ING GROEP NV
Form 20-F
April 20, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F

(Mark One)

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-14642
ING GROEP N.V.
(Exact name of registrant as specified in its charter)
The Netherlands
(Jurisdiction of incorporation or organization)
ING Groep N.V.
Amstelveenseweg 500
1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one Ordinary share	New York Stock Exchange
Ordinary shares, nominal value EUR 0.24 per Ordinary share and Bearer Depositary receipts in respect of Ordinary shares*	New York Stock Exchange
7.05% ING Perpetual Debt Securities	New York Stock Exchange
7.20% ING Perpetual Debt Securities	New York Stock Exchange
6.20% ING Perpetual Debt Securities	New York Stock Exchange
6.125% ING Perpetual Debt Securities	New York Stock Exchange
5.775% ING Perpetual Debt Securities	New York stock Exchange

* Listed, not for trading or quotation

purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares, nominal value EUR 0.24 per Ordinary share	2,205,092,650
Bearer Depositary receipts in respect of Ordinary shares	2,204,400,319

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes þ o No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Yes o þ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark which financial statement item the registrant has elected to follow:

o Item 17 Item 18 þ

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o þ No

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PRESENTATION OF INFORMATION

In this Annual Report, references to ING Groep N.V. , we and us refer to the ING holding company, incorporated under the laws of the Netherlands, and references to ING , ING Group , the Company and the Group , refer to ING Groep N.V. and its consolidated subsidiaries. ING Groep N.V. s primary insurance and banking subsidiaries are ING Verzekeringen N.V. (together with its consolidated subsidiaries, ING Insurance) and ING Bank N.V. (together with its consolidated subsidiaries, ING Bank), respectively.

ING presents its consolidated financial statements in euros, the currency of the European Economic and Monetary Union. Unless otherwise specified or the context otherwise requires, references to US$ and Dollars are to the United States dollars and references to EUR are to euros.

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of euro 1.00 = $ 1.3108, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 6, 2007.

Except as otherwise noted, financial statement amounts set forth in this Annual Report are presented in accordance with International Financial Reporting Standards as adopted by the European Union (EU). In this document the term IFRS-EU is used to refer to International Financial Reporting Standards as adopted by the EU including the decisions ING Group made with regard to the options available under International Financial Reporting Standards as adopted by the EU. Refer to Note 2.1 of the consolidated financial statements for further discussion of the basis of presentation. IFRS-EU differs in certain significant respects from U.S. GAAP. Reference is made to Note 2.4 of Notes to the consolidated financial statements for a description of the significant differences between IFRS-EU and U.S. GAAP and a reconciliation of certain income statement and balance sheet items to U.S. GAAP.

Unless otherwise indicated, gross premiums, gross premiums written and gross written premiums as referred to in this Annual Report include premiums (whether or not earned) for insurance policies written during a specified period, without deduction for premiums ceded, and net premiums, net premiums written and net written premiums include premiums (whether or not earned) for insurance policies written during a specified period, after deduction for premiums ceded. Certain amounts set forth herein may not sum due to rounding.

As part of its continuous review activities on filings of companies listed in the US, the Securities and Exchange Commission (SEC) has reviewed ING Group s 2005 Form 20-F, which includes ING Group s 2005 Annual Accounts. ING is fully cooperating with this review. As of the date of this Annual Report, the review is not yet finalized.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Annual Report that are not historical facts, including, without limitation, certain statements made in the sections hereof entitled Information on the Company, Dividends, Operating and Financial Review and Prospects, Selected Statistical Information on Banking Operations and Quantitative and Qualitative Disclosure of Market Risk are statements of future expectations and other forward-looking statements that are based on management s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation,

- changes in general economic conditions, including in particular economic conditions in ING s core markets,
- changes in performance of financial markets, including emerging markets,
- the frequency and severity of insured loss events,
- changes affecting mortality and morbidity levels and trends,
- changes affecting persistency levels,
- changes affecting interest rate levels,
- changes affecting currency exchange rates, including the euro/U.S. dollar exchange rate,
- increasing levels of competition in the Netherlands, Belgium, the Rest of Europe (Europe and Russia, excluding the Netherlands and Belgium), the United States and other markets in which we do business, including emerging markets,
- changes in laws and regulations,
- regulatory changes relating to the banking or insurance industries,
- changes in the policies of central banks and/or foreign governments,
- general competitive factors, in each case on a global, regional and/or national basis.

ING is under no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. See Item 3. Key Information-Risk factors and Item 5. Operating and Financial Review and Prospects Factors affecting results of operations.

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PART I

Item 1. Identity Of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics And Expected Timetable

Not Applicable.

Item 3. Key Information

The selected consolidated financial information data set forth below is derived from the consolidated financial statements of ING Group. ING Group adopted IFRS as adopted by the EU as of 2005. The 2004 figures have been restated to comply with IFRS-EU. However, as permitted under IFRS 1, First-time adoption of International Financial Reporting Standards (IFRS 1), the 2004 comparatives exclude the impact of IAS 32, Financial Instruments; Disclosure and Presentation (IAS 32), IAS 39, Financial Instruments: Recognition and Measurement (IAS 39) and IFRS 4, Insurance Contracts (IFRS 4), which were implemented starting from January 1, 2005.

IFRS-EU differs in certain significant respects from U.S. GAAP. Refer to Note 2.4.to the consolidated financial statements for a description of the significant differences between IFRS-EU and U.S. GAAP and a reconciliation of certain income statement and balance sheet items to U.S. GAAP.

The following information should be read in conjunction with, and is qualified by reference to the Group s consolidated financial statements and other financial information included elsewhere herein.

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	2006 USD[2]	2006[3] EUR	2005[3] EUR	2004[3] EUR
		Year ended December 31, (in millions, except amounts per share and ratios)		
IFRS-EU Consolidated Income Statement Data[1]				
Income from insurance operations:				
Gross premiums written:				
Life	53,089	40,501	39,144	36,975
Non-life	8,301	6,333	6,614	6,642
Total	61,390	46,834	45,758	43,617
Commission income	2,144	1,636	1,346	1,198
Investment and & Other income	14,645	11,172	10,299	10,787
Total income from insurance operations	78,179	59,642	57,403	55,602
Income from banking operations:				
Interest income	77,681	59,262	48,342	25,471
Interest expense	65,444	49,927	39,180	16,772
Net interest result	12,237	9,335	9,162	8,699
Investment income	633	483	937	363
Commission	3,514	2,681	2,401	2,581
Other income	2,223	1,696	1,348	1,035
Total income from banking operations	18,607	14,195	13,848	12,678
Total income[4]	**96,502**	**73,621**	**71,120**	**68,159**
Expenditure from insurance operations:				
Life	63,873	48,728	47,156	44,988
Non-life	7,837	5,979	6,269	6,292
Total expenditure from insurance operations	71,710	54,707	53,425	51,280
Total expenditure from banking operations	12,046	9,190	8,932	9,260
Total expenditure[4,5]	**83,473**	**63,681**	**62,226**	**60,419**
Profit before tax from insurance operations:				
Life	4,504	3,436	2,666	2,647
Non-life	1,965	1,499	1,312	1,675
Total	6,469	4,935	3,978	4,322
Profit before tax from banking operations	6,561	5,005	4,916	3,418
Profit before tax	**13,030**	**9,940**	**8,894**	**7,440**

Taxation	2,500	1,907	1,379	1,709
Third-party interests	447	341	305	276
Net profit	**10,083**	**7,692**	**7,210**	**5,755**
Dividend on Ordinary shares	3,755	2,865	2,588	2,359
Addition to shareholders equity	6,327	4,827	4,622	3,396
Net profit attributable to equity holders of the Company	10,083	7,692	7,210	5,755
Ordinary share attributable to equity holders of the Company(6	4.68	3.57	3.32	2.71
Distributable net profit per Ordinary share(6	4.68	3.57	3.32	2.71
Net profit per Ordinary share and Ordinary share equivalent (fully diluted)(6	4.64	3.54	3.32	2.71
Dividend per Ordinary share(6	1.73	1.32	1.18	1.07
Interim Dividend	0.77	0.59	0.54	0.49
Final Dividend	0.96	0.73	0.64	0.58
Number of Ordinary shares outstanding (in millions)	2,205.1	2,205.1	2,204.9	2,204.7
Dividend pay-out ratio(7	37.0%	37.0%	35.5%	39.5%

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	2006 USD	2006	2005	2004	2003	2002
		(EUR millions)				
U.S. GAAP Consolidated Income Statement Data						
Total income	62,378	47,588	47,960	49,733	48,025	49,316
Net profit U.S. GAAP, excluding cumulative effects	8,949	6,827	6,976	6,688	4,512	3,476
Cumulative effects of changes in accounting principles				(91)		(13,103)
Net profit U.S. GAAP, including cumulative effects(8,9	8,949	6,827	6,976	6,597	4,512	(9,627)
Net profit per Ordinary share and Ordinary share equivalent(5	4.16	3.17	3.21	3.10	2.23	(5.00)

	Year ended December 31,			
	2006 USD(2	2006(3 EUR	2005(3 EUR	2004(3 EUR
	(in billions, except amounts per share and ratios)			
IFRS-EU Consolidated Balance Sheet Data1)				
Total assets	1,607.4	1,226.3	1,158.6	876.4
Investments:				
Insurance	184.2	140.5	144.5	112.1
Banking	224.3	171.1	180.1	164.2
Total	408.5	311.6	324.6	276.3
Loans and advances to customers	621.8	474.4	439.2	330.5
Insurance and investment contracts:				
Life	311.8	237.9	232.1	205.5
Non-life	13.2	10.1	12.8	11.4
Investment contracts	27.1	20.7	18.6	
Total	352.1	268.7	263.5	216.9
Customer deposits and other funds on deposit:				
Savings accounts of the banking operations	371.1	283.1	269.4	219.4
Other deposits and bank funds	280.0	213.6	196.3	129.8
Total	651.1	496.7	465.7	349.2
Amounts due to banks	158.3	120.8	122.2	95.9
Share capital (in millions)	2,292.1	2,292.1	2,292.0	2,291.8
Shareholders equity	50.2	38.3	36.7	24.1
Shareholders equity per Ordinary share(6	23.31	17.78	16.96	12.95
Shareholders equity per Ordinary share and Ordinary share equivalent(6	23.31	17.78	16.96	12.95

	2006 USD	2006	2005	2004	2003	2002
		(EUR millions)				
U.S. GAAP Consolidated Balance Sheet Data						
Total assets	1,610.2	1,228.4	1,159.3	920.4	818.8	762.5

Shareholders equity	53.2	40.6	41.6	35.1	28.0	25.1
Shareholders equity per Ordinary share and Ordinary share equivalent(5	24.75	18.88	19.21	16.00	13.27	12.61

(1 Selected historical financial data is based on financial statements prepared in accordance with IFRS-EU and accordingly is shown for the three years subsequent to the date of transition to IFRS

(2 Euro amounts have been translated into U.S. dollars at the exchange rate of $ 1.3108 to EUR 1.00, the noon buying rate in New York City on March 6, 2007 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

(3 For the impact of divestments in 2006, 2005 and 2004 refer to Item 5. Operating and Financial Review and

Prospects .

(4 After elimination of certain intercompany transactions between the insurance operations and the banking operations. See Note 2.1. to the consolidated financial statements.

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(5 Includes all non-interest expenses, including additions to the provision for loan losses. See Item 5, Operating and Financial Review and Prospects Liquidity and capital resources .

(6 Net profit per share amounts have been calculated based on the weighted average number of Ordinary shares outstanding and equity per share amounts have been calculated based on the number of Ordinary shares outstanding at the end of the respective periods. For purposes of this calculation ING Groep N.V. shares held by Group companies are deducted from the total number of Ordinary shares in issue. The computation is based on daily averages, and in

case of exercised warrants, the day of exercise is taken into consideration.

(7 The dividend pay-out ratio is based on net profit attributed to equity holders of the Company.

(8 As of January 2002, SFAS 142 under U.S. GAAP requires that goodwill is tested for impairment annually. This change resulted in a non-cash transitional impairment loss in 2002, related to the carrying value of goodwill as of December 31, 2001 of EUR 13,103 million, which was required to be recognized under U.S. GAAP net profit in 2002 as the cumulative effect of changes in accounting principles.

(9 Upon adoption of SOP 03-1, Accounting and Reporting by

Insurance Enterprises for certain Nontraditional long-duration contracts and for separate Accounts , and the related Technical Practice Aid (TPA) effective January 1, 2004, ING Group recognized a cumulative effect of change in accounting principle of EUR 91 million. See note 2.4.8(g) of the consolidated financial statements for further information on this change.

EXCHANGE RATES

Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar amounts received by owners of shares or ADSs on conversion of dividends, if any, paid in euros on the shares and will affect the U.S. dollar price of the ADSs on the New York Stock Exchange.

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for U.S. dollars into euros based on the Noon Buying Rate.

	U.S. dollars per euro			
Calendar Period	**Period End**(1	**Average Rate**(2	**High**	**Low**
2002	1.0485	0.9495	1.0485	0.8594
2003	1.2597	1.2074	1.2597	1.0361
2004	1.3538	1.2478	1.3625	1.1801
2005	1.1842	1.2397	1.3476	1.1670
2006	1.3197	1.2661	1.3327	1.1860
2007 (through March 6, 2007)(2	1.3108	1.3112	1.3286	1.2904

(1 The Noon Buying Rate at such dates differ from the rates used in the

preparation of ING s consolidated financial statements as of such date. See Note 2.1 Foreign currency translation to the consolidated financial statements.

(2 The average of the Noon Buying Rates on the last business day of each full calendar month during the period.

The table below shows the high and low exchange rate of U.S. dollars per euro for the last six months

	High	**Low**
September 2006	1.2833	1.2648
October 2006	1.2773	1.2502
November 2006	1.3261	1.2705
December 2006	1.3327	1.3073
January 2007	1.3286	1.2904
February 2007	1.3164	1.2933
March 2007 (through March 6, 2007)	1.3182	1.3094

The Noon Buying Rate for euros on December 31, 2006 was EUR 1.00 = $ 1.3197 and the Noon Buying Rate for euros on March 6, 2007 was EUR 1.00 = $ 1.3108.

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RISK FACTORS

Risks Related to the Financial Services Industry

Because we are an integrated financial services company conducting business on a global basis, our revenues and earnings are affected by the volatility and strength of the economic, business and capital markets environments specific to the geographic regions in which we conduct business and changes in such factors may adversely affect the profitability of our insurance, banking and asset management business.

Factors such as interest rates, exchange rates, consumer spending, business investment, real estate market, government spending, the volatility and strength of the capital markets, and terrorism all impact the business and economic environment and, ultimately, the amount and profitability of business we conduct in a specific geographic region. For example, in an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investment and consumer spending, the demand for banking and insurance products would be adversely affected and our reserves and provisions would likely increase, resulting in lower earnings. Similarly, a downturn in the equity markets could cause a reduction in commission income we earn from managing portfolios for third parties, as well as income generated and capital base from our own proprietary portfolios, each of which is generally tied to the performance and value of such portfolios. We also offer a number of insurance and financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. In addition, a mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or result from operations of our banking and insurance businesses.

Because our life and non-life insurance and reinsurance businesses are subject to losses from unforeseeable and/or catastrophic events, which are inherently unpredictable, our actual claims amount may exceed our established reserves or we may experience an abrupt interruption of activities, each of which could result in lower net profits and have an adverse effect on our results of operations.

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods and earthquakes, epidemics, as well as terrorist attacks. The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and can not always be adequately reserved. In accordance with industry practices, modeling of natural catastrophes are performed and risk mitigation measures are made. In case claims occur, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established and includes updates when more information becomes available. Although we continually review the adequacy of the established claim reserves, and based on current information, we believe our claim reserves are sufficient in total, there can be no assurances that our actual claims experience will not exceed our estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, our earnings may be reduced and our net profits may be adversely affected. In addition, because unforeseeable and/or catastrophic events can lead to abrupt interruption of activities, our banking and insurance operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions, insurance and pension benefits to employees and also to key personnel. If our business continuity plans are not able to be put into action or do not take such events into account, losses may further increase.

Because we operate in highly regulated industries, laws, regulations and regulatory policies or the enforcement thereof that govern activities in our various business lines could have an effect on our reputation, operations and net profits.

We are subject to detailed banking, insurance, asset management and other financial services laws and government regulation in each of the jurisdictions in which we conduct business. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices. Banking, insurance and other financial services laws, regulations and policies currently governing us and our subsidiaries may also change at any time in ways which have an adverse effect

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on our business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, bank regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. Regulation is becoming increasingly more extensive and complex and regulators are focusing increased scrutiny on the industries in which we operate, often requiring additional Company resources. These regulations can serve to limit our activities, including through our net capital, customer protection and market conduct requirements, and restrictions on businesses in which we can operate or invest. If we fail to address, or appear to fail to address, appropriately any of these matters, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties. Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretation or conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, or we fail to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, amongst other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition.

RISKS RELATED TO THE COMPANY

Because we operate in highly competitive markets, including in our home market, we may not be able to further increase, or even maintain, our market share, which may have an adverse effect on our results of operations.

There is substantial competition in the Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking, asset management and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If we are not able to match or compete with the products and services offered by our competitors, it could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the Rest of Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors. We derived approximately 34% of our profit before tax in 2006 from the Netherlands. Based on geographic division of our operating profit, the Netherlands is our largest market for both our banking and insurance operations. Our main competitors in the banking sector in the Netherlands are ABN Amro Bank and Rabobank. Our main competitors in the insurance sector in the Netherlands are Achmea, Fortis and Aegon. We derived approximately 19% of our profit before tax in 2006 from the United States. Our main competitors in the United States are insurance companies such as Lincoln National, Hartford, Aegon Americas, Met Life, Prudential, Nationwide and Principal Financial. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors.

Because we have many counterparties that we do business with, the inability of these counterparties to meet their financial obligations could have an adverse effect on our results of operations.

General

Third-parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers whose securities we hold, borrowers under loans originated, customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing house and other financial intermediaries. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

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Reinsurers

Our insurance operations have bought protection for risks that exceed certain risk tolerance levels set for both our life and non-life business. This protection is bought through reinsurance arrangements in order to reduce possible losses. Because in most cases we must pay the policyholders first, and then collect from the reinsurer, we are subject to credit risk with respect to each reinsurer for all such amounts. As a percentage of our (potential) reinsurance receivables as of December 31, 2006, the greatest exposure after collateral to an individual reinsurer was approximately 33%, approximately 18% related to four other reinsurers and the remainder of the reinsurance receivables balance related to various other reinsurers. The inability of any one of these reinsurers to meet its financial obligations to us could have a material adverse effect on our net profits and our financial results.

Because we use assumptions about factors to determine the insurance provisions, deferred acquisition costs (DAC) and value of business added (VOBA), the use of different assumptions about these factors may have an adverse impact on our results of operations.

The establishment of insurance provisions, including the impact of minimum guarantees which are contained within certain variable annuity products, the adequacy test performed on the provisions for life policies and the establishment of DAC and VOBA are inherently uncertain processes involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour (e.g. lapses, persistency, etc.) and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends.

The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expense. Changes in assumptions may lead to changes in the insurance provisions over time. Furthermore, some of these assumptions can be volatile.

For example, in Taiwan, the adequacy of provisions for life policies are highly sensitive to interest rates and other assumptions and can only be reliably estimated within broad ranges which may vary significantly from period to period. If the interest rates as at December 31, 2006 had been 1% lower, these Taiwan provisions would have been inadequate at the 50% confidence interval and, consequently, an amount of approximately EUR 1.5 billion (after tax) would have been included as a charge in the profit and loss account, reflecting the amount necessary to bring reserves to a best estimate level.

Because we use assumptions to model client behaviour for the purpose of our market risk calculations, the difference between the realization and the assumptions may have an adverse impact on the risk figures.

We use assumptions in order to model client behaviour for the risk calculations in our banking and insurance books. Assumptions are used to determine insurance liabilities, the price sensitivity of savings and current accounts and to estimate the embedded optionality risk in the mortgage and investment portfolios. The realization or use of different assumptions to determine the client behaviour could have material adverse effect on the calculated risk figures and ultimately future results.

Because we also operate in markets with less developed judiciary and dispute resolution systems, in the event of disputes in these markets, the quality and the effectiveness of such systems could have an adverse effect on our operations and net results.

In the less developed markets in which we operate, judiciary and dispute resolution systems may be less developed. As a result in case of a breach of contract we may have difficulties in making and enforcing claims against contractual counterparties and, if claims are made against us, we might encounter difficulties in mounting a defense against such allegations. If we become party to legal proceedings in a market with an insufficiently developed judiciary system, it could have an adverse effect on our operations and net result.

Because we are a financial services company and we are continually developing new financial products, we might be faced with claims that could have an adverse effect on our operations and net result if clients expectations are not met.

When new financial products are brought to the market, communication and marketing aims to present a balance view of the product (however there is a focus on potential advantages for the customers). Whilst we engage in a due diligence process when we develop products, if the products do not generate the expected profit, or result in a loss, or otherwise do not meet expectations, customers may file claims against us. Such claims could have an adverse effect on our operations and net result.

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Our business may be negatively affected by adverse publicity, regulatory actions or litigation with respect to the Company, other well-known companies and the financial services industry generally.

Adverse publicity and damage to ING s reputation arising from its failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well known companies, increasing regulatory and law enforcement scrutiny of know your customer anti-money laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the mutual fund, banking and insurance industries, and litigation that arises from the failure or perceived failure by ING to comply with legal, regulatory and compliance requirements, could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect our ability to attract and retain customers, maintain access to the capital markets, result in cease and desist orders, suits, enforcement actions, fines and civil and criminal penalties, other disciplinary action or have other material adverse effects on us in ways that are not predictable.

Because we are a Dutch company and because the Stichting ING Aandelen holds more than 99% of our Ordinary shares, the rights of our shareholders may differ from the rights of shareholders in other jurisdictions, which could affect your rights as a shareholder.

While holders of our bearer receipts are entitled to attend and speak at the General Meetings of Shareholders, voting rights are not attached to the bearer depositary receipts. Stichting ING Aandelen (the Trust) holds more than 99% of our Ordinary shares, and exercises the voting rights attached to the Ordinary shares (for which bearer receipts have been issued). Holders of bearer receipts who attend in person or by proxy the General Meeting of Shareholders must obtain voting rights by proxy from the Trust. Holders of bearer receipts and holders of the ADSs (American Depositary Shares) representing the bearer receipts, who do not attend the General Meeting of Shareholders, may give binding voting instructions to the Trust. See Item 7. Major Shareholders and Related Party Transactions Voting of the Ordinary shares underlying bearer receipts by the Trust . The Trust is entitled to vote any Ordinary shares underlying the bearer depositary receipts for which the Trust has not granted voting proxies, or voting instructions have not been given to the Trust. In exercising its voting discretion, the Trust is required to make use of the voting rights attached to the Ordinary shares in the interest of the holders of bearer receipts, while taking into account

- our interests;
- the interests of our affiliates; and
- the interests of our other stakeholders.

in such a way that all interests are balanced and safeguarded as effectively as possible. The Trust may, but has no obligation to, consult with the holders of bearer receipts or ADSs in exercising its voting rights in respect of any Ordinary shares for which it is entitled to vote. These arrangements differ from practices in other jurisdictions, and accordingly may affect the rights of the holders of bearer receipts or ADSs and their power to effect the Company s business and operations.

The share price of our bearer receipts and ADSs has been, and may continue to be, volatile which may impact the value of our bearer receipts or ADSs you hold.

The share price of our bearer receipts and our ADSs has been volatile in the past due, in part, to the high volatility in the securities markets generally and more particular in shares of financial institutions. Other factors, besides our financial results, that may impact our share price include, but are not limited to:

- market expectations of the performance and capital adequacy of financial institutions in general;
- investor perception of the success and impact of our strategies;
- a downgrade or review of our credit ratings;
- potential litigation or regulatory action involving ING Group or sectors we have exposure to through our insurance and banking activities;

announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and general market circumstances.

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Because we are incorporated under the laws of the Netherlands and most of the members of our Supervisory and Executive Board and many of our officers reside outside of the United States, it may be difficult for you to enforce judgments against us or the members of our Supervisory and Executive Boards or our officers.

Most of our Supervisory and Executive Board members, and some of the experts named in this Annual Report, as well as many of our officers are persons who are not residents of the United States, and most of our and their assets, are located outside the United States. As a result, you may not be able to serve process on those persons within the United States or to enforce in the United States judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws. You also may not be able to enforce judgments of U.S. courts under the U.S. federal securities laws in courts outside the United States, including the Netherlands. The United States and the Netherlands do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, you will not be able to enforce in the Netherlands a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, even if the judgment is not based only on the U.S. federal securities laws, unless a competent court in the Netherlands gives binding effect to the judgment.

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Item 4. Information on the Company

GENERAL

ING was established as a Naamloze Vennootschap (public limited liability company) on March 4, 1991 through the merger of Nationale-Nederlanden, which was the largest insurer in the Netherlands, and NMB Postbank Group, which was one of the largest banks in the Netherlands. ING Groep N.V. is incorporated under the laws of the Netherlands.

The official address of ING Group is:	Our principal U.S. office is:
ING Groep N.V.	ING Financial Holdings Corporation
Amstelveenseweg 500	1325 Avenue of the Americas
1081 KL Amsterdam	New York, NY 10019
P.O. Box 810, 1000 AV Amsterdam	United States of America
The Netherlands	Telephone +1 646 424 6000
Telephone +31 20 541 5411	

Mission

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

Profile

ING provides a broad range of insurance, banking and asset management services and is a top-15 global financial institution (based on market capitalisation). We serve more than 60 million customers in Europe, the United States, Canada, Latin America, Asia and Australia. We draw on our experience and expertise, our commitment to excellent service, and our global scale to meet the needs of a broad customer base, comprising individuals, small businesses, large corporations, institutions and governments.

Strategy

ING s overall ambition is to create value for its shareholders: to give them a higher total return than the average of that of our peers over the longer term. To achieve that, we steer our business towards value creation through growth and return and aim to keep improving the execution of our business fundamentals. We want to excel at what we do and focus on delivering outstanding service to our costumers and on firmly managing costs, risks and reputation. We invest in growth, and to this end ensure we are in businesses and markets with good long-term growth potential. Retirement services, ING Direct, and our life insurance activities in developing markets are all good examples of this. In many cases we are also able to outgrow the competition in mature markets by focusing on selective product and client segments.

Stakeholders

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

Corporate responsibility

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

CHANGES IN PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

Reference is made to Note 2.1. Changes in accounting principles.

CHANGES IN THE COMPOSITION OF THE GROUP

In June 2006, ING sold its U.K. brokerage unit Williams de Broë Plc for EUR 22 million. The sale is part of ING Group s strategy to focus on core businesses. The result on the sale is subject to closing adjustments. The net loss recognised in 2006 was EUR 9 million.

In September 2006, ING sold its 87.5% stake in Deutsche Hypothekenbank AG, a publicly listed mortgage bank in Germany, as part of ING s strategy to focus on its core business. The sale resulted in a net loss of EUR 83 million.
In October 2006, ING acquired 100% of ABN AMRO Asset Management (Taiwan) Ltd, a registered Securities Investment Trust Enterprise, for EUR 65 million. The purchase will strengthen ING s existing position in asset management activities in Taiwan.
In October 2006, ING acquired 58% of Summit Real Estate Investment Trust (Summit REIT) for an amount of EUR 2,132 million. Summit REIT owns a portfolio of high-quality light industrial properties in major markets across Canada.
In December 2006, ING sold its stake in Degussa Bank, a unit of ING-DiBa specializing in worksite banking for private customers. The sale results in a net loss of approximately EUR 23 million.
For the year 2005 reference is made to Note 2.1, note 28, Principal Subsidiaries and Companies acquired/ disposed of notes to the consolidated financial statements.

RECENT DEVELOPMENTS

For recent changes in the Executive Board and Supervisory Board we refer to Item 6. Directors, Senior Management and Employees .

GROUP STRATEGY

Consistent implementation of strategy is paying off

- Solid increase in Total Shareholder Return

- Diversification enables active capital allocation across businesses to generate high growth and return

- Profitable growth across businesses

- Improving execution of business fundamentals

In 2006, ING created value by focusing on profitable growth and excellence in execution, which are the cornerstones of our strategy. The consistent implementation of our strategy has led to good financial results and a substantially higher total shareholder return than the average of that of our peers over the past three years.
To create shareholder value, ING focuses on increasing economic profit and we aim to manage our business in such a way that we generate returns higher than the cost of capital. To achieve this, we implemented a Managing for Value framework company-wide. This means that we keep investing in the skills of our managers at all levels in the company to identify and improve those drivers that have the biggest impact on value creation. We believe our financial position thanks to focused portfolio management over the past three years enables us to allocate our capital across businesses and client segments in such a way that it optimizes the highest growth and return.
We believe that our strong and diversified earnings capacity and returns at satisfying level in all business lines show that the consistent implementation of our strategy is paying off. ING continues to offer a solid increase in Total Shareholder Return (TSR). Amongst the peer group of 20 global financial organisations, ING ranks second with a TSR of 109% over a three-year period since 2004. This exceeds our financial objective to offer our shareholders a higher total return than the average of that of our peers over the longer term.

Benefits of a balanced business portfolio

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

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

Profitable growth across businesses

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

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

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

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

For long-term growth, we do not only expand existing businesses, we also invest in future organic growth opportunities, such as retail banking and insurance operations in India and Romania in 2005 and life insurance activities in Bulgaria and Russia in 2006.

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

Offering exemplary customer service

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

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

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

Managing costs

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

Managing risks

Important progress has been made in 2006 in improving risk modelling and measurement techniques. At Group level, we are developing risk metrics that capture bank and insurance risk into a single view. We significantly improved the quantification and our understanding of the credit risk in our banking book in line with Basel II, and on the insurance side, we have introduced a market consistent framework which enables more accurate pricing of complex products. ING strengthened the risk management organisation and centralised the risk function by means of creating the position of (deputy) Chief Risk Officer (CRO) who is responsible for managing and controlling risk on a consolidated level. These improvements further enhance the full integration of risk management in our daily business activities and strategic planning (a number of other changes are explained in 2.2 Risk Management of notes to the consolidated financial statements).

Managing reputation

Reputation and integrity are two important assets for financial services providers. Over the past few years, the amount of regulation has increased and enforcement has become more vigorous. Regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, amongst other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition. More generally, the cost of being in the financial services industry continues to grow. At ING we have strengthened our compliance organisation accordingly. A Group-wide compliance policy has been adopted that allows us to approach compliance in a uniform and consistent way throughout the Group. Regulatory compliance is essential for ING, not just from a regulator s point of view, but also because ING s relationships with its clients depend on integrity and fairness. Compliance is more than just adhering to a set of rules. It also reflects the way we want to treat our clients and our shareholders fairly and with excellent performance.

Embedding a performance culture

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

Conclusions and ambitions

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

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that we generate in our mature businesses to the most value-adding areas within the company, including our growth engines.

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

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

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

CORPORATE GOVERNANCE

New legislation

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

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

Dialogue with shareholders

And finally, ING Group will create the opportunity for investors to ask questions on matters on the agenda for the 2007 General Meeting of Shareholders. Shareholders and holders of depositary receipts can visit the website of ING Group (www.ing.com) to submit their questions as of March 20, 2007. Questions pertaining to the Shareholders meeting will be answered on that same website before the meeting or during the meeting itself.

CORPORATE GOVERNANCE CODES

In compliance with the Dutch Corporate Governance Code

In its corporate governance structure and its corporate governance practices, ING Group uses the Dutch Corporate Governance Code (Tabaksblat Code) as reference. The ING Group corporate governance structure described in the document, entitled The Dutch Corporate Governance Code ING s implementation of the Tabaksblat Code for good corporate governance was approved by the General Meeting of Shareholders on April 26, 2005. As a result, ING Group is considered to be in full compliance with the Tabaksblat Code, although it does not apply all best-practice provisions of the Code in full. The document is available on the website of ING Group (www.ing.com) and now includes an update of ING s implementation of the Tabaksblat Code since 2005.

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

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

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practice provision II.1.4);

the two Executive Board members appointed before January 1, 2004 remain appointed for an indefinite period of time and retain their agreed exit arrangements, which exceed one year s salary (best-practice provisions II.1.1. and II.2.7), as existing contractual arrangements cannot be changed unilaterally;

existing rights for severance payments with respect to Executive Board members who are already employed by ING prior to their appointment to the Executive Board, are taken into account. As a result thereof, their exit arrangement as Executive Board member may exceed the maximum of the Tabaksblat Code (best-practice provision II.2.7);

Executive Board members may sell shares awarded to them without financial consideration within the five-years retention period in order to cover the wage tax which is to be withheld over the vested award (best-practice provision II.2.3), in order to avoid that the total wage tax to be withheld in the month of vesting exceeds the gross salary payment of that month;

performance criteria for variable remuneration are being disclosed only to the extent this information is not stock-price sensitive or competition sensitive (best-practice provisions II.2.3, II.2.10 and II.2.11);

Executive Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that apply to all employees. These may include services in which the granting of credit is of a subordinate nature, e.g. credit cards and overdrafts in current accounts (best-practice provisions II.2.8, II.3.2. and II.3.3). These exceptions are based on a lack of materiality;

if a Supervisory Board member would not meet the independence criteria of the Tabaksblat Code, the Supervisory Board can make a reasoned decision that such member is still considered to be independent in order to take into account specific circumstances, such as the differences in duration, intensity and geographical distance in family and employment relations (best- practice provision III.2.2), in order to allow for situations of non-independency that are not material;

the legally required second candidate on a binding nomination for appointment to the Supervisory Board does not need to meet the independence criteria of the Tabaksblat Code nor the requirements of the Supervisory Board profile (best-practice provisions III.2.2. and II.3.1), in view of the contemplated abolition of this legal requirement;

Jan Hommen, who was appointed in the 2005 General Meeting of Shareholders as a Supervisory Board member, has more than five positions as a supervisory board member with other Dutch-listed companies (best-practice provision III.3.4). He will meet the Tabaksblat requirement as of May 2007, when he will retire from the Supervisory Board of Ahold N.V.;

under special circumstances the Supervisory Board may deviate from the general rule that a member of the Supervisory Board cannot be re-appointed for more than 2 subsequent 4-years terms (best-practice provision III.3.5);

ING Group installed a combined Remuneration and Nomination Committee instead of a separate remuneration committee and a nomination committee (best-practice provision III.5.1);

the Remuneration and Nomination Committee is being chaired by the Chairman of the Supervisory Board (best-practice provision III.5.11), so that he can be involved in this important subject directly and in an early stage;

in case of a transaction with a family member that entails a conflict of interests according to the Tabaksblat Code, the Supervisory Board may decide that no conflict of interests exists, if the relationship is based on marriage, especially if that marriage ended in conflict (best-practice provision III.6.1), in order to allow for situations in which the family relationship is not material (anymore);

transactions with Supervisory Board members or persons holding at least 10% of the shares of ING Group in which there are significant conflicting interests, will be published in the annual report, unless (i) this conflicts with the law, (ii) the confidential, stock-price sensitive or competition-sensitive character of the transaction prevents this and/or (iii) the information is so competition-sensitive that the publication could damage the competitive position of ING Group (best-practice provision III.6.3 and 6.4);

Supervisory Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that are customary in the sector. These may include services in which the granting of credit is of a subordinate nature, e.g. credit cards and overdrafts in current accounts (best-practice provisions III.7.4) These exceptions are based on a lack of materiality;

the voting rights of the Preference A shares are based on their nominal value (best-practice provision IV.1.2), as these voting rights cannot be changed unilaterally;

if a notarial report is drawn up of the General Meeting of Shareholders, shareholders will not have the opportunity to react to the minutes of the meeting (best-practice provision IV.3.8), as this would be in conflict with the laws applicable to such notarial report.

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Corporate Governance Differences

Under the New York Stock Exchange s (NYSE) listing standards, ING Group as a foreign private issuer must disclose any significant ways in which its corporate-governance practices differ from those followed by US domestic companies under the NYSE listing standards. An overview of what we believe to be the significant differences between our corporate-governance practices and NYSE corporate-governance rules applicable to US companies is available on the website of ING Group (www.ing.com).

CORPORATE ORGANIZATION

ING Group N.V. has a Supervisory Board and an Executive Board. The Executive Board is responsible for the day-to-day management of the Group and its business lines (Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct). For more information about the Supervisory and Executive Boards, see Item 6. Directors, Senior Management and Employees .

Business Lines

Each business line formulates the strategic, commercial and financial policies in conformity with the group strategy and performance targets set by the Executive Board. Each business line is also responsible for the preparation of its annual budget, which is then approved and monitored by the Executive Board. In addition, each business line approves the strategy, commercial policy and the annual budgets of the business units in its business line and monitors the realization of the policies and budgets of that business line and its business units.

The following chart shows the breakdown by business line of ING s total income and total profit before tax for the year 2006. Please see Item 5. Operating and financial review and prospects , Segment Reporting for the total income and profit before tax by business line for the years ended 2006, 2005 and 2004.

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INSURANCE EUROPE

ING Insurance Europe operates in The Netherlands, Belgium, Luxembourg, Spain, Greece, Poland, Hungary, the Czech Republic, Slovakia, Romania, Bulgaria and Russia. The operating companies in these countries have tailored their insurance products, investment and asset management services and pension fund services for certain target markets and distribution channels. ING Insurance Europe has three key priorities. First, continued profitable growth and efficient allocation of capital across business units in the region. Second, to concentrate on wealth management and retirement services to meet the needs of the increased elderly population. Third, to continue improving efficiency and risk management.

In the Netherlands, ING offers basic retail insurance products via direct marketing (Postbank), while independent intermediaries (Nationale-Nederlanden), tied agents (RVS) and bank branches (ING Bank) are more suitable for selling complex products requiring more personal service and specialized advice. In the countries in Central Europe, tied agents are the main distribution channel. In this region too, ING continues to strive towards a multi-distribution approach with banks, brokers and direct marketing as additional channels. ING considers the degree of personal service and specialized advice as an important factor in determining how to distribute its products and services within Europe.

ING Investment Management Europe (ING IM Europe) is the principal asset manager for ING Insurance Europe. ING IM Europe also manages equity, fixed income and structured investments for institutional investors and the private label investment funds sold by various ING companies, including ING Bank, ING Belgium, Postbank, Nationale-Nederlanden and third party distributors. In addition, ING IM Europe is responsible for managing the treasury activities of ING Insurance.

ING s life insurance products in Europe consist of a broad range of participating (with profit) and non-participating (without profit) policies written for both individual and group customers. Individual life products include a variety of endowment, term, whole life and unit linked insurance policies. In some countries, Group policies are designed to fund private pension benefits offered by a wide range of businesses and institutions as a supplement to government provided benefits. ING is also a prominent provider of mandatory and voluntary pension funds in several countries in Central Europe.

ING s non-life products include coverage for both individual and commercial/group clients for fire, automobile, disability, health-care, transport and aviation insurance, third party liability insurance and indirect premiums (incoming reinsurance premiums). In the Netherlands, the government is decreasing its role in the field of disability insurance and sick pay, possibly creating new opportunities for insurance companies to provide private-sector coverage for benefits previously provided by the Dutch government. ING offers a broad range of disability insurance products and complementary services for employers and individual professionals (such as dentists and lawyers).

INSURANCE AMERICAS

ING Insurance Americas (ING Americas) operates in four main geographic areas: Canada, the United States, Mexico, and Latin America. ING Americas offers various types of insurance, retirement services, (largely defined contribution plans) annuities, mutual funds, broker-dealer services and institutional products, including group reinsurance and principal protection products, as well as retail and institutional asset management.

In 2006, ING Americas operated in the United States through three business segments: Worksite and Institutional Businesses (which included retirement services), the Retail Businesses (which included Life and Annuities), and Asset Management. The US life market remains segmented and subject to intense competition as the overall market is growing at mid to high single digit rates. In 2007, to continue our maximization of the growth opportunities in the market and to aggressively manage the differing risks in each product line, we intend to reorganize the US businesses in the following three divisions: Wealth Management, Asset Management, and the Insurance businesses. Through these three divisions, we intend to continue to provide a wide variety of financial products and services to individuals both on a retail basis and through employers and directly to institutional customers. Distribution channels include independent producers, broker dealers and financial institutions as well as consultants, affiliate distribution channels and financial intermediaries. Career agents, ING Direct and an institutional sales force for asset management products.

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The US Wealth Management business includes Retirement Services (which includes Defined Contribution Pensions and Rollover/Payout business) and Annuities, which between them provide the substantial majority of earnings and value creation for the US, and the ING Advisors Network, a distribution channel of wholly owned broker-dealers with independent contractor registered representatives. In the institutional market, Retirement Services sells 401(k), 403(b) and 457 defined contribution plans and targets the higher growth segments of small (under 500 employees) corporate 401(k) and teachers and staff (kindergarten through 12th grade, the K-12 segment). The primary retail customer target market for Annuities is the mass affluent segment. Besides providing access to financial services products, ING Advisors Network offers such services as financial planning, investment advisory services, pension plan administrative services and trust services through its approximately 8,700 affiliated and licensed financial professionals.

The Asset Management organization includes ING Investment Management Americas (ING IM Americas), Mutual Funds and Institutional Markets. ING IM manages proprietary and third party assets in the US, Canada and Latin America. ING IM Americas manages proprietary assets for ING Americas insurance entities, investing in a diverse mix of public fixed income, private placements, commercial mortgages and alternative assets. Third party business units (mainly in the US) include mutual fund sub-advisory, institutional assets, alternative assets and managed accounts and its products are distributed through proprietary, affiliated and outside distribution channels. Assets are managed in a wide range of investment styles and portfolios including: domestic and international equity funds of various value, blend and growth styles and of small, mid- and large capitalization, domestic fixed income portfolios across the major bond market sectors, balanced portfolios, hedge funds and private equity. Principal protections products are provided through Institutional Markets.

The Insurance Businesses focuses on both individual and institutional clients and provide a wide range of insurance and investment products, including variable universal life, universal life, and term insurance. Individual retail markets include both the mass affluent and the middle market. Institutional customers are served by both the Employee Benefits unit, which provides both group and voluntary insurance products, and through ING Re, which provides group reinsurance.

ING Canada focuses on risk management expertise delivered through strong manufacturing and distribution capabilities. ING Canada s principal insurance products are automobile and property and liability insurance, which are marketed to individuals and businesses. ING Canada offers commercial specialty lines products. In addition to insurance operations, ING Canada also has a registered mutual fund dealer, ING Wealth Management, which focuses on delivering financial solutions to ING clients through a number of distribution partners. Following an initial public offering in 2004, ING Group s ownership share in ING Canada was reduced to 70%. ING Canada uses independent brokers as its primary distribution channel, accounting for approximately 90% of direct premiums written. ING Canada also sells products directly to customers through the internet and by telephone through call centers in Quebec and Ontario.

ING Americas sells life insurance, health insurance, auto, property and casualty insurance, and pension and financial services products through subsidiaries and joint venture affiliates in selected Latin American markets. Activities are concentrated on the Mexican and Chilean markets and ING Americas also has a joint venture presence in Peru and Brazil. Distribution channels in Mexico and Latin America include brokers and tied agents.

INSURANCE ASIA/PACIFIC

Insurance Asia/Pacific (IAP) is a line of business comprising ING Group s Asian, Australian and New Zealand insurance and asset management operations. In total, IAP has 24 wholly-owned or joint-venture businesses operating across 13 countries, including Australia, China, Hong Kong, India, Japan, Macau, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan and Thailand. The principal business unit operations are located in Australia, Japan, South Korea and Taiwan. In 2005 and 2006, these principal business unit operations represented 94% and 93% of IAP s total premium income, respectively.

An IAP regional office in Hong Kong leads, controls and supports all IAP business units in the region, ensures implementation of strategy and standards, encourages synergy both regionally and globally, and produces regional management reports to headquarters in Amsterdam.

IAP s business units offer various types of life insurance, wealth management, retail and institutional asset management products (including annuity, endowment, disability/ morbidity insurance, unit linked/ universal life, whole life, participating life, group life, accident and health, term life and employee benefits) and services.

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In Hong Kong and Malaysia, non-life insurance products (including employees compensation, medical, motor, fire, marine, personal accident and general liability) are also offered. Each business unit is subject to regulation by its respective insurance or investment regulatory commission, which generally requires a separate operating license and product approvals. IAP s distribution channels include tied or career agents, independent agents, financial planners, bancassurance, telemarketing and e-business channels.

Based on an analysis of public disclosures by regulators and competitors and data provided by independent publications, IAP estimates that its combined insurance operations rank second among regional foreign life insurers by annualized premium equivalent (annualized premium equivalent represents the aggregate of new regular premium sales and 10 percent of new single premium sales of life insurance products) and its combined investment management operations in Asia, excluding Australia and Japan, rank second in terms of total assets under management (AUM) and rank first in terms of retail AUM.

WHOLESALE BANKING

ING Wholesale Banking offers a full range of products to corporates and institutions in the Benelux countries. Elsewhere we operate a more selective and focused client and product approach with a strong presence in over 40 countries worldwide. To continue to improve our market position, Wholesale Banking has three key priorities: client-focus, cross-selling and cost control. Through delivering a truly relationship-driven business model we have clearly defined and targeted our core market and product strengths in an increasingly competitive market. These foundations underpin the implementation of a single global brand for Wholesale Banking.

We believe that ING Wholesale Banking did well in 2006 despite a challenging business climate by focusing on clients interests, capitalising on cross-selling opportunities and managing for greater value. While working to bring down overall costs, the organisation continued to invest selectively to ensure future growth through expansion of its existing capabilities in higher value-added products in key areas such as Financial Markets, Payments and Cash Management and Leasing and Structured Finance. Wholesale Banking was able to focus on its core businesses by optimising the allocation of capital and through the sale of Williams de Broë and Deutsche Hypothekenbank.

In 2006 there were further developments in the relationship-driven business model, launched over two years ago. Client coverage was further improved and simplified after a number of top corporate clients were identified as priority clients and then allocated additional resources. A global event finance team comprised of highly experienced bankers was also established to advise clients and coordinate transformational transactions. Mid-sized companies remain very important and strong relationships are being maintained with the networks built up across the Netherlands and Belgium, as well as in Romania and Poland.

Our client portfolio was evaluated to ensure a stronger focus on core clients to whom we can sell more high-margin and value-creating products in accordance with our strategic alignment program called the Target Operating Model. The model focuses on cost control as well as growth, capital optimisation and improved operational efficiency. In 2005 these operations were completed in Asia, the Americas, and the UK. The implementation phase of the program was completed in the Benelux over 2006 and will be fully executed in 2007.

A number of new initiatives were introduced in 2006 to better position our most value-creating businesses. This included grouping all of our activities in documentary payments, credit, collections and trade facilities under one global organisation, Trade Financial Services. A secondary loan trading activity was also launched focusing on trading and making markets in transactions ING helped bring to the market, either through the syndications market or via another senior capacity. Lease and Commercial Finance activities were launched in several central and eastern European countries while two Lease acquisitions Appleyard (UK) and Autoplan (France) were made to boost our European presence and attain a top five ranking in the manufacturer-independent vehicle leasing companies. Investments in Payments and Cash Management have also continued ahead of the January 1, 2008 launch of the Single Euro Payments Area in order to remain a major player in the European funds market. Furthermore, ING was once again voted Best Cash Management Bank in Eastern Europe by Treasury Management International in 2006.

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

Looking ahead, in 2007 we plan to further refine our client coverage model with a continued emphasis on our cross-sell strategy. The approach to mid corporate clients will also be further aligned at a global level. We plan to remain vigilant in keeping costs under control, which will be strongly assisted by the full implementation of the Managing for Value initiative across the Benelux, while striving to find new ways to maximise value creation.

ING Real Estate

ING Real Estate is a global and diversified real estate company active in real estate investment management, development and finance. With in-house local research and global coverage thanks to its teams in Europe, America, Asia and Australia, ING Real Estate provides its clients with innovative and tailor-made real estate based solutions. ING Real Estate is a research-driven and performance-led investment manager offering over 60 funds, both listed and unlisted to institutional and private investors. The Finance division provides flexible, tailored solutions on the back of broad real estate expertise and cutting edge financial know-how to private and institutional investors, developers and specific other client groups. The Development division has a strong track record stretching back more than 40 years in applying research-based expertise to develop residential, retail, office and mixed-use projects across Europe.

ING Real Estate saw another year of strong growth, driven mainly by the unremitting appetite for property funds among investors. The successful takeover of Summit Real Estate Investment Trust, Canada s largest listed owner of industrial assets, added EUR 2.3 billion to assets under management. Several new funds for the institutional market were launched in Europe as well as the ING Real Estate China Opportunity Fund. ING Real Estate Investment Management and ING Wholesale Banking have also formed a joint venture called ING Real Estate Capital Advisors to capitalize on the growing demand for specialized real estate investment banking services.

The Finance Division made substantial progress in its international diversification strategy, while maintaining market leadership in its home market of the Netherlands. The division made a strong debut in the securitisation market and increased its activity in the syndication market, in association with ING Wholesale Banking. The Finance Division also closed its first lending transactions in Asia.

The Development Division returned to profit on the back of a string of project sales. Several shopping centres in Spain, Germany and the UK were completed. The division received several prestigious industry awards, including European Retail Developer of the Year .

RETAIL BANKING

The retail banking business focuses on retail banking services to individuals, and to small- and medium-sized businesses and on private banking. These businesses are supported by a multi-product, multi-channel distribution approach. We serve two types of retail markets, each reflecting our different market positions and therefore each requiring a slightly different approach with regard to the retail strategy. In the mature markets of the Netherlands and Belgium, our strategy is to assist our clients in areas such as wealth accumulation, savings and mortgages. We seek to distribute these different products through an efficient mix of channels appropriate to the client segments and products. In a number of selected developing markets (India, Poland, Romania) with the right demographics, economic growth potential and stable institutional environment, our strategy is to become a prominent player in the local retail banking markets, providing our clients with simple but quality products. In the mature markets, achieving operational excellence and cost leadership, combined with the right level of customer satisfaction, will be important for continuing profit growth. ING considers developing economies as opportunities for structural growth due to their strong demographics, rapid income growth, emerging middle classes and relatively low penetration of the financial services sector.

The Netherlands

Postbank is ING s direct bank in the Netherlands. Postbank reaches its individual customers through home banking, telephone, call centers, internet banking, mailings and post offices. Using direct marketing methods, Postbank leverages its position as a leading provider of current account services and payments systems to provide other financial services such as savings accounts, mortgage loans, consumer loans,

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credit card services, investment and insurance products. Mortgages are offered through a tied agents sale force and direct and intermediary channels.

ING Bank Netherlands operates through a branch network of 250 branches. It offers a full range of commercial banking activities and life and non-life insurance products. It also sells mortgages through the intermediary channel.

Belgium

Besides insurance (life, non-life, employee benefits) and asset management, ING Belgium provides banking products and services to meet the needs of individuals, families, companies and institutions through a network of local head offices, 820 traditional branches and direct banking channels (fully automated branches, home banking services and call centers). ING Belgium also operates a second network, Record Bank, which provides a full range of banking products through independent banking agents and credit products through a multitude of channels (agents, brokers, vendors).

Central Europe

In Poland, ING Bank Slaski provides a full range of banking services to business and individual customers through a network of 330 branches, supported by ATMs and telephone, internet and electronic banking. Since 2004 we have opened 110 fully automated outlets in Romania that provide selected banking products to individual clients.

Asia

In India, ING Vysya Bank has a network of 370 branches supported by a sales force of tied agents, who provide a full range of banking services to business and individual clients. In China, ING acquired a 19.9% participation in Bank of Beijing in 2005.

Private Banking

Private Banking provides wealth management services to high net worth individuals throughout the world. We have continued to raise the visibility of the Private Banking activities in the Benelux to penetrate ING s existing client base in these markets. In new international markets (Asia, Central Europe, Latin America), we continue to seek to attract new assets to the group, serving them in part out of our branch in Switzerland.

ING DIRECT

ING Direct consists of a direct banking business and a stand-alone credit card operation (ING Card). The direct bank is an important part of ING Group s international retail strategy. The strategy of ING Direct is to be a low-cost provider of financial services in large, mature markets by offering clients good value for money and excellent service via call-centers, direct mail and the internet. The main products offered by ING Direct are saving accounts and mortgages. ING Direct also sells a focused range of financial products such as mutual funds, e-brokerage, pensions and life insurance.

ING Direct s direct banking business is active in nine countries, including Canada, Spain, Australia, France, the United States, Italy, Germany, Austria and United Kingdom and as of the end of 2006, provides services to 17.5 million customers. Each country forms a separate business unit, with the exception of Austria which is managed by the German business unit.

ING Direct s overall growth in funds entrusted was driven mainly by the business units in Germany, the United States, France, Australia and Italy reflecting the continued momentum of the ING Direct brand. At year-end 2006 total funds entrusted to ING Direct worldwide amounted to EUR 196 billon and total own originated mortgages were EUR 58 billion. Growth in mortgages was primarily attributable to Germany, Australia, Canada and the United States. The percentage of mortgage versus savings funds continues to increase. The locked in margins of the mortgages continues to contribute stability to the overall business.

ING Card aims at leveraging the extensive retail customer databases within ING Group. ING Card manages the credit card portfolios in the Netherlands and in Belgium. At year-end the portfolio size amounted to 1.7 million cards. Crucial to its strategy is to focus on marketing, business intelligence and credit risk management. Other ING business units will be supported with this knowledge and expertise.

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PRINCIPAL GROUP COMPANIES

Reference is made to Exhibit 8 List of subsidiaries of ING Groep N.V.

REGULATION AND SUPERVISION

The insurance, banking, asset management and broker dealer business of ING are subject to detailed comprehensive supervision in all the jurisdictions in which ING conducts business. This supervision is based in a large part on European Union (EU) directives, discussed more fully below.

The Dutch regulatory system for financial supervision consists of prudential supervision monitoring the soundness of financial institutions and the financial sector, and conduct-of-business supervision regulating institutions conduct in the markets. Prudential supervision is exercised by *De Nederlandsche Bank* (DNB), while conduct-of-business supervision is performed by the Netherlands Authority for the Financial Markets, *Autoriteit Financiële Markten* (AFM). On January 1, 2007, the new Dutch Financial Supervision Act has come into force. This law replaces the numerous existing laws and regulations in the area of supervision, and represents a significant adjustment in the legislation in the Netherlands to reflect market conditions.

In 2006, the EU directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate, adopted in 2002, was implemented in the new Dutch Financial Supervision Act; it has also come into force on January 1 2007. For ING, this Directive is not expected to have a material impact on its business, on its capital requirements nor on its solvency position, as ING already complies with comparable national legislation for financial conglomerates.

In October 2006, the Dutch Act on the disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions came into force in the Netherlands, amending the Disclosure of Major Holdings Act and implementing parts of the EU Transparency Directive. The Act aims to increase the transparency of interests held in companies admitted to trading on a regulated market and to simplify the procedure for notifying such interests. It is incorporated in the new Dutch Financial Supervision Act.

The Markets in Financial Instruments Directive (MiFID) aims to establish a comprehensive regulatory regime for the organised execution of investor transactions by stock markets, other trading systems and investment firms. In so doing, it will create a single passport for investment firms which will enable them to do business anywhere in the EU on the basis of home-country authorisation. The Directive also enables investment firms to process client orders outside regulated markets. The Directive will have to be transposed into national law by April 2007. Investment firms will be required to comply with it as of November 2007.

DNB and other of our supervisory authorities have in recent periods increased their scrutiny of such matters as payment processing and other transactions under regulations governing money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures.

Like many other large international financial institutions, we engage and in the past have engaged in a limited amount of business with counterparties, including government or government-related counterparties, in countries such as Cuba, Iran and Syria, countries which have been identified as state sponsors of terrorism by the US State Department and subject to sanctions by various government agencies. We do not believe that our revenues in such countries are or have been material to our overall business. In light of increased scrutiny of transactions involving such countries on the part of US and non-US regulatory authorities, investors and the media, as well as initiatives on the part of various institutions to adopt or enforce laws or regulations prohibiting transactions with or requiring divestment from entities doing business with such countries, however, we are continuing to significantly strengthen our compliance function generally, as we have done in 2006. ING Bank N.V. has been in discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the United States and other authorities. These discussions prompted ING Bank N.V. to engage in a review regarding transactions involving sanctioned parties. In connection with this review, which is ongoing, ING Bank N.V. has been reporting to DNB and it is not possible to predict at this time the outcome thereof. On July 28, 2006, The Office of Foreign Asset Controls (OFAC) of the U.S. Department of Treasury added the Netherlands Caribbean Bank (NCB), a bank chartered in the Netherlands Antilles that is jointly owned by ING and by two entities that are Cuban nationals, to its list of Specially Designated Nationals as a Cuban national. Such

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designation prohibits U.S. persons and non-U.S. subsidiaries of U.S. companies from dealing with NCB. As discussed under Item 3 Risk Factors and Note 2.2 Risk Management of the Notes to the Consolidated Financial Statements, as a large multinational financial institution we are subject to reputational and other risks in connection with regulatory and compliance matters involving such countries, and we have incurred significant costs in connection with the strengthening of our compliance-related functions.

INSURANCE

Europe

Insurance companies in the EU are subject to supervision by insurance supervisory authorities in their home country. This principle of home country control was established in a series of directives adopted by the EU, which we refer to as the 1992 Insurance Directives . In The Netherlands, DNB monitors compliance with applicable regulations, the capital base of the insurer and its actuarial reserves, as well as the assets of the insurer, which support such reserves. Pursuant to the 1992 EU Directives, ING may also conduct business directly, or through foreign branches, in all the other jurisdictions of the EU, without being subject to licensing requirements under the laws of the other EU member-states.

In Belgium, ING s insurance operations are supervised by the Banking, Finance and Insurance Commission (CBFA), created as a result of the integration of the Insurance Supervisory Authority (ISA) and the Banking and Finance Commission. Since January 1, 2004, it is the single supervisory authority for the Belgian financial sector. In other European Union countries ING s insurance operations are subject to supervision by similar supervisory authorities.

ING Insurance s life and non-life subsidiaries in the EU are required to file detailed audited annual reports with their home country insurance supervisory authority. These reports are audited by ING Insurance s independent auditors and include balance sheets, profit and loss statements, actuarial statements and other financial information. The authorizations granted by the insurance supervisory authorities stipulate the classes of business that an insurer may write an insurance for, and is required for every proposed new class of business. In addition, the home country insurance supervisory authority may require an insurer to submit any other information it requests and may conduct an audit at any time.

On the basis of the EU directives, European life insurance companies are required to maintain at least a shareholders equity level of generally 4% of insurance reserves (1% of separate account reserves), plus 0.3% of the amount at risk under insurance policies. The required shareholders equity level for Dutch non-life insurers is the greater of two calculations: one based on premiums and the other on claims. The former is based on 16% of gross premiums written for the year, the latter is based on 23% of a three-year average of gross claims.

The European Commission, jointly with Member States, is carrying out a fundamental review of the regulatory capital regime of the insurance industry (the Solvency 2 project). Its objective is to establish a solvency system that is better matched to the true risks of insurers enabling supervisors to protect policyholders interests as effectively as possible and in accordance with common principles across the EU. The Commission has produced a Framework for Consultation setting out the policy principles and guidelines that will act as a framework for the development of the Solvency 2 regime. Work on the Solvency 2 Framework Directive is still in progress, and adoption is expected not before 2008.

Americas

United States

ING Group s United States insurance subsidiaries are subject to comprehensive and detailed regulation of their activities under U.S. state and federal laws. Supervisory agencies in various states have broad powers to grant or revoke licenses to conduct business, regulate trade practices, license agents, approve policy forms and certain premium rates, set standards of capital base and reserve requirements, determine the form and content of required financial reports, examine insurance companies and prescribe the type and amount of investments permitted. Insurance companies are subject to a mandatory annual audit of their statutory basis financial statements by an independent certified public accountant, and in addition are subject to an insurance department examination approximately every three to five years.

ING Insurance s U.S. operations are subject to the Risk Based Capital (RBC) guidelines which provide a method to measure the adjusted capital (statutory capital and surplus plus other adjustments) that insurance companies should maintain for supervisory purposes, taking into account the risk characteristics of the company s investments and products. The RBC guidelines are intended to be a supervisory tool only, and are not intended as a means to rank insurers generally. Each of the companies comprising ING Insurance s U.S. operations was above its target and statutory minimum RBC ratios, at year end 2006.

Insurance holding company statutes and regulations of each insurer s state of domicile require periodic disclosure concerning the ultimate controlling person (i.e., the corporation or individual that controls the domiciled insurer in each state). Such statutes also impose various limitations on investments in affiliates and may require prior approval of the payment of certain dividends by the registered insurer to ING or several of its affiliates. ING is subject, by virtue of its ownership of insurance companies, to certain of these statutes and regulations.

Although the federal government generally does not directly regulate the insurance business, many federal laws affect the insurance business in a variety of ways, including the Federal Fair Credit Reporting Act relating to the privacy of information used in consumer reports and the USA PATRIOT Act of 2001 relating to, among other things, the establishment of anti-money laundering programs. In addition, a number of the products issued by ING Insurance companies are regulated as securities under state and federal law.

Canada

Our insurance businesses in Canada are subject to the various provincial and territorial laws and regulations. Regulators ensure that insurance companies have adequate capital, regulate related party transactions, approve acquisitions and changes of control, verify the risk management programs of companies under their jurisdiction and enact rules to ensure sound market conduct and suitability and professionalism of management. Automobile insurance is highly regulated and insurers must file their rates and are subject to certain rate constraints in certain provinces. Certain provinces like Ontario and Quebec also provide for accountability on the part of the insurers for the acts of the distributors in certain circumstances.

Asia/Pacific

Japan

ING Group s life insurance subsidiary in Japan is subject to the supervision of the Financial Services Agency (FSA), the chief regulator in Japan, the rules and regulations as stipulated by the Commercial Code, Insurance Business Law and ordinances of the Cabinet Office. The affairs handled by the FSA include, among others, planning and policymaking concerning financial systems and the inspection and supervision of private sector financial institutions including banks, securities companies, insurance companies and market participants including securities exchanges. New products, revision of existing products etc. require approval by the FSA. The Cabinet Office ordinances stipulate the types and proportions of assets in which an insurance company can invest The Insurance Business Law further requires that an insurance company set aside a liability reserve to provide for the fulfillment of the level of expected mortality and other assumptions that are applied in calculating liability reserves for long-term contracts. In addition to the required audit by external auditors, insurance companies are required to appoint a corporate actuary and have such corporate actuary be involved in the method of calculating premiums and other actuarial, accounting and compliance matters.

South Korea

ING Group s South Korean insurance subsidiaries are subject to supervision by the Financial Supervisory Commission (FSC) and its executive arm, the Financial Supervisory Service (FSS). A second body, the Korean Insurance Development Institute (KIDI) advises the FSC, FSS and the Ministry of Finance and Economy on policies and systems related to life insurance and may calculate net insurance premium rates that insurance companies can apply and report such premium rates to the FSC. The KIDI must approve all new products and revisions of existing. In May 2003, the Insurance Business Act was revised to deregulate the insurance industry and to increase competition. In 2004, the FSS announced a plan to strengthen and change its supervisory policies based on the Risk Assessment and Application System (RAAS) from 2006 onwards.

Australia

The financial services activities of life insurance, investments, superannuation, general insurance and banking are currently governed by separate legislation under Australian law. The two main financial services regulators are the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). APRA is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. APRA s responsibilities include regulating capital and liquidity requirements and monitoring the management functions of product providers. APRA also requires superannuation trustees

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to be licensed under the Registrable Superannuation Entity Licensing regime. All relevant entities obtained their licenses in January 2006. ASIC is responsible for consumer protection and market integrity across the financial systems, including the areas of insurance, banking and superannuation. From March 2004 the Corporations Act 2001, required all relevant business entities to be licensed under the Australian Financial Services Licensing regime, administered by ASIC.

Taiwan

The Financial Supervisory Commission (FSC) was established on July 1, 2004 and supervises insurance companies, banks and securities houses in Taiwan. On July 9, 2003, new solvency requirements were issued, stipulating that the paid-in capital held by Taiwanese life insurance companies must be at least 200% of their risk based capital (RBC). This applies to both local and foreign insurance companies in Taiwan; should the paid-in capital to risk capital ratio fall below 200%, the life insurance company is required to raise new funds to achieve the target. ING Group s operations in Taiwan are regulated by the Financial Supervisory Commission (FSC). In accordance with the *Directions Governing Review of life Insurance Products*, dated December 29, 2004 of the FSC, all insurance products are filed, reviewed and approved in three ways by the Insurance Bureau of the FSC before they are marketed.

BANKING

Wholesale Banking, Retail Banking and ING Direct

Basel II Standards

In June 2004, the Basel Committee issued the Revised Framework (Basel II) to replace the 1988 capital accord (Basel I) with a new capital accord. The purpose of Basel II is to lay down capital requirements that are more risk-sensitive. There is greater emphasis on internal methods of risk measurement by banks. For example, the Accord further refines the system of risk weightings and permits capital requirements to be calculated based upon internal ratings or the ratings issued by recognized rating agencies. It also includes capital requirements for operational risk in addition to those laid down for credit risk and market risk.

The European Union has drawn up a directive, the Capital Requirement Directive (CRD), which applies to all European banks and investment firms. Through this European directive, Basel II has been incorporated into EU legislation. The CRD was approved by the European Parliament on September 28, 2005. The European Finance ministers adopted the Directive on October 11, 2005. As per the end of 2006, all EU Member States have incorporated or are in the process of incorporating the Directive into national law and regulations. In the Netherlands, the Directive has been incorporated into the Dutch Financial Supervision Act. Subject to approval of the Dutch Central Bank (DNB), ING will implement the most sophisticated approaches for solvency reporting under the Financial Supervision Act, the Advanced IRB Approach for credit risk and the Advanced Measurement Approach for operational risk, as per January 1, 2008. During 2007 ING Bank will still be subject to Basel I regulatory reporting, although with the implementation of the Dutch Financial Supervision Act per January 1, 2007 ING Bank will report securitization positions as per the standardized Basel II approach. During 2008 and 2009 a Basel I regulatory floor of 90% and 80%, respectively, will still apply.

European Union Standards as currently applied by ING Bank

The European Community has adopted capital adequacy supervision for credit institutions in all its member states based on the Basel guidelines. In 1989, the EC adopted the Council Directive of April 17, 1989 on the own funds of credit institutions (the Own Funds Directive), defining qualifying capital (own funds), and the Council Directive of December 18, 1989 on a capital base ratio for credit institutions (the Capital base Ratio Directive). These two directives (the EC Directives) set forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items. The EC Directives required the EU member states to transform the provisions of the Capital base Ratio Directive and the provisions of the Own Funds Directive into national law which shall be directly binding on banks operating in the member states. The EC Directives permit EU member states, when transforming the EC Directives into national law, to establish more stringent requirements, but do not permit more lenient requirements.

The EC Directives are aimed at harmonizing banking regulations and supervision throughout the EU by laying down certain minimum standards in key areas, such as capital requirements, and requiring member states to give mutual recognition to each other s standards of regulation. The concept of mutual recognition has also been extended to create the passport concept: the freedom to establish branches

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in, and to provide cross-border services into, other EU member states once a bank has been licensed in its home state.
The Capital Adequacy Directive (CAD), was implemented in the Netherlands with effect from January 1, 1996.
The EC Directives require a bank to have a capital base ratio of own funds to risk-adjusted assets and certain off-balance sheet items of at least 8%. At least one-half of the own funds in the numerator of the ratio must be original own funds , or Tier 1 capital. The rest may be additional own funds , or Tier 2 capital. As of January 1, 1997, Tier 1 capital consists solely of paid-up share capital plus Tier 1 capital instruments, share premium accounts and certain other reserves, less a deduction for goodwill. Tier 2 capital includes revaluation reserves, value adjustments of certain assets and certain categories of long-term subordinated debt and cumulative preferred shares. The aggregate of a bank s Tier 2 capital may not exceed 50% of the bank s Tier 1 capital.
ING Bank files consolidated quarterly and annual reports of its financial position and results with DNB in the Netherlands. ING Bank s independent auditors audit these reports on an annual basis.
Our banking operations in Belgium are supervised by the CBFA Commission. Banking supervision in Germany is carried out by the German Federal Financial Supervisory Agency (BAFIN), working in co-operation with the German Central Bank (Deutsche Bundesbank). Similar authorities supervise ING s banking operations in other European Union countries, such as, the Financial Services Authority in the United Kingdom.
An EU member state credit institution is not permitted to start operations through a branch in another EU member state until it has received confirmation from its home country banking supervisory authority that the information required by the Second Directive on the Coordination of Legislation to the Taking Up and Pursuit of the Business of Credit Institutions (the Second Banking Coordination EC Directive) has been submitted to that supervisor and until, following this confirmation, a period of two months has elapsed or until, before the expiry of this period, it has received confirming information by that home country banking supervisory authority.

Americas

United States

ING Bank has a limited direct presence in the United States through the facility of the ING Bank Representative Office in New York. Although the office s activities are strictly limited to essentially that of a marketing agent of bank products and services and a facilitator (i.e., the office may not take deposits or execute any transactions), the office is subject to the jurisdiction of the State of New York Banking Department and the Federal Reserve.
A major part of our banking activities in the United States, ING Direct USA, is regulated by the Office of Thrift Supervision, a division of the United States Department of the Treasury and, to a lesser extent, by the Federal Deposit Insurance Corporation, an independent agency of the Federal government that operates under the auspices of the Federal Deposit Insurance Act, a US federal law.

Anti-Money Laundering Initiatives and countries subject to sanctions

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the USA PATRIOT Act) substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued a number of implementing regulations which apply various requirements of the USA PATRIOT Act to financial institutions such as our bank, insurance, broker-dealer and investment adviser subsidiaries and mutual funds advised or sponsored by our subsidiaries. Those regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. In addition, the bank regulatory agencies are imposing heightened standards, and law enforcement authorities have been taking a more active role. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution.
Like many other large international financial institutions, we engage and in the past have engaged in a limited amount of business with counterparties, including government or government-related counterparties, in

countries such as Cuba, Iran and Syria, countries which have been identified as state sponsors of terrorism by the US State Department and subject to sanctions by various government agencies. We do not believe that our revenues in such countries are or have been material to our overall business. In light of increased scrutiny of transactions involving such countries on the part of US and non-US regulatory authorities, investors and the media, as well as initiatives on the part of various institutions to adopt or enforce laws or regulations prohibiting transactions with or requiring divestment from entities doing business with such countries, we are continuing to significantly strengthen our compliance function generally, as we have done in 2006.

ING Bank N.V. has been in discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the United States and other authorities. These discussions prompted ING Bank N.V. to engage in a review regarding transactions involving sanctioned parties. In connection with this review, which is ongoing, ING Bank N.V. has been reporting to DNB and it is not possible to predict at this time the outcome thereof.

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

Canada

ING Bank of Canada (ING BOC) is a federally regulated financial institution that is subject to the supervision of the Office of the Superintendent of Financial Institutions (OSFI), which is the primary supervisor of federally chartered financial institutions (including banks and insurance companies) and federally administered pension plans.

ING BOC operates a wholly-owned mutual fund dealer subsidiary, ING Direct Mutual Funds Limited that is subject to provincial regulation in the provinces in which it operates. ING Direct Mutual Funds Limited s home province supervisor is the Ontario Securities Commission, which regulates the sale of mutual funds and equities in Ontario. ING Direct Mutual Funds Limited is also a member of the Mutual Funds Dealer s Association, a mandatory self-regulatory body, which governs and oversees the conduct of mutual fund dealers in Canada.

Asia/Pacific

Australia

The Australian Prudential Regulation Authority is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. See also supervision insurance on page 27.

BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES

ING s broker-dealer entities in the United States are regulated by the Securities and Exchange Commission, the states in which they operate, and the self-regulatory organizations (e.g., the NASD and the NYSE) of which they individually are members. The primary governing statutes for such entities are the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and state statutes and regulations, as applicable. These and other laws, and the regulations promulgated there under, impose requirements (among others) regarding minimum net capital requirements, safeguarding of customer assets, protection and use of material, non-public (inside) information, record-keeping requirements, supervision of employee activities, credit to customers, suitability determinations in the context of recommending transactions to customers, clearance and settlement procedures and anti-money laundering standards and procedures. The rules of the self-regulatory organizations in some respects duplicate the above mentioned legal requirements, but also impose requirements specific to the marketplaces that these organizations oversee. For example, the NASD imposes requirements relating to activities by market-makers in the over-the-counter market in equity securities and the NYSE imposes requirements regarding transactions effected in its listed securities market.

Certain ING entities in the United States (including certain of its broker-dealers) also act in the capacity of a federally registered investment advisor (i.e. providing transactional advice to customers for a fee), and are governed in such activities by the Investment Advisers Act of 1940, as amended. Moreover, certain ING entities manage investment funds (such as mutual funds); the Investment Company Act of 1940, as amended, regulates the governance and activities of those funds. These laws impose record-keeping and disclosure requirements on ING in the context of such activities. Moreover, the laws impose restrictions on transactions or require disclosure of transactions involving advisory clients and the advisor or the advisors affiliates, as well as transactions between advisory clients. In addition, the Employee Retirement Income Security Act of 1974, as amended, imposes certain obligations on investment advisors managing employee plan assets as defined in this act.

The failure of ING to comply with these various requirements could result in civil and criminal sanctions and administrative penalties imposed by the Securities and Exchange Commission, the states, or self-regulatory organizations on these entities of ING which have committed the violations. Moreover, employees who are found to have participated in the violations, and the managers of these employees, also may be subject to penalties by governmental and self-regulatory agencies.

COMPETITION

There is substantial competition in the Netherlands and in the other countries in which ING undertakes business in insurance, retail and wholesale banking, and other products and services provided. Competition is more pronounced in the mature markets of the Netherlands, the Rest of Europe, the United States, Canada and Australia than in the developing markets. In recent years, however, competition in developing markets has increased as financial institutions from mature markets have sought to establish themselves in markets perceived to offer higher growth potential. ING and all its competitors have sought to form alliances, mergers or strategic relationships with local institutions, which have become more sophisticated and competitive.

Competition with respect to the products and services provided by the Group in both mature and developing markets is based on many factors, including brand recognition, scope of distribution systems, customer service, products offered, financial strength, price and, in the case of investment-linked insurance products and asset management services, investment performance. Management believes its major competitors are the larger Dutch, other European, United States and Japanese commercial banks, insurance companies, asset management and other financial-services companies.

RATINGS

ING Groep N.V. s long-term senior debt is rated AA- (with a stable outlook) by Standard & Poor s Ratings Service (Standard & Poor s), a division of the McGraw-Hill Companies, Inc. ING Groep N.V. s long-term senior debt is rated Aa3 (with stable outlook) by Moody s Investors Service (Moody s) at December 2006, and Aa2 as of March 2007. ING Verzekeringen, N.V. s long-term senior debt is rated AA- (with a stable outlook) by Standard & Poor s and Aa3 (with a stable outlook) by Moody s.

ING Bank N.V. s long-term senior debt held a AA (with a stable outlook) rating by Standard & Poor s as of December 31, 2006. At the same date, Moody s rated ING Bank N.V. s long-term senior debt at Aa2 (with a stable outlook), and Aa1 as of March 2007. Finally, ING Bank N.V. s long-term senior debt was rated AA by Fitch Ratings, Ltd. as of December 31, 2006.

ING Verzekeringen N.V. s short-term senior debt is rated A-1+ by Standard & Poor s and Prime-1(P-1) by Moody s as of December 31, 2006

ING Bank N.V. s short-term senior debt held a rating of A-1+ by Standard & Poor s and Prime-1 (P-1) by Moody s as of December 31, 2006.

DESCRIPTION OF PROPERTY

In the Netherlands, ING owns a significant part of the land and buildings used in the normal course of its business. Outside the Netherlands, ING predominantly leases all of the land and buildings used in the normal course of its business. As of December 31, 2006, ING had more than 1,500 branch, representative and similar offices worldwide of which approximately 500 offices, principally branch offices, were located in the Netherlands. In addition, ING has part of its investment portfolio invested in land and buildings. Management believes that ING s facilities are adequate for its present needs in all material respects.

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Item 5. Operating and financial review and prospects

The following review and prospects should be read in conjunction with the consolidated financial statements and the related Notes thereto included elsewhere herein. The consolidated financial statements have been prepared in accordance with IFRS-EU, which differs in certain significant respects from U.S. GAAP. Reference is made to Note 2.4 of Notes to the consolidated financial statements for a description of the significant differences between IFRS-EU and U.S. GAAP and a reconciliation of shareholders equity and net profit to U.S. GAAP. Unless otherwise indicated, financial information for ING Group included herein is presented on a consolidated basis under IFRS-EU.

FACTORS AFFECTING RESULTS OF OPERATIONS

ING Group s results of operations are affected by demographics (particularly with respect to life insurance) and by a variety of market conditions, including economic cycles, insurance industry cycles (particularly with respect to non-life insurance), banking industry cycles and fluctuations in stock markets, interest and foreign exchange rates.

General market conditions

Demographic studies suggest that over the next decade there will be growth in the number of individuals who enter the age group that management believes is most likely to purchase retirement-oriented life insurance products in ING s principal life insurance markets in the Netherlands, the Rest of Europe, the United States, Asia and Australia. In addition, in a number of its European markets, including the Netherlands, retirement, medical and other social benefits previously provided by the government have been, or in the coming years are expected to be, curtailed. Management believes this will increase opportunities for private sector providers of life insurance, health, pension and other social benefits-related insurance products. Management believes that ING Insurance s distribution networks, the quality and diversity of its products and its investment management expertise in each of these markets, positions ING Insurance to benefit from these developments. In addition, the emerging markets in Central and Eastern Europe, Asia and Latin America, in which ING Insurance has insurance operations, generally have lower gross domestic products per capita and gross insurance premiums per capita than the countries in Western Europe and North America in which ING Insurance has insurance operations. Management believes that insurance operations in these emerging markets provide ING Insurance with the market presence which will allow it to take advantage of anticipated growth in these regions.

In addition, conditions in the non-life insurance markets in which ING Insurance operates are cyclical, and characterized by periods of price competition, fluctuations in underwriting results, and the occurrence of unpredictable weather-related and other losses.

Fluctuations in equity markets

Our insurance and asset management operations are exposed to fluctuations in equity markets. Our overall investment return and fee income from equity-linked products are influenced by equity markets. The fees we charge for managing portfolios are often based on performance and value of the portfolio. In addition, fluctuations in equity markets may affect sales of life and pension products, unit-linked products, including variable business and may increase the amount of withdrawals which will reduce related management fees. Our banking operations are exposed to fluctuations in equity markets. ING Bank maintains an internationally diversified and mainly client-related trading portfolio. Accordingly market downturns are likely to lead to declines in securities trading and brokerage activities which we execute for customers and therefore to a decline in related commissions.

Fluctuations in interest rates

Our insurance operations are exposed to fluctuations in interest rates through impacts on sales and surrenders of life insurance and annuity products. Declining interest rates may increase sales, but may impact profitability as a result of a reduced spread between the guaranteed interest rates to policyholders and the investment returns on fixed interest investments. Declining interest rates may also affect the results of our reserve adequacy testing which may in turn result in reserve strengthening. Rising interest rates may increase the surrender of policies which may require liquidation of fixed interest investments at unfavorable market prices. This could result in realized investment losses.

Our banking operations are exposed to fluctuations in interest rates. Our management of interest rate sensitivity affects the results of our banking operations. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. Both the composition of our banking assets and liabilities and the fact that interest rate changes may affect client behavior in a different way than assumed in our internal models

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result in a mismatch which causes the banking operations net interest income to be affected by changes in interest rates

Fluctuations in exchange rates

We publish our consolidated financial statements in euros. Because a substantial portion of our income and expenses are denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. dollar, the Australian dollar, the Canadian dollar, the Japanese yen,the Korean won, the Pound sterling and the Polish zloty into euros will impact our reported results of operations and cash flows from year to year. Fluctuations in exchange rates will also impact the value (denominated in euro) of our investments in our non-Euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of our non-euro reporting subsidiaries are generally denominated in the same currencies. For the main foreign currencies, in which ING s income and expenses are denominated namely the U.S.dollar, Pound sterling, Canadian dollar, Australian dollar and Polish zloty, the translation risk is managed taking into account the effect of translation results on the Tier-1 ratio. For all other currencies the translation risk is managed within a VaR limit.

The strengthening of most currencies against the euro during 2006 had a positive impact of EUR 20 million on net profit. In 2005 exchange rates positively influenced net profit by EUR 81 million. In 2004 exchange rates negatively influenced net profit by EUR 86 million, which was offset by a gain of EUR 188 million on ING s US dollar hedge.

For the years 2006, 2005 and 2004, the year-end exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for balance sheet items not denominated in euros) and the average annual exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for income statement items and cash flows not denominated in euros) were as follows for the currencies specified below:

		Average	
	2006	**2005**	**2004**
U.S. dollar	1.2568	1.2481	1.2472
Australian dollar	1.6639	1.6363	1.6912
Canadian dollar	1.4220	1.5104	1.6164
Pound sterling	0.6823	0.6849	0.6816
Japanese yen	146.1882	137.1460	133.9170
South Korean won	1,199.3280	1,276.3890	1,423.184
Polish zloty	3.8974	4.0288	4.5326

		Year-end	
	2006	**2005**	**2004**
U.S. dollar	1.3183	1.1822	1.3645
Australian dollar	1.6688	1.6130	1.7485
Canadian dollar	1.5281	1.3750	1.6427
Pound sterling	0.6715	0.6868	0.7053
Japanese yen	156.7861	138.9972	139.7674
South Korean won	1,225.9710	1,186.9300	1,412.4690
Polish zloty	3.8322	3.8612	4.0899

Critical Accounting Policies

Reference is made to Note 2.1. Basis of presentation, of the consolidated financial statements.

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CONSOLIDATED RESULTS OF OPERATIONS

The following information should be read in conjunction with, and is qualified by reference to the Group s consolidated financial statements and other financial information included elsewhere herein. ING Group evaluates the results of its insurance operations and banking operations, including Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct, using the financial performance measure of underlying profit before tax. Underlying profit before tax is defined as profit before tax and, excluding, as applicable for each respective segment, either all or some of the following items: profit from divested units, realized gains/losses on divestitures, certain restructuring charges and other non-operating income/(expense).

While these excluded items are significant components in understanding and assessing the Group s consolidated financial performance, ING Group believes that the presentation of underlying profit before tax enhances the understanding and comparability of its segment performance by highlighting profit before tax attributable to ongoing operations and the underlying profitability of the segment businesses. For example, we believe that trends in the underlying profitability of our segments can be more clearly identified without the effects of the realized gains/losses on divestitures as the timing is largely subject to the Company s discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Underlying profit before tax is not a substitute for profit before tax as determined in accordance with IFRS-EU. ING Group s definition of underlying profit before tax may differ from those used by other companies and may change over time. For further information on underlying profit before tax as well as the reconciliation of our segment underlying profit before tax to our profit before taxation see Segment Reporting and Note 2.1, note 50, to our consolidated financial statements.

The following table sets forth the consolidated results of the operations of ING Group and its insurance and banking operations for the years ended December 31, 2006 and 2005:

	Insurance		Banking		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
				(EUR millions)				
Premium income	46,834	45,758					46,834	45,758
Interest result banking operations			9,335	9,162	143	95	9,192	9,067
Commission income	1,636	1,346	2,681	2,401			4,317	3,747
Investment and Other income	11,172	10,299	2,179	2,285	73	36	13,278	12,548
Total income	**59,642**	**57,403**	**14,195**	**13,848**	**216**	**131**	**73,621**	**71,120**
Underwriting expenditure	48,188	47,120					48,188	47,120
Other interest expenses	1,233	1,100			216	131	1,017	969
Operating expenses	5,275	5,194	9,087	8,844			14,362	14,038
Impairments/additions to the provision for loan losses	11	11	103	88			114	99
Total expenditure	**54,707**	**53,425**	**9,190**	**8,932**	**216**	**131**	**63,681**	**62,226**
Profit before tax	**4,935**	**3,978**	**5,005**	**4,916**			**9,940**	**8,894**
Taxation	702	455	1,205	924			1,907	1,379
Profit before third-party interests	**4,233**	**3,523**	**3,800**	**3,992**			**8,033**	**7,515**

Third-party interests	281	255	60	50	341	305
Net profit (attributable to shareholders)	**3,952**	**3,268**	**3,740**	**3,942**	**7,692**	**7,210**
Profit before tax	**4,935**	**3,978**	**5,005**	**4,916**	**9,940**	**8,894**
Gains/losses on divestments[1)]	(49)	13	112	(379)	63	(366)
Profit divested units		(16)	(45)	17	(45)	1
Special items						
Underlying profit before tax	**4,886**	**3,975**	**5,072**	**4,554**	**9,958**	**8,529**

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1) Divestments Insurance: unwinding Piraeus (EUR 34 million, 2006), sale of Australia non-life (EUR 15 million, 2006); sale of Freeler (EUR 10 million, 2005), gain from IPO Canada (EUR 19 million, 2005), sale of Life of Georgia (EUR (89) million, 2005), sale of ING Re (EUR 20 million, 2005), sale of Austbrokers (EUR 27 million, 2005). Divestments Banking :sale of Willams de Broë (EUR (9) million, 2006), sale of Deutsche Hypothekenbank (EUR (80) million, 2006), sale of Degussa Bank (EUR (23) million, 2006); sale of Baring Asset Management (EUR 240 million, 2005), sale of 12.8% ING Bank Slaski shares (EUR 92 million, 2005),

restructuring of NMB-Heller (EUR 47 million, 2005).

The following table sets forth the consolidated results of the operations of ING Group and its insurance and banking operations for the years ended December 31, 2005 and 2004:

	Insurance		Banking		Eliminations		Total	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005[1)]**	**2004**
				(EUR millions)				
Premium income	45,758	43,617					45,758	43,617
Interest result banking operations			9,162	8,699	95	(42)	9,067	8,741
Commission income	1,346	1,198	2,401	2,581			3,747	3,779
Investment and Other income	10,299	10,787	2,285	1,398	36	163	12,548	12,022
Total income	**57,403**	**55,602**	**13,848**	**12,678**	**131**	**121**	**71,120**	**68,159**
Underwriting expenditure	47,120	45,384					47,120	45,384
Other interest expenses	1,100	1,140			131	121	969	1,019
Operating expenses	5,194	4,746	8,844	8,795			14,038	13,541
Impairments/additions to the provision for loan losses	11	10	88	465			99	475
Total expenditure	**53,425**	**51,280**	**8,932**	**9,260**	**131**	**121**	**62,226**	**60,419**
Profit before tax	**3,978**	**4,322**	**4,916**	**3,418**			**8,894**	**7,740**
Taxation	455	850	924	859			1,379	1,709
Profit before third-party interests	**3,523**	**3,472**	**3,992**	**2,559**			**7,515**	**6,031**
Third-party interests	255	123	50	153			305	276
Net profit (attributable to shareholders)	**3,268**	**3,349**	**3,942**	**2,406**			**7,210**	**5,755**
Profit before tax	**3,978**	**4,322**	**4,916**	**3,418**			**8,894**	**7,740**
Gains/losses on divestments[2)]	13	(221)	(379)	166			(366)	(55)
Profit divested units	(16)	(151)	17	(102)			1	(253)
Special items		(386)		44				(342)
Underlying profit before tax	**3,975**	**3,564**	**4,554**	**3,526**			**8,529**	**7,090**

1)

The application of IAS 32, 39 and IFRS 4 from 1 January 2005 had a positive impact on ING Group s results in 2005. In total, IAS 32, 39 and IFRS 4 had a positive impact of approximately EUR 455 million on total profit before tax of ING Group, or EUR 392 million after tax. The impact on the insurance operations was approximately EUR 238 million before tax, mainly due to realised gains on the sale of bonds and the revaluation of embedded derivatives, which were offset by the absence of amortised income from gains on fixed interest securities, and negative valuation changes on fixed-income investment derivatives. The impact on the banking operations was approximately EUR 217 million before tax, mainly due to valuation adjustments on non-trading derivatives and prepayment penalties.

2) Divestments Insurance: sale of Freeler (EUR 10 million, 2005), gain from IPO Canada (EUR 19 million, 2005 and EUR 249 million, 2004), sale of Life of Georgia (EUR (89) million, 2005 and EUR (28) million, 2004), sale of ING Re (EUR 20 million, 2005 and EUR (219) million, 2004), sale of Austbrokers (EUR 27 million, 2005) and sale of Australia non-life (EUR 219 million, 2004). Divestments Banking: sale of Baring Asset Management (EUR 240 million, 2005), sale of

12.8% in ING Bank Slaski shares (EUR 92 million, 2005), restructuring of NMB-Heller (EUR 47 million, 2005), sale of BHF-Bank (EUR (169) million, 2004), sale Asian cash equity business (EUR (84) million, 2004) and sale of CenE Bankiers (EUR 87 million, 2004).

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GROUP OVERVIEW

Year ended December 31, 2006 compared to year ended December 31, 2005

Total profit before tax increased by EUR 1,046 million, or 11.8% from EUR 8,894 million in 2005 to EUR 9,940 million in 2006 and total underlying profit before tax increased by EUR 1,429 million or 16.8% from EUR 8,529 million in 2005 to EUR 9,958 million in 2006. The increase in profit before tax was driven by strong growth at ING Direct as well as good results from the insurance business lines due to strong equity markets which helped to drive growth in sales and assets at ING s life insurance business, while the non-life business continued to benefit from favorable underwriting experience in most markets. The increase in total profit before tax is also impacted by divestments which resulted in a loss of EUR 18 million and a gain of EUR 365 million for 2006 and 2005, respectively.

Net profit rose by EUR 482 million, or 6.7% from EUR 7,210 million in 2005 to EUR 7,692 million in 2006. This lower growth compared with the increase in profit before tax was due to a higher effective tax rate in 2006. The effective tax rate increased to 19.2% in 2006 from 15.5% in 2005 due to lower releases from tax provisions in 2006 compared to 2005.

Earnings per share attributable to equity holders of the Company increased to EUR 3.57 in 2006 from EUR 3.32 in 2005.

Currency impact

Currency rate differences had a positive impact of EUR 20 million on net profit and EUR 48 million on profit before tax, mainly due to strengthening of the Canadian dollar, Polish zloty and South Korea won, which was partially offset by a weakening of the U.S. dollar. In 2005 currency rate differences had a positive impact of EUR 81 million on net profit and EUR 116 million on profit before tax.

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital (see page 74), which differs from total equity attributable to equity holders of the Company in that it excludes unrealized gains and losses on debt securities and the cash flow hedge reserve and includes hybrid capital. On this basis, the debt/equity ratio of ING Group improved to 9.0% in 2006 compared with 9.4% in 2005 supported by growth in equity. The capital coverage ratio of ING Verzekeringen N.V. increased to 274% of E.U. regulatory requirements at the end of December 2006, compared with 255% at the end of December 2005. The Tier-1 ratio of ING Bank N.V. stood at 7.63% at the end of 2006, up from 7.32% at the end of 2005, as growth in capital was partially offset by growth in risk-weighted assets. Total risk-weighted assets of the banking operations increased by EUR 18.2 billion, or 5.7%, to EUR 337.9 billion as of December 31, 2006 from EUR 319.7 billion as of December 31, 2005, driven by growth in Retail Banking and ING Direct.

Return on Shareholders equity

The net return on shareholders equity decreased to 23.5% in 2006 from 26.6% in 2005. The insurance operations reflected a 20.9% net return on equity in 2006, down from 21.1% in 2005. The banking operations reflected a decrease to 19.4% in 2006 from 24.2% in 2005 due to lower net profit and increased shareholders equity.

INSURANCE OPERATIONS

Income

Total premium income increased 2.4%, or EUR 1,076 million from EUR 45,758 million in 2005 to EUR 46,834 million in 2006. Life premiums increased 2.1%, or EUR 844 million to EUR 40,501 million in 2006 from EUR 39,657 million in 2005, primarily due to growth in Central and Rest of Europe, the United States, South Korea and Australia, which was partially offset by a decline in premium income in the Netherlands, Belgium and Japan. Non-life premiums increased 3.8%, or EUR 232 million, from EUR 6,101 million in 2005 to EUR 6,333 million in 2006, due to growth in the portfolio in Canada which was partially offset by a decline of 2.1% in the Netherlands. Investment and Other income increased 8.5%, or EUR 873 million to EUR 11,172 million in 2006 from EUR 10,299 million in 2005, reflecting higher dividend income, capital gains on equities, revaluation of real estate and private equity, higher fixed margins and favorable DAC unlocking offset by investment related losses resulting from the rising interest rate environment in the United States. Commission income increased

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21.5%, or EUR 290 million to EUR 1,636 million in 2006 from EUR 1,346 million in 2005, mainly driven by higher assets under management.

Underwriting Expenditure

Underwriting expenditure increased by EUR 1,068 million, or 2.3% from EUR 47,120 million in 2005 to EUR 48,188 million in 2006. The underwriting expenditure of the life insurance operations increased by EUR 1,027 million, or 2.4%, primarily due to an increase in profit sharing and rebates and an increase in technical provisions. The underwriting expenditure of the non-life insurance operations increased by EUR 41 million, or 0.9%, resulting in an overall lower non-life claims ratio of 58.7% in 2006 compared with 62.7% in 2005, primarily attributable to the improvement in the claims ratios from Loss of Income/Accident.

Expenses

Operating expenses from the insurance operations increased 1.6%, or EUR 81 million to EUR 5,275 million in 2006, from EUR 5,194 million in 2005, mainly due to a release of employee benefit provisions in the Netherlands in the fourth quarter of 2005 as well as expenses made in 2006 to support our growth in Central and Rest of Europe and Asia. The efficiency ratios for the life insurance operations improved mainly reflecting the growth of assets under management. Expenses as a percentage of assets under management for investment products improved to 0.75% in 2006 compared with 0.82% in 2005. Expenses as a percentage of premiums for life products improved to 13.26% in 2006 from 13.28% in 2005. The cost ratio for the non-life operations remained stable at 31.8% in 2006 compared to 31.9% in 2005.

Profit before tax and net profit

Total profit before tax from insurance increased 24.1%, or EUR 957 million, to EUR 4,935 million in 2006 from EUR 3,978 million in 2005. This increase was impacted by divestments which resulted in a profit of EUR 49 million in 2006 and a loss of EUR 13 million in 2005. Divested units contributed EUR 16 million profit before tax in 2005 and did not contribute to profit before tax in 2006. Net profit from insurance increased by 20.9%, or EUR 684 million to EUR 3,952 million in 2006 from EUR 3,268 million in 2005 due to an increase in third-party interests to EUR 281 million in 2006 from EUR 255 million in 2005, and an increase of the effective tax rate from 11.4% in 2005 to 14.2% in 2006 due to lower releases from tax provisions.

Underlying profit before tax

Underlying profit before tax from the insurance operations increased by 22.9%, or EUR 911 million to EUR 4,886 million in 2006 from EUR 3,975 million in 2005, mainly due to strong growth in retirement services and life insurance in developing markets, higher investment results and a favorable claims environment for the non-life business. Underlying profit before tax from life insurance increased 23.0%, or EUR 637 million from EUR 2,768 million in 2005 to EUR 3,405 million in 2006, driven by increased sales, growth in assets under management and investment gains. The non-life operations increased by 22.7%, or EUR 274 million from EUR 1,207 million in 2005 to EUR 1,481 million in 2006. Lower results in Canada, due to less favourable developments in prior-year reserves and lower investment-related gains, were offset by higher results in all regions benefiting from a favorable underwriting cycle.

Embedded value

The embedded value of ING s life insurance operations increased 7.7%, or EUR 2,128 million to EUR 29,714 million in 2006 from EUR 27,586 million in 2005, before net dividends of EUR 1,995 million paid to the Group in 2006. The embedded value after net dividends amounted EUR 27,718 million. The figures are calculated in accordance with European Embedded Value principles issued by the CFO Forum, a group representing the chief financial officers of major European insurers. In addition to the value attributable to new business and the unwinding of the discount rate, significant contributions to the increase in embedded value came from favourable financial performance variances and the investment return on free surplus. These positive factors were partially offset by currency movements, changes in discount rates and economic assumptions, particularly in Taiwan, due to reduction of ultimate risk free rates from 5.75% to 3.93%. Value of New Business remained stable at EUR 807 million compared to EUR 805 million in 2005, but Asia/ Pacific, Central and Rest of Europe and US Wealth Management continue to show strong growth.

BANKING OPERATIONS

Income

Total income from banking increased 2.5%, or EUR 347 million to EUR 14,195 million in 2006 from EUR 13,848 million in 2005, as a sharp decline in investment income, primarily attributable to gains/losses on divestments, was more than offset by increases in commission income, net trading income and interest income.

The net interest result increased by EUR 173 million, or 1.9%, to EUR 9,335 million in 2006 from EUR 9,162 million in 2005, driven by higher interest results in Retail Banking and ING Direct, which were partially offset by lower interest results in Wholesale Banking. The total net interest margin in 2006 was 1.1%, a decrease from 1.2% in 2005, due to the flattening of yield curves, pressure on client margins and the ongoing growth of ING Direct with a lower interest margin.

Investment income decreased by EUR 454 million, or 48.5%, to EUR 483 million in 2006 from EUR 937 million in 2005. The decrease was primarily due to EUR 379 million in gains recognized on divestments in 2005 and a loss of EUR 112 million on divestments in 2006.

Commission income increased 11.7%, or EUR 280 million to EUR 2,681 million in 2006 from EUR 2,401 million in 2005. The increase in commission income was primarily due to the strong growth of management fees primarily at ING Real Estate and higher fees from securities business, brokerage & advisory and insurance banking. The increase in commission income from insurance is largely attributable to ING Belgium, primarily resulting from a changed sales agreement with Insurance Belgium.

Other income increased by EUR 348 million, or 25.8%, to EUR 1,696 million in 2006 from EUR 1,348 million in 2005. The increase is primarily due to a EUR 479 million increase in net trading income, partly offset by EUR 89 million lower valuation results from non-trading derivatives and a decrease of EUR 85 million of other revenue. The share of profit from associates increased by EUR 43 million from EUR 140 million in 2005 to EUR 183 million in 2006, mainly due to associates at ING Real Estate.

Expenses

Total operating expenses increased by EUR 243 million, or 2.7%, to EUR 9,087 million in 2006 from EUR 8,844 million in 2005. Excluding divestments, operating expenses increased by EUR 420 million or by 4.9%, from EUR 8,612 million in 2005 to EUR 9,032 million in 2006. The increase is in large part attributable to EUR 202 million higher expenses to support the growth of the ING Direct activities, EUR 27 million higher expenses at the fast growing ING Real Estate and EUR 164 million compliance-related costs in 2006. Releases from employee benefit provisions decreased by EUR 53 million from EUR 119 million in 2005 to EUR 66 million in 2006, while the reclassification of payment expenses from operating expenses to funds transfer commission lowered total operating expenses by EUR 74 million.

The addition to the provision for loan losses

The total addition to the provision for loan losses in 2006 was EUR 103 million compared to EUR 88 million in 2005, an increase of 17.0% or EUR 15 million. The increase by EUR 50 million in Retail Banking, from EUR 90 million in 2005 to EUR 140 million in 2006, due to lower releases outside the Netherlands which was partly offset by a EUR 10 million increase in net release in Wholesale Banking and a EUR 25 million lower addition at ING Direct, from EUR 106 million in 2005 to EUR 81 million in 2006. As a percentage of average credit-risk weighted assets, the addition to the provision for loan losses in 2006 equaled 3 basis points, similar to 2005.

Profit before tax and net profit

Total profit before tax increased 1.8%, or EUR 89 million to EUR 5,005 million in 2006 from EUR 4,916 million in 2005. Divestments had a negative impact on profit before tax in 2006, including EUR 112 million realized losses on divestments compared with gains of EUR 379 million in 2005. Divested units contributed EUR 45 million to profit before tax in 2006 compared to a loss of EUR 17 million in 2005. Net profit from banking declined 5.1%, or EUR 202 million from EUR 3,942 million in 2005 to EUR 3,740 million in 2006. This decrease is related to the effective tax rate for ING s banking operations which increased from 18.8% (EUR 924 million) for 2005 to 24.1% (EUR 1,205 million) for 2006, mainly due to tax-exempt gains on divestments, a release of EUR 35 million from the tax provisions in 2005, and the establishment of a EUR 148 million deferred tax asset related to net operating losses in the U.S. in 2005.

Underlying profit before tax

ING s banking businesses benefited from a strong increase in profit in 2006 driven by strong income growth in all three business lines and continued low additions to the provision for loan losses, offset by a 4.9% increase in expenses, including EUR 176 million in additional compliance-related costs. Underlying profit before tax rose 11.4%, or EUR 518 million to EUR 5,072 million in 2006 from EUR 4,554 million in 2005. Growth was driven by increased savings and strong demand for mortgages at both Retail Banking and ING Direct.

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GROUP OVERVIEW

Year ended December 31, 2005 compared to year ended December 31, 2004

Total profit before tax increased EUR 1,154 million, or 14.9% from EUR 7,740 million in 2004 to EUR 8,894 million in 2005 and total underlying profit before tax increased EUR 1,439 million or 20.3% from EUR 7,090 million in 2004 to EUR 8,529 million in 2005. The increase in total profit before tax and total underlying profit before tax was driven by strong growth from Retail Banking and ING Direct as well as from Insurance Americas and Insurance Europe due to growth in retirement services and favorable results from non-life insurance. The increase in total profit before tax was also impacted by the decrease in special items, from EUR 342 million in 2004 to zero in 2005. Special items in 2004 included a gain of EUR 287 million related to the U.S. dollar hedge, a EUR 96 million gain on old reinsurance business and restructuring provisions of EUR 41 million at Wholesale Banking.

Net profit rose by EUR 1,455 million, or 25.3% from EUR 5,755 million in 2004 to EUR 7,210 million in 2005. This higher growth compared with the increase in profit before tax was due to a lower effective tax rate in 2005. The effective tax rate declined to 15.5% in 2005 from 22.1% in 2004 due to a lower statutory tax rate in the Netherlands in 2005, tax-exempt gains on divestments (such as Baring Asset Management, CenE Bankiers and the IPO of ING Canada), EUR 148 million from the creation of deferred tax assets, related to net operating losses from the banking operations, and net releases from tax provisions of EUR 435 million in 2005 compared with EUR 161 million in releases in 2004.

Earnings per share attributable to equity holders of the Company increased to EUR 3.32 in 2005 from EUR 2.71 in 2004.

Currency impact

Currency rate differences had a positive impact of EUR 81 million on net profit and EUR 116 million on total profit before tax, mainly due to the strengthening of the Canadian and Australian dollars, Polish zloty and South Korea won.

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital, which differs from total equity attributable to equity holders of the Company in that it excludes unrealized gains on fixed-interest investments and includes hybrid capital. On this basis, the debt/equity ratio of ING Group improved to 9.4% in 2005 compared with 11.9% at January 1, 2005 supported by growth in equity. The capital coverage ratio of ING Verzekeringen N.V. increased to 255% of E.U. regulatory requirements at the end of December 2005, compared with 204% at January 1, 2005. The Tier-1 ratio of ING Bank N.V. was 7.32% at the end of 2005, up from 6.92% on January 1, 2005, as growth in capital was partially offset by strong growth in risk-weighted assets. Total risk-weighted assets of the banking operations increased by EUR 45.6 billion, or 16.6%, to EUR 319.7 billion at December 31, 2005 from EUR 274.1 billion as of December 31, 2004, driven by growth in all three banking business lines.

Return on Shareholders equity

The net return on shareholders equity increased to 26.6% in 2005 from 25.4% in 2004. The insurance operations reflected a 21.1% net return on equity in 2005, down from 27.0% in 2004, due to an increase in shareholders equity in 2005. The banking operations reflected an increase to 24.2% in 2005 from 15.8% in 2004.

INSURANCE OPERATIONS

Income

Total premium income increased 4.9%, or EUR 2,141 million from EUR 43,617 million in 2004 to EUR 45,758 million in 2005, mainly driven by a strong growth of life premiums which increased by 5.7%, or EUR 2,154 million to EUR 39,657 million in 2005 from EUR 37,503 million in 2004, primarily related to growth in South Korea and Japan. Premium growth was partially offset by divestments and the reclassification of some life products to investment contracts from the beginning of 2005 under IFRS 4, notably in Australia, the U.S. and Belgium, which had a total negative impact of EUR 2,053 million. Non-life premiums decreased slightly by 0.2%, or EUR 13 million, from EUR 6,114 million in 2004 to EUR 6,101 million in 2005, as lower premiums in the Netherlands and Mexico offset higher premiums in Canada following the acquisition of Allianz Canada in December 2004.

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Investment income and Other income declined 4.5%, or EUR 488 million to EUR 10,299 million in 2005 from EUR 10,787 million in 2004, reflecting the impact of divestments in both periods and the gain on the U.S. dollar hedge in 2004, which offset higher profit from associates. Commission income increased 12.4%, or EUR 148 million to EUR 1,346 million in 2005 from EUR 1,198 million in 2004, mainly driven by a reclassification of products from life insurance to investment products under IFRS 4 and by the impact of divestments

Underwriting Expenditure

Underwriting expenditure increased by EUR 1,736 million, or 3.8% from EUR 45,384 million in 2004 to EUR 47,120 million in 2005. The underwriting expenditure of the life insurance operations increased by EUR 1,880 million, or 4.7% , primarily attributable to an increase in profit sharing and rebates and an increase in technical provisions. The underwriting expenditure of the non-life insurance operations decreased by EUR 144 million, or 2.8%, related to lower net premiums earned and partially offset by higher claims paid. These factors resulted in an overall lower non-life claims ratio of 62.7% in 2005 compared with 63.0% in 2004, primarily attributable to the improvement in the claims ratios from the Automobile and General Liability product lines.

Expenses

Operating expenses from the insurance operations increased 9.4%, or EUR 448 million to EUR 5,194 million in 2005, from EUR 4,746 million in 2004, due to increased costs to support the ongoing growth of the business, particularly in Asia, as well as the impact (EUR 30 million) of a new collective labor agreement in the Netherlands, investments in IT infrastructure, and start-up costs for a new distribution channel in Canada. The efficiency ratios for the life insurance operations improved as both premium and asset growth outpaced the growth in expenses. Expenses as a percentage of assets under management for investment products improved to 0.82% in 2005 compared with 0.86% in 2004. Expenses as a percentage of premiums for life products improved to 13.28% in 2005 from 13.52% in 2004. The cost ratio for the non-life operations deteriorated slightly to 31.9% in 2005 from 30.6% in 2004, driven by higher costs related to the purchase of Allianz Canada in December 2004.

Profit before tax and net profit

Total profit before tax from insurance declined 8.0%, or EUR 344 million, to EUR 3,978 million in 2005 from EUR 4,322 million in 2004. This decline was impacted by the divestments which resulted in a loss of EUR 13 million in 2005 and a gain of EUR 221 million in 2004. Divested units contributed EUR 16 million to profit before tax in 2005 and EUR 151 million in 2004. Results in 2004 also included a gain of EUR 290 million from the U.S. dollar hedge and a gain of EUR 96 million from old reinsurance activities as special items while no special items were recorded in 2005. Net profit from insurance decreased by 2.4%, or EUR 81 million to EUR 3,268 million in 2005 from EUR 3,349 million in 2004. This decrease is related to an increase in third-party interests in 2005 to EUR 255 million from EUR 123 million in 2004, partially offset by the decrease of the effective tax rate from 19.7% in 2004 to 11.4% in 2005 due to tax-exempt gains on divestments, a lower statutory tax rate in the Netherlands and releases of tax provisions of EUR 435 million, primarily related to the conclusions of the tax administration on reviews of certain provisions in the Netherlands and the results of an IRS audit in the Americas.

Underlying profit before tax

Underlying profit before tax from the insurance operations increased by 11.5%, or EUR 411 million to EUR 3,975 million in 2005 from EUR 3,564 million in 2004. ING s insurance operations continued to benefit from strong growth in retirement services and life insurance in developing markets, higher investment results and a favorable claims environment for the non-life insurance businesses. Underlying profit before tax from life insurance increased 7.6%, or EUR 196 million from EUR 2,572 million in 2004 to EUR 2,768 million in 2005, driven by the U.S., Central Europe, South Korea and the Netherlands, supported by higher sales, growth in assets under management and investment gains. This growth was somewhat offset by the reserve strengthening in Taiwan, and lower capital gains on equities in 2005 compared to 2004, EUR 388 million and EUR 590 million, respectively. The non-life operations in the Netherlands, Belgium and Canada continued to benefit from a historically low claims ratio, which helped to drive underlying profit from non-life insurance up 21.7%, or EUR 215 million from EUR 992 million in 2004 to EUR 1,207 million in 2005.

Embedded value

The embedded value of ING s life insurance operations increased 22.9%, or EUR 5,135 million to EUR 27,586 million in 2005 from EUR 22,451 million in 2004, including net dividends of EUR 474 million and EUR 1,049 million paid to the Group in 2005 and 2004, respectively. The figures are calculated in accordance with European Embedded Value principles issued by the CFO Forum, a group representing the chief financial

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officers of major European insurers. In addition to the value attributable to new business and the unwinding of the discount rate, significant contributions to the increase in embedded value came from favorable experience variances and currency movements, changes to discount rates, and the investment return on free surplus. These positive factors were partially offset by changes in economic assumptions, particularly in Asia/Pacific, due to revised new money assumptions in Taiwan. Continued focus on value creation led to a 27.4%, or EUR 173 million increase in the value of new business to EUR 805 million in 2005 from EUR 632 million in 2004, driven by improved pricing margins, higher sales, and a more profitable product mix in the U.S. and Asia/Pacific. Central Europe and Asia/Pacific both generated particularly strong growth in 2005, indicating the strong future earnings potential of the businesses in both regions.

BANKING OPERATIONS

Income

Total income from banking increased 9.2%, or EUR 1,170 million to EUR 13,848 million in 2005 from EUR 12,678 million in 2004, mainly due to strong growth in savings and mortgage lending as well as increased investment income.

Total interest result increased 5.3%, or EUR 463 million to EUR 9,162 million in 2005 from EUR 8,699 million in 2004, driven by strong growth in savings and mortgage lending at Retail Banking and ING Direct, as well as increased prepayment penalties as customers refinanced their mortgages to take advantage of low interest rates. This increase was partially offset by lower interest results in Wholesale Banking due to margin pressure and a decline in volumes as the business focused on cross-selling fee products and limiting growth in risk-weighted assets. The implementation of IAS 32 and IAS 39 in 2005 had a negative impact of approximately EUR 70 million on the interest result in 2005.

Investment and Other income increased sharply to EUR 2,285 million in 2005 from EUR 1,398 million in 2004, primarily due to EUR 379 million in gains recognized on divestments in 2005 and a loss of EUR 166 million recognized from divestments in 2004, gains recognized on equity investments mainly in Belgium and the Americas in 2005, and EUR 60 million of realized gains recognized on the sale of bonds, which was partially offset by decreased income earned from investment properties, The increase was also due to a EUR 226 million positive valuation result on non-trading derivatives in 2005. The proportional (50%) consolidation of Postkantoren BV in the Netherlands starting in 2005, which had no impact on total profit, added EUR 168 million. The share of profit from associates increased by EUR 106 million from EUR 34 million in 2004 to EUR 140 million in 2005, mainly due to associates at ING Real Estate. The result of the trading portfolio decreased by EUR 205 million or 32.7% from EUR 626 million in 2004 to EUR 421 million in 2005, partly due to a reclassification of interest-related components from trading results to interest results.

Commission income declined 7.0%, or EUR 180 million to EUR 2,401 million in 2005 from EUR 2,581 million in 2004, primarily related to the impact of divestments, which was partially offset by higher management fees (mainly at ING Real Estate) and higher commission fees from the securities business, funds transfers and brokerage and advisory fees.

Expenses

Total operating expenses increased 0.6%, or EUR 49 million to EUR 8,844 million from EUR 8,795 million in 2004 due to increased labor costs and one-off expenses and divestments which largely offset the impact of consolidations (Postkantoren B.V. and Mercator Bank) in 2005. One-off expenses of EUR 255 million include EUR 47 million for restructuring the Operations and IT activities in the Benelux, EUR 27 million for accelerated software depreciation, EUR 78 million for impairments on development projects at ING Real Estate and EUR 103 million for reorganization and reallocation provisions, mainly related to Williams de Broë, recorded in Belgium. An additional EUR 168 million is related to the consolidation of 50% of Postkantoren BV in 2005. The remaining increase was driven by continued strong growth of ING Direct, the acquisition of Mercator Bank in Belgium, investments to expand the retail banking activities in Romania, Poland and India, as well as higher IT costs. Personnel expenses increased, particularly in the Netherlands as a result of the new collective labour agreement; however that was largely offset by a net release of EUR 119 million in provisions for employee benefits following healthcare and pension legislative changes in the Netherlands. The total cost/income ratio of the banking operations improved to 63.9% in 2005 from 69.4% in 2004.

Addition to the provision for loan losses

The total addition to the provision for loan losses in 2005 was EUR 88 million compared to EUR 465 million in 2004, a decrease of 81.1% or EUR 377 million. The additions to the provision for loan losses were exceptionally low due to an improvement in the credit portfolio, the release of loan loss provisions previously recorded, the absence of new large defaults and improvements in risk management. As a percentage of average credit-risk-weighted assets, the addition in 2005 equalled 3 basis points compared with 18 basis points in 2004.

Profit before tax and net profit

Total profit before tax increased 43.8%, or EUR 1,498 million to EUR 4,916 million in 2005 from EUR 3,418 million in 2004. Divestments had a positive impact on profit before tax in 2005, including EUR 379 million in realized gains on divestments compared with a loss of EUR 166 million in 2004. Divested units contributed a loss of EUR 17 million to profit before tax in 2005 and a gain of EUR 102 million in 2004. Net profit from banking rose 63.8%, or EUR 1,536 million from EUR 2,406 million in 2004 to EUR 3,942 million in 2005. This increase was related to the change in the effective tax rate which declined to 18.8% in 2005 from 25.1% in 2004 due to tax-exempt gains on divestments, a lower statutory tax rate in the Netherlands, non-taxable gains on equities mainly in Belgium, a release of EUR 35 million from the tax provisions, and a EUR 148 million deferred tax asset related to net operating losses in the U.S. in 2005.

Underlying profit before tax

ING s banking businesses had a strong increase in profit in 2005 driven by solid growth in income at ING Direct and Retail Banking and historically low additions to the provision for loan losses. Underlying profit before tax rose 29.2%, or EUR 1,028 million to EUR 4,554 million in 2005 from EUR 3,526 million in 2004. Growth was driven by increased savings and strong demand for mortgages at both Retail Banking and ING Direct. Profit was also supported by the sale of equity investments and a positive impact on balance from the implementation of IAS 32 and IAS 39. Underlying profit before tax in 2004 included special items related to a restructuring provision of EUR 41 million for the International Wholesale Banking network, compared to no special items reported in 2005.

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CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s consolidated assets and liabilities for the years ended December 31, 2006, 2005 and 2004:

	2006	2005	2004
	(EUR billions, except amounts per share)		
Investments	311.6	324.6	276.3
Financial assets at fair value through the profit and loss account	310.9	260.4	157.3
Loans and advances to customers	474.4	439.2	330.5
Total assets	1,226.3	1,158.6	876.4
Insurance and investment contracts Life			
Life	237.9	232.1	205.5
Non-life	10.1	12.8	11.4
Investment contracts	20.7	18.6	
Total insurance and investment contracts	268.7	263.5	216.9
Customer deposits and other funds on deposits[1)]	496.7	465.7	349.2
Debt securities in issue/other borrowed funds	107.8	113.5	102.7
Total liabilities (including third-party interests)	1,188.0	1,121.9	852.3
Shareholders equity	38.3	36.7	24.1
Shareholders equity per Ordinary share (in EUR)	17.78	16.96	12.95

1) Customer deposits and other funds on deposits consists of savings accounts, other deposits, bank funds and debt securities privately issued by the banking operations of ING.

Year ended December 31, 2006 compared to year ended December 31, 2005

Total assets increased by 5.8% in 2006 to EUR 1,226.3 billion, mainly due to increased fixed income investments, loans and advances to customers and customer deposits and other funds on deposits. Investments decreased by EUR 13.0 billion, or 4.0%, to EUR 311.6 billion in 2006 from EUR 324.6 billion in 2005, representing a decrease of EUR 4.0 billion in insurance investments and a decrease of EUR 9.0 billion in banking investments.

Loans and advances to customers increased by EUR 35.2 billion, or 8.0%, rising to EUR 474.4 billion at the end of December 2006 from EUR 439.2 billion at the end of December 2005. Loans and advances to customers of the insurance operations decreased EUR 0.9 billion. Loans and advances of the banking operations increased by EUR 34.7 billion. The Netherlands operations increased by EUR 18.4 billion and the international operations by EUR 16.3 billion, for EUR 16.4 billion negatively influenced by the sale of Deutsche Hypothekenbank. ING Direct contributed EUR 20.0 billion to the increase, of which EUR 16.4 billion was due to personal lending.

Shareholders equity increased by 4.2% or EUR 1,530 million to EUR 38,266 million at December 31, 2006 compared to EUR 36,736 million at December 31, 2005. Net profit from the year 2006 added EUR 7,692 million to equity and unrealized revaluation shares added EUR 1,726 million, partially offset by unrealized revaluations debt securities of EUR 2,901 billion, exchange rate differences of EUR 1,335 million and a cash dividend of EUR 2,681 million.

Year ended December 31, 2005 compared to year ended December 31, 2004

Total assets increased by 32.2% in 2005 to EUR 1,158.6 billion, mainly due to increased fixed income investments, loans and advances to customers and customer deposits and other funds on deposits. Investments increased by EUR 48.3 billion, or 17.5%, to EUR 324.6 billion in 2005 from EUR 276.3 billion in 2004, representing an increase of EUR 32.0 billion in insurance investments and an increase of EUR 15.9 billion in banking investments of which EUR 9.4 billion was attributable to ING Direct.

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Loans and advances to customers increased by EUR 108.7 billion, or 32.9%, rising to EUR 439.2 billion at the end of December 2005 from EUR 330.5 billion at the end of December 2004. Loans and advances to customers of the insurance operations rose EUR 2.2 billion. Loans and advances of the banking operations increased by EUR 104.4 billion, of which approximately EUR 40 billion was due to the effects of IAS 32 and IAS 39 in 2005. The increase was also impacted by the Netherlands operations (increase of EUR 25.7 billion) and the international operations (increase of EUR 37.6 billion). ING Direct contributed EUR 24.7 billion to the increase, of which EUR 21.0 billion was due to personal lending.

Shareholders equity increased by 52.6% or EUR 12,667 million to EUR 36,736 million at December 31, 2005 compared to EUR 24,069 million at December 31, 2004. Net profit from the year 2005 added EUR 7,210 million to equity, revaluations added EUR 1,626 million, exchange rate differences added EUR 2,067 million and adjustments related to the implementation of IAS 32 and IAS 39 and IFRS 4 added EUR 4,103 million, partially offset by EUR 657 million in realized capital gains that were released through the profit and loss account and the cash dividend of EUR 2,461 million.

SEGMENT REPORTING

ING Group s segments are based on the management structure of the Group, which is different from its legal structure. The following table sets forth the contribution of our six business lines to our underlying profit before tax for each of the years 2006, 2005 and 2004:

2006 (EUR millions)	**Insurance Europe**	**Insurance Americas**	**Insurance Asia/ Pacific**	**Wholesale Banking**	**Retail Banking**	**ING Direct**	**Other(1**	**Total Group**
Total income	16,170	29,779	13,378	5,818	6,002	2,373	101	73,621
Total expenditure	13,808	27,787	12,742	3,337	4,070	1,679	258	63,681
Profit before tax	**2,362**	**1,992**	**636**	**2,481**	**1,932**	**694**	**(157)**	**9,940**
Gains/losses on divestments	(34)		(15)	89		23		63
Profit/loss before tax from divested units				(45)				(45)
Special items								
Underlying profit before tax	**2,328**	**1,992**	**621**	**2,525**	**1,932**	**717**	**(157)**	**9,958**

2005 (EUR millions)	**Insurance Europe**	**Insurance Americas**	**Insurance Asia/ Pacific**	**Wholesale Banking**	**Retail Banking**	**ING Direct**	**Other(1**	**Total Group**
Total income	16,033	28,034	13,191	5,957	5,796	2,119	(10)	71,120
Total expenditure	14,002	26,093	12,713	3,358	3,919	1,502	639	62,226
Profit before tax	**2,031**	**1,941**	**478**	**2,599**	**1,877**	**617**	**(649)**	**8,894**
Gains/losses on divestments	(10)	50	(27)	(317)	(62)			(366)
Profit/loss before tax from divested units		(12)	(4)	17				1
Special items								
Underlying profit before tax	**2,021**	**1,979**	**447**	**2,299**	**1,815**	**617**	**(649)**	**8,529**

2004 (EUR millions)	**Insurance Europe**	**Insurance Americas**	**Insurance Asia/ Pacific**	**Wholesale Banking**	**Retail Banking**	**ING Direct**	**Other(1**	**Total Group**
Total income	16,041	28,084	10,490	5,871	5,062	1,709	902	68,159

Total expenditure	14,418	26,392	9,734	3,926	3,887	1,274	788	60,419
Profit before tax	**1,623**	**1,692**	**756**	**1,945**	**1,175**	**435**	**114**	**7,740**
Gains/losses on divestments		(2)	(219)	166				(55)
Profit/loss before tax from divested units		(89)	(62)	(95)	(7)			(253)
Special items	(11)			41			(372)	(342)
Underlying profit before tax	**1,612**	**1,601**	**475**	**2,057**	**1,168**	**435**	**(258)**	**7,090**

1) Other mainly includes items not directly attributable to the business lines and intercompany relations

Refer to Note 2.1, note 50, of the consolidated financial statements for further disclosure of our segment reporting.

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INSURANCE EUROPE

	Insurance Europe		
	2006	**2005**	**2004**
		(EUR millions)	
Premium income	10,552	10,702	11,369
Commission income	348	303	299
Investment and Other income	5,270	5,028	4,373
Total income	**16,170**	**16,033**	**16,041**
Underwriting expenditure	11,458	11,644	12,327
Other interest expenses	544	481	322
Operating expenses	1,805	1,869	1,768
Other impairments	1	7	1
Total expenditure	**13,808**	**14,001**	**14,418**
Profit before tax	**2,362**	**2,032**	**1,623**
Gains/losses on divestments	(34)	(10)	
Special items			(11)
Underlying profit before tax	**2,328**	**2,022**	**1,612**

Year ended December 31, 2006 compared to year ended December 31, 2005

Income

Total premium income declined by 1.4%, or EUR 150 million to EUR 10,552 million in 2006 from EUR 10,702 million in 2005, through a decrease of 1.4% in Life premium and 1.6% in Non-life premium. Life premium declined especially in the Netherlands (increase of 4.1%) and Belgium (increase of 11.5%) and was partially offset by Central and Rest of Europe which showed an increase of 18.0%. Non-life premium income declined also in the Netherlands (decrease of 2.1%) but Belgium and Rest of Europe showed premium growth of 0.6% and 2.2% respectively.

Commission income increased by 14.9%, or EUR 45 million to EUR 348 million in 2006 from EUR 303 million in 2005, mainly due to increased assets under management in Central and Rest of Europe. Commission income in the Netherlands remained stable at EUR 113 million compared to EUR 105 million in 2005. Investment and Other income increased by 4.8%, or EUR 242 million from EUR 5,028 million in 2005 to EUR 5,270 million in 2006, supported by the life operations in the Netherlands, which increased by EUR 153 million, due to higher dividend income, increased capital gains on equities, revaluations of real estate and private equity and Belgium which increased by EUR 44 million as well as higher gains on divestments (Piraeus in 2006 against Freeler in 2005).

Expenses

Operating expenses declined by 3.4%, or EUR 64 million to EUR 1,805 million in 2006 from EUR 1,869 million in 2005 primarily due to a decrease of 6.7% or EUR 99 million in the Netherlands mainly due to a decrease in the work force resulting from reorganizations, especially at Nationale-Nederlanden and higher releases from employee benefit provisions. Operating expenses in Belgium increased by 4.2% or EUR 6 million (due to a release of a legal claim provision in 2005) and in Central and Rest of Europe by 11.4% or EUR 29 million due to growth of business and the developing of greenfields (business in new countries). Expenses as a percentage of assets under management improved from 0.93% to 0.76% and expenses as a percentage of life premiums improved from 23.38% to 22.50%.

Profit before tax

Profit before tax included a gain of EUR 34 million from the unwinding of Piraeus (Greece) in 2006, and a gain of EUR 10 million from the sale of the internet provider Freeler in 2005. Including those items, total profit before tax rose 16.2%, or EUR 330 million to EUR 2,362 million in 2006 from EUR 2,032 million in 2005.

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Underlying profit before tax

Underlying profit before tax from Insurance Europe rose by 15.1%, or EUR 306 million from EUR 2,022 million in 2005 to EUR 2,328 million in 2006, mainly driven by strong underwriting results at the non-life businesses in the Netherlands, which increased by 49.7% or EUR 184 million, primarily due to an increase in underwriting results for especially loss of income / accident and motor risks. In addition life insurance in the Netherlands increased by 11.2%, or EUR 137 million, due primarily to favorable investment results and lower expenses. Belgium however showed a decrease of EUR 44 million or 34.9% in underlying profit from life insurance mainly caused by a new commission agreement, which is expected to stimulate the sale of insurance policies, with ING Bank Belgium.

1) Belgium includes underlying profit before tax from Luxembourg.

2) Central and Rest of Europe includes Poland, Hungary, Czech Republic, Slovakia, Romania, Bulgaria, Greece and Russia.

3) Underlying profit before tax by segment in 2006 was as follows: Netherlands: life EUR 1,357 million and non-life EUR 554 million, Belgium: life EUR 82 million and non-life EUR 55 million, Central Europe and Spain: life EUR 240 million and non-life EUR 40 million.

4)

Underlying profit before tax by geographic region in 2005 was as follows: Netherlands EUR 1,589 million (life EUR 1,220 million and non-life EUR 370 million), Belgium EUR 174 million (life EUR 126 million and non-life EUR 48 million), Central and Rest of Europe and Spain EUR 258 million (life EUR 217 million and non-life EUR 41 million).

Netherlands

In the Netherlands, underlying profit before tax increased by 20.2%, or EUR 321 million to EUR 1,911 million in 2006 from EUR 1,590 million in 2005 due to higher investment and other income and lower expenses. Underlying profit before tax from the life insurance businesses rose by 11.2%, or EUR 137 million from EUR 1,220 million in 2005 to EUR 1,357 million in 2006 driven by higher investment income largely due to higher dividends received, gains on equity, gains and revaluations on real estate investments and private equity, and were partly offset by lower reduction in Nationale-Nederlanden s guaranteed separate account contracts (contracts with a guaranteed yield for the customer regardless of the realized yield on the investments). In addition expense and actuarial provision releases were higher in 2006. Life premium income declined by 4.1%, or EUR 221 million from EUR 5,451 million in 2005 to EUR 5,230 million in 2006, mainly due to fewer acquired group life contracts and lower addition (through premium income) to buffer regarding certain group life contracts (positive product experience).

Underlying profit before tax from the non-life insurance businesses increased by 49.7%, or EUR 184 million from EUR 370 million in 2005 to EUR 554 million in 2006, driven by better claims ratios following higher one-off claims provision releases on previous underwriting years. Non-life premiums declined by 2.1% to EUR 1,606 million, a decrease of EUR 35 million compared to EUR 1,641 million in 2005 which was attributable to all branches, but primarily to loss of income/accident insurance due to the new long-term disability act and fierce competition in short-term disability insurance.

Belgium

In Belgium, underlying profit before tax from insurance declined by 20.8%, or EUR 36 million from EUR 173 million in 2005 to EUR 137 million in 2006, mainly due to a decrease in results from life insurance of EUR 44 million, or 34.9% to EUR 82 million in 2006 from EUR 126 million, which was primarily due to the new commission agreement with ING Bank Belgium. Life premium income decreased by 11.5%, to EUR 1,442 million in 2006 from EUR 1,630 million in 2005, due to lower sales of single premium investments products through the bank channel. Underlying profit before tax from non-life insurance increased by 17.0%, or EUR 8 million to EUR 55 million in 2006 from EUR 47 million in 2005 due to improved claims ratio from 66.8% in 2005 to 65.0% in 2006. Non-life premium income increased by 0.6% to EUR 321 million in 2006 from EUR 319 million in 2005.

Central and Rest of Europe
In Central and Rest of Europe, underlying profit increased by 8.5%, or EUR 22 million to EUR 280 million in 2006 from EUR 258 million in 2005, driven by a 7.5% or EUR 19 million increase in life results due to higher assets under management and increased sales in Greece, Poland and the Czech Republic, partly offset by start-up costs for greenfields in Russia and Bulgaria and expenses for a project to determine the required economic capital. Life premium income rose by 18.0%, or EUR 289 million from EUR 1,617 million in 2005 to EUR 1,906 million in 2006 within all countries, primarily in Spain and Hungary.

US GAAP
US GAAP profit before tax is EUR 830 million lower than IFRS-EU profit before tax of EUR 2,362 million in 2006. The difference between US GAAP and IFRS-EU profit before tax in 2006 is primarily attributable to EUR (797) million in 2006 compared to EUR 686 million in 2005 for the reversal of IFRS-EU hedge accounting; EUR 91 million in 2006 compared to EUR (112) million in 2005 related to differences in debt securities valuation; EUR 155 million in 2006 compared to EUR 73 million in 2005 related to differences in the deferred acquisition costs and provision for insurance liabilities and EUR (256) million in 2006 compared to EUR (290) million in 2005 primarily related to the underlying IFRS-EU and US GAAP differences in real estate and the associates accounting for real estate, which became a significant reconciling item in 2005 due to a change in the scope of consolidation of property investment funds; EUR 0 million in 2006 compared to EUR 147 million in 2005 related to the alignment of the US GAAP reporting with the change in loan loss provision estimation process on adoption of IFRS-EU in 2005. For an explanation of the differences between IFRS-EU and US GAAP please refer to Note 2.4. of the consolidated financial statements

Year ended December 31, 2005 compared to year ended December 31, 2004

Income
Total premium income declined by 5.9%, or EUR 667 million to EUR 10,702 million in 2005 from EUR 11,369 million in 2004, due to the reclassification of some products from life insurance to investment contracts under IFRS 4, which had a negative impact of EUR 761 million, as well as a decline in non-life premiums in the Netherlands. Non-life premium income declined by 2.8%, or EUR 57 million to EUR 2,007 million from EUR 2,064 million in 2004, due to premium refunds resulting from the new long-term disability laws in the Netherlands which took effect in 2006.

Commission income increased by 1.3%, or EUR 4 million to EUR 303 million in 2005 from EUR 299 million in 2004 and Investment and Other income increased by 15.0%, or EUR 655 million from EUR 4,373 million in 2004 to EUR 5,028 million in 2005, supported by pre-payment penalty fees, capital gains on bonds and private equity investments.

Expenses
Operating expenses rose by 5.7%, or EUR 101 million to EUR 1,869 million in 2005 from EUR 1,768 million in 2004 primarily due to an increase of EUR 30 million related to the new collective labor agreement in the Netherlands, EUR 39 million in severance costs at Nationale-Nederlanden and EUR 23 million for streamlining the IT organization at NN and RVS, the Dutch tied agents company of ING. This increase was partially offset by a release of EUR 47 million from provisions for employee benefits following healthcare and pension legislative changes in the Netherlands. Operating expenses in Belgium and Central Europe declined as a result of cost containment programmes. Expenses as a percentage of assets under management improved from 1.06% to 0.93% and expenses as a percentage of life premiums deteriorated from 20.99% to 23.38%.

Profit before tax
Profit before tax included a gain of EUR 10 million from the sale of the internet provider Freeler in 2005, and a gain of EUR 11 million on old reinsurance business in 2004. Including those items, total profit before tax rose by 25.2%, or EUR 409 million to EUR 2,032 million in 2005 from EUR 1,623 million in 2004.

Underlying profit before tax
Underlying profit before tax from Insurance Europe rose by 25.4%, or EUR 410 million from EUR 1,612 million in 2004 to EUR 2,022 million in 2005, driven by life insurance in the Netherlands and Central Europe as well as strong underwriting results at the non-life businesses in the Netherlands and Belgium. Underlying profit from life insurance rose by 22.3%, or EUR 291 million to EUR 1,598 million in 2005 from EUR 1,307 million in 2004, led by a 48.3%

increase in life results from Central Europe, primarily in Poland and Hungary, and a 20.0% increase in the life results in the Netherlands. Underlying profit from non-life insurance rose by

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39.0%, or EUR 119 million from EUR 305 million in 2004 to EUR 424 million in 2005, supported by strong underwriting results and releases of provisions caused by the introduction of a new long-term disability act in 2006.

1) Belgium includes underlying profit before tax from Luxembourg.

2) Central Europe includes Poland, Hungary, Czech Republic, Slovakia, Romania, Bulgaria, Greece and Russia.

3) Underlying profit before tax by geographic region in 2004 was as follows: Netherlands EUR 1,290 million (life EUR 1,017 million and non-life EUR 273 million), Belgium EUR 143 million (life EUR 122 million and non-life EUR 21 million), Central Europe and Spain EUR 179 million (life EUR 168 million and non-life EUR 11 million).

Netherlands

In the Netherlands, underlying profit before tax increased by 23.2%, or EUR 299 million to EUR 1,589 million in 2005 from EUR 1,290 million in 2004, as higher investment income more than offset growth in expenses related to the new collective labor agreement and actions to improve customer satisfaction and efficiency. Results included a

EUR 151 million revaluation of non-trading derivatives, EUR 83 million higher results from real estate investment from EUR 419 million in 2004 to EUR 502 million in 2005 and EUR 94 million higher results from private equity from EUR 37 million in 2004 to EUR 131 million in 2005, as well as a EUR 98 million release of disability provisions triggered by the introduction of a new long-term disability act in 2006.

Underlying profit before tax from the life insurance businesses rose by 20.0%, or EUR 203 million from EUR 1,017 million in 2004 to EUR 1,220 million in 2005 driven by higher investment income and an improved morbidity result due to the release of disability provisions. Life premium income declined by 6.4%, or EUR 374 million from EUR 5,823 million in 2004 to EUR 5,449 million in 2005, mainly due to lower acquisition of group life contracts, the reclassification of insurance contracts to investment contracts under IFRS 4, and lower single-premium sales due to enhanced pricing discipline to improve profitability.

Underlying profit before tax from the non-life insurance businesses increased by 35.2%, or EUR 96 million from EUR 273 million in 2004 to EUR 369 million in 2005, driven by higher results from real estate and private equity investments as well as actuarial provision releases. Non-life premiums declined by 3.0% to EUR 1,642 million, a decrease of EUR 51 million compared to EUR 1,693 million in 2004 largely attributable to premium refunds in loss of income/accident insurance due to the new long-term disability act. This decrease was partially offset by higher fire insurance premiums following a premium rate adjustment.

Belgium

In Belgium, underlying profit before tax from insurance rose by 21.7%, or EUR 31 million from EUR 143 million in 2004 to EUR 174 million in 2005, mainly due to a sharp increase in results from non-life insurance, which rose by EUR 27 million, or 128.6% to EUR 48 million in 2005 from EUR 21 million, driven by favourable claims development, primarily in fire, health and loss of income/accident insurance, as well as decreased operating expenses. Underlying profit before tax from life insurance, including Luxembourg, increased by 3.3%, or EUR 4 million to EUR 126 million in 2005 from EUR 122 million in 2004, as a decline in operating expenses compensated for higher lapses and lower management/entrance fees. Excluding the reclassification of products from life insurance to investment products under IFRS 4, which had a negative impact of EUR 761 million, life premium income increased by 20.4%, to EUR 1,630 million in 2005 from EUR in 1,354 million in 2004, due to strong sales of universal life products.

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Central and Rest of Europe

In Central and Rest of Europe, underlying profit increased by 44.1 %, or EUR 79 million to EUR 258 million in 2005 from EUR 179 million in 2004, driven by a 48.3% increase in life results in Central Europe to EUR 251 million. Poland, Hungary, Greece, Spain and Romania all showed strong growth in life and pensions, driven by higher premiums and lower operating expenses. Life premium income rose by 18.3%, or EUR 250 million from EUR 1,367 million in 2004 to EUR 1,617 million in 2005 driven by high sales of unit-linked products in Hungary and universal life products in Poland and Greece.

US GAAP

US GAAP profit before tax was EUR 446 million higher than IFRS-EU profit before tax of EUR 2,032 million in 2005. The difference between US GAAP and IFRS-EU profit before tax in 2005 is primarily attributable to EUR 147 million for the alignment of the US GAAP reporting with the change in loan loss provision estimation process on adoption of IFRS-EU in 2005; EUR 686 million in 2005 compared to EUR 185 million in 2004 for the reversal of IFRS-EU hedge accounting; EUR (112) million in 2005 compared to EUR 17 million in 2004 related to differences in debt securities valuation; and EUR (290) million in 2005 primarily related to the underlying IFRS-EU and US GAAP differences within the associates accounting for real estate, which became a significant reconciliation item in 2005 due to a change in the scope of consolidation of property investment funds. For an explanation of the differences between IFRS-EU and US GAAP please refer to Note 2.4. of the consolidated financial statements.

INSURANCE AMERICAS

	Insurance Americas		
	2006	**2005**	**2004**
		(EUR millions)	
Premium income	24,118	22,744	22,761
Commission	984	785	798
Investment and Other income	4,677	4,505	4,525
Total income	**29,779**	**28,034**	**28,084**
Underwriting expenditure	24,981	23,597	24,058
Other interest expenses	316	98	118
Operating expenses	2,490	2,397	2,202
Other impairments		1	14
Total expenditure	**27,787**	**26,093**	**26,392**
Profit before tax	**1,992**	**1,941**	**1,692**
Gains/losses on divestments		50	(2)
Profit before tax from divested units		(12)	(89)
Underlying profit before tax	**1,992**	**1,979**	**1,601**

Year ended December 31, 2006 compared to year ended December 31, 2005

Income

Premium income rose by 6.0%, or EUR 1,374 million, from EUR 22,744 million in 2005 to EUR 24,118 million in 2006. Excluding currency effects premium income rose by 5.8%, due to an increase in Life premium of 6.9% primarily attributable to the US (increase of 6.5%) driven by fixed and variable annuities and retirement services; Latin America (increase of 17.7% following strong production in group life contracts in Mexico and Chile) and in Non-life premium of 2.3%, primarily attributable to Canada (increase of 2.2%) due to an increase in the number of insured risks and Latin America (increase of 2.5%) through higher motor and health sales in Mexico and higher health premium in Chile.

Commission income increased by 25.4%, or EUR 199 million to EUR 984 million in 2006 from EUR 785 million in 2005, primarily as a result of higher assets under management, which were due to sales, persistency and higher fund performance. Investment and Other income increased 3.8% or EUR 172 million from EUR 4,505 million in 2005 to EUR 4,677 million in 2006, mainly due to higher fixed margins and favorable DAC unlocking partly offset by investment related losses resulting from the rising interest rate environment and lower private equity gains.

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Expenses

Operating expenses increased by 3.9%, or EUR 93 million from EUR 2,397 million in 2005 to EUR 2,490 million in 2006, due to normal business growth and increased sales agents in the competitive pension market in Mexico. Expenses as a percentage of assets under management for investment products improved from 0.75% to 0.72%, while expenses as a percentage of premiums for life products deteriorated from 13.76% in 2005 to 14.33% in 2006.

Profit before tax

Divestments resulted in a loss of EUR 50 million in 2005 (mainly due to the disposal of Life of Georgia) and divested units generated a profit before tax of EUR 12 million in 2005. Including these items, total profit before tax increased 2.6%, or EUR 51 million from EUR 1,941 million in 2005 to EUR 1,992 million in 2006.

Underlying profit before tax

Underlying profit before tax from Insurance Americas increased by 0.7%, or EUR 13 million from EUR 1,979 million in 2005 to EUR 1,992 million in 2006. Underlying profit before tax in the U.S. grew by 5.0%, or EUR 57 million from EUR 1,147 million in 2005 to EUR 1,204 million in 2006, despite investment related losses resulting from the rising interest rate environment. The Canadian business had a 10.0%, or EUR 67 million decrease in underlying profit before tax from EUR 671 million in 2005 to EUR 604 million in 2006, due to less favorable developments in prior-year reserves and lower investment-related gains. In Latin America underlying profit before tax increased 14.3%, or EUR 23 million to EUR 184 million in 2006 from EUR 161 million in 2005, mainly due to life operations which rose 16.8% or EUR 17 million as higher results in Chile were partly offset by lower results in Mexico as the pension market continued to be highly challenged by competitive market conditions.

1) Latin America includes Argentina, Chile and Peru.

2) United States is only life insurance; Canada and Latin America are mainly non-life insurance.

United States

Premium income increased 5.8%, or EUR 1,043 million to EUR 19,130 million in 2006 from EUR 18,087 million in 2005 mainly due to higher fixed and variable annuity sales and higher sales in retirement services but was partially offset by lower premium income from individual life products. Operating expenses were almost flat as they increased only by 1.1 %, or EUR 16 million, despite the sales and the portfolio growth. Underlying profit before tax rose by 5.0%, or EUR 57 million from EUR 1,147 million in 2005 to EUR 1,204 million in 2006, despite investment-related losses. Excluding these losses, underlying profit before tax increased 12.6% to EUR 1,252 million due to higher fee income from growth in assets under management, higher interest margins and favourable equity-related deferred acquisition cost unlocking in 2006.

Canada

Premium income rose by 8.5%, or EUR 221 million, from EUR 2,585 million in 2005 to EUR 2,806 million in 2006, primarily attributable to currency impacts as well as to an increase in the number of insured. Operating expenses rose by 14.2% or EUR 68 million, mainly due to currency impact, expenses of brokerage acquired, higher pension costs, higher premium taxes and increased salary and benefits expenses. Underlying profit before tax decreased 10.0%, or EUR 67 million from EUR 671 million in 2005 to EUR 604 million in 2006; excluding currency impact the decrease is 15.5%, due to less favorable developments in prior-year reserves and lower investment-related gains. The claims ratio deteriorated to 59.2% in 2006 from 56.3% in 2005,

but the expense ratio improved to 29.9% from 30.5%. The combined ratio deteriorated to 89.1 % in 2006 from 86.8% in 2005.

US GAAP

US GAAP profit before tax is EUR 34 million higher than IFRS-EU profit before tax of EUR 1,992 million in 2006. The difference between US GAAP and IFRS-EU profit before tax in 2006 is primarily attributable to EUR (19) million in 2006 for the depreciation of goodwill related to management rights compared to EUR (326) million in 2005 for the write-off of goodwill related to Sul America, the reversal of goodwill on disposals and the depreciation of goodwill related to management rights; EUR (28) million in 2006 compared to EUR (17) million in 2005 related to differences in debt securities valuation; EUR (3) million in 2006 compared to EUR 203 million in 2005 for the reversal of IFRS-EU hedge accounting; EUR 150 million in 2006 related to deferred acquisition costs and provision for life policy liabilities, compared to EUR (82) million in 2005; and, EUR (30) million in 2006 compared to EUR (89) million in 2005 primarily related to the underlying IFRS-EU and US GAAP differences within the associates accounting. For an explanation of the differences between IFRS-EU and US GAAP please refer to Note 2.4. of the consolidated financial statements.

Year ended December 31, 2005 compared to year ended December 31, 2004

Income

Premium income was flat at EUR 22,744 million as higher non-life premiums were partially offset by lower life premiums. Non-life premium income rose by 6.2%, or EUR 235 million from EUR 3,804 million in 2004 to EUR 4,039 million in 2005, driven by a 16.8%, or EUR 372 million increase from EUR 2,213 million to EUR 2,585 million in 2005 in Canada, primarily due to the acquisition of Allianz Canada in December 2004. That growth was partially offset by lower non-life premium income in Mexico related to the auto business and from the non-renewal of certain large property and casualty contracts as the company focuses on more profitable retail market segments. Life premium income declined by 1.3%, or EUR 252 million from EUR 18,957 million in 2004 to EUR 18,705 million in 2005, as a slight decline in individual life single premium and lower fixed annuity sales was partially compensated by higher sales in retirement services.

Commission income decreased by 1.6%, or EUR 13 million to EUR 785 million in 2005 from EUR 798 million in 2004 and Investment and Other income declined by 0.4%, or EUR 20 million from EUR 4,525 million in 2004 to EUR 4,505 million in 2005, as 2004 included the EUR 249 million gain on the ING Canada IPO as well as EUR 157 million in investment income from divested businesses. Excluding those items from 2004, Investment and Other income increased by 9.4% driven by higher yields, prepayment penalty income on fixed income investments, investment gains from sales of fixed income securities, and higher private equity gains.

Expenses

Operating expenses increased 8.9%, or EUR 195 million from EUR 2,202 million in 2004 to EUR 2,397 million in 2005, due to the acquisition of Allianz Canada in December 2004 and expenses in the U.S. related to strategic initiatives and higher incentive-related benefit costs. Expenses as a percentage of assets under management for investment products were unchanged at 0.75%, while expenses as a percentage of premiums for life products improved from 13.99% in 2004 to 13.76% in 2005.

Profit before tax

Divestments resulted in a loss of EUR 50 million in 2005 (mainly due to the disposition of Life of Georgia) compared with a gain of EUR 2 million in 2004. Divested units generated a profit before tax of EUR 12 million in 2005, compared with EUR 89 million in 2004. Including these items, total profit before tax increased by 14.7%, or EUR 249 million from EUR 1,692 million in 2004 to EUR 1,941 million in 2005.

Underlying profit before tax

Underlying profit before tax from Insurance Americas increased by 23.6%, or EUR 378 million from EUR 1,601 million in 2004 to EUR 1,979 million in 2005. Profit growth was driven by a 27.4%, or EUR 247 million increase in the U.S. operations underlying profit before tax from EUR 902 million in 2004 to EUR 1,149 million in 2005, led by higher results from retirement services and annuities due to higher asset levels, improved investment performance and higher margins. The Canadian business had a 35.8%, or EUR 177 million increase in underlying profit before tax from EUR 494 million in 2004 to EUR 671 million in 2005, driven by continued strong underwriting results in the non-life business, increased investment income and the operations of Allianz Canada which was acquired in December 2004. Growth in the region was moderated by losses in Latin America, underlying profit before tax declined by 22.4%, or EUR 46 million to EUR 159 million in 2005 from EUR 205 million in 2004, including claims and expenses related to recent

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hurricanes in Mexico and the related costs to extend reinsurance coverage after the storms and reserve strengthening in the health business in Chile. Currency movements had a positive impact of EUR 46 million due to the strengthening of the Canadian dollar, and the Mexican and Chilean pesos against the euro.

1) Latin America includes Argentina, Chile, Peru and Brazil through September 30, 2005.

2) Underlying profit before tax by geographic region in 2004 was as follows: United Sates EUR 902 million, Canada EUR 494 million, Mexico EUR 122 million and Latin America EUR 83 million.

3) United States is only life insurance; Canada and Latin America are mainly non-life insurance.

United States

Premium income declined by 1.2%, or EUR 221 million to EUR 18,087 million in 2005 from EUR 18,308 million in 2004 as lower individual life single premium and fixed annuity sales were largely offset by higher sales in retirement services. Operating expenses increased by 8.0%, or EUR 109 million, to EUR 1,468 million in 2005 from EUR 1,359 million in 2004, due to spending on strategic initiatives such as enhancements to web capabilities, costs related to implementing Sarbanes-Oxley, and higher incentive-related benefit costs and EUR 16 million of restructuring costs for the insurance and investment management businesses to enhance future profitability.

Canada

The strong underwriting results were driven by a historically low claims ratio coupled with an increase in volume from the Allianz Canada acquisition. The claims ratio improved slightly to 56.3% in 2005 from 56.6% in 2004. The cost ratio was higher in 2005 due to expenses related to the integration of the Allianz Canada business. The combined ratio deteriorated to 86.8% in 2005 from 85.1% in 2004. Premium income rose by 16.8%, or EUR 372 million to EUR 2,585 million in 2005 from EUR 2,213 million in 2004 primarily due to the acquisition of Allianz Canada.

US GAAP

US GAAP profit before tax is EUR (410) million lower than IFRS-EU profit before tax of EUR 1,941 million in 2005. The difference between US GAAP and IFRS-EU profit before tax in 2005 is primarily attributable to EUR (326) million in 2005 for the write-off of goodwill related to Sul America and the reversal of goodwill on disposals compared to EUR (147) million in 2004 for impairment of goodwill in Latin America and the reversal of goodwill on disposals; EUR (17) million in 2005 compared to EUR 111 million in 2004 related to differences in debt securities valuation; EUR 203 million in 2005 compared to EUR 176 million in 2004 for the reversal of IFRS-EU hedge accounting; EUR (82) million in 2005 for deferred acquisition costs and provision for life policy liabilities, compared to EUR 23 million in 2004; and, EUR (89) million in 2005 primarily related to the underlying IFRS-EU and US GAAP differences within the associates accounting for real estate, which became a significant reconciliation item in 2005 due to a changes in the property investment portfolio. For an explanation of the differences between IFRS-EU and US GAAP please refer to Note 2.4. of the consolidated financial statements.

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INSURANCE ASIA/PACIFIC

	Insurance Asia/Pacific		
	2006	**2005**	**2004**
		(EUR millions)	
Premium income	12,136	12,286	9,469
Commission	298	254	107
Investment and Other income	944	651	914
Total income	**13,378**	**13,191**	**10,490**
Underwriting expenditure	11,745	11,838	9,003
Other interest expenses	22	8	8
Operating expenses	965	867	727
Other impairments	10		(4)
Total expenditure	**12,742**	**12,713**	**9,734**
Profit before tax	**636**	**478**	**756**
Gains/losses on divestments	(15)	(27)	(219)
Profit before tax from divested units		(4)	(62)
Underlying profit before tax	**621**	**447**	**475**

Year ended December 31, 2006 compared to year ended December 31, 2005

Income

Premium income decreased by 1.2%, or EUR 150 million to EUR 12,136 million in 2006 from EUR 12,286 million in 2005. Higher sales in South Korea, due to high persistency, in Taiwan, particularly due to higher unit-linked premiums and Australia, were more than offset by lower single-premium variable annuity (SPVA) sales in Japan following tougher competition and new product launches by key competitors. Double-digit growth rates in premium income were recorded in local currency terms in most of Asia/Pacific s other markets.

Commission income increased by 17.3%, or EUR 44 million to EUR 298 million in 2006 from EUR 254 million in 2005, due to a joint venture in Australia driven by the increasing value of assets under management because of the strength of investment markets and improved net flows and retention, Japan through the sale of mutual funds and SPVA products and investment management fees of ING Funds.

Investment and Other income increased by 45.0% or EUR 293 million to EUR 944 million in 2006 from EUR 651 million in 2005, mainly due to Japan, especially from the SPVA business., Korea, supported by growth in assets under management and Taiwan where higher direct investment income on bonds was only partly offset by lower fair value changes in bonds.

Expenses

Operating expenses increased by 11.3%, or EUR 98 million to EUR 965 million in 2006 from EUR 867 million in 2005, reflecting the increase of business volumes and the focus in building organizational capabilities and investing in greenfield operations. Expenses as a percentage of assets under management for investment products improved from 0.94% in 2005 to 0.83% in 2006 and expenses as a percentage of premiums for life products improved from 8.33% in 2005 to 8.24% in 2006.

Profit before tax

A divestment gain of EUR 27 million from the IPO of 90% of the shares in Austbrokers Holdings in Australia impacted profit before tax in 2005. Following the sale of Australia s non-life business in 2004, provisions were made for claims experience of several lines of business. As claims experience was favorable, the hold-back provision was released in 2006 resulting in a profit before tax of EUR 15 million. Including those gains and profit from the divested unit, profit before tax increased by 33.1 %, or EUR 158 million to EUR 636 million in 2006 from EUR 478 million in 2005.

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Underlying profit before tax

Underlying profit before tax increased by 38.9%, or EUR 174 million to EUR 621 million in 2006 from EUR 447 million in 2005, driven by a 44.5% increase in South Korea due primarily to strong sales, 110.8% increase in Japan due primarily to hedging gains and 105.0% increase in Rest of Asia driven by Malaysia and Hong Kong. Underlying profit before tax in Australia showed a decrease of 5.8% because of lower investment earnings and one-off software write-off in 2006 of EUR 7 million. As in 2005 Taiwan recorded zero profit in 2006 due to further measures taken to strengthen reserves in what continues to be a low interest rate environment.

1) Rest of Asia includes China, India, Thailand, Indonesia, Hong Kong and Malaysia.

2) Underlying profit before tax by geographic region in 2005 is as follows: Australia and New Zealand EUR 169 million, South Korea EUR 181 million, Taiwan EUR 0 million, Japan EUR 74 million and rest of Asia EUR 23 million

3) Asia/Pacific is mainly life insurance.

Australia and New Zealand

Underlying profit before tax decreased 5.8%, or EUR 10 million to EUR 161 million in 2006 from EUR 171 million in 2005. Life premium income rose by 27.1%, or EUR 49 million to EUR 230 million in 2006 from EUR 181 million in 2005, driven by the success of the OneCare product launched in the fourth quarter of 2005. Operating expenses were 4.0% lower, but excluding currency impact only 1.8% lower as in 2005 a provision of EUR 7 million was booked regarding a doubtful debts.

South Korea

In South Korea, underlying profit before tax rose by 44.5%, or EUR 81 million to EUR 263 million in 2006 from EUR 182 million 2005, driven by higher margins due to increased volume as well as strong sales. Premium income rose by 41.5%, or EUR 945 million to EUR 3,224 million in 2006 from EUR 2,279 million in 2005, driven by sales of variable and universal life products as well as continued high persistency on existing contracts. Operating expenses rose by 44.1%, or EUR 60 million, from EUR 136 million in 2005 to EUR 196 million in 2006 due to the support provided for the growing and future business.

Taiwan

As in 2005, ING recorded zero profit for Taiwan in 2006 due to further measures taken to strengthen reserves in what continues to be a low interest rate environment. A total charge of EUR 182 million was taken in 2006 to strengthen reserves, compared with EUR 220 million in 2005. For the reserve adequacy position we refer to page F-125 of the Notes to the consolidated financial statements.

Japan

In Japan, underlying profit before tax increased by 110.8%, or EUR 82 million to EUR 156 million in 2006 from EUR 74 million in 2005 largely due to hedging gains. Sales momentum slowed down after an exceptional 2005 year as domestic competition increased. Meanwhile assets under management continued strong growth with 36% in 2006. Growth in the corporate-owned life insurance (COLI) market slowed down. However sales were up in the more protection driven COLI products. Premium income declined by 22.1% due to lower sales of SPVA (Single Premium Variable Annuity). Operating expenses increased by 7.8%, mainly due to higher staff expenses and higher IT expenses.

US GAAP

US GAAP profit before tax is EUR 166 million lower than IFRS-EU profit before tax of EUR 636 million in 2006. The difference between US GAAP and IFRS-EU profit before tax in 2006 is primarily attributable to the premium deficiency loss recognized in relation to the Taiwan reserves under US GAAP of EUR (315) million in 2006 compared to EUR (386) million in 2005, offset by the reversal of certain reserve strengthening in the business line under IFRS-EU of EUR 238 million in 2006 compared to EUR 179 million in 2005 which is not allowed under US GAAP; EUR (76) million in 2006 for differences in debt securities valuation compared to EUR (106) million in 2005. For an explanation of the differences between IFRS-EU and US GAAP please refer to Note 2.4. of the consolidated financial statements.

Year ended December 31, 2005 compared to year ended December 31, 2004

Income

Premium income rose by 29.7%, or EUR 2,817 million to EUR 12,286 million in 2005 from EUR 9,469 million in 2004, led by a 32.6% increase in life premiums. The increase was driven by sharply higher sales of single-premium variable annuities in Japan, tied agency products in South Korea and short-term savings products in Taiwan. Strong premium growth rates were recorded in local currency terms in Japan (87.8%), South Korea (27.9%), Taiwan (11.3%), Malaysia (13.8%), India (141.8%), Thailand (42.6%), Hong Kong (10.8%) and China (27.2%). A reclassification of products in Australia from life insurance to investment products under IFRS 4 reduced premium income by EUR 1,051 million in 2005. Excluding the IFRS 4 change, total life premiums increased by 49.7%. Non-life premium income fell by 82.7% from EUR 237 million in 2004 to EUR 41 million in 2005, reflecting the sale of the Australian non-life business in the second quarter of 2004.

Commission income increased by 137.4%, or EUR 147 million to EUR 254 million in 2005 from EUR 107 million in 2004 due to higher fee income on wealth management products in Australia as a result of growth in assets under management and the reclassification of most products in Australia from life insurance to investment products under IFRS-EU. Investment and Other income declined by 28.8% or EUR 263 million to EUR 651 million in 2005 from EUR 914 million in 2004. However, excluding the realised gains on divestments in both years, Investment and Other income declined by 10.2%, primarily related to losses on derivatives in Japan that are used to hedge minimum-benefit guarantees on single-premium variable annuities, as well as an unrealized loss on non-trading derivatives in South Korea. These losses were partially offset by growth of the investment portfolio in the region.

Expenses

Operating expenses increased by 19.3%, or EUR 140 million to EUR 867 million in 2005 from EUR 727 million in 2004, reflecting staff and salary increases to support the continuing growth of the businesses across the region, primarily in Japan and South Korea. Expenses in 2004 also benefited from the release of a EUR 30 million provision for a wage-tax assessment. Adjusted for the release of the wage-tax provision, expenses as a percentage of assets under management for investment products improved from 1.13% in 2004 to 0.94% in 2005 and expenses as a percentage of premiums for life products improved from 9.03% in 2004 to 8.33% in 2005.

Profit before tax

Divestments had a significant impact on Insurance Asia/Pacific s total profit before tax. In 2004, ING realized a gain of EUR 219 million on the sale of its 50% stake in a non-life insurance joint venture in Australia. Results in 2005 included a gain of EUR 27 million from the IPO of 90% of the shares in Austbrokers Holdings as ING focuses on the funds management and life insurance businesses in Australia. Including those gains and profit from the divested units, total profit before tax from Insurance Asia/Pacific declined by 36.8%, or EUR 278 million to EUR 478 million in 2005 from EUR 756 million in 2004.

Underlying profit before tax

Underlying profit before tax from Insurance Asia/Pacific declined by 5.9%, or EUR 28 million to EUR 447 million in 2005 from EUR 475 million in 2004, primarily related to the reserve strengthening in Taiwan due to the continued low interest rate environment. Excluding Taiwan, underlying profit before tax in the rest of the region increased by 15.8%, or EUR 61 million to EUR 447 million in 2005 from EUR 386 million in 2004, driven by a 52.1% increase in the South Korea operations. Results in 2004 were favored by the release of a EUR 29 million reserve for capital-guaranteed products in Australia and a EUR 30 million release of reserves for a wage-tax assessment.

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1) Rest of Asia includes China, India, Thailand, Indonesia, Hong Kong and Malaysia.

2) Underlying profit before tax by geographic region in 2004 was as follows: Australia and New Zealand EUR 163 million, South Korea EUR 119 million, Taiwan EUR 89 million, Japan EUR 71 million and Rest of Asia EUR 33 million

3) Asia/Pacific is mainly life insurance.

Australia and New Zealand

Total underlying profit before tax increased by 3.7%, or EUR 6 million to EUR 169 million in 2005 from EUR 163 million. Life premium income declined by 85.2%, or EUR 1,042 million, to EUR 181 million in 2005 from EUR 1,223 million in 2004, reflecting the reclassification of the majority of products from life insurance to investment products in 2005. Operating expenses were 9.6% higher, due to provisions to resolve unit-pricing issues following an enforceable undertaking agreed with ASIC, a local regulator.

South Korea

In South Korea, underlying profit before tax rose by 52.1%, or EUR 62 million to EUR 181 million in 2005 from EUR 119 in 2004, driven by higher margins due to increased volume as well as strong sales. Premium income rose by 42.6%, or EUR 680 million to EUR 2,278 million in 2005 from EUR 1,598 million in 2004, driven by sales of variable and universal life products as well as continued high persistency on existing contracts. Premiums were boosted by the introduction of new products, expansion of the tied agency network and new bancassurance partnerships.

Taiwan

Underlying profit in Taiwan decreased by 100% from EUR 89 million in 2004 as a result of measures taken to strengthen reserves in 2005, due to a continued low interest rate environment and assumption changes in 2005. A total charge of EUR 220 million was recorded in 2005 to strengthen reserves, compared with EUR 100 million in 2004.

Japan

In Japan, underlying profit before tax increased by 4.2%, or EUR 3 million to EUR 74 million in 2005 from EUR 71 million in 2004. Profits from the single-premium variable annuity and mutual fund businesses increased due to strong growth in