit-risk provisioning is replaced by statistically expected losses reflecting the average credit losses over the entire economic cycle.

RISK-WEIGHTED ASSETS (‘RWA’ UNDER BASEL I)
Assets which are weighted for credit risk according to a formula used by the Dutch central bank (De Nederlandsche Bank), which conforms to the capital adequacy guidelines of the BIS (Bank of International Settlements). On and off-balance-sheet items are weighted for risk, with off-balance-sheet items converted to balance-sheet equivalents (using credit-conversion factors) before being allocated a risk weight.

RISK-WEIGHTED ASSETS (‘RWA’ UNDER BASEL II)
Assets which are weighted for credit and market risk in accordance with the Basel II methodology. The risk-weighted assets are calculated using internal models approved by The Dutch central bank (De Nederlandsche Bank). Regulatory capital requirements for operational risk are calculated without use of risk-weighted assets.

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 Group has paid or delivered its side of the trade. The risk is that ING Group delivers, but does not receive delivery from the counterparty.

SIGNIFICANT INFLUENCE
The power to participate in the financial and operating policy decisions of an entity, but not to have control over these policies. Significant influence may be gained by share ownership, statute or agreement.

SUB-PRIME MORTGAGES
Mortgage loans made to borrowers who cannot get a regular mortgage because they have a bad credit history or limited income.

SUBSIDIARY
An entity that is controlled by another entity.

SURRENDER
The termination of a life or retirement contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, on the contract.

SWAP CONTRACTS
Commitments to settle in cash at a specified future date, based on differentials between specified financial indices as applied to a notional principal amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party.

Financial glossary (continued)

TIER 1 CAPITAL
Also referred to as the core capital of ING Bank. It comprises paid up share capital, reserves excluding revaluation reserves, retained earnings, minority interests and hybrid Tier 1.

TIER 1 RATIO
Reflecting the Tier 1 capital of ING Bank as a percentage of its total risk weighted assets. The minimum set by the Dutch central bank is 4%.

TOTAL AND UNDERLYING NET RESULT
The variance between Total and Underlying net result is caused by divestments and special items.

TRADING PORTFOLIO
Comprises those financial instruments which are held to obtain short-term transaction results, to facilitate transactions on behalf of clients or to hedge other positions in the trading portfolio.

TRANSFER RISK
Probability of loss due to currency conversion (exchange) restrictions imposed by a foreign government that make it impossible to move money out of the country.

TREASURY BILLS
Generally short-term debt certificates issued by a central government. Dutch Treasury Certificates are regarded as Dutch Treasury bills.

TREASURY SHARES
An entity's own equity instruments, held by the entity or other members of the consolidated group.

VALUE CREATION
Value creation is measured by Economic Profit (regarding non-life and asset management business and banking operations) and Embedded Value Profit (regarding life and long term health business).

VALUE AT RISK (VAR)
Quantifies, with a one-sided confidence level of at least 99%, the maximum overnight loss in Net Present Value that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remain unchanged for a time interval of one day.

VALUE IN USE
The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

VARIANCE-COVARIANCE
A model to calculate Value at Risk, assuming that changes in risk factors are (jointly) normally distributed and that the change in portfolio value is linearly dependent on all risk factor changes.

WARRANT
A financial instrument that gives the holder the right to purchase ordinary shares.

WEIGHTED AVERAGE COST OF CAPITAL (WACC)
The weighted average cost of capital is used as the discount rate for calculating the present value of future cash flows.

General Information

ING PUBLICATIONS

– Annual Report, in Dutch and English
– Annual Report on Form 20-F, in English
(in accordance with SEC guidelines)

These publications are available on www.ing.com.
The publications can be ordered on the internet:
www.ing.com, button 'Publications',
by fax: +31 411 652 125, or
by mail: P.O. Box 258, 5280 AG Boxtel, the Netherlands.

This Annual Report contains the Reports of the Executive Board and Supervisory Board as well as the Annual Accounts and Other information for the financial year 2009 in their original language (English).

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Disclaimer

Certain of the statements contained in this Annual Report that are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) the implementation of ING's restructuring plan to separate banking and insurance operations, (4) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in general competitive factors, (11) changes in laws and regulations, (12) changes in the policies of governments and/or regulatory authorities, (13) conclusions with regard to purchase accounting assumptions and methodologies, (14) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, and (15) ING's ability to achieve projected operational synergies. ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

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