ING GROUP

EMBEDDED VALUE REPORT

2005

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Contents

Introduction

Embedded Value (EV) is an indicator of the economic value creation as a consequence of selling and managing long-term contracts such as life insurance, annuities and pensions. ING has used Embedded Value for many years as a management tool for its life insurance operations. ING's management believes that Embedded Value, together with other publicly disclosed financial information, provides valuable information for investors in order to assess the value embedded in the in-force business.

Embedded Value can be interpreted as the economic value of our current, covered in-force business; future new business that is sold after the valuation date is not included in the analysis, although certain assumptions (e.g. expense assumptions) are on a going-concern basis. Embedded Value is defined as the sum of Adjusted Net Worth (ANW) and the Value of the in-force covered business (ViF) where

- Adjusted Net Worth equals the sum of Free Surplus (FS) and Required Capital (RC). Required Capital is the amount of assets which ING holds based on its internal capital model over and above the value placed on in-force liabilities and is in aggregate above minimum regulatory capital requirements. The distribution of Required Capital to shareholders is therefore restricted. Free Surplus is defined as the additional capital held in the business in excess of the Required Capital and represents all accumulated, non-distributed profits that are not needed to back the in-force life insurance business; and
- The Value of in-Force (ViF) covered business is defined as the present value of future, after-tax statutory book profits expected to arise from the in-force business, including new business written during the reporting period, less the Cost of Capital (CoC) where the Cost of Capital is the cost related to holding Required Capital.

ING's Embedded Value will change over time due to the realisation of the expected distributable earnings, the value of new business sold during the reporting period and investment income on Free Surplus. In addition, variances from expected earnings can materialise from a variety of sources, some outside of management control (e.g. economic assumption changes) and some under management control (e.g. operational variances).

For internal performance measurement purposes, EV Profit is ING's primary measure of value creation in our life insurance operations. EV Profit is defined as the change in value during the year in excess of the required return which arises from only those items in Embedded Value that business line management can influence. An additional measure, Return on Embedded Value (RoEV) is also tracked by management. RoEV is defined as the total change in Embedded Value over the period (including EV Profit, required return and assumption changes deemed by ING to be outside management control) divided by the revised EV at the beginning of the year.

Future profits are estimated using actuarial methods and ING's best estimates for future assumptions. Local regulatory accounting restricts the profits that can be distributed to shareholders. ING reflects these constraints by reporting Embedded Values using after-tax book profits calculated according to the local accounting requirements. Note therefore that all figures presented in this document are on an after-tax basis unless otherwise stated.

Coverage

ING calculates Embedded Value for the business sold through its life insurance operations. This business is referred to throughout this report as "life insurance business". The following products are included:

- Life, health and disability products and their riders,
- Deferred and immediate annuity (or pension) products,
- Guaranteed Investment Contracts (GICs),
- Pension funds.

All material blocks of life insurance business are included in the 2005 reported Embedded Value results. Under EEV Principles an allowance is required in the Embedded Value for profit or losses arising in other Group companies (such as investment subsidiaries) in respect of services provided to the life insurance businesses. No adjustments have been

made to the Embedded Value in this respect as such services are charged to the life insurance businesses on a cost basis and hence do not give rise to material profits or losses outside the covered businesses.

Aside from above mentioned covered business, additional EV information is provided for selected closed end funds sold in the United States as this business shares many features with life insurance business. ING has chosen not to consolidate this Embedded Value into the overall results.

Basis of Preparation

The European Embedded Value (EEV) Principles were published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of major European insurers. The Principles and associated guidance provide a framework for calculating and reporting supplementary embedded value information.

ING has adopted the EEV Principles in respect of both the year-end 2005 and 2004 results. This Report also takes account of the Additional Guidance on EEV Disclosures issued by the CFO Forum in October 2005.

Embedded Value Report

The Report starts with and Executive Summary of the consolidated EV results together with information on the return on EV, the Value of New Business and the Sensitivity of results.

Sections 2, 3 and 4 then provide a breakdown of the results for ING's businesses in Europe, the Americas and Asia/Pacific respectively.

Watson Wyatt has been engaged to review ING's Embedded Value. The scope and conclusions of this review are shown in Section 5.

Appendices 1, 2 and 3 set out a more detailed analysis of results covering EV movements, sensitivities for New Business and variances/assumptions changes respectively.

The major economic assumptions employed in the development of the embedded value results are included in Appendix 4. Economic assumptions are approved by the Executive Board and are based on the view of ING's economic department. It is the practice at ING that the business units use these as best estimate assumptions in their embedded value and value of new business projections.

The methodology ING uses to calculate the Embedded Value of life insurance business is discussed in more detail in Appendix 5. This methodology is compliant with EEV Principles. This includes a description of the way in which ING has developed its' economic capital assessment that is used to set the level of Required Capital. The methodology is compliant with EEV Principles.

Finally Appendix 6 sets out the exchange rates used in the calculations followed by a glossary of major terms in Appendix 7.

1. Executive Summary – Embedded Value results ING Group life insurance

- **Embedded Value of covered life businesses increases 25.0% to EUR 28,061 million before capital injections/(dividends)**
- **Value of New Business rises 27.4% to EUR 805 million due to margin improvements and sales growth (new sales, as measured in APE, rises 27.0%)**
- **IRR on new business increases to 13.2% from 12.1% in 2004**

Table 1. Analysis of movement

in EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	2005 Total	2004 Total
Free $Surplus_{boy}$ (FS)	4,377	128	-3,906	599	2,500
Required $Capital_{boy}$ (RC)	2,411	4,256	4,843	11,509	9,644
ViF_{boy}	5,470	3,735	1,139	10,344	9,580
Total EV_{boy}	**12,258**	**8,118**	**2,076**	**22,451**	**21,724**
Addition of business / (divested business)	-21	218	-1	196	-76
Currency effects	48	1,298	230	1,575	-529
Model changes	236	314	-212	338	-282
Revised EV_{boy}	**12,521**	**9,947**	**2,092**	**24,560**	**20,836**
Value of New Business (VNB)	226	207	373	805	632
Financial variances	979	61	65	1,105	431
Operational variances	316	-94	72	294	145
Operating assumption changes	-82	-12	144	50	-585
Embedded Value Profit (EV Profit)	**1,439**	**162**	**654**	**2,254**	**622**
Required return - return on RC and ViF	645	769	493	1,907	1,560
Investment return on Free Surplus	780	-5	-246	530	96
Discount rate changes	307	41	455	804	102
Economic assumption changes	-401	-49	-1,579	-2,030	284
Embedded Value of business acquired	2	0	34	36	0
Capital injections	10	455	22	486	0
Dividends	-374	-461	-125	-960	-1,049
Subtotal	**969**	**750**	**-946**	**772**	**993**
EV_{eoy} - after capital injections/(dividends)	**14,929**	**10,858**	**1,799**	**27,586**	**22,451**
EV_{eoy} - before capital injections/(dividends)	15,294	10,865	1,903	28,061	23,500
RoEV% - before capital injections/(dividends)	22%	9%	-11%	14%	13%

Major drivers of change in EV 2005 are:

- Favourable currency movements added EUR 1,575 million to Embedded Value (compared with a negative impact of EUR 529 million in 2004), primarily due to strengthening of the US dollar against the Euro
- Experience variances, especially due to investment performance in Netherlands, increased Embedded Value by EUR 1,399 million
- Operating assumption changes, particularly in Insurance Asia/Pacific, increased EV by EUR 50 million;
- Net impact of economic assumption changes (EUR 2,030 million negative) and corresponding discount rate adjustments (EUR 804 million) was EUR 1,226 million negative, primarily due to downward adjusted new money assumptions in Taiwan
- Value of New Business of EUR 805 million, an improvement of 27.4% compared to 2004; most businesses contributed to this increase, in particular South Korea, Central Europe, United States Financial Services (USFS), and Netherlands
- Required return on beginning in-force (unwind of discount rate) of EUR 1,907 million
- Other items primarily Investment return on Free Surplus (due to higher equity performance) and net capital injections/(dividends) explain remaining differences from total EV 2004 (in total EUR 626 million)

Note that the impact of financial options and guarantees (FOGs) on 2005 Embedded Value was EUR 1,077 million negative, primarily from Insurance Asia/Pacific and USFS. FOG costs in 2004 were EUR 616 million.

Embedded Value Profit (EV Profit)

Embedded Value profit (EV Profit) is ING's primary measure of absolute value creation in Life insurance businesses. Intuitively, EV profit is the value of those items in the EV movement over the year in excess of the required return that the business units can influence. EV Profit consists of the following components:

- Value of New Business (VNB) written during the reporting period;
- Variances from current and future expected profits due to performance over the current year (financial and operational performance variances); and
- Operating assumption changes i.e. non-economic assumption changes.

EV profit in 2005 increased 262.4% to EUR 2,254 million from EUR 622 million in 2004, driven by strong growth in Value of New Business (27.4% increase to EUR 805 million from EUR 632 million in 2004), robust investment performance (financial variances of EUR 1,105 million) and better operational experience (EUR 294 million). These results reflect a strong focus and emphasis on value creation at ING's life businesses. EV Profit was very strong in Netherlands, primarily due to strong investment performance (financial variances EUR 841 million for the Netherlands) and to a lesser extent from positive net operational variances. EV Profit in Americas was negatively impacted by higher lapses in Mexico/South America owing to the AFP 'Transfer Wars' phenomenon (operational variances of negative EUR 38 million). EV Profit in Insurance Asia/Pacific was driven by strong VNB and positive impact of operating assumption changes in Taiwan (EUR 288 millon).

Details on the cash flows between Adjusted Net Worth (ANW) and the Value of in-force covered business (ViF) can be found in Appendix 1. Please refer to Appendix 3 for a more detailed breakdown of the financial and operational variances and operating assumption changes.

1.1 Embedded Value results for ING life insurance & ING Group

The sections below discuss in further detail ING's Embedded Value results of covered business and Group Embedded Value results. Please refer to the remainder of this report for more details on these values, the principles and assumptions used and sensitivities to changes in the assumptions. The results presented below should therefore be read carefully in connection with these principles, assumptions and sensitivities.

Embedded Value results ING life insurance

Embedded Value is the total of the Adjusted Net Worth (which includes Free Surplus and Required Capital) and Value of in-Force of covered life businesses. The Embedded Value of life insurance operations increased by EUR 5,135 million compared to total EV 2004. Aside from normal additions to value attributable to new business and unwind of discount rate (required return), favourable experience variances and currency movements, changes to discount rates, net capital injections, and model changes/addition of business increased the Embedded Value. Changes in economic assumptions, particularly in Insurance Asia/Pacific, and dividends paid out reduced the Embedded Value by EUR 2,990 million.

Table 2. Embedded Value - covered life insurance business

In EUR million	2005	2004	% Change
Free Surplus (FS)	2,274	599	279.6%
Required Capital (RC)	13,691	11,509	19.0%
Adjusted Net Worth (ANW)	**15,964**	**12,108**	**31.8%**
Present Value of Future (statutory book) Profits (PVFP)	16,431	14,571	12.8%
Cost of holding Required Capital (CoC)	-4,810	-4,227	13.8%
Value of in-Force covered business (ViF)	**11,622**	**10,344**	**12.4%**
Embedded Value (ViF and ANW)	**27,586**	**22,451**	**22.9%**

Embedded Value results ING Group

Group Embedded Value is the Embedded Value of the life insurance operations included in this report with the addition of equity of all other operations of ING Group.

The Embedded Value for the life insurance operations is based on local accounts which are not consistent with ING GAAP reporting in many of the countries in which ING operates. To determine the total Embedded Value for the Group, adjustments need to be made to the reported Embedded Values to account for differences between the local and ING GAAP reporting.

We note that ING Group shareholder's equity in 2005 is based on IFRS accounting adopted by ING as of 1/1/2005 (2004 shareholders equity is not based on IFRS accounting).

Table 3. ING Group Embedded Value comparison

In EUR million	2005	2004	% Change
ING Group shareholder's equity	**36,736**	**25,856**	**42.1%**
Life insurance adjustments for Embedded Value[1]	-4,864	-4,200	15.8%
Adjusted capital	**31,872**	**21,656**	**47.2%**
Present value of future (statutory book) profits (PVFP)	16,431	14,571	12.8%
Cost of holding Required Capital (CoC)	-4,810	-4,227	13.8%
Embedded Value before unrealised pension gains/(losses)	**43,493**	**32,000**	**35.9%**
Pension deficit (after-tax)			
Life insurance	-394	-736	-46.5%
Non-life insurance and Bank	-879	-1,836	-52.1%
Offsets to pensions deficit included in EV expenses	132	484	-72.7%
Group Embedded Value	**42,352**	**29,912**	**41.6%**

1. The adjustments to Embedded Value account for the difference between regulatory accounting and ING GAAP. These include the differences in the valuation of policyholder reserves, DAC assets, tax reserves/assets, and investments

The Group Embedded Value developed in Table 3 is the Embedded Value for the life operations adjusted from regulatory to ING GAAP accounting based on IFRS and added to the Group equity unrelated to the life insurance operations. After deduction for pension deficit, the Table shows a Group Embedded Value of EUR 42,352 million, which compares to EUR 29,912 million for 2004, an increase of 41.6%. The pension deficit reflects the actuarial gains and losses that will be amortised in the future (in total EUR 1,273 million). For the Life Insurance companies the part that falls outside the so-called "corridor" (defined as 10% of the maximum of liabilities and plan assets) the future amortisations (EUR 132 million) are already included in the EV expenses and therefore have to be offset.

1.2 Return on Embedded Value in comparison to 2004 results

Table 4 below shows the Return on Embedded Value (RoEV) after revisions to the year-end 2004 Embedded Value. These revisions include the impact of currency movements versus the Euro, model changes and the inclusion of additional business to the Embedded Value calculation.
The major components that make up the RoEV are shown in the Table:

- EV Profit;

- Required return on the in-force and new business; and
- Other returns (includes investment return on Free Surplus, changes in economic assumptions and discount rates).

Table 4. Change in Embedded Value and EV Profit

In EUR million	2005	2004	% Change
Embedded $Value_{boy}$	22,451	21,724	3.3%
Revisions to EV	2,110	-887	n/a
Revised EV_{boy}	**24,560**	**20,836**	**17.9%**
Embedded Value Profit (EV Profit)	2,254	622	262.4%
Required return - return on RC and ViF	1,907	1,560	22.2%
Other returns	-696	481	-244.7%
Return on EV (RoEV) before capital injections/(dividends)[1]	**3,465**	**2,664**	**30.1%**
RoEV% - before capital injection/(dividends)	14%	13%	
Embedded Value of business acquired	36	0	-
Capital injections / (dividends)	-475	-1,049	n/a
EV_{eoy} - after capital injections/(dividends)	**27,586**	**22,451**	**22.9%**

1. Measured on revised EV_{boy}

The RoEV is calculated using the revised Embedded Value for 2004 as the starting point. This eliminates the beginning of year adjustments such as currency effects, model changes, addition of business and divestitures. ING insurance RoEV increased to 14% in 2005, up from 13% in 2004.

1.3 New Business

The profitability of the new life insurance production written in 2005 is measured by the Value of New Business (VNB). The Value of New Business equals the present value of future after-tax distributable earnings generated by the sale of policies during the reporting year. This value is stated at year-end assumptions. The cost of holding Required Capital associated with the new business is included in the Value of New Business.

The Table below also includes both the final and the profit-tested Value of New Business. The profit-tested VNB represents the value assuming the business is a mature going concern in normal conditions i.e. no acquisition expense overrun; the final VNB includes any actual expense overruns. The Internal Rate of Return (IRR) is the discount rate at which the present value of the distributable earnings from new business equals the investment in new business i.e. the projected return on the investment in new business with the investment in new business being defined as the negative projected distributable earnings the first policy year(s). Note that the IRRs presented in this document are adjusted for currency movements relative to the euro in order to make the IRRs more comparable.

Table 5. Value of New Business – covered life insurance business

In EUR million	2005	2004	% Change
Profit-tested Value of New Business (a)	908	705	28.8%
After-tax acquisition expense & commission overrun (b)	103	73	41.1%
Value of New Business (a-b)	**805**	**632**	**27.4%**
Investment in new business[1]	**1,770**	**1,628**	**8.7%**
Profit-tested IRR on new sales	14.3%	12.9%	
Final IRR on new sales	**13.2%**	**12.1%**	

1. Note that 2004 investment in new business is restated with minor adjustment

The Value of New Business was EUR 805 million in 2005, up 27.4% from 2004. Value of New Business continues to grow strongly, driven by growth in Insurance Asia/Pacific, USFS and Central Europe and improvement in Netherlands. This increase reflects higher investment in new business (EUR 1,770 vs. EUR 1,628), higher pricing margins (IRR increased to 13.2% from 12.1% in 2004) and strong sales growth (APE up 27.0%). This improvement in VNB came

despite an increase in expense overruns by 41.1% (EUR 103 million from EUR 73 million in 2004), primarily due to one-time expenses in USFS associated with increased compliance and IT expenditures.

In 2005 the new business contribution – Value of New Business before cost of holding Required Capital – totalled EUR 1,046 million.

Table 6 shows new business production and Value of New Business by regional business segments. Insurance Europe saw strong VNB growth (up 63.8%), primarily from emerging Central Europe business units and to a lesser extent from Netherlands. Insurance Americas VNB grew by 19.7%, primarily due to USFS as a result of favourable product mix and higher sales. Insurance Asia/Pacific saw strong growth in sales driven by continued growth in Japan, Korea, and Taiwan. VNB grew by 16.2%, primarily due to strong growth in Korea (VNB up 62.2%) and despite the decline in Japan VNB due to operating assumption changes.

Table 6. New life insurance production and value by region

	New production FY 2005				***New production FY 2004***			
in EUR million	Annual Premium	Single Premium	Value of New Business	IRR	Annual Premium	Single Premium	Value of New Business	IRR
Insurance Europe	476	3,144	226	14.6%	432	3,508	138	12.4%
Insurance Americas	1,594	15,875	207	11.1%	1,409	13,917	173	10.7%
Insurance Asia/Pacific	1,687	6,527	373	15.0%	1,086	2,996	321	13.6%
Total	**3,757**	**25,545**	**805**	**13.2%**	**2,926**	**20,421**	**632**	**12.1%**

The most important items influencing the 2005 results were:

- For Central Europe & Spain, the Value of New Business increased by 147.4% to EUR 94 million; this was driven by a 32.6% increase in sales (measured in APE), which can be partly attributed to new pension fund acquisitions. Netherlands also showed a 63.8% increase in VNB to EUR 95 million, which was driven by margin improvements at Nationale Nederlanden and more profitable sales at RVS and Postbank.
- The increase in Value of New Business in Insurance Americas was driven mainly by USFS which showed a 24.6% increase in Value of New Business (EUR 172 million from EUR 138 million in 2004). This improvement in USFS VNB came despite a substantial increase in acquisition expense overruns (EUR 52 million vs. EUR 13 million in 2004) and is primarily due to higher sales in Retirement Services (APE up 23.0%), improved product design of annuities resulting in higher charges, and favourable currency movements.
- In Insurance Asia/Pacific, South Korea showed a 62.2% increase in VNB (EUR 159 million from EUR 98 million in 2004). Japan's Value of New Business decreased 24.1% (EUR 85 million from EUR 112 million in 2004) due to lapse assumption changes on the COLI business.
- Single premiums in Insurance Asia/Pacific were driven by strong sales in Single Premium Variable Annuities (SPVA) in Japan which increased 158.0% to EUR 5,007 million from EUR 1,941 million in 2004. Annual premiums in South Korea increased 59.1% to EUR 611 million from EUR 384 million in 2004. Taiwan showed 118.0% increase in annual premium, which was partly driven by a low-value high-volume short term endowment product sold in second quarter only and since discontinued.

Table 7 shows new business statistics such as Annual Premium Equivalent (APE, defined as Annual Premium + 10% * Single Premium) and new business profit margins (VNB/APE and VNB/Present value of New Business Premiums (PV NBP)). New business profit margins are up in Insurance Europe, primarily driven by Central Europe which saw a strong increase in VNB at relatively higher margins compared to the rest of Europe. New business profit margins, as measured by VNB/APE and VNB/PV NBP, fell in Insurance Asia/Pacific compared to 2004 due to one-time assumption changes in Japan impacting VNB negatively, strong volume growth of SPVA products in Japan which have relatively lower margins, and also because of disproportionately higher sales of a short-term endowment product in Taiwan which had low value creation (as discussed above).

Table 7. New life insurance business statistics

	New production FY 2005				*New production FY 2004*			
In EUR million	APE	PV new business premiums	VNB/APE[1]	VNB/ PV NBP[2]	APE	PV new business premiums	VNB/APE	VNB/PV NBP
Insurance Europe	791	6,890	28.5%	3.3%	783	6,627	17.6%	2.1%
Insurance Americas	3,182	19,139	6.5%	1.1%	2,801	16,691	6.2%	1.0%
Insurance Asia/Pacific	2,339	13,814	15.9%	2.7%	1,386	6,714	23.2%	4.8%
Total	**6,312**	**39,843**	**12.8%**	**2.0%**	**4,969**	**30,032**	**12.7%**	**2.1%**

Notes
1. Annual Premium Equivalent (APE) = Annual Premium + 10% * Single Premium
2. PV NBP is defined as Present Value of New Business premiums

Table 8 compares the 2005 Value of New Business production for each quarter of 2005. Note that the difference between the quarters may be distorted due to year-to-date cumulative revision of assumptions in the 3rd and 4th quarter.

Overall VNB growth has been trending up during 2005. Insurance Asia/Pacific saw a slowing of growth in third and fourth quarters primarily due to decrease of Value of New Business in Japan's COLI product due to assumption changes (persistency) in the fourth quarter 2005. Insurance Europe and Americas had an upward VNB growth trajectory during 2005, particularly due to strong sales growth in Central Europe and USFS and favourable currency movements.

Table 8. Development of value of new life insurance production

In EUR million	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Insurance Europe	75	58	47	46
Insurance Americas	58	59	47	43
Insurance Asia/Pacific	90	85	99	99
Total	**222**	**202**	**193**	**188**

1.4 Sensitivity analysis

Embedded Value calculations rely upon several best-estimates with respect to assumptions including future investment income and mortality, morbidity and lapse rates. This section gives the impact on EV of changes in these assumptions. The sensitivity results include estimates of the impact of changes in the financial options and guarantees. Please note that if several changes occurred at once, the results would not necessarily be the sum of the individual sensitivity tests.

Economic assumptions

The tables below show the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2005 to:

- One percentage point decrease and increase in new-money interest rates
- One percentage point decrease and increase in the discount rates
- New money rates based on implied market forward rates derived from the swap rates as at 31 October 2005. In Appendix 4 the detailed economic assumptions can be found. The discount rate is adjusted accordingly.
- 10bp lower short term rates for the period 2006-2015: assumes a parallel shift of the yield curve for this period. The discount rate is adjusted accordingly.
- One percentage point decrease in assumed investment returns for equity and real estate investments
- Ten percent fall in market value of equity and real estate investments
- Local regulatory minimum capital requirement

In each sensitivity calculation, all other assumptions remain unchanged except

- where they are directly affected by the revised economic conditions – for example, future bonus crediting rates are automatically adjusted to reflect sensitivity changes to future investment returns; and
- when indicated above that the risk discount rate is adjusted accordingly – in this case the risk margin remains unchanged.

Table 9. Sensitivity of Embedded Value to economic assumptions

in EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Embedded Value (net of tax)	**14,929**	**10,858**	**1,799**	**27,586**
1% decrease in new-money rates	-449	-410	-2,029	-2,888
1% increase in new-money rates	436	150	2,047	2,633
1% decrease in discount rates	915	584	655	2,154
1% increase in discount rates	-772	-518	-541	-1,831
Implied market forward rates (31 Oct 2005)	51	18	-1,540	-1,471
Lower short-term rates with 10bp	14	27	-26	15
1% lower equity and real estate returns[1]	-576	-179	-150	-905
10% downward shift in market values of equity and real estate investments	-877	-378	-202	-1,456
Local regulatory minimum capital requirement	12	125	2,261	2,398
Net impact of[2]				
1% decrease in new-money & 1% decrease in discount rates	467	174	-1,374	-734
1% increase in new-money & 1% increase in discount rates	-336	-368	1,506	802

Notes
1. Note that in comparison with 2004 results of the equity sensitivity may differ as in 2004 this sensitivity was applied to unit-linked and variable products only.
2. Net impact shown here is the sum of the individual sensitivities presented above. Note that this may differ from an exact calculation of changing both parameters together.

We make the following observations on the above results:

- The negative impact to Embedded Value from using implied market forward rates (net of corresponding discount rate adjustments) is EUR 1,471 million, almost entirely due to impact from Taiwan (EUR 1,499 million negative). Insurance Europe and Insurance Americas actually benefit from using implied market forward curves as new money assumptions (net of adjustment to discount rates) reflecting alignment of new money assumptions used with observable market rates at 31 October 2005.
- The impact of using local regulatory minimum capital instead of ING capital model is positive EUR 2,398 million and primarily due to Taiwan for which ING allocates capital at a significantly higher level than local regulatory level
- The net impact of 1% decrease in new money rate (1% downward parallel shift) and discount rates is EUR 734 million negative, down from 2004 (EUR 937 million negative)

For the results of a sensitivity analysis to changes in economic assumptions performed on the Value of New Business please refer to Appendix 2.

Non-economic assumptions

Table 10 below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2005 to the following changes in non-economic assumptions:

- 10% decrease in maintenance expenses throughout the projection period (a 10% sensitivity on a base expense assumption of EUR 100 would represent an expense assumption of EUR 90)
- 10% decrease in lapse rates (a 10% sensitivity on a base assumption of 4% pa would represent a lapse rate of 3.6% pa)
- 5% decrease in both mortality and morbidity rates. Mortality and morbidity assumptions are multiplied by 0.95. *(Note that at year-end 2004 the test only included a decrease in mortality rates)*

In each sensitivity calculation, all other assumptions remain unchanged.

Table 10. Sensitivity of Embedded Value to non-economic assumptions

in EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Embedded Value (net of tax)	**14,929**	**10,858**	**1,799**	**27,586**
10% decrease in maintenance expenses	346	238	131	714
10% decrease in lapse rates	139	186	120	445
5% decrease in mortality and morbidity rates	-8	205	278	476

We make the following observations to above results:

- The 5% decrease for mortality and morbidity rates is driven by Taiwan (EUR 199 million negative impact) and reflects the product mix and morbidity risk of the in-force business. For Insurance Americas this sensitivity is influenced by the Employee Benefits and Life business.
- A 10% decrease in maintenance expenses will lead to a EUR 714 million increase in Embedded Value
- The 10% decrease in lapse rates in Insurance Americas is driven by Retirement Services and reflects a significant increase in future fee income due to higher assets under management
- For Insurance Asia/Pacific lower lapse rates have a significant positive impact on the profitability of Japan's COLI business and for Japan this reduction in lapse rates would result in a EUR 61 million impact or a 10.9% increase in Embedded Value

For the results of a sensitivity analysis to changes in non-economic assumptions performed on the Value of New Business please refer to Appendix 2.

2. Insurance Europe

- **Embedded Value of covered life businesses increases 24.8% to EUR 15,294 million before capital injections/(dividends)**
- **Value of New Business rises 63.8% to EUR 226 million, led by higher sales in Central Europe and reflecting margin improvement in the Netherlands**
- **IRR on new business increases to 14.6% from 12.4% in 2004**

Table 11. Analysis of movement – Insurance Europe

in EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	2005 Total	2004 Total
Free Surplus$_{boy}$ (FS)	3,738	236	403	4,377	3,375
Required Capital$_{boy}$ (RC)	1,732	327	352	2,411	3,172
ViF$_{boy}$	3,754	308	1,409	5,470	4,956
Total EV$_{boy}$	**9,223**	**871**	**2,163**	**12,258**	**11,503**
Addition of business / (divested business)	0	-14	-7	-21	50
Currency effects	-0	0	48	48	118
Model changes	170	50	16	236	966
Revised EV$_{boy}$	**9,394**	**908**	**2,220**	**12,521**	**12,637**
Value of New Business (VNB)	95	36	94	226	138
Financial variances	841	85	53	979	352
Operational variances	233	11	72	316	-23
Operating assumption changes	-52	-66	36	-82	-739
Embedded Value Profit (EV Profit)	**1,118**	**66**	**255**	**1,439**	**-272**
Required return - return on RC and ViF	413	48	184	645	608
Investment return on Free Surplus	743	28	10	780	179
Discount rate changes	219	17	71	307	-2
Economic assumption changes	-395	25	-31	-401	102
Embedded Value of business acquired	0	0	2	2	0
Capital injections	0	0	10	10	0
Dividends	-190	-16	-168	-374	-993
Subtotal	**789**	**103**	**77**	**969**	**-106**
EV$_{eoy}$ - after capital injections/(dividends)	**11,300**	**1,077**	**2,552**	**14,929**	**12,258**
EV$_{eoy}$ - before capital injections/(dividends)	11,491	1,092	2,711	15,294	13,250
RoEV% - before capital injections/(dividends)	22%	20%	22%	22%	5%

The most important items impacting the change in Embedded Value during 2005 were:

- Financial variances in Insurance Europe, especially due to investment performance on the equity markets and real estate in Netherlands, increased Embedded Value by EUR 979 million. This included a change in assets mix at Nationale Nederlanden to include more equities and real estate in their investment portfolio.
- Investment return on Free Surplus in the Netherlands was EUR 743 million, reflecting the strong investment performance of their equity portfolio
- VNB of EUR 226 million, which is a major improvement over VNB of EUR 138 million in 2004
- Operational performance variances added EUR 316 million. At Nationale Nederlanden morbidity experience was favourable (EUR 75 million); a combination of asset mix change and reduced equity exposure due to equity hedge for Group Life at year-end 2005 decreased Required Capital resulting in a positive impact to the Embedded Value of EUR 134 million.
- Negative operating assumption changes of EUR 66 million in Belgium & Luxembourg mainly reflect commission structure changes between ING Insurance Belgium and ING Bank Belgium.
- Net impact of economic assumption changes (EUR 401 million negative) and corresponding discount rate adjustments (EUR 307 million) was EUR 94 million negative, primarily due to the Netherlands

- Model changes in Netherlands reflect a correction to the market value of Free Surplus by EUR 47 million for Postbank. In addition, EUR 108 million corrections at Nationale Nederlanden to the local account were reported, relating mainly to higher actual revaluation of real estate and IFRS adjustments.
- Required return on beginning in-force (unwind of discount rate) of EUR 645 million

Note that the impact of FOGs on Embedded Value was EUR 461 million negative, primarily from Nationale Nederlanden (EUR 404 million negative). FOG costs in 2004 for Insurance Europe were EUR 309 million.

2.1 Embedded Value results for Insurance Europe

Table 12 provides a high level overview of the Embedded Value for Insurance Europe. The results presented below should be read carefully in connection with the embedded movement shown in Table 11, including the explanations, and also with the sensitivity analysis in Section 2.4.

Table 12. Embedded Value - covered life insurance business

In EUR million	2005	2004	% Change
Free Surplus (FS)	6,407	4,377	46.4%
Required Capital (RC)	2,620	2,411	8.7%
Adjusted Net Worth (ANW)	**9,027**	**6,788**	**33.0%**
Present Value of Future (statutory book) Profits (PVFP)	6,736	6,384	5.5%
Cost of holding Required Capital (CoC)	-834	-914	-8.8%
Value of in-force covered business (ViF)	**5,902**	**5,470**	**7.9%**
Embedded Value (ViF and ANW)	**14,929**	**12,258**	**21.8%**

Embedded Value of the covered life business has increased 21.8% to EUR 14,929 million. Free Surplus increased to EUR 6,407 million from EUR 4,377 million in 2004, an increase of 46.4%.

2.2 Return on Embedded Value in comparison to 2004 results

Table 13 below shows RoEV after revisions to the year-end 2004 Embedded Value.

Table 13. Change in Embedded Value and EV Profit

In EUR million	2005	2004	% Change
Embedded $Value_{boy}$	12,258	11,503	6.6%
Revisions to EV	264	1,134	-76.7%
Revised EV_{boy}	**12,521**	**12,637**	**-0.9%**
EV Profit	1,439	-272	n/a
Required return - return on RC and ViF	645	608	6.1%
Other returns	687	278	147.1%
Return on EV (RoEV) before capital injections/(dividends)[1]	**2,770**	**614**	**351.1%**
RoEV% - before capital injection/(dividends)	22%	5%	
Embedded Value of business acquired	2	0	-
Capital injections / (dividends)	-365	-993	n/a
EV_{eoy} - after capital injections/(dividends)	**14,929**	**12,258**	**21.8%**

1. Measured on Revised EV_{boy}

RoEV% increased to 22% from 5% in 2004 due to jump in EV Profit, which increased to EUR 1,439 million from EUR 272 million negative in 2004. This increase in EV Profit is attributable to large financial variances (EUR 979 million) reflecting strong investment performance in the equity/real estate markets in Netherlands/Belgium and better operational experience (EUR 316 million). Note that in 2004 EV Profit for Netherlands was negatively impacted by

assumption changes of EUR 693 million which were mainly due to one-time expense restructuring and lapse assumption revisions at Nationale Nederlanden; impact in 2005 is minimal.

2.3 New Business

The tables below provide an overview of the profitability of the new life insurance production written in 2005 measured by the Value of New Business and internal rate of return. Furthermore the investment in new business is shown and detailed information is provided with respect to sales, measured as annual premium, single premium and annual premium equivalent (APE). Profit margins are shown in Table 16 as percentage of APE and as percentage of the present value of the new business premiums.

Table 14. Value of New Business – covered life insurance business

In EUR million	2005	2004	% Change
Profit-tested Value of New Business (a)	236	166	42.2%
After-tax acquisition expense & commission overrun (b)	10	28	-64.3%
Value of New Business (a-b)	**226**	**138**	**63.8%**
Investment in new business	**313**	**300**	**4.3%**
Profit-tested IRR on new sales	15.2%	13.9%	
Final IRR on new sales	**14.6%**	**12.4%**	

VNB in Insurance Europe has grown strongly in 2005, up 63.8% to EUR 226 million. This increase is attributable to higher sales and pension fund acquisitions in Central Europe, strong margin growth in Netherlands (IRR up to 13.2% from 10.5% in 2004) especially at RVS and Postbank, and reduction in expense overruns by 64.3% which more than offset decreases in Belgium due to a shift to less profitable universal life product and lower sales.

Investment in new business increased by 4.3% to EUR 313 million. This relatively low increase compared to the growth in VNB reflects a shift in business mix and focus on profitable growth.

New business contribution – Value of New Business before cost of holding Required Capital – in 2005 for Insurance Europe was EUR 256 million.

Table 15. New life insurance production and value by country

	New production FY 2005				***New production FY 2004***			
in EUR million	Annual Premium	Single Premium	Value of New Business	IRR	Annual Premium	Single Premium	Value of New Business	IRR
Netherlands	168	1,413	95	13.2%	178	1,709	58	10.5%
Belgium & Luxembourg	49	1,361	36	16.9%	51	1,583	42	22.8%
Central Europe & Spain	260	370	94	15.6%	202	216	38	12.6%
Total	**476**	**3,144**	**226**	**14.6%**	**432**	**3,508**	**138**	**12.4%**

The most important items influencing the 2005 results were:

- For Central Europe & Spain the Value of New Business increased by 147.4% to EUR 94 million; this was driven by a 32.6% increase in sales (measured in APE), which can be partly attributed to new pension fund acquisitions in Slovakia. Biggest VNB increases were in Slovakia pension business (acquired business), Greece (due to lower tax rates and higher sales), Poland (due to updated operational assumptions) and Czech Life (annual premium increase).
- Netherlands also showed a 63.8% increase in VNB to EUR 95 million, which was driven by margin improvements at Nationale Nederlanden and more profitable sales at RVS/Postbank. Overall IRR for Netherlands jumped to 13.2% from 10.5% in 2004.
- Belgium/Luxembourg saw a decline in VNB due to lower sales and shift into lower margin universal life (from unit-linked). IRR remains high at 16.9% for Belgium/Luxembourg.

Table 16 shows new business statistics such as Annual Premium Equivalent (APE, Annual Premium + 10% * Single Premium) and new business profit margins (VNB/APE and VNB/PV NBP). New business profit margins are up in Netherlands and Central Europe due to much stronger VNB growth reflecting higher pricing margins and updated operational assumptions.

Table 16. New life insurance business statistics

	New production FY 2005				*New production FY 2004*			
In EUR million	APE	PV new business premiums	VNB/APE	VNB/ PV NBP	APE	PV new business premiums	VNB/APE	VNB/PV NBP
Netherlands	309	2,667	30.8%	3.6%	349	3,058	16.6%	1.9%
Belgium & Luxembourg	185	1,748	19.5%	2.1%	210	1,946	20.2%	2.2%
Central Europe & Spain	297	2,475	31.8%	3.8%	224	1,623	16.8%	2.3%
Total	**791**	**6,890**	**28.5%**	**3.3%**	**783**	**6,627**	**17.6%**	**2.1%**

Table 17 compares the 2005 Value of New Business production for each quarter of 2005. Overall for Insurance Europe, the improvement in the fourth quarter of 2005 was due to stronger sales growth and reflects the impact of year-to-date cumulative revision of assumptions in the 4th quarter 2005. In the Netherlands the uptrend in the fourth quarter 2005 was mainly due to stronger sales and more profitable business mix. For Central Europe & Spain year-end 2005 assumption changes accounted for EUR 6 million positive in the VNB of the fourth quarter, with the remaining due to higher sales and better business mix.

Table 17. Development of value of new life insurance production

In EUR million	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Netherlands	28	20	26	21
Belgium & Luxembourg	8	13	8	7
Central Europe & Spain	38	25	13	18
Total	**75**	**58**	**47**	**46**

2.4 Sensitivity analysis

Economic assumptions

Table 18 below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2005 to economic assumptions. For an explanation of the sensitivities please refer to Section 1.4.

Table 18. Sensitivity of Embedded Value to economic assumptions

in EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
As reported – Embedded Value (net of tax)	**11,300**	**1,077**	**2,552**	**14,929**
1% decrease in new-money rates	-267	-49	-133	-449
1% increase in new-money rates	274	38	123	436
1% decrease in discount rates	687	42	186	915
1% increase in discount rates	-578	-36	-158	-772
Implied market forward rates (31 Oct 2005)	67	-1	-14	51
Lower short-term rates with 10bp	15	-1	-0	14
1% lower equity and real estate returns	-549	-7	-21	-576
10% downward shift in market values of equity and real estate investments	-857	-6	-13	-877
Local regulatory minimum capital requirement	-45	-5	62	12
Net impact of				
1% decrease in new-money & 1% decrease in discount rates	420	-7	53	467
1% increase in new-money & 1% increase in discount rates	-304	2	-35	-336

We make the following observations on the above results:

- The impact of 1% lower equity return for Netherlands is EUR 549 million negative on Embedded Value and is due to asset mix changes (greater allocation into equities) at Nationale Nederlanden
- The impact of using implied market forward rates for new money and discount rate assumptions results in a positive EUR 67 million addition to Embedded Value in Netherlands, reflecting alignment of new money assumptions used with observable market rates
- For Central Europe & Spain, the net impact of a reduction in new money rate and corresponding reduction in discount rate is positive, since the results of the pension fund businesses in Poland and Hungary are mainly dependent on the assumed underlying fund returns (including equities) and the decrease in value is therefore more than offset by a decrease in discount rates
- The positive impact of the sensitivity on a local regulatory minimum capital requirement in Central Europe is mainly driven by the Poland Pension Fund (positive impact of EUR 51 million) which has lower local capital requirement than ING's capital model. Also for most other business units in Central Europe, ING's internal capital requirement is more stringent than the local capital requirement.
- The sensitivity to local regulatory minimum capital requirements is negative for both Netherlands and for Belgium & Luxembourg. For these businesses ING's assessment of required capital is below the regulatory minimum by EUR 480 million and EUR 30 million respectively.

For the results of a sensitivity analysis to changes in economic assumptions performed on the Value of New Business please refer to Appendix 2.

Non-economic assumptions

Table 19 below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2005 to the following changes in non-economic assumptions.

Table 19. Sensitivity of Embedded Value to non-economic assumptions

in EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
As reported – Embedded Value (net of tax)	**11,300**	**1,077**	**2,552**	**14,929**
10% decrease in maintenance expenses	251	33	63	346
10% decrease in lapse rates	70	8	61	139
5% decrease in mortality and morbidity rates	-47	9	31	-8

The negative impact of the decrease in mortality and morbidity rates is primarily due to Nationale Nederlanden (EUR 58 million negative) as a result of the large portfolio of Group business and the portfolio of immediate annuities. Note that with respect to the mortality tables used for the Embedded Value calculations the latest industry tables have been used including future mortality improvements.

For the results of a sensitivity analysis to changes in non-economic assumptions performed on the Value of New Business please refer to Appendix 2.

3. Insurance Americas

- **Embedded Value of covered life businesses increases 33.8% to EUR 10,865 million before capital injections/(dividends), primarily due to increase at USFS**
- **Value of New Business rises 19.7% to EUR 207 million, due to higher sales and shift to more profitable product mix in US (annuities and retirement services)**
- **New sales (as measured in APE) rise 13.6%**

Table 20. Analysis of movement – Insurance Americas

in EUR million	USFS	Mexico	South America	2005 Total	2004 Total
Free $Surplus_{boy}$ (FS)	172	1	-47	128	183
Required $Capital_{boy}$ (RC)	3,918	91	247	4,256	4,573
ViF_{boy}	3,181	192	363	3,735	3,548
Total EV_{boy}	**7,270**	**284**	**563**	**8,118**	**8,305**
Addition of business / (divested business)	290	-0	-71	218	-143
Currency effects	1,121	60	117	1,298	-604
Model changes	311	-2	6	314	-74
Revised EV_{boy}	**8,991**	**341**	**614**	**9,947**	**7,484**
Value of New Business (VNB)	172	21	13	207	173
Financial variances	44	16	1	61	30
Operational variances	-56	-19	-19	-94	28
Operating assumption changes	28	-11	-29	-12	29
Embedded Value Profit (EV Profit)	**188**	**7**	**-33**	**162**	**260**
Required return - return on RC and ViF	651	44	74	769	607
Investment return on Free Surplus	0	1	-6	-5	-1
Discount rate changes	-20	22	38	41	146
Economic assumption changes	42	-7	-84	-49	-323
Embedded Value of business acquired	0	0	0	0	0
Capital injections	455	0	0	455	0
Dividends	-395	-43	-23	-461	-54
Subtotal	**732**	**18**	**-0**	**750**	**374**
EV_{eoy} - after capital injections/(dividends)	**9,911**	**366**	**581**	**10,858**	**8,118**
EV_{eoy} - before capital injections/(dividends)	9,852	408	604	10,865	8,172
RoEV% - before capital injections/(dividends)	10%	20%	-2%	9%	9%

The most important items impacting the change in Embedded Value during 2005 were:

- Favourable currency movements added EUR 1,298 million to EV, reflecting the strengthening of the US dollar against the Euro
- Value of New Business of EUR 207 million, which is a 19.7% improvement over VNB of EUR 173 million in 2004
- Addition of business/(divested business) reflects the divestiture of LOG and includes EUR 293 million of corrections to the Free Surplus after EV 2004 results were reported. For South America (Chile & Peru) the EUR 71 million negative includes a correction to reflect the correct ownership structure in these businesses.
- Model changes of EUR 311 million at USFS were mainly driven by recognition of the tax benefit for the dividend received deduction on variable life and annuity business
- Operational performance variances of Mexico and South America were EUR 38 million negative reflecting the impact of the AFP transfer wars on persistency (EUR 29 million negative) and maintenance expenses (EUR 6 million negative) and other variances (EUR 3 million). For USFS the operational variances (EUR 56 million negative) are primarily due to poor persistency on fixed annuities and reduction of deductible tax reserves as part of an IRS audit of prior year tax returns.
- Economic assumption changes at USFS included a reduction in the long-term equity return to 9.0% from 9.5% which was however offset by an increase in Embedded Value by the impact of a flattened yield curve on hedge

and valuation costs. Overall impact of economic assumption changes at USFS (net of discount rate changes) was minor at EUR 22 million positive.

- The operating assumptions changes (EUR 40 million negative) in Mexico and South America reflect the revised expense assumptions and new pricing structures due to continued AFP transfer wars
- Required return on beginning in-force (unwind of discount rate) of EUR 769 million

The impact of FOGs on Insurance Americas Embedded Value was EUR 244 million negative, driven by USFS. FOG costs in 2004 for Insurance Americas were EUR 272 million.

3.1 Embedded Value results for Insurance Americas

Table 21 provides a high level overview of the Embedded Value for Insurance Americas. The results presented below should be read carefully in connection with the embedded movement shown in Table 20, including the explanations, and also with the sensitivity analysis in Section 3.4.

Table 21. Embedded Value – covered life insurance business

In EUR million	2005	2004	% Change
Free Surplus (FS)	810	128	532.8%
Required Capital (RC)	5,226	4,256	22.8%
Adjusted Net Worth (ANW)	**6,036**	**4,383**	**37.7%**
Present Value of Future (statutory book) Profits (PVFP)	6,103	4,821	26.6%
Cost of holding Required Capital (CoC)	-1,281	-1,087	17.8%
Value of in-force covered business (ViF)	**4,822**	**3,735**	**29.1%**
Embedded Value (ViF and ANW)	**10,858**	**8,118**	**33.8%**

Embedded Value of the covered life business has increased 33.8% to EUR 10,858 million. Free Surplus increased to EUR 810 million from EUR 128 million in 2004, an increase of 532.8%. This reflects to a large extent the required return and the fact that the net of capital injections and dividends was minor at EUR 6 million negative.

In addition to the covered business included in above Table ING has at year-end 2005 also estimated the Embedded Value and Value of New Business of closed-end fund business sold in Insurance Americas. This business has a long term nature and added sizeable value to ING.

The Embedded Value of this portfolio is EUR 123 million with assets/funds under management of EUR 2,555 million at year-end 2005. Total new funds under management in 2005 amounted to EUR 833 million and the Value of New Business was EUR 21 million. The methodology and assumptions applied for this business are consistent with the methods applied for the Embedded Value including an allowance for cost of holding Required Capital and were included in the scope of Watson Wyatt's review.

3.2 Return on Embedded Value in comparison to 2004 results

Table 22 below shows RoEV after revisions to the year-end 2004 Embedded Value.

Table 22. Change in Embedded Value and EV Profit

In EUR million	2005	2004	% Change
Embedded Value$_{boy}$	8,118	8,305	-2.3%
Revisions to EV	1,830	-821	-322.9%
Revised EV$_{boy}$	**9,947**	**7,484**	**32.9%**
EV Profit	162	260	-37.7%
Required return - return on RC and ViF	769	607	26.7%
Other returns	-13	-178	-92.7%
Return on EV (RoEV) before capital injections/(dividends)[1]	**918**	**688**	**33.4%**
RoEV% - before capital injection/(dividends)	9%	9%	
Embedded Value of business acquired	0	0	-
Capital injections / (dividends)	-7	-54	n/a
EV$_{eoy}$ - after capital injections/(dividends)	**10,858**	**8,118**	**33.8%**

1. Measured on Revised EV$_{boy}$

EV Profit decreased from 2004 by 37.7% mainly due to operational variances of EUR 94 million negative. These unfavourable operating variances were the result of poor persistency on fixed annuities, reduction of deductible tax reserves in the US and higher lapses in Mexico/South America due to transfer wars. These decreases to EV Profit were partly offset by VNB growth of EUR 34 million (EUR 207 million from EUR 173 million in 2004) and positive financial variances of EUR 44 million from credit gains and higher fees on assets under management at USFS.

3.3 New Business

The tables below provide an overview of the profitability of the new life insurance production written in 2005 measured by the Value of New Business and internal rate of return. Furthermore the investment in new business is shown and detailed information is provided with respect to sales, measured as annual premium, single premium and annual premium equivalent (APE). Profit margins are shown in Table 34 as percentage of APE and as percentage of the present value of the new business premiums.

Table 23. Value of New Business – covered life insurance business

In EUR million	2005	2004	% Change
Profit-tested Value of New Business (a)	272	195	39.5%
After-tax acquisition expense & commission overrun (b)	65	22	195.5%
Value of New Business (a-b)	**207**	**173**	**19.7%**
Investment in new business	**920**	**876**	**5.0%**
Profit-tested IRR on new sales	12.6%	11.2%	
Final IRR on new sales	**11.1%**	**10.7%**	

VNB went up 19.7% to EUR 207 million driven by strong VNB growth in USFS. VNB increased 24.6% in USFS, primarily due to shift to more profitable product mix (shift to annuities and retirement services), higher sales (APE went up 14.7%), favourable currency movements during the year and despite a significant increase in expense overruns (EUR 52 million vs. EUR 13 million in 2004). Expense overruns increased in the US primarily due to one-time expenses in the Life business associated with increased compliance and IT expenditures.

Latin America saw flat VNB growth overall, primarily due to decline in life sales and an increase in acquisition costs in Mexico which was offset partly by increases in Chile and Peru.

In 2005 the new business contribution – Value of New Business before cost of holding Required Capital – for Insurance Americas was EUR 322 million.

Table 24. New life insurance production and value by country

	New production FY 2005				*New production FY 2004*			
in EUR million	Annual Premium	Single Premium	Value of New Business	IRR	Annual Premium	Single Premium	Value of New Business	IRR
USFS	1,379	15,659	172	11.0%	1,194	13,726	138	10.3%
Mexico	119	12	21	19.9%	138	14	25	26.3%
South America	96	204	13	10.0%	77	177	10	10.0%
Total	**1,594**	**15,875**	**207**	**11.1%**	**1,409**	**13,917**	**173**	**10.7%**

The most important items influencing the 2005 results were:

- For USFS product mix and reduction of crediting rates in Annuity and Retirement Services contributed most to the increase in IRR to 11.0% and 24.6% increase in Value of New Business to EUR 172 million from EUR 138 million in 2004. The Annuity and Retirement Services represent 84.9% of the total VNB of USFS.
- The 15.5% increase in annual premium and 14.1% increase in single premiums for USFS were mainly driven by Retirement Services which business showed a 23.0% increase in sales (measured in APE) to EUR 1600 million in 2005
- VNB fell in Mexico (EUR 21 million from EUR 25 million in 2004), primarily due to reduction in expense underruns in Afore pension business (EUR 0 million from EUR 4 million in 2004)
- In South America, Chile saw an increase in VNB (EUR 9 million from EUR 4 million in 2004) due to higher sales growth

Table 25 shows new business statistics such as Annual Premium Equivalent (APE, Annual Premium + 10% * Single Premium) and new business profit margins (VNB/APE and VNB/PVNBP). New business profit margins are up in USFS due to profitable product mix and improved product redesigns for annuities. For Latin America, new business margins are relatively flat from 2004.

Table 25. New life insurance business statistics

	New production FY 2005				*New production FY 2004*			
In EUR million	APE	PV new business premiums	VNB/APE	VNB/ PV NBP	APE	PV new business premiums	VNB/APE	VNB/PV NBP
USFS	2,945	18,571	5.9%	0.9%	2,567	16,229	5.4%	0.9%
Mexico	120	216	17.6%	9.8%	139	193	18.1%	13.1%
South America	117	352	11.5%	3.8%	95	269	10.6%	3.7%
Total	**3,182**	**19,139**	**6.5%**	**1.1%**	**2,801**	**16,691**	**6.2%**	**1.0%**

Table 26 compares the 2005 Value of New Business production for each quarter of 2005. Note that the difference between the quarters may be distorted due to year-to-date cumulative revision of assumptions in the 3rd and 4th quarter.

Table 26. Development of value of new life insurance production

In EUR million	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
USFS	46	44	41	41
Mexico	9	9	3	0
South America	2	6	3	2
Total	**58**	**59**	**47**	**43**

3.4 Sensitivity analysis

Economic assumptions

Table 27 below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2005 to economic assumptions. For an explanation of the sensitivities please refer to Section 1.4.

Table 27. Sensitivity of Embedded Value to economic assumptions

In EUR million	USFS	Mexico	South America	Total
As reported – Embedded Value (net of tax)	**9,911**	**366**	**581**	**10,858**
1% decrease in new-money rates	-351	-17	-42	-410
1% increase in new-money rates	94	14	42	150
1% decrease in discount rates	509	17	59	584
1% increase in discount rates	-452	-16	-50	-518
Implied market forward rates (31 Oct 2005)	14	0	5	18
Lower short-term rates with 10bp	25	0	2	27
1% lower equity and real estate returns	-178	3	-4	-179
10% downward shift in market values of equity and real estate investments	-378	0	-0	-378
Local regulatory minimum capital requirement	107	6	12	125
Net impact of				
1% decrease in new-money & 1% decrease in discount rates	157	-0	17	174
1% increase in new-money & 1% increase in discount rates	-358	-1	-8	-368

We make the following observations on the above results:

- Mexico is not very sensitive to changes in economic assumptions primarily because in the pension fund business (which has the most EV) the policyholders primarily bear the investment risks
- Implied market forward rates result in a net positive impact (EUR 18 million) on Embedded Value for Insurance Americas, reflecting alignment of new money assumptions used with observable market rates

For the results of a sensitivity analysis to changes in economic assumptions performed on the Value of New Business please refer to Appendix 2.

Non-economic assumptions

Table 28 below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2005 to the following changes in non-economic assumptions.

Table 28. Sensitivity of Embedded Value to non-economic assumptions

In EUR million	USFS	Mexico	South America	Total
As reported – Embedded Value (net of tax)	**9,911**	**366**	**581**	**10,858**
10% decrease in maintenance expenses	193	13	32	238
10% decrease in lapse rates	177	6	3	186
5% decrease in mortality and morbidity rates	209	3	-6	205

We make the following observations on the above results:

- For the Americas 5% decrease in mortality/morbidity is influenced by the Employee Benefits and Life business (impact of EUR 174 million)
- The 10% decrease in lapse rate in the Americas is driven by Retirement Services and reflects a significant increase in future fee income due to higher assets under management

For the results of a sensitivity analysis to changes in non-economic assumptions performed on the Value of New Business please refer to Appendix 2.

4. Insurance Asia/Pacific

- **Value of New Business rises 16.2% to EUR 373 million, led by 62.2% increase in South Korea**
- **IRR on new business increases to 15.0% from 13.6% in 2004**
- **Embedded Value decreased by 8.3% to EUR 1,903 million before capital injections/(dividends) mainly from revised economic assumptions and increase in Required Capital in Taiwan**

Table 29. Analysis of movement – Insurance Asia/Pacific

in EUR million	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	2005 Total	2004 Total
Free $Surplus_{boy}$ (FS)	61	86	-3,876	-240	64	-3,906	-1,057
Required $Capital_{boy}$ (RC)	97	128	4,191	273	154	4,843	1,899
ViF_{boy}	389	328	-363	475	310	1,139	1,075
Total EV_{boy}	**547**	**541**	**-49**	**508**	**528**	**2,076**	**1,917**
Addition of business / (divested business)	0	0	0	0	-1	-1	17
Currency effects	46	103	-6	3	84	230	-44
Model changes	9	-22	-199	-11	10	-212	-1,174
Revised EV_{boy}	**602**	**623**	**-253**	**500**	**620**	**2,092**	**716**
Value of New Business (VNB)	16	159	107	85	5	373	321
Financial variances	16	10	-29	78	-10	65	49
Operational variances	-12	7	71	3	3	72	140
Operating assumption changes	3	1	288	-129	-19	144	125
Embedded Value Profit (EV Profit)	**23**	**177**	**438**	**37**	**-20**	**654**	**635**
Required return - return on RC and ViF	54	54	290	46	49	493	346
Investment return on Free Surplus	1	5	-251	-3	3	-246	-82
Discount rate changes	11	17	384	17	27	455	-41
Economic assumption changes	-1	-24	-1,459	-35	-61	-1,579	505
Embedded Value of business acquired	29	5	0	0	0	34	0
Capital injections	0	0	0	0	22	22	0
Dividends	-92	-24	0	0	-9	-125	-2
Subtotal	**2**	**32**	**-1,036**	**24**	**32**	**-946**	**725**
EV_{eoy} - after capital injections/(dividends)	**627**	**832**	**-852**	**561**	**631**	**1,799**	**2,076**
EV_{eoy} - before capital injections/(dividends)	719	855	-852	561	618	1,903	2,078
RoEV% - before capital injections/(dividends)	15%	37%	n/a	12%	0%	-11%	190%

The most important items impacting the change in Embedded Value during 2005 were:

- Economic assumption changes (EUR 1,459 million negative) offset by corresponding discount rate changes (EUR 384 million) had a net impact of EUR 1,075 million negative on the Embedded Value of Taiwan; for the region as a whole the net impact was EUR 1,124 million negative. Interest rate assumptions for Taiwan have been adjusted downwards: initial risk free rates have been lowered to 2.41% in 2005 and the future path to 5.75% ultimate risk free rate has been lengthened to 20 from 10 years.
- Favourable currency movements added EUR 230 million to EV, reflecting the strengthening of most Asian currencies against the Euro
- Strong VNB in most countries in Insurance Asia/Pacific, in particular in South Korea where Value of New Business increased by 62.2% to EUR 159 million from EUR 98 million in 2004
- Financial performance variances of EUR 78 million in Japan were driven by the significant rise of Japanese equity market and the impact of this rise on the present value of the expected fees for the SPVA line of business

- Operating assumption changes in Japan of EUR 129 million negative were driven by significant lapse assumption changes on the COLI product and were due to recent experience as well as potential tax law changes in 2006. Operating assumption changes in Taiwan of EUR 288 million positive were caused by morbidity/persistency changes (including corresponding impact on the Required Capital) and unit cost improvements of EUR 64 million.
- Model changes in Taiwan (EUR 199 million negative) were mostly impacted by year-end 2004 capital true-up and modelling of income benefits
- Embedded Value of business acquired for Australia & New Zealand (EUR 29 million) relates to business purchased in New Zealand
- Required return on beginning in-force (unwind of discount rate) of EUR 493 million

Note that the impact of FOGs on Insurance Asia/Pacific Embedded Value was EUR 372 million negative, primarily from Japan due to policyholder options on the SPVA product (EUR 280 million negative). FOG costs in 2004 for Insurance Asia/Pacific were EUR 35 million. The increase of FOG costs in 2005 reflects the strong growth of the SPVA products in Japan.

4.1 Embedded Value results for Insurance Asia/Pacific

Table 30 provides a high level overview of the Embedded Value for Insurance Asia/Pacific. The results presented below should be read carefully in connection with the embedded movement shown in Table 29, including the explanations, and also with the sensitivity analysis in Section 4.4.

Table 30. Embedded Value - covered life insurance business

In EUR million	2005	2004	% Change
Free Surplus (FS)	-4,943	-3,906	26.5%
Required Capital (RC)	5,845	4,843	20.7%
Adjusted Net Worth (ANW)	**902**	**937**	**-3.7%**
Present Value of Future (statutory book) Profits (PVFP)	3,592	3,366	6.7%
Cost of holding Required Capital (CoC)	-2,695	-2,227	21.0%
Value of in-force covered business (ViF)	**898**	**1,139**	**-21.2%**
Embedded Value (ViF and ANW)	**1,799**	**2,076**	**-13.3%**

Embedded Value of the covered life business has decreased 13.3% to EUR 1,799 million. Free Surplus decreased to EUR 4,943 million negative from EUR 3,906 million negative in 2004; this mainly reflects the EUR 1,002 million increase in Required Capital for the region. The Adjusted Net Worth decreased by 3.7% to EUR 902 million.

The increase in Required Capital increase mainly relates to Taiwan (increase of Required Capital by EUR 677 million) and is mostly caused by currency effects while also reflecting the dynamic nature of using economic capital methodology to determine the Required Capital. Other main countries that showed an increase in Required Capital were Japan (EUR 123 million increase) and South Korea (EUR 79 million increase). These increases are related to the growth of the business.

The Embedded Value for Taiwan includes an assumption that the legal entity will be formally domesticated as a subsidiary of a US entity rather than a branch during 2006. In addition, the valuation assumes that mortality dividends will continue to be allowed to be offset versus negative interest rate experience. These are both based on expected outcomes of regulatory proceedings.

4.2 Return on Embedded Value in comparison to 2004 results

Table 31 below shows RoEV after revisions to the year-end 2004 Embedded Value.

Table 31. Change in Embedded Value and EV Profit

In EUR million	2005	2004	% Change
Embedded $Value_{boy}$	2,076	1,917	8.3%
Revisions to EV	16	-1,201	-101.3%
Revised EV_{boy}	**2,092**	**716**	**192.2%**
EV Profit	654	635	3.0%
Required return - return on RC and ViF	493	346	42.5%
Other returns	-1,370	381	-459.6%
Return on EV (RoEV) before capital injections/(dividends)[1]	**-223**	**1,362**	**-116.4%**
RoEV% - before capital injection/(dividends)	-11%	190%	
Embedded Value of business acquired	34	0	-
Capital injections / (dividends)	-103	-2	n/a
EV_{eoy} – after capital injections/(dividends)	**1,799**	**2,076**	**-13.3%**

1. Measured on Revised EV_{boy}

EV Profit increased from 2004 by 3.0% mainly due to a large increase (EUR 52 million or 16.2%) in the Value of New Business. Other factors that had a significant impact on the EV Profit were the operating assumption changes in Taiwan and Japan.

4.3 New Business

The tables below provide an overview of the profitability of the new life insurance production written in 2005 measured by the Value of New Business and internal rate of return. Furthermore the investment in new business is shown and detailed information is provided with respect to sales, measured as annual premium, single premium and annual premium equivalent (APE). Profit margins are shown in Table 34 as percentage of APE and as percentage of the present value of the new business premiums.

The profit-tested Value of New Business has increased by 16.3%, driven by improved margins in most business units in general, however in particular in South Korea. Acquisition expense overruns increased by 17.4%, driven by investment in developing markets such as India and China. Net result of these improvements is that the final Value of New Business has increased by 16.2% to EUR 373 million in 2005 from EUR 321 million in 2004.

Investment in new business increased by 18.6% to EUR 536 million. This increase is in line with the growth in Value of New Business

Table 32. Value of New Business – covered life insurance business

In EUR million	2005	2004	% Change
Profit-tested Value of New Business (a)	400	344	16.3%
After-tax acquisition expense & commission overrun (b)	27	23	17.4%
Value of New Business (a-b)	**373**	**321**	**16.2%**
Investment in new business	**536**	**452**	**18.6%**
Profit-tested IRR on new sales	15.9%	14.3%	
Final IRR on new sales	**15.0%**	**13.6%**	

In 2005 the new business contribution – Value of New Business before cost of holding Required Capital – for Insurance Asia/Pacific was EUR 468 million.

Table 33. New life insurance production and value by country

	New production FY 2005				*New production FY 2004*			
In EUR million	Annual Premium	Single Premium	Value of New Business	IRR	Annual Premium	Single Premium	Value of New Business	IRR
Australia & New Zealand	70	1,088	16	12.6%	66	682	8	11.2%
South Korea	611	213	159	48.9%	384	201	98	26.7%
Taiwan	484	149	107	14.2%	222	131	97	11.0%
Japan	393	5,007	85	11.3%	303	1,941	112	15.0%
Rest of Asia	129	70	5	8.4%	112	42	7	9.4%
Total	**1,687**	**6,527**	**373**	**15.0%**	**1,086**	**2,996**	**321**	**13.6%**

The most important items influencing the 2005 results were:

- For South Korea the Value of New Business increased by 62.2% to EUR 159 million; this was driven by a 59.1% increase in annual premiums to EUR 611 from EUR 384 million in 2004. The additional increase of Value of New Business is due to increasing margins related to a move towards unit-linked type of products. The increase in IRR for the fourth quarter is due to improved modelling of a new product. The IRR of 48.9% is also influenced by the low first year investment due to local Korean accounting.
- Value of New Business of Taiwan increased to EUR 107 million from EUR 97 million in 2004. Taiwan showed a 118.0% increase in annual premium which was driven by a short term endowment product sold in second quarter only with a large volume but low VNB.
- Driven by lapse assumption changes on the COLI business Japan's Value of New Business decreased 24.1% to EUR 85 million from EUR 112 million in 2005; SPVA Value of New Business increased 113.3% to EUR 32 million from EUR 15 million in 2004.
- Single premiums in Insurance Asia/Pacific were driven by strong SPVA sales in Japan which increased 158.0% to EUR 5,007 million from EUR 1,941 million in 2004

Table 34 shows new business statistics such as Annual Premium Equivalent (APE, Annual Premium + 10% * Single Premium) and new business profit margins (VNB/APE and VNB/PV NBP). New business profit margins, as defined above, fell in Insurance Asia/Pacific compared to 2004 due to decline in Japan VNB (driven by one-time persistency assumption changes), strong volume growth of SPVA products in Japan which have relatively lower margins, and also because of disproportionately higher sales of a short-term endowment product in Taiwan which has very low value creation (and since been discontinued).

Table 34. New life insurance business statistics

	New production FY 2005				*New production FY 2004*			
In EUR million	APE	PV new business premiums	VNB/APE	VNB/ PV NBP	APE	PV new business premiums	VNB/APE	VNB/PV NBP
Australia & New Zealand	179	1,374	8.9%	1.2%	134	816	6.0%	1.0%
South Korea	632	2,886	25.2%	5.5%	404	1,853	24.1%	5.3%
Taiwan	499	1,942	21.5%	5.5%	235	1,250	41.1%	7.7%
Japan	893	6,889	9.5%	1.2%	497	2,211	22.5%	5.1%
Rest of Asia	136	724	3.8%	0.7%	116	585	6.0%	1.2%
Total	**2,339**	**13,814**	**15.9%**	**2.7%**	**1,386**	**6,714**	**23.2%**	**4.8%**

Table 35 compares the 2005 Value of New Business production for each quarter of 2005. Note that the difference between the quarters may be distorted due to year-to-date cumulative revision of assumptions in the 3rd and 4th quarter.

VNB has been trending up in South Korea during 2005 driven by increasing sales and profitable product mix (unit-linked type product successfully added to product portfolio in 2005). Taiwan has also seen steady VNB growth, except the decrease in second quarter due to sales of short-term endowment product with very low value creation. Japan saw a drop in VNB in third and fourth quarters due to persistency assumption changes on the COLI product.

Table 35. Development of value of new life insurance production

In EUR million	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Australia & New Zealand	5	5	1	5
South Korea	53	40	36	30
Taiwan	33	26	21	27
Japan	-6	13	42	36
Rest of Asia	4	1	-1	1
Total	**90**	**85**	**99**	**99**

4.4 Sensitivity analysis

Economic assumptions

Table 36 below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2005 to economic assumptions. For an explanation on the sensitivities we refer to Section 1.4.

Table 36. Sensitivity of Embedded Value to economic assumptions

In EUR million	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	Total
As reported – Embedded Value (net of tax)	**627**	**832**	**-852**	**561**	**631**	**1,799**
1% decrease in new-money rates	-30	-110	-1,686	-112	-91	-2,029
1% increase in new-money rates	27	107	1,678	127	107	2,047
1% decrease in discount rates	29	61	429	76	61	655
1% increase in discount rates	-26	-53	-342	-67	-53	-541
Implied market forward rates (31 Oct 2005)	-21	-7	-1,499	-6	-8	-1,540
Lower short-term rates with 10bp	-0	-6	-25	-1	6	-26
1% lower equity and real estate returns	-4	0	-128	-8	-9	-150
10% downward shift in market values of equity and real estate investments	-32	0	-142	-25	-3	-202
Local regulatory minimum capital requirement	57	-12	2,078	95	44	2,261
Net impact of						
1% decrease in new-money & 1% decrease in discount rates	-1	-50	-1,257	-36	-30	-1,374
1% increase in new-money & 1% increase in discount rates	1	54	1,337	60	54	1,506

We make the following observations on the above results:

- Driven by Taiwan, interest rate risk is the most significant risk for Insurance Asia/Pacific. The sensitivity based on implied forward rates shows the net impact of reducing long terms rates in Taiwan to 3.25% offset by a corresponding reduction in the discount rates. For the Asia/Pacific region as a whole the use of these market rates would result in a reduction of the Embedded Value to EUR 259 million. Please refer to Appendix 4 for the rates applied in this sensitivity.
- The lower local regulatory capital requirement in Taiwan would increase the Embedded Value by EUR 2,078 million. The difference relates to the higher economic capital requirements applied by ING. Applying local requirements for the whole region would result in a 125.7% increase of the Embedded Value to EUR 4,060 million.

For the results of a sensitivity analysis to changes in economic assumptions performed on the Value of New Business please refer to Appendix 2.

Non-economic assumptions

Table 37 below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2005 to the following changes in non-economic assumptions.

Table 37. Sensitivity of Embedded Value to non-economic assumptions

In EUR million	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	Total
As reported – Embedded Value (net of tax)	**627**	**832**	**-852**	**561**	**631**	**1,799**
10% decrease in maintenance expenses	18	10	55	27	22	131
10% decrease in lapse rates	29	25	2	61	3	120
5% decrease in mortality and morbidity rates	13	12	199	23	31	278

We make the following observations on the above results:

- The significant impact (EUR 199 million) of the decrease in mortality and morbidity rates in Taiwan reflects the product mix and morbidity risk of the in-force business. Note that above sensitivity does not contain a reduction in initial Required Capital.
- The profitability of Japan's COLI business is highly dependent on lapse assumptions and therefore shows a EUR 61 million impact or a 10.9% increase in Embedded Value. This portfolio also contains material mortality and morbidity risk, a 5% reduction in mortality and morbidity rates would increase the Embedded Value by 4.1%.

For the results of a sensitivity analysis to changes in non-economic assumptions performed on the Value of New Business please refer to Appendix 2.

5. Review Statement

Introduction

The Executive Board of ING Group is responsible for the Embedded Value assumptions and calculations contained in this statement. Watson Wyatt Limited ("Watson Wyatt"), an international firm of consulting actuaries, has been retained to review the calculations.

The review was conducted on behalf of ING and designed solely to meet the requirement of the Executive Board of ING Group. To the fullest extent permitted by law, Watson Wyatt does not accept or assume responsibility to anyone other than ING for its work or for the opinions it has formed.

In arriving at its conclusions, Watson Wyatt has relied on the accuracy and completeness of data and information supplied by ING.

Scope

Watson Wyatt has reviewed the calculation of the Embedded Value of ING as at 31 December 2005 and the Value of its New Business written during 2005. All material business units were included in the review. The covered business included all life insurance and other material long-term business lines.

The primary focus of the review was the methodology and assumptions used. Watson Wyatt was also requested to perform a limited high level review of the results of the calculations but was not asked to perform any detailed checks on the models and processes used.

Opinion

Watson Wyatt has concluded that the methodology and assumptions used comply with the European Embedded Value Principles and Guidance.

Watson Wyatt Limited
15 February 2006

Appendix 1. Embedded Value movement analysis & Breakdown

The following Table provides an analysis of the movement in Embedded Value for the covered business for 2005. The analysis is shown separately for the Free Surplus and the Required Capital + the value of the in-force covered business. This Table shows the amounts transferred to and from the Free Surplus.

ING Group life insurance operations

Table 38. Analysis of movement

In EUR million	Free Surplus (FS)	Required Capital (RC) + Value of in-force covered business (ViF)	Total
Required Capital$_{boy}$(RC)		11,509	
Value of in-force covered business$_{boy}$ (ViF)		10,344	
Total EV 2004	**599**	**21,853**	**22,451**
Addition of business / (divested business)	496	-299	196
Currency effects	-401	1,976	1,575
Model changes	-338	676	338
Revised starting EV	**355**	**24,205**	**24,560**
Value of New Business	-1,514	2,319	805
Financial variances	698	408	1,105
Operational variances	209	85	294
Operating assumption changes	-5	56	50
EV Profit (EV Profit) return	**-613**	**2,867**	**2,254**
Required return – return on RC and ViF	0	1,907	1,907
Expected earnings - transfer to Free Surplus, from in-force	2,469	-2,469	0
Investment return on Free Surplus	530	0	530
Discount rate changes	0	804	804
Economic assumption changes	0	-2,030	-2,030
Embedded Value of business acquired	7	29	36
Capital injections	486	0	486
Dividends	-960	0	-960
Subtotal	**2,532**	**-1,759**	**772**
EV 2005 - after capital injections/(dividends)	**2,274**	**25,313**	**27,586**
EV 2005 - before capital injections/(dividends)	2,748	25,313	28,061

Table 39. Embedded Value 2005 breakdown

in EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
Free Surplus (FS)	6,407	810	-4,943	2,274
Required Capital (RC)	2,620	5,226	5,845	13,691
ViF	5,902	4,822	898	11,622
Total EV 2005	**14,929**	**10,858**	**1,799**	**27,586**

Insurance Europe

Table 40. Analysis of movement

In EUR million	Free Surplus (FS)	Required Capital (RC) + Value of in-force covered business (ViF)	Total
Required Capital$_{boy}$(RC)		2,411	
Value of in-force covered business$_{boy}$ (ViF)		5,470	
Total EV 2004	**4,377**	**7,881**	**12,258**
Addition of business / (divested business)	-3	-18	-21
Currency effects	9	39	48
Model changes	269	-33	236
Revised starting EV	**4,652**	**7,869**	**12,521**
Value of New Business	-304	529	226
Financial variances	844	135	979
Operational variances	273	42	316
Operating assumption changes	-143	61	-82
EV Profit (EV Profit) return	**671**	**768**	**1,439**
Required return – return on RC and ViF	0	645	645
Expected earnings - transfer to Free Surplus, from in-force	666	-666	0
Investment return on Free Surplus	780	0	780
Discount rate changes	0	307	307
Economic assumption changes	0	-401	-401
Embedded Value of business acquired	2	0	2
Capital injections	10	0	10
Dividends	-374	0	-374
Subtotal	**1,084**	**-114**	**969**
EV 2005 - after capital injections/(dividends)	**6,407**	**8,522**	**14,929**
EV 2005 - before capital injections/(dividends)	6,772	8,522	15,294

Table 41. Embedded Value 2005 breakdown

in EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
Free Surplus (FS)	5,623	405	379	6,407
Required Capital (RC)	1,833	372	415	2,620
ViF	3,845	300	1,758	5,902
Total EV 2005	**11,300**	**1,077**	**2,552**	**14,929**

Insurance Americas

Table 42. Analysis of movement

In EUR million	Free Surplus (FS)	Required Capital (RC) + Value of in-force covered business (ViF)	Total
Required Capital$_{boy}$(RC)		4,256	
Value of in-force covered business$_{boy}$ (ViF)		3,735	
Total EV 2004	**128**	**7,990**	**8,118**
Addition of business / (divested business)	501	-283	218
Currency effects	14	1,283	1,298
Model changes	-30	344	314
Revised starting EV	**611**	**9,335**	**9,947**
Value of New Business	-627	834	207
Financial variances	14	47	61
Operational variances	-346	253	-94
Operating assumption changes	0	-12	-12
EV Profit (EV Profit) return	**-959**	**1,121**	**162**
Required return – return on RC and ViF	0	769	769
Expected earnings - transfer to Free Surplus, from in-force	1,170	-1,170	0
Investment return on Free Surplus	-5	0	-5
Discount rate changes	0	41	41
Economic assumption changes	0	-49	-49
Embedded Value of business acquired	0	0	0
Capital injections	455	0	455
Dividends	-461	0	-461
Subtotal	**1,158**	**-409**	**750**
EV 2005 - after capital injections/(dividends)	**810**	**10,048**	**10,858**
EV 2005 - before capital injections/(dividends)	817	10,048	10,865

Table 43. Embedded Value 2005 breakdown

in EUR million	USFS	Mexico	South America	Total
Free Surplus (FS)	894	-14	-70	810
Required Capital (RC)	4,810	101	315	5,226
ViF	4,207	278	337	4,822
Total EV 2005	**9,911**	**366**	**581**	**10,858**

Insurance Asia/Pacific

Table 44. Analysis of movement

In EUR million	Free Surplus (FS)	Required Capital (RC) + Value of in-force covered business (ViF)	Total
Required Capital$_{boy}$(RC)		4,843	
Value of in-force covered business$_{boy}$ (ViF)		1,139	
Total EV 2004	**-3,906**	**5,981**	**2,076**
Addition of business / (divested business)	-2	1	-1
Currency effects	-424	653	230
Model changes	-577	364	-212
Revised starting EV	**-4,909**	**7,001**	**2,092**
Value of New Business	-583	956	373
Financial variances	-160	226	65
Operational variances	281	-210	72
Operating assumption changes	138	6	144
EV Profit (EV Profit) return	**-324**	**978**	**654**
Required return – return on RC and ViF	0	493	493
Expected earnings - transfer to Free Surplus, from in-force	633	-633	0
Investment return on Free Surplus	-246	0	-246
Discount rate changes	0	455	455
Economic assumption changes	0	-1,579	-1,579
Embedded Value of business acquired	6	28	34
Capital injections	22	0	22
Dividends	-125	0	-125
Subtotal	**290**	**-1,236**	**-946**
EV 2005 - after capital injections/(dividends)	**-4,943**	**6,743**	**1,799**
EV 2005 - before capital injections/(dividends)	-4,840	6,743	1,903

Table 45. Embedded Value 2005 breakdown

in EUR million	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	Total
Free Surplus (FS)	25	70	-4,417	-629	9	-4,943
Required Capital (RC)	124	207	4,869	396	249	5,845
ViF	478	555	-1,303	794	374	898
Total EV 2005	**627**	**832**	**-852**	**561**	**631**	**1,799**

Appendix 2. Sensitivity analysis – value new business

ING Group life insurance operations

Economic assumptions

Table 46 below shows the outcomes of sensitivity analysis of the Value of New Business to changes in economic assumptions. For an explanation of the sensitivities please refer to Section 1.4.

Table 46. Sensitivity of Value of New Business to economic assumptions

In EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Value of New Business	**226**	**207**	**373**	**805**
1% decrease in new-money rates	-32	-66	-104	-203
1% increase in new-money rates	21	61	103	184
1% decrease in discount rates	55	81	86	222
1% increase in discount rates	-47	-80	-72	-199
Implied market forward rates (31 Oct 2005)	1	-2	-1	-2
10bp reduction in short-term rates	2	3	-5	0
1% lower equity and real estate returns	-11	-21	-11	-42
Local regulatory minimum capital requirement	-5	24	66	85
Net impact of				
1% decrease in new-money & 1% decrease in discount rates	23	14	-18	20
1% increase in new-money & 1% increase in discount rates	-26	-19	31	-14

Non-economic assumptions

Table 47 below shows the outcomes of sensitivity analysis of the Value of New Business to changes in non-economic assumptions. For an explanation of the sensitivities please refer to Section 1.4.

Table 47. Sensitivity of Value of New Business to non-economic assumptions

In EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Value of New Business	**226**	**207**	**373**	**805**
10% decrease in maintenance expenses	21	29	25	74
10% decrease in lapse rates	18	14	39	71
5% decrease in mortality and morbidity rates	5	12	18	34

Insurance Europe

Economic assumptions

Table 48. Sensitivity of Value of New Business to economic assumptions

In EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
As reported – Value of New Business	**95**	**36**	**94**	**226**
1% decrease in new-money rates	-14	-7	-11	-32
1% increase in new-money rates	9	2	10	21
1% decrease in discount rates	26	7	22	55
1% increase in discount rates	-22	-6	-19	-47
Implied market forward rates (31 Oct 2005)	0	1	0	1
10bp reduction in short-term rates	1	0	0	2
1% lower equity and real estate returns	-9	-0	-2	-11
Local regulatory minimum capital requirement	-4	-3	2	-5
Net impact of				
1% decrease in new-money & 1% decrease in discount rates	12	-0	12	23
1% increase in new-money & 1% increase in discount rates	-13	-4	-9	-26

Non-economic assumptions

Table 49. Sensitivity of Value of New Business to non-economic assumptions

In EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
As reported – Value of New Business	**95**	**36**	**94**	**226**
10% decrease in maintenance expenses	8	4	9	21
10% decrease in lapse rates	7	1	10	18
5% decrease in mortality and morbidity rates	1	1	3	5

Insurance Americas

Economic assumptions

Table 50. Sensitivity of Value of New Business to economic assumptions

In EUR million	USFS	Mexico	South America	Total
As reported – Value of New Business	**172**	**21**	**13**	**207**
1% decrease in new-money rates	-44	-1	-20	-66
1% increase in new-money rates	39	1	20	61
1% decrease in discount rates	71	3	7	81
1% increase in discount rates	-72	-2	-6	-80
Implied market forward rates (31 Oct 2005)	-0	0	-2	-2
10bp reduction in short-term rates	3	0	0	3
1% lower equity and real estate returns	-21	0	1	-21
Local regulatory minimum capital requirement	22	1	2	24
Net impact of				
1% decrease in new-money & 1% decrease in discount rates	27	1	-14	14
1% increase in new-money & 1% increase in discount rates	-32	-1	14	-19

Non-economic assumptions

Table 51. Sensitivity of Value of New Business to non-economic assumptions

In EUR million	USFS	Mexico	South America	Total
As reported – Value of New Business	**172**	**21**	**13**	**207**
10% decrease in maintenance expenses	26	1	2	29
10% decrease in lapse rates	14	2	-1	14
5% decrease in mortality and morbidity rates	15	0	-4	12

Insurance Asia/Pacific

Economic assumptions

Table 52. Sensitivity of Value of New Business to economic assumptions

In EUR million	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	Total
As reported – Value of New Business	**16**	**159**	**107**	**85**	**5**	**373**
1% decrease in new-money rates	-1	-22	-41	-29	-12	-104
1% increase in new-money rates	1	17	42	32	11	103
1% decrease in discount rates	4	16	31	30	6	86
1% increase in discount rates	-3	-13	-25	-26	-5	-72
Implied market forward rates (31 Oct 2005)	-1	-1	7	-5	-1	-1
10bp reduction in short-term rates	0	-4	0	-0	-1	-5
1% lower equity and real estate returns	-0	0	-5	-4	-2	-11
Local regulatory minimum capital requirement	2	-2	23	40	2	66
Net impact of						
1% decrease in new-money & 1% decrease in discount rates	3	-6	-11	1	-5	-18
1% increase in new-money & 1% increase in discount rates	-3	4	17	6	6	31

Non-economic assumptions

Table 53. Sensitivity of Value of New Business to non-economic assumptions

In EUR million	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	Total
As reported – Value of New Business	**16**	**159**	**107**	**85**	**5**	**373**
10% decrease in maintenance expenses	3	4	5	9	4	25
10% decrease in lapse rates	3	9	6	20	2	39
5% decrease in mortality and morbidity rates	2	3	7	3	3	18

Appendix 3. Analysis of variances and assumption changes

Table 54. Analysis of variances and assumption changes

In EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
Financial variances				
Investment income	910	18	-11	917
Policy or fund growth	40	7	75	122
Other financial variances	30	35	2	66
Total	**979**	**61**	**65**	**1,105**
Operational variances				
Mortality/morbidity	84	5	47	136
Persistency	-35	-36	-6	-77
Maintenance expenses	-33	-4	-8	-46
Other operational variances	301	-58	38	281
Total	**316**	**-94**	**72**	**294**
Operating assumption changes				
Mortality/morbidity	26	5	189	220
Persistency	-39	-31	-79	-149
Maintenance expenses	45	-17	14	43
Other operating assumption changes	-113	31	20	-63
Total	**-82**	**-12**	**144**	**50**

Above Table provides more details on the breakdown of the EV Profit components as shown in Table 1 in Section 1. Please refer to Appendix 5 for more detailed explanations on the above items.

Appendix 4. Economic assumptions

The economic assumptions used in Embedded Value are set by the economic bureau of ING which based these assumptions on market data and their view of the most likely future development of the world economy. These assumptions are approved by the Executive Board. It is the practice at ING that the business units use these as best estimate assumptions in their Embedded Value and Value of New Business projections.

The major economic assumptions employed in the development of the Embedded Value results are included in the sections below. These include the long term risk-free interest rates, the new money reinvestment rates, expense inflation, equity and real estate returns and discount rates. Each of these is shown for each country in which ING has life insurance operations reporting Embedded Value results.

We note that the discount rate in the Table below is defined as: country risk free rate + country risk premium + 2.90% risk margin. For more detailed explanation on the discount rates please refer to Appendix 5. Furthermore, we note that for the sensitivity test on the implied market forward rates we note that the discount rates were also adjusted based on the above described formula i.e. discount rate = implied market forward rate + country risk premium + 2.90%.

We note that the long-term risk free rate is generally the 10-year government bond rate. The currency exchange rates are summarised in Appendix 6.

Deterministic calculations

For the following regions/countries we below show tables with the key economic assumptions for the period 2006-2025:

- Netherlands (note that the implied market forward rates were applied for Eurozone countries: Netherlands, Belgium, Luxembourg, Spain and Greece)
- Unites States
- Japan
- Taiwan
- South Korea

After these detailed tables we show per country the following economic assumptions

- Long term risk free rates for the years 2006 – 2008 and the ultimate risk free rate
- Discount rate – risk premium and the ultimate discount rate and the year in and after which this ultimate rate is applied
- Net credit spread for the years 2006-2008 and the ultimate credit spread applied to the risk free rates.
- Equity and real-estate risk premium
- Expense inflation (ultimate rate).

Key economic assumptions

Table 55-I. Key economic assumptions

	Netherlands				*United States*				
	Long term risk free rates	Fixed income new money rates	Implied market forward rates[1]	Discount rate		Long term risk free rates	Fixed income new money rates	Implied market forward rates	Discount rate
2006	3.59%	3.74%	3.68%	6.49%	2006	4.78%	5.79%	5.15%	7.68%
2007	3.78%	3.93%	3.81%	6.68%	2007	5.01%	6.01%	5.21%	7.91%
2008	3.89%	4.04%	3.93%	6.79%	2008	5.19%	6.20%	5.26%	8.09%
2009	3.97%	4.12%	4.03%	6.87%	2009	5.17%	6.18%	5.31%	8.07%
2010	4.05%	4.20%	4.13%	6.95%	2010	5.15%	6.16%	5.36%	8.05%
2011	4.13%	4.28%	4.20%	7.03%	2011	5.13%	6.14%	5.40%	8.03%
2012	4.21%	4.36%	4.25%	7.11%	2012	5.11%	6.12%	5.44%	8.01%
2013	4.28%	4.43%	4.29%	7.18%	2013	5.08%	6.09%	5.48%	7.98%
2014	4.36%	4.51%	4.33%	7.26%	2014	5.06%	6.07%	5.51%	7.96%
2015	4.44%	4.59%	4.36%	7.34%	2015	5.04%	6.05%	5.54%	7.94%
2016	4.52%	4.67%	4.36%	7.42%	2016	5.02%	6.03%	5.53%	7.92%
2017	4.60%	4.75%	4.35%	7.50%	2017	5.00%	6.01%	5.53%	7.90%
2018	4.60%	4.75%	4.35%	7.50%	2018	5.00%	6.01%	5.53%	7.90%
2019	4.60%	4.75%	4.35%	7.50%	2019	5.00%	6.01%	5.53%	7.90%
2020	4.60%	4.75%	4.34%	7.50%	2020	5.00%	6.01%	5.53%	7.90%
2021	4.60%	4.75%	4.32%	7.50%	2021	5.00%	6.01%	5.51%	7.90%
2022	4.60%	4.75%	4.29%	7.50%	2022	5.00%	6.01%	5.50%	7.90%
2023	4.60%	4.75%	4.27%	7.50%	2023	5.00%	6.01%	5.49%	7.90%
2024	4.60%	4.75%	4.24%	7.50%	2024	5.00%	6.01%	5.47%	7.90%
2025 and thereafter	4.60%	4.75%	4.22%	7.50%	2025 and thereafter	5.00%	6.01%	5.46%	7.90%

1. Source: Morgan Markets, JP Morgan at 31 October 2005

Key economic assumptions – continued

Table 55-II. Key economic assumptions

	Japan				*Taiwan*				
	Long term risk free rates	Fixed income new money rates	Implied market forward rates[1]	Discount rate		Long term risk free rates	Fixed income new money rates	Implied market forward rates	Discount rate
2006	1.79%	2.09%	1.89%	4.69%	2006	2.90%	3.39%	2.62%	5.80%
2007	2.09%	2.39%	2.12%	4.99%	2007	3.30%	3.53%	2.70%	6.20%
2008	2.16%	2.46%	2.32%	5.06%	2008	3.30%	3.68%	2.75%	6.20%
2009	2.24%	2.54%	2.49%	5.14%	2009	3.44%	3.82%	2.76%	6.34%
2010	2.32%	2.62%	2.62%	5.22%	2010	3.59%	3.97%	2.77%	6.49%
2011	2.41%	2.71%	2.73%	5.31%	2011	3.73%	4.12%	2.86%	6.63%
2012	2.49%	2.79%	2.82%	5.39%	2012	3.88%	4.28%	2.96%	6.78%
2013	2.57%	2.87%	2.90%	5.47%	2013	4.02%	4.43%	3.06%	6.92%
2014	2.65%	2.95%	2.96%	5.55%	2014	4.16%	4.58%	3.15%	7.06%
2015	2.74%	3.04%	3.02%	5.64%	2015	4.31%	4.74%	3.25%	7.21%
2016	2.82%	3.12%	3.06%	5.72%	2016	4.45%	4.89%	3.25%	7.35%
2017	2.90%	3.20%	3.10%	5.80%	2017	4.60%	5.05%	3.25%	7.50%
2018	2.90%	3.20%	3.13%	5.80%	2018	4.74%	5.20%	3.25%	7.64%
2019	2.90%	3.20%	3.17%	5.80%	2019	4.89%	5.34%	3.25%	7.79%
2020	2.90%	3.20%	3.21%	5.80%	2020	5.03%	5.49%	3.25%	7.93%
2021	2.90%	3.20%	3.20%	5.80%	2021	5.17%	5.58%	3.25%	8.07%
2022	2.90%	3.20%	3.19%	5.80%	2022	5.32%	5.73%	3.25%	8.22%
2023	2.90%	3.20%	3.18%	5.80%	2023	5.46%	5.88%	3.25%	8.36%
2024	2.90%	3.20%	3.17%	5.80%	2024	5.61%	6.02%	3.25%	8.51%
2025 and thereafter	2.90%	3.20%	3.16%	5.80%	2025 and thereafter	5.75%	6.17%	3.25%	8.65%

1. Source: Morgan Markets, JP Morgan at 31 October 2005

Table 55-III. Key economic assumptions

	South Korea			
	Long term risk free rates	Fixed income new money rates	Implied market forward rates[1]	Discount rate
2006	4.70%	4.70%	5.53%	8.10%
2007	5.00%	5.00%	5.59%	8.40%
2008	5.00%	5.00%	5.63%	8.40%
2009	5.09%	5.09%	5.65%	8.49%
2010	5.18%	5.18%	5.65%	8.58%
2011	5.27%	5.27%	5.52%	8.67%
2012	5.36%	5.36%	5.49%	8.76%
2013	5.44%	5.44%	5.46%	8.84%
2014	5.53%	5.53%	5.41%	8.93%
2015	5.62%	5.62%	5.35%	9.02%
2016	5.71%	5.71%	5.35%	9.11%
2017	5.80%	5.80%	5.35%	9.20%
2018	5.80%	5.80%	5.35%	9.20%
2019	5.80%	5.80%	5.35%	9.20%
2020	5.80%	5.80%	5.35%	9.20%
2021	5.80%	5.80%	5.35%	9.20%
2022	5.80%	5.80%	5.35%	9.20%
2023	5.80%	5.80%	5.35%	9.20%
2024	5.80%	5.80%	5.35%	9.20%
2025 and thereafter	5.80%	5.80%	5.35%	9.20%

1. Source: Morgan Markets, JP Morgan at 31 October 2005

Table 56. Key Economic Assumptions

	Risk free rates				*Discount rates*		Year ultimate rates are
Region/Country	2006	2007	2008	Ultimate	Risk Premium	Ultimate	reached
Insurance Europe							
Belgium	3.64%	3.85%	3.99%	4.60%	2.90%	7.50%	2017
Bulgaria	4.00%	4.00%	4.10%	4.80%	4.90%	7.70%	2017
Czech Republic	3.80%	4.30%	4.40%	4.75%	3.40%	7.65%	2017
Greece	3.76%	3.93%	4.04%	4.75%	2.90%	7.65%	2017
Hungary	5.70%	5.20%	4.70%	4.75%	3.90%	7.65%	2017
Luxembourg	2.59%	3.18%	3.64%	4.60%	2.90%	7.50%	2017
Netherlands	3.59%	3.78%	3.89%	4.60%	2.90%	7.50%	2017
Poland	4.60%	4.70%	4.30%	4.75%	3.90%	7.65%	2017
Romania	8.30%	7.40%	6.00%	4.80%	4.90%	7.70%	2017
Russia	7.50%	7.50%	7.50%	8.10%	4.90%	13.00%	2017
Slovakia	4.00%	4.20%	4.20%	4.75%	3.40%	7.65%	2017
Spain	3.61%	3.83%	3.94%	4.60%	2.90%	7.50%	2017
Insurance Americas							
Chile	5.80%	6.30%	7.00%	6.70%	2.90%	9.60%	2017
Mexico	8.90%	8.40%	8.10%	8.20%	3.90%	12.10%	2008
Peru	3.40%	3.80%	3.80%	7.70%	4.90%	12.60%	2017
United States	4.78%	5.01%	5.19%	5.00%	2.90%	7.90%	2017
Insurance Asia Pacific							
Australia	5.40%	5.40%	5.40%	5.40%	3.40%	8.80%	2006
China	4.10%	4.50%	4.50%	6.50%	3.90%	10.40%	2025
Hong Kong	4.80%	5.00%	5.00%	5.50%	2.90%	8.40%	2017
India	7.50%	7.50%	7.50%	7.50%	3.90%	11.40%	2017
Japan	1.79%	2.09%	2.16%	2.90%	2.90%	5.80%	2017
Malaysia	5.10%	5.30%	5.30%	6.50%	3.40%	9.90%	2017
New Zealand	6.00%	6.00%	6.00%	6.00%	2.90%	8.90%	2006
South Korea	4.70%	5.00%	5.00%	5.80%	3.40%	9.20%	2017
Taiwan	2.90%	3.30%	3.30%	5.75%	2.90%	8.65%	2025
Thailand	4.80%	5.00%	5.00%	6.70%	3.90%	10.60%	2017

Table 57. Key Economic Assumptions

	Net credit spread above risk free rates						
Region/Country	2006	2007	2008	Ultimate	Equity risk premium	Real estate risk premium	Expense inflation (ultimate rate)
Insurance Europe							
Belgium	0.18%	0.18%	0.18%	0.18%	3.60%	1.90%	1.90%
Bulgaria	0.00%	0.00%	0.00%	0.00%	n/a	n/a	2.50%
Czech Republic	0.00%	0.00%	0.00%	0.00%	3.00%	n/a	2.50%
Greece	0.00%	0.00%	0.00%	0.00%	2.35%	n/a	1.90%
Hungary	0.00%	0.00%	0.00%	0.00%	3.25%	n/a	2.50%
Luxembourg	0.18%	0.18%	0.18%	0.18%	3.60%	1.90%	1.90%
Netherlands	0.15%	0.15%	0.15%	0.15%	3.60%	1.90%	2.40%
Poland	0.00%	0.00%	0.00%	0.00%	3.00%	n/a	2.50%
Romania	0.00%	0.00%	0.00%	0.00%	n/a	n/a	1.90%
Russia	0.00%	0.00%	0.00%	0.00%	n/a	n/a	4.50%
Slovakia	0.00%	0.00%	0.00%	0.00%	3.00%	n/a	2.50%
Spain	0.15%	0.15%	0.15%	0.15%	3.60%	n/a	1.90%
Insurance Americas							
Chile	1.50%	1.50%	1.50%	1.50%	n/a	n/a	3.00%
Mexico	0.12%	0.12%	0.12%	0.12%	n/a	n/a	3.50%
Peru	4.20%	3.80%	3.80%	0.00%	n/a	n/a	3.0%
United States	1.01%	1.01%	1.01%	1.01%	4.0%	n/a	2.3%
Insurance Asia Pacific							
Australia	1.00%	1.00%	1.00%	1.00%	5.50%	n/a	2.50%
China	0.41%	0.41%	0.41%	0.41%	3.75%	n/a	3.50%
Hong Kong	1.46%	1.46%	1.46%	1.46%	5.00%	n/a	0.00%
India	0.50%	0.50%	0.50%	0.50%	2.50%	n/a	5.00%
Japan	0.30%	0.30%	0.30%	0.30%	1.30%	n/a	1.20%
Malaysia	1.42%	1.47%	1.56%	1.42%	2.30%	2.60%	2.50%
New Zealand	0.00%	0.00%	0.00%	0.00%	5.50%	n/a	2.50%
South Korea	0.00%	0.00%	0.00%	0.00%	n/a	n/a	3.00%
Taiwan	0.49%	0.23%	0.38%	0.42%	1.19%	n/a	2.00%
Thailand	0.09%	0.08%	0.08%	0.00%	n/a	n/a	0.00%

Stochastic calculations

The stochastic calculation of the time value of options and guarantees have been performed by business units using a range of real-world economic scenario generators. The returns in these files have been calibrated to reflect on average the new money interest rate assumptions in the base calculation. Volatilities and correlations are derived from historic observations. The number of random scenarios is typically limited to around 100-200.

Table 58. Summary statistics for selected countries

Region/ Country	***Model***	***Equity*** Mean	Volatility	***10 yr- Bonds*** Mean	Standard Deviation	***Correlation***
Netherlands (NN)	Vector Auto Regressive (VAR) with lagged variables for the interest rates	Year 5: 7.65% Year 10: 8.03% Year 20: 8.07% Also for Group Life Separate interest accounts	21%	Year 5: 4.07% Year 10: 4.48% Year 20: 4.63% Gross returns Group Life Separate interest accounts: Year 5: 4.22% Year 10: 4.62% Year 20: 4.78% Including net credit spread	Year 5: 1.47% Year 10: 1.47% Year 20: 1.51% Group Life Separate interest accounts: Year 5: 1.48% Year 10: 1.48% Year 20: 1.52% (yield volatilities)	Eq.-bonds: -0.22 Eq.-cash: -0.20 Bonds-cash: 0.68
Insurance Americas United States	**Interest**: 2 factor modified lognormal mean reversion (90 day and 10 year targets) **Equity**: Geometric Brownian motion	8.125%	18.0%	Ultimate: 5.42%	Volatility 16.58% (return volatility)	Between 90 day & 10 year treasuries 0.6022
Insurance Asia Pacific						
Japan	**Interest:** 1-factor Realistic Interest Rate Generator in Discrete Time with mean reversion for interest rates **Equity:** geometric Brownian motion	Domestic Equity Fund: 4.20%	Domestic Equity Fund: 13.56%	Domestic Bond Fund 2.45%	Domestic Bond Fund 1.87% (yield volatility)	Domestic Equities – Domestic Bonds -0.44
South Korea	**Interest**: 2 factor modified lognormal mean reversion (90 day and 10 year targets)			Year 5: 5.23% Year 10: 5.20% Year 20: 5.72%	Year 5: 1.45% Year 10: 1.91% Year 20: 2.37% (yield volatilities)	

Appendix 5. Methodology

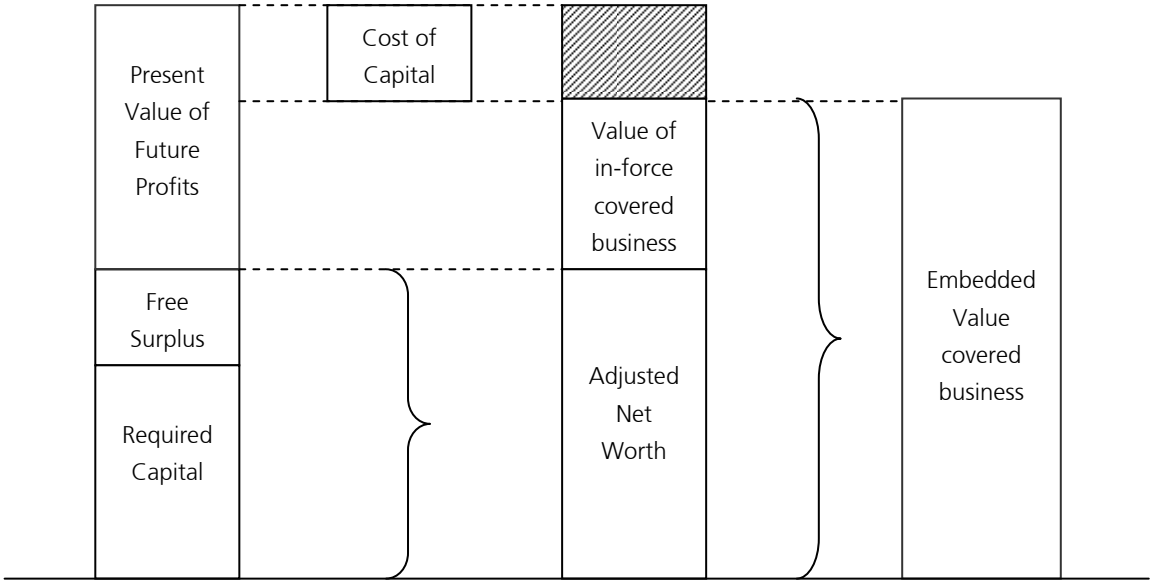
Scope

The Group sets the economic assumptions and prescribes a set of principles to provide guidance to the life insurance business units so that Embedded Value is determined consistently throughout ING. This set of principles is in addition to the EEV principles as published by the CFO Forum.

Methodology and definitions

Embedded Value

Embedded Value reflects the value that is expected to arise from the in-force block of business (on a going concern basis) and does not include a value for future new business. Below we define the various components from which Embedded Value is built-up:



Embedded Value is defined as the sum of the Adjusted Net Worth plus the Value of in-Force covered business. Adjusted Net Worth represents the capital invested in our insurance operations and equals the Free Surplus and the Required Capital. The Free Surplus component of the Embedded Value represents the accumulated profits that are held within the life insurance business that are not needed to back the life insurance business. In addition to policyholder reserves, capital is required to support the life insurance business. This Required Capital is an allocation of surplus that is not available to shareholders until it is no longer needed to support the business in-force.

The Value of in-Force covered business (ViF) is defined as the present value of future after-tax book profits expected to arise from the in-force business, including new business written in the reporting period, including the Cost of Capital (CoC). The Cost of Capital arises because the discount rate used to value future cash flows – including the release of capital when it is no longer required – is higher than the assumed after-tax investment returns on the assets backing this capital. Cost of Capital has a negative value.

Future profits are estimated using actuarial methods and ING's best estimates for future assumptions. Local regulatory accounting restricts the profits that can be distributed to shareholders. ING reflects these constraints by reporting Embedded Values using after-tax book profits calculated according to the local accounting requirements.

Distributable earnings

Distributable earnings are defined as earnings arising from the business on the books, including its Required Capital. Local accounting requirements establish the profits that can be distributed from the business unit. For this reason, the book profits are used as the basis for the earnings in the Embedded Value calculations. The interest earned on Required Capital as well as the release of capital is a component of distributable earnings. Present value of distributable earnings (PVDE) can therefore be defined as the sum of value of in-force covered business and Required Capital (PVDE = ViF + RC).

Expenses and taxes

All expenses, including corporate overhead expenses, are allocated to the business units of the Group. Those attributable to the businesses included in the Embedded Value are allocated to acquisition or to maintenance expenses and included in the Embedded Value projections.

In general, a mature business unit does not reflect productivity gains in its projected expenses. Immature business units may reflect productivity gains where future growth is expected to reduce the per unit expense levels. Declining expense overruns are reflected in regions as shown below. Nationale Nederlanden is currently undergoing significant restructuring that is generating large additional expenses. These are expected to decline to normal levels as the impact of restructuring efforts are realised.

Table 59 below shows the expenses above the ultimate levels.

Table 59. Expenses over ultimate levels reflected in EV 2005

In EUR Million	Netherlands	Central Europe	Asia/Pacific	Total
2006	148	3	30	181
2007	93	2	14	109
2008	81	1	14	95
2009	64	0	3	68
2010	53	0	2	56
2011	43	0	2	45
2012	33	0	1	34
2013	24	0	1	25
2014	16	0	0	16
2015	7	0	0	7
2016	2	0	0	2
2017	0	0	0	0

Taxes

Taxes are reflected based on current regulation as officially approved. This means that for instance in the Netherlands a tax rate of 29.6% is included and future expected reductions in the tax rate to lower levels are not reflected in the Embedded Value 2005 since these changes have not been approved yet.

Movement analysis including new business

Financial variances primarily reflect better than anticipated investment income across all business lines. This includes the impact that financial variances have on future distributable earnings, which is for instance the case if current favourable investment performance results in higher closing fund values and therefore in higher future fees.

Operational Variances reflect both a current year earnings variances and the impact that operational variances have on future distributable earnings, this includes expenses, mortality and lapse experience. Current year earning variances reflect the earnings from the in-force business that are above the expected earnings. A positive variance is reflected as a reduction to the business line Embedded Value as the additional earnings are distributed to Free Surplus.

Assumption changes reflect a revision to for instance expense and lapse assumptions which can impact the Embedded Value.

The **Required return** is the roll-up of the discount rate on the value of in-force covered business at the beginning of the year and of new business written during the year.

Expected earnings are the amounts that are expected to flow from the business line to Free Surplus. Note that positive earnings in the business line are reflected as a reduction to the business line Embedded Value as these amounts are distributed to Free Surplus. A rapidly growing block of business may require a capital injection because new business production typically incurs high expenses and an allocation of Required Capital. A more mature block of business is expected to make a contribution to Free Surplus as earnings emerge from the in-force business.

Financial Options and Guarantees (FOGs)

In addition to the risk discount rate and the cost of holding Required Capital, risk costs are also accounted for in the Embedded Value through an explicit reduction in the Embedded Value for the time value of financial options and guarantees (FOG).

Consistent with 2004 results the year-end 2005 Embedded Value are reduced for the time value of financial options and guarantees in accordance with the European Embedded Value Principles. The additional impact of including the full time value is separately identified as FOG in the results. This cost was determined by comparing the average of shareholder profits over a range of economic scenarios to the shareholder profits under a single representative economic scenario. Using this approach, the costs associated with unexpected economic developments are estimated and reflected.

The projected profits under each stochastic scenario are discounted using a cumulative risk-discount rate that reflects realised risk free rates in the economic scenario until the time of the cash flow, supplemented by a risk margin consistent with the deterministic scenario throughout each of the scenarios.

Financial Options and Guarantees By Business line

The options and guarantees in the life insurance products are as follows:

Europe

Traditional profit-sharing business with minimum interest guarantees typically have FOG related to these guarantees as well as a FOG related to the profit-sharing component. For most of the business units the profit-sharing component is by formula – based on the overall portfolio return or on an index.

The Netherlands also has a significant block of individual business with a minimum interest rate guarantee but where the profit-sharing is at the management discretion. For this block, the impact of the FOG is estimated by basing the

profit-sharing on a portion of the returns of a government bond index above a certain level. In any given year, management may decide to set the profit-sharing above or below this level, but the formula reflects the best estimate for management's discretion over a long period of time.

USFS

The USFS products with FOGs fall into three categories. The first are annuities and life insurance products that credit interest rates to policyholder accounts, but which have minimum interest rate guarantees. The second are single premium variable annuities with guaranteed minimum death benefits and guaranteed minimum living benefits. A third block of business is variable life insurance with guaranteed minimum death benefits. The products with minimum interest rate guarantees reflect the time value of these guarantees by incorporating these guaranteed minimum interest rates into stochastic Embedded Value projections. These products also have FOGs that result from management's discretion in setting the crediting rates to policyholder balances. These are typically reflected by linking the crediting rate formula to a percentage of a US government bond yield. The variable annuities and variable life insurance have payouts that are determined by formula and are not subject to management discretion. Nearly all of the reduction due to FOG was reported in the Embedded Value results reported in 2003 and prior.

Latin America

Chile has a small reduction in the Embedded Value related to universal life products with minimum interest rate guarantees. These products are no longer sold.

Asia/Pacific

Japan has single premium variable annuities with guaranteed minimum death benefits and guaranteed minimum surrender benefits. These guarantees have been included in the Embedded Value calculations prior to 2004.
Japan also has a non-participating Corporate Owned Life Insurance (COLI) product that is sold to small/medium sized enterprises. Although it is non-participating, the policyholder has the option to surrender without a market value adjustment. The business unit has valued this surrender option of the client reflecting an option cost as interest rates rise.

Korea has a minimum interest rate guarantee of 2-5% on a deferred annuity product. The crediting interest rate can be set by the company, but with a minimum constraint. In addition, the policyholder can surrender as interest rates rise without a market value adjustment. The minimum guarantee and option to surrender are both valued as a FOG.

Roll forward methodology

Most ING business units use the in-force at 30 September (or 30 November) for the initial Embedded Value calculations. A roll forward process is used to produce 31 December figures. This roll forward process is employed so that the Embedded Value results can be published concurrently with the other year-end financial information. This initial calculation of the Embedded Value is based on projected year-end balance sheets using 30 September data. This includes both the projected experience of the in-force and new business sold in the fourth quarter. Movement analyses as well as the impact of assumption changes are developed based on this data.

At year-end, all business units update the Embedded Value results incorporating all known fourth quarter variances, revised impact of assumption changes and revised Value of New Business for the year. In the initial calculation, variances were quantified based on the expected level of in-force as of 31 December; business units then quantify those impacts using a better estimate of the 31 December in-force. Assumptions changes previously quantified as of 30 September are adjusted for changes in the size or mix of the in-force since that time

Operating assumptions

The assumptions used in the Embedded Value calculations for 2005 are based on the most recent review by the business unit actuaries with regard to historical, current and expected future experience. The business units have

provided a sign-off that their assumptions represent their best estimates based on their 2005 assessment. All assumption fall within the scope of the external review and reflect a going concern basis.

Economic Assumptions

For details of the economic assumptions please refer to Appendix 4.

Risk Discount Rate

The principle followed by ING in determining the discount rate for our life business is that it should reflect ING's weighted average after-tax cost of capital (WACC). The WACC is calculated using a gross risk-free interest rate , an equity risk premium, a market-assessed risk factor (beta) and an allowance for the gearing impact of debt financing (including subordinated debt).

The risk discount rate is only one component of the overall allowance for risk in the Embedded Value calculations. Risk is also allowed for in the cost of holding local statutory reserving margins, additional Required Capital and in the cost of financial options and guarantees. ING believes that the assumed insurance beta already reflects a deduction for all these types of risk on our business.

For the Embedded Value 2005 reporting the same WACC has been applied as for EV 2004 reporting i.e. an overall long term discount rate of 7.50% for ING's insurance businesses.

The discount rate of 7.50% for the Netherlands implies a 2.90% risk margin over the long-term 10 year government bond yield of 4.60%. This risk margin is applied to the long-term yield in each country for each year to incorporate a consistent risk margin throughout the Group. An exception is for countries where there is a risk of funds repatriation to the Netherlands; an additional country risk premium is added to the standard 2.90% risk margin.

In formula the above can be described as follows:
Discount $rate_{year\ T}$ = Risk free $rate_{year\ T}$ + Country Risk $Premium_{year\ T}$ + 2.90%.

In the Table below we show the country risk premiums for the countries. For the countries not mentioned below the country risk premium is 0.0%for all years.

Table 60. Country risk premiums

Country	Country Risk Premium	Year country risk premium is reduced to 0.0%
Bulgaria	2.0%	2017
Czech Republic	0.5%	2014
Hungary	1.0%	2014
Poland	1.0%	2014
Romania	2.0%	2017
Russia	2.0%	not applicable
Slovakia	0.5%	2014
Mexico	1.0%	not applicable
Peru	2.0%	not applicable
China	1.0%	not applicable
India	1.0%	not applicable
South Korea	0.5%	not applicable
Malaysia	0.5%	not applicable
Thailand	1.0%	not applicable

For countries in the Central Europe region the country risk premium is reduced over time as most of these countries are assumed to join the Euro in the future. The year in which these countries are assumed to join the Euro is reflected in above right column and this is the year in which the country risk premium is projected to be no longer applicable. For the period 2006 to the ultimate year linear interpolation is assumed. For the other countries in above Table the country risk premium is constant for the whole projection period.

No other adjustments for risk are reflected in the discount rate. Differences in risk by product line are reflected through the capital allocation and through deductions for the time value of financial options and guarantees.

Required Capital

ING assesses internal capital requirements by using its own risk-based methodologies. The ING capital model (ICM) is developed to measure the amount of capital ING believes is necessary to be considered an AA rated insurance business by Standard and Poor's (S&P). This capital formula in the ICM is based on asset and liability factors with adjustments to provide additional calibrations to internal economic capital results. This capital formula does not calculate economic capital, but is considered to be an estimate of economic capital for the ING insurance businesses in total. The calibrations also partially reflect the additional adequacy in the liabilities for some businesses. ING expects to continue to refine economic capital models and to potentially move to those in the future. Note that for ING Antai (Taiwan), the Required Capital already reflects economic capital requirements since Taiwan ICM is set equal to economic capital. Therefore, the ING Antai Embedded Value results are impacted by capital movements which are impacted by assumption changes.

All ING business units, with the exception of Netherlands and Belgium & Luxembourg, hold capital at above the minimum local regulatory level. The life insurance business in the Netherlands and in Belgium & Luxembourg reflect capital that is EUR 2,205 million and EUR 509 million less than 100% of EU capital because the margins in the reserves reduce the need for capital on these businesses when evaluated on an economic basis. This reflects ING's desire to measure and manage the business on a basis that reflects the economic risks in the business as well as partially reflecting the adequacy of reserves in excess of the ING standard. Therefore, the requirement to meet the local regulatory capital minimums is applied for the life operations in total and sufficient capital is always maintained in the appropriate legal entities.

For the outcomes if the Embedded Values for the Netherlands and Belgium & Luxembourg had been calculated assuming a Required Capital equal to 100% of EU minimum solvency requirements please refer to the sensitivity analysis in Section 2.4.

Appendix 6. Exchange Rates

The currency exchange rates used in this report are reflected in Table 61 below. For 2005 we distinguish two types of currency exchange rates, the closing and average rate. The closing exchange rates were used for almost all Embedded Value amounts. The average exchange rates were used for new business statistics such as new business volumes and VNB. Note that this is a change compared to previous years when these new business statistics were converted at the closing rates.

The average exchange rates are calculated based on the monthly closing rates.

Table 61. Exchange rates

		2004	*2005*	
Region/Country	Currency code	Closing rate	Average rate	Closing rate
Insurance Europe				
Belgium	EUR	1.000	1.000	1.000
Bulgaria	BGN	1.956	1.956	1.956
Czech Republic	CZK	30.455	29.837	29.032
Greece	EUR	1.000	1.000	1.000
Hungary	HUF	246.031	248.420	252.831
Luxembourg	EUR	1.000	1.000	1.000
Netherlands	EUR	1.000	1.000	1.000
Poland	PLN	4.090	4.029	3.861
Romania	RON	3,953	3.649	3.681
Russia	RUB	37.823	35.287	33.978
Slovakia	SKK	38.730	38.596	37.881
Spain	EUR	1.000	1.000	1.000
Insurance Americas				
Chile	CLP	761.363	698.175	607.001
Mexico	MXN	15.238	13.617	12.599
Peru	PEN	4.482	4.118	4.052
United States	USD	1.364	1.248	1.182
Insurance Asia/Pacific				
Australia	AUD	1.749	1.636	1.613
China	CNY	11.293	10.226	9.541
Hong Kong	HKD	10.607	9.706	9.167
India	INR	59.313	54.987	53.223
Japan	JPY	139.767	137.146	138.997
Malaysia	MYR	5.185	4.726	4.468
New Zealand	NZD	1.894	1.771	1.730
South Korea	KRW	1,412.500	1,276.390	1,186.929
Taiwan	TWD	43.376	40.120	38.827
Thailand	THB	53.009	50.181	48.559

Appendix 7. Glossary & abbreviations

Glossary

Assumption change	*Assumption change* is a change in the view of the world and company, the impact of which is determined as the change in Embedded Value, quantified at the end of the current period, between the old and new assumptions.
Best estimate assumptions	*Best-estimate assumptions* are assumptions that represent the expected outcome from the range of possible outcomes for future experience of that assumption. In practice, the realisation will differ from the best-estimate forecast because we cannot predict the future with certainty. However, best estimates imply that the expected value of future deviations in performance is zero, so that the Embedded Value is neither overestimated nor underestimated.
Book profits	*Book profits* are the profits as they appear in the local accounts for the life insurance company, taking into account regulatory requirements, taxes, and actuarial provisions.
Business in-force	*Business in-force* on a given valuation date is the insurance business in-force expected to generate profits in the future.
Commission	*Commission* is any commission that is reported as such in the local accounts (before DAC). (It may also include reinsurance allowances, which are in some countries not reported as commissions in the local accounts)
Commission allowances	*Commission allowances* means the Embedded Value commission assumptions, for a specific year, based on each policy.
Current period	*Current period* is the period over which the movement analysis is performed. It covers the time span from the prior valuation date to the current valuation date.
Cost of Capital	*Cost of Capital* is the cost related to hold Required Capital that will constrain distributions to shareholders. The cost relates to the fact that after-tax income earned on the assets backing this capital is lower than the discount rate.
Covered business	*Covered business* is the contracts to which the *EVM* has, in line with the *EEV Principles*, been applied.
Discount rate	*Discount rate* is the rate that is used to determine the present value of the future distributable earnings back to the valuation date and reflects the weighted average cost of capital as well as the business unit risk to ING Group.
Distributable earnings	*Distributable earnings* are the after-tax future regulatory book profits emerging from the business in-force on the valuation date less the change in Required Capital plus the after-tax investment income on Required Capital.
Economic assumption changes	*Economic assumption changes* are those assumption changes that occur due to economic assumptions and which are deemed beyond the business unit management control. These changes include the impact that these changes may have on categories such as profit-sharing or separate account fund growth.
European Embedded Value Principles	*European Embedded Value Principles* are principles formulated by the forum of European Insurers' (the Forum) for supplementary reporting on Embedded Value.
Embedded Value	*Embedded Value* is defined as the present value of future distributable earnings of the business in-force plus the portion of capital and surplus that is not needed to support the business in-force.
Embedded Value Methodology	*Embedded Value Methodology* is the methodology for calculating and reporting *Embedded Value* as set out by the *European Embedded Value Principles.*
Embedded Value Profit	*Embedded Value Profit* (EV Profit) is a measure of the increase in value over the period over that required by equity and debt holders of ING Insurance. EV Profit is equal to the Value of New Business, variances in the period and changes to Embedded Value that are due to non-economic assumption changes.
Expense allowances	*Expense allowances* represent the amount assumed available to meet the expenses of a given year and are the sum of the expense factors applied to the appropriate policy components.
Expense overrun / (underrun)	*Expense overrun or expense underrun* for any year means the difference between the total actual expenses and the expenses reflected in the Embedded Value projections through the expense assumptions.
Final internal rate of return	See definition of *internal rate of return*
Free Surplus	*Free Surplus* is the amount of any capital and surplus (company's net worth) allocated to, but not required to support, the in-force business covered by the *EVM. Free Surplus* is available for shareholder dividends or to fund future new business investments.
Future distributable earnings	*Future distributable earnings* are all distributable earnings occurring after the valuation date.
Going concern	*Going concern* means that the company continues to be in operation in the future and will keep writing new business.
Internal rate of return	*Internal rate of return* (final internal rate of return) is the discount rate at which the present value of the distributable earnings from new business equals the investment in new business i.e. the projected return on the investment in new business.
Investment in new business	*Investment in new business* is the negative expected distributable earnings one new business in the first policy year. If negative distributable earnings are expected to continue

	into later policy years, the distributable earnings for these additional policy years should be included in the investment in new business.
Model changes	*Model changes* are technical changes in value because of a change in the model used to measure value.
Present value	*Present value* is the value of a future cash flow at the valuation date, discounted at the risk discount rate applied to that cash flow.
Profit-tested internal rate of return	*Profit-tested internal rate of return* is the internal rate of return based on earnings assuming that the company is a mature going-concern in normal conditions. In practice this means that no expense overruns or underruns are assumed.
Profit-tested Value of New Business at the point of sale	*Profit-tested Value of New Business at the point of sale* is the value that is added to the company by the business written during the current period, assuming that the company is a mature going-concern in normal conditions. The distributable earnings that generate the profit-tested Value of New Business also generate the profit-tested internal rate of return.
Required Capital	*Required Capital* is the amount of assets, over and above the value placed on liabilities in respect of *covered business*, whose distribution to shareholders is restricted. It is based on ING's internal capital requirements: the ING Capital Model (ICM).
Required return	*Required return* is the cost of capital for the business being valued which reflects the expectations of equity shareholders and debt holders in the company. Required return is equal to the discount rate used to calculate the present value of the cash flows used to calculate the Embedded Value.
Return on Embedded Value	*Return on Embedded Value* is the change in Embedded Value over the period, including EV Profit, required return and assumption changes deemed by ING to be outside management control such as changes to economic assumptions and discount rates changes
Statutory basis	*Statutory basis* is the valuation basis and approach used for reporting financial statements to local regulators.
Valuation date	*Valuation date* is the date at which all items of the Embedded Value and movement analysis are valued.
Value of book profits	*Value of book profits* is the present value of all future book profits (excluding investment income on total surplus).
Value of New Business	*Value of New Business* (final Value of New Business) is the profit-tested Value of New Business minus (plus) any acquisition expense overrun (underrun), minus other adjustments. The distributable earnings that generate the Value of New Business also generate the final internal rate of return.
Value of in-force covered business	*Value of in-force covered business* is the present value of all expected future distributable earnings for the business in-force discounted at the company's discount rate. It equals the sum of the "present value of future book profits" and the "cost of holding Required Capital".
Variance	*Variance* is the difference between actual and expected experience related to assumptions.

Abbreviations

ANW	Adjusted Net Worth
CoC	Cost of holding Required Capital
COLI	Corporate owned life insurance
EEV	European Embedded Value
EV	Embedded Value
EVM	Embedded Value Methodology
EV Profit	Embedded Value Profit
FOG	Financial Options and Guarantees
FS	Free Surplus
GAAP	Generally Accepted Accounting Principles
GIC	Guaranteed investment contracts
IRR	Internal Rate of Return
PVDE	Present value of distributable earnings
PVFP	Present value of future (statutory book) profits
PV NBP	Present Value of New Business premiums
RC	Required Capital
RoEV	Return on Embedded Value
ViF	Value of in-force covered business
WACC	Weighted average after-tax cost of capital

Disclaimer

Cautionary note regarding forward looking statements

Certain of the statements contained herein are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING's core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates (viii) general competitive factors, (ix) changes in laws and regulations, (x) changes in the policies of governments and/or regulatory authorities. ING assumes no obligation to update any forward-looking information contained in this document.

ING Groep N.V.

Investor Relations
P.O. Box 810
1000 AV Amsterdam
The Netherlands

Analysts & Investors	+31 (0) 20 541 5460
Media	+31 (0) 20 541 5433
E-mail	investor.relations@ing.com

Website: www.ing.com