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2005

ING Group

Annual Report

Executing our strategy for profitable growth

ING

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MANAGEMENT

COMPOSITION OF THE BOARDS
on 31 December 2005

EXECUTIVE BOARD
Michel J. Tilmant (53), chairman
Cees Maas (58), vice-chairman and CFO
Eric F. Boyer de la Giroday (53)
Fred S. Hubbell[1] (54)
Eli P. Leenaars (44)
Alexander H.G. Rinnooy Kan[1] (56)
Hans K. Verkoren[1] (58)

SUPERVISORY BOARD
Cor A.J. Herkströter[2] (68), chairman
Eric Bourdais de Charbonnière (66), vice-chairman
Luella Gross Goldberg (68)
Paul F. van der Heijden (56)
Claus Dieter Hoffmann (63)
Jan H.M. Hommen (62)
Aad G. Jacobs[3] (69)
Wim Kok (67)
Godfried J.A. van der Lugt (65)
Paul J.A. Baron de Meester[3] (70)
Karel Vuursteen[2] (64)

[1] Resignation as of 25 April 2006
[2] Nominated for reappointment as of 25 April 2006
[3] Retirement as of 25 April 2006

Audit Committee
Aad G. Jacobs, chairman
Claus Dieter Hoffmann
Jan H.M. Hommen (from November 2005)
Godfried J.A. van der Lugt (from November 2005)
Paul J.A. Baron de Meester (until November 2005)

Remuneration and Nomination Committee
Cor A.J. Herkströter, chairman
Eric Bourdais de Charbonnière (from April 2005)
Luella Gross Goldberg
Paul F. van der Heijden

Corporate Governance Committee
Cor A.J. Herkströter, chairman
Eric Bourdais de Charbonnière (from April 2005)
Luella Gross Goldberg
Paul F. van der Heijden

Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy are nominated for appointment to the Executive Board as of 25 April 2006.

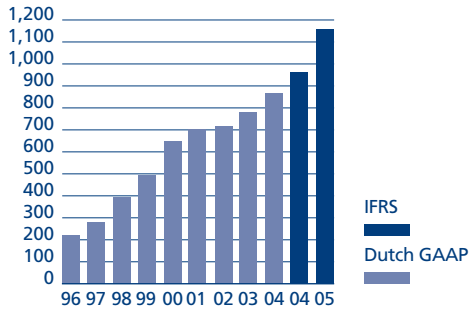
Piet Klaver is nominated for appointment to the Supervisory Board as of 25 April 2006.

The Shareholders' Meeting will decide on these nominations on 25 April 2006.

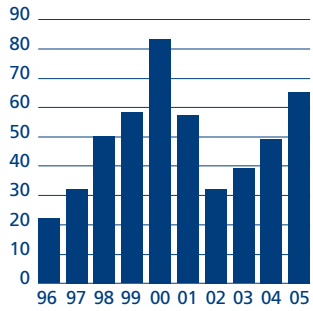
You can find more information on the members of the Executive Board on pages 52-53 and on the members of the Supervisory Board on pages 55-57, including the nominated members.

KEY FIGURES

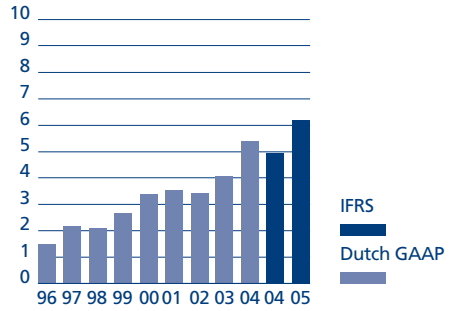
TOTAL ASSETS
in EUR billion



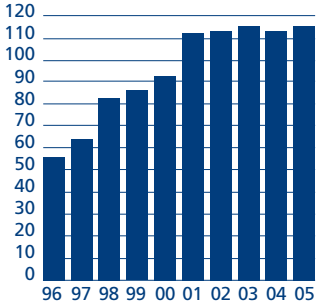
MARKET CAPITALISATION
in EUR billion



OPERATING/UNDERLYING NET PROFIT
in EUR billion



EMPLOYEES
average FTEs, in thousands



KEY FIGURES

FIVE YEARS' KEY FIGURES

	2005	IFRS 2004	2004	2003	2002	Dutch GAAP 2001
Balance sheet (in EUR billion)						
Total assets*	**1,159**	964	866	779	716	705
Capital and reserves*	**37**	28	26	21	18	22
Assets under management (in EUR billion)	**547**	492	492	463	449	513
Market capitalisation (in EUR billion)	**65**	49	49	39	32	57
Income (in EUR million)						
Insurance operations	**57,424**	55,602	55,398	53,233	59,449	55,274
Banking operations	**13,848**	12,678	12,537	11,680	11,201	11,111
Expenses (in EUR million)						
Insurance operations	**5,195**	4,746	4,837	4,897	5,203	5,583
Banking operations	**8,844**	8,795	8,658	8,184	8,298	8,186
Impairments/additions to the provision for loan losses (in EUR million)	**119**	475	497	1,288	2,099	907
Profit (in EUR million)						
Insurance operations	**3,978**	4,322	4,005	3,486	3,170	2,792
Banking operations	**4,916**	3,418	3,414	2,371	1,468	2,170
Profit before tax	**8,894**	7,740	7,419	5,857	4,638	4,962
Underlying (IFRS)/operating net profit (Dutch GAAP)	**6,196**	4,959	5,389	4,053	3,433	3,539
Divestments and special items (IFRS)/non-operating net profit (Dutch GAAP)	**1,014**	796	579	-10	1,067	1,038
Net profit	**7,210**	5,755	5,968	4,043	4,500	4,577
Distributable net profit	**7,210**	5,755	5,968	4,043	4,253	4,252
Figures per ordinary share of EUR 0.24 nominal value						
Net profit	**3.32**	2.71	2.80	2.00	2.32	2.37
Distributable net profit	**3.32**	2.71	2.80	2.00	2.20	2.20
Dividend	**1.18**	1.07	1.07	0.97	0.97	0.97
Capital and reserves*	**16.96**	12.95	11.76	10.08	9.14	11.03
Ratios (in %)						
ING Group						
(Operating) return on equity (ROE)	**26.6**	25.4	22.9	21.5	17.4	15.3
(Operating) net profit growth	**25**	n.a.	33	18	-3	4
Insurance operations						
Combined ratio	**95**	94	94	98	102	103
Capital-coverage ratio*	**255**	204	210	180	169	180
Banking operations						
BIS ratio ING Bank*	**10.86**	10.46	11.47	11.34	10.98	10.57
Tier-1 ratio ING Bank*	**7.32**	6.92	7.71	7.59	7.31	7.03
Cost/income ratio	**63.9**	69.4	69.1	70.1	74.1	73.7
Employees (average FTEs)	**115,300**	113,000	113,000	115,200	113,060	112,000

* Comparable figures shown under 2004 are IFRS-based figures at 1 January 2005; figures were restated due to adjustments to the opening balance sheet under IFRS.

ING AT A GLANCE

MISSION

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

PROFILE

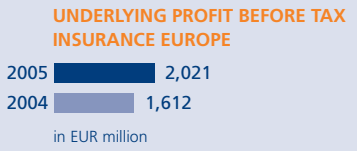
ING is a global financial services company with 150 years of experience, providing a wide array of insurance, banking and asset-management services in over 50 countries. Our 115,000 employees work daily to satisfy a broad customer base: individuals, families, small businesses, large corporations, institutions and governments. Based on market capitalisation, ING is one of the 15 largest financial institutions worldwide and in the top-10 in Europe.

ING

INSURANCE – BANKING – ASSET MANAGEMENT
ING has six business lines. A clear client focus and strong business logic are the key elements in this structure.

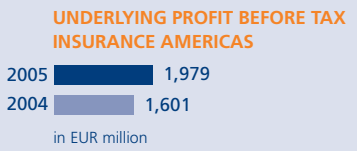
INSURANCE EUROPE

Operates the insurance activities in the Netherlands, Belgium, Spain, Greece and Central Europe. In these countries we offer life insurance with a particular focus on pensions. In the Netherlands and Belgium we also offer non-life insurance. Insurance Europe also includes our European asset-management operations.



INSURANCE AMERICAS

Conducts insurance operations and asset-management activities in the Americas. It is well-established in the United States with retirement services, annuities, life insurance and asset management. We have a leading position in non-life insurance in Canada. Furthermore, we are active in Mexico, Chile, Peru and Brazil.



INSURANCE ASIA/PACIFIC

Conducts the life-insurance operations and asset/wealth-management activities in Asia/Pacific. It has well-established positions in Australia and New-Zealand, Hong Kong, Japan, South Korea, Malaysia and Taiwan. The activities in China, India and Thailand are future growth engines for ING.

PREMIUM INCOME PER BUSINESS LINE
in EUR million

Insurance Europe	23%	10,702
Insurance Americas	50%	22,744
Insurance Asia/Pacific	27%	12,286
Other		26
Total	100%	45,758

BUSINESS

ING is a major financial-services company in the Benelux home market. ING services its retail clients in these markets with a wide range of retail-banking, insurance and asset-management products. In our wholesale-banking activities we operate worldwide, but with a primary focus on the Benelux countries. In the United States, ING is a top-10 provider of retirement services and life insurance, based on sales and assets under management. In Canada, we are the top property and casualty insurer based on direct written premium. ING Direct is a leading direct bank with 15 million customers in nine countries. In the growth markets of Asia, Central Europe and Latin America we provide life insurance. We are also a large asset manager with assets under management of almost EUR 550 billion. ING Real Estate is the largest property company in the world based on its total business portfolio.

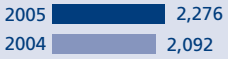
STAKEHOLDERS

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

WHOLESALE BANKING

Conducts all the global wholesale-banking operations. Wholesale Banking offers a full range of products to corporates and institutions in the home markets in the Benelux countries. Elsewhere, it follows a more selective and focused client and product approach.
A seperate activity is ING Real Estate, the world's largest property company.

UNDERLYING PROFIT BEFORE TAX WHOLESALE BANKING

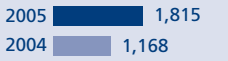


in EUR million

RETAIL BANKING

Offers retail-banking services in the Netherlands, Belgium, Poland, Romania, India and China. Private banking is offered in the Netherlands, Belgium, Luxembourg, Switzerland and various countries in Asia, Latin America, and Central and Eastern Europe.

UNDERLYING PROFIT BEFORE TAX RETAIL BANKING

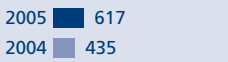


in EUR million

ING DIRECT

Operates direct retail-banking activities for individual clients in Australia, Canada, France, Germany, Austria, Italy, Spain, the United Kingdom and the United States. The main products offered are savings, mortgages and mutual funds.
A separate activity is ING Card, which manages for ING the credit cards within the Benelux and Germany.

UNDERLYING PROFIT BEFORE TAX ING DIRECT



in EUR million

DISTRIBUTION OF LOANS AND ADVANCES TO CUSTOMERS
in EUR billion

Netherlands	55%	238.2
Belgium	9%	41.6
Rest of Europe	21%	90.3
North America	9%	40.5
Latin America	1%	2.8
Asia	2%	10.9
Australia	3%	14.9
Total	100%	439.2

CHAIRMAN'S STATEMENT

Executing our strategy for profitable growth

Dear stakeholder,

2005 was a very good year for ING. We were able to lift our profits to a next level. Our net profit rose from EUR 5,755 billion to EUR 7,210 billion, an increase of 25.3%. Our underlying profit before tax increased by 19.4%. This illustrates that our strategy of improving execution and investing for growth and value creation is paying off. Stock markets rewarded our efforts, as evidenced by the performance of ING's share price.

Our goal is to deliver value to shareholders through a combination of growth and return that is higher than the average of our peers. To achieve that, we steer our business towards value creation 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 customers and on firmly managing costs, risks and reputation. All this is reflected in the theme of this year's annual report: 'Executing our strategy for profitable growth'. In August 2005, Standard & Poor's endorsed our strategic direction by awarding ING with AA credit ratings. The upgrades underline the fact that ING is a solid company and we are pleased to have achieved these ratings.

At the heart of our strategy lies a thorough analysis of our position in the global financial environment. There are in my opinion three fundamental trends that are shaping this environment. The first is ageing populations – a phenomenon that is being observed everywhere in the world, whether in Europe, Asia or the Americas. As a consequence, an increasing number of people are looking for ways to secure their financial situation after retirement. The second trend is technological progress. Only a few years ago the internet was considered by many to be a hype, now it is big business, especially for financial services companies. People everywhere want to enjoy the practical benefits of modern technology. The third trend concerns the gradual shift in economic power from West to East (including Central Europe). In the coming decades China and India will be among the four largest economies in the world, together with the United States and Japan. The countries of Central Europe will benefit from their entry into the European Union.

At ING, we are seizing the opportunities these trends offer and we are using them to drive our three growth engines – retirement services, direct banking and life insurance in emerging markets. In 2005, our growth engines showed very encouraging results. We significantly increased our pension activities, both in the United States and in the growth markets of Central Europe, Asia and Latin America. The pre-tax profit from our retirement-services activities in the United States went up by 22%.

The success of ING Direct shows that technological progress helps to deliver excellent service to customers and to drive down costs. ING Direct's profit rose 42% in a challenging interest-rate environment. Built from scratch in 1997, ING Direct has grown to become the world's leading direct bank. It serves 15 million customers in North America, Europe and Australia and manages close to EUR 200 billion in funds entrusted.

As for life insurance in emerging markets, ING is the leading foreign insurer in Central Europe and the second-largest in Asia. We have built on our early-entry advantage in important countries like China, India, Japan and South Korea in Asia and the Czech Republic, Hungary, Poland and Romania in Central Europe. In 2005, we continued to invest in high-growth markets. We acquired a stake in the Bank of Beijing, which gives us a platform for selling a range of insurance and investment products in China.

We are able to move ahead with these growth engines because our long-established businesses in the Netherlands, Belgium and the United States provide the resources and experience to do so. In 2005, these businesses again achieved solid profit and income growth. Looking ahead, our focus in the mature markets will remain on improving customer service and on working more efficiently. In 2005, we took the decision to streamline and outsource parts of our Operations and IT activities in the Netherlands and Belgium and to reduce the cost base of Nationale-Nederlanden. This will lead to a reduction in jobs, but it is a necessary step to ensure the future competitiveness of our company. We take our responsibilities towards employees seriously by making every effort to help those affected.

Our strong focus on execution has also resulted in a greater emphasis on the importance of adhering to laws and regulations in 2005. Much to our regret, we experienced some compliance incidents, mainly in the Netherlands. In each case, we took the necessary steps to address the issues, including compensating customers where appropriate, and tightening up compliance to better adhere to policies and business principles. We want to be a reliable company to deal with. That is why customer satisfaction is central in our strategy – both to retain customers and attract new ones. For we know that customers look for reliable and knowledgeable advice about their financial future.

When executing our strategy, we have a set of values that guide us: the ING Business Principles. They embody the standards of behaviour we expect from our employees and the commitments we have towards our stakeholders. In addition, we want to contribute to addressing global issues. One of them is the lack of access to education for children in many developing countries. In 2005, together with UNICEF we successfully launched a new global community development programme: ING Chances for Children. At year-end, ING had raised enough money to send over 30,000 children to school.

It is with satisfaction that I look back on the past year. ING is successfully executing its strategy for profitable growth. In this report, you are being updated on the financial and strategic developments of ING Group and its business lines. The Executive Board would like to thank the ING staff for their contribution to our favourable achievements in 2005. The dedication and commitment of our staff is crucial to the company's success.

Furthermore, I would like to stress the importance of the Supervisory Board, guiding the Executive Board in its daily management of the company. At the 2006 Shareholders' Meeting we will say goodbye to two members: Aad Jacobs and Paul de Meester. Both of them were of great value during their eight years on the Supervisory Board, for which I am very grateful. At the same Shareholders' Meeting Piet Klaver, a Dutchman, will be nominated for appointment.

I was also happy to work with my colleagues in a strong and united management team. In 2006, the composition of the Executive Board will change. Fred Hubbell, Alexander Rinnooy Kan and Hans Verkoren have decided to retire from the Executive Board. Each of them played an important role in the development of ING. I am very grateful for their strong commitment during their years at ING. I am fully confident that the new team, including the new to be appointed members Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy, has the capacity and enthusiasm to lead ING to a successful future. This new team will pursue our strategic course with energy and consistency.

Michel Tilmant
chairman Executive Board

STRATEGY

Strategy lifts results to a higher level

ING continued in the strategic direction it embarked on in 2004. We managed for value and created value. Our businesses in mature markets achieved good results, helped by their constant focus on the efficient execution of business fundamentals. We also continued to focus on our growth engines, which further improved in performance.

ING has a clear financial objective. We want to make sure that, over a longer period, our shareholders receive a better total return on their investment than on most other investments in the financial sector. To achieve this, we manage for value. This means focusing on growing economic profit, which measures profit beyond the cost of capital, and emphasising return improvement and profitable organic growth. In our mature banking and life-insurance businesses in the Benelux and the United States, return improvement and profitable growth comes from the proper execution of our business fundamentals. This means managing costs, risks and reputation as well as offering exemplary customer service. We believe that excelling in these operational areas is the key to generating profitable organic growth.

ING also continues to invest in business areas that have clear growth potential. Three growth engines have been identified: direct banking, retirement services and life insurance in emerging markets. ING has strong positions in these businesses and intends to raise further their profit potential by using the experience and capital gained in ING's mature businesses.

In 2005, we continued to execute our strategy with good results. ING benefited from the strategic decisions taken in 2004, when the management structure was simplified and the business portfolio actively managed. This portfolio management resulted in the divestments of underperforming and non-core activities and an improved capital position. Together with the enhanced strategic focus, this led to an upgrade in 2005 of ING Group's credit ratings by Standard & Poor's from A+ to AA-.

In 2005, ING's underlying profit before tax increased by 19.4% to EUR 8,506 million. In our banking activities, after-tax risk-adjusted return on capital (RAROC) rose from 14.5% to 22.6%. In our insurance activities, the internal rate of return (IRR) improved from 12.1% to 13.2%.

ENHANCING CUSTOMER SATISFACTION

ING attaches the utmost importance to exemplary customer service. Especially in mature markets, we believe high customer satisfaction is the way to differentiate ourselves from our peers and to generate profitable top-line growth. Important improvements were made in this area by Nationale-Nederlanden, our Dutch insurance company, which virtually caught up to the industry average in customer satisfaction, continuing the trend of 2004. In our insurance business unit in the United States, we launched a broad initiative to improve processes to better meet customer needs. There was also a clear improvement in customer satisfaction in our retail-banking businesses in the Benelux. At ING Direct, customer satisfaction continued to be high in 2005, with almost 80% of customers saying they receive better service from ING Direct than from other financial institutions.

In order to further improve customer satisfaction, ING aligned its brand positioning with the new mission statement introduced in 2004, which is: 'To set the standard in helping our customers manage their financial future'. At ING, we want to excel in three aspects of client service: 'being easy to deal with', 'treating customers fairly' and 'delivering on promises'. This is how we want to position our brand. In 2005, a strategy was devised to promote and implement this brand positioning worldwide. Throughout the organisation, business units are developing and implementing action plans to make sure they move towards ING's customer-centric positioning.

MANAGING COSTS

Customer satisfaction alone, however, is not enough to create value, especially not in mature markets. Fierce competition in these markets makes it essential to look continuously for ways to keep costs under control and improve efficiency. Cost containment and excellent customer satisfaction go hand-in-hand as operational drivers to create value in these markets. In 2005, several initiatives were taken to control underlying expenses and improve efficiency in mature markets. We announced an efficiency programme at Nationale-Nederlanden to bring efficiency in line with the industry benchmark. We also took steps to streamline our IT organisation in the Benelux, including outsourcing and reducing the number of internal and third-party staff. In the United States, we made substantial progress with the outsourcing of our technology infrastructure to IBM. In total, those measures are expected to lead to cost savings of approximately EUR 500 million by 2008.

KEY POINTS

- Consistent implementation of the strategy leads to good results
- Enhancing customer satisfaction
- Implementing important cost-efficiency measures
- Investing in growth

MANAGING RISKS

Managing our risks and consequently the cost of capital is essential for stable, profitable growth. Risk management supports value creation by providing insight into the levels of risk we can absorb compared with our earnings power and capital base. Integrated risk management – combining credit, market, insurance and operational risk into one common view – has become a key ingredient in our strategy. It allows us to capture the benefits of being a diversified financial services firm and to create a clear overview of all risks.

In 2005, ING introduced 'Integrated Centralised Capital Management' in order to utilise our capital more efficiently. Major progress was achieved in the credit-risk area in both risk modelling and data quality, both of which are key elements of Basel II. We have also been able to leverage this experience to our banking operations, which has led to a better modelling of loan-loss provisions and an enhancement of our internal models for measuring risk. For insurance, we introduced new economic-capital models, based on the experiences of the banking operations, and converted these into a limit structure for Market Value-at-Risk.

Our ultimate goal of integrated risk management is to better align our risk taking to our risk appetite. This allows ING to make optimal use of its capital base, leading to a lower overall cost of capital.

MANAGING REPUTATION

Integrity and reputation are two of ING's most important assets. Our strong focus on execution has resulted in a greater emphasis on the importance of adherence to laws and regulations. Regulatory compliance is essential because ING's long-term relationships with its clients depend on integrity and fairness. In 2005, ING adopted a new group-wide compliance policy, which contained a framework to enable swift and uniform group-wide execution. Senior management has been made more accountable for compliance. Compliance will be integrated in their performance targets and remuneration structure as from 2006. Some incidents that took place in the Netherlands during the year were reported to the regulator. ING believes it took all necessary steps to address the issues in a proper way and strengthened its compliance structure.

INVESTING IN GROWTH

Retirement services, life insurance in developing markets and direct banking are ING's growth engines. Good progress was made in 2005. In the United States, profits from US Retirement Services went up by 22%. In Central Europe, pension-fund profits before tax were up 42%. In the Slovak Republic, ING acquired the pension provider VSP Tatry Sympatia, which considerably strengthens our position in this market.

In our life-insurance business in developing markets, we posted a 40% rise in the value of new business, driven by the businesses in Asia and Central Europe. To add growth potential to our life-insurance and retail-banking businesses in China, we acquired a 19.9% stake in the Bank of Beijing. This acquisition provides ING with a platform to sell a range of insurance and investment products to an increasingly affluent customer base in China.

Finally, ING Direct's performance was outstanding. Our direct-banking business in mature markets delivered high growth and profit in a challenging yield-curve environment. The number of new ING Direct customers went up by 3.2 million to 14.7 million at the end of 2005. Total funds entrusted rose by EUR 42.6 billion to EUR 188 billion. ING Direct now accounts for 13% of total underlying banking profits, compared with 12% a year ago.

EMBEDDING A PERFORMANCE CULTURE

Executing our strategy successfully and accelerating profitable growth throughout the company requires that employees understand ING's strategy and the goals of their business unit. Employees must know their role in achieving these goals and should receive regular feedback on their performance and be rewarded accordingly. This is how ING sees a performance culture. In 2005, steps were taken at all business levels to embed a performance culture still more firmly, ranging from management-change programmes and workshops to individual-talent and team-development initiatives.

STRATEGY (continued)

CONCLUSIONS AND AMBITIONS

In 2005, ING managed for value and created value. We took initiatives to enhance customer satisfaction, contain costs and improve risk management and did so with good results. We continued to invest in our growth engines, which improved their performance. Action was taken to strengthen the compliance organisation and instil a performance culture throughout the organisation. The consistent implementation of our strategy lifted our financial results and gave our shareholders an above-average total return compared with our peer group in the financial sector. In 2006, we will continue to pursue this strategy. Supported by the proper execution of our business skills and a continued focus on our growth engines, we aim to further improve return and generate profitable organic growth. As such, ING wants to reward its shareholders with a better total return on investment than most other investments in the financial sector.

REPORT OF THE EXECUTIVE BOARD FINANCIAL HIGHLIGHTS

ING produced strong results in 2005, driven by double-digit underlying top-line growth, higher returns, and an improvement in the efficiency ratios for both banking and insurance. ING's three key growth engines – ING Direct, retirement services, and life insurance in developing markets – continued their strong performance, while the banking businesses in the Benelux also made a solid contribution to growth. As a result of this strong performance and ING's confidence in the future, ING proposes to increase the total dividend by 10.3% to EUR 1.18 per share, to be paid fully in cash.

GROUP RESULTS

Net profit rose 25.3% to EUR 7,210 million, due in part to a lower effective tax rate. Earnings per share rose to EUR 3.32 from EUR 2.71. Total underlying profit before tax* increased 19.4% to EUR 8,506 million in 2005, driven by strong growth from Retail Banking and ING Direct as well as the insurance activities in the Americas and Europe, supported by growth in retirement services and favourable results from non-life insurance.

Divestments and special items

Divestments resulted in a pre-tax gain of EUR 366 million in 2005 compared with EUR 55 million in 2004. Divested units contributed EUR 22 million to profit before tax in 2005, down from EUR 218 million a year earlier. Special items refer to a gain of EUR 287 million on the U.S. dollar hedge, a EUR 96 million gain on old reinsurance business and restructuring provisions of EUR 41 million at Wholesale Banking, all in 2004. Including the impact of divestments and special items, total profit before tax increased 14.9% to EUR 8,894 million.

Taxes and net profit

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, high tax-exempt gains on divestments, and EUR 583 million from the creation of tax assets and net releases from tax provisions compared with EUR 161 million in releases in 2004. The effective tax rate is expected to return to a normalised level of 20% to 25%.

Impact of IFRS

The application of new accounting standards (IAS 32, 39 and IFRS 4) from 1 January 2005 had a positive impact on ING Group's results in 2005, with more volatility on a quarterly basis, mainly due to value adjustments on non-trading derivatives. The total impact on total profit before tax of ING Group was approximately EUR 455 million, or EUR 392 million after tax.

Dividend

At the annual General Meeting of Shareholders on 25 April 2006, ING will propose a total dividend for 2005 of EUR 1.18 per (depositary receipt for an) ordinary share, up 10.3% from EUR 1.07 per (depositary receipt for an) ordinary share in 2004. Taking into account the interim dividend of EUR 0.54 made payable in September 2005, the final dividend will amount to EUR 0.64 per (depositary receipt for an) ordinary share to be paid fully in cash. ING's shares will be quoted ex-dividend as of 27 April 2006 and the dividend will be made payable on 4 May 2006.

Capital ratios

The debt/equity ratio of ING Group improved to 9.3% compared with 11.9% at 1 January 2005, supported by growth in capital and reserves. The capital-coverage ratio for ING Verzekeringen N.V. increased to 259% of E.U. regulatory requirements at the end of December, compared with 200% at 1 January 2005. The Tier-1 ratio of ING Bank N.V. stood at 7.32% at the end of 2005, up from 6.92% on 1 January 2005, as growth in capital was partially offset by strong growth in risk-weighted assets. The solvency ratio (BIS ratio) for the bank improved to 10.86% at the end of December 2005 from 10.46% on 1 January 2005. Total risk-weighted assets of the banking operations increased by EUR 45.6 billion, or 16.6%, to EUR 319.7 billion at the end of December 2005, driven by growth in all three banking business lines.

* Underlying profit before tax is defined as profit before tax excluding divestments and special items.

FINANCIAL HIGHLIGHTS (continued)

INSURANCE OPERATIONS

ING's insurance operations continued to benefit from strong growth in retirement services and life insurance in developing markets, higher investment results and a favourable claims environment for the non-life insurance businesses. Underlying profit before tax from insurance rose 11.5% to EUR 3,975 million. The non-life operations in the Netherlands, Belgium and Canada continued to benefit from a historically low claims ratio, which helped drive underlying profit before tax from non-life insurance up 21.3%. The life-insurance activities in the Netherlands, United States and Central Europe showed strong profit growth, supported by increased sales, improved returns, growth in assets under management, and investment gains. Underlying profit before tax from life insurance increased 7.4%, as growth was somewhat tempered by continued reserve strengthening in Taiwan and lower capital gains on equities. Strong sales and a focus on cost control led to an improvement in the efficiency ratios for life and investment products.

Total premium income increased 4.9% to EUR 45,758 million, driven mainly by strong growth of life premiums in Asia, particularly 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 United States and Belgium, which had a total negative impact of EUR 2,053 million. Excluding divestments and the reclassification, life premiums rose 12.5% and total premium income increased 10.4% on a comparable basis. Non-life premiums declined 0.4%, or 0.8% on an underlying basis, as lower premiums in the Netherlands and Mexico offset higher premiums in Canada.

Operating expenses from the insurance operations increased 9.5% to EUR 5,195 million, due to costs to support the ongoing growth of the business, particularly in Asia, as well as the impact of a new collective labour agreement in the Netherlands, investments in IT infrastructure, and start-up costs for a new distribution channel in Canada. Recurring expenses increased 4.9% to EUR 4,831 million. The efficiency ratios for life-insurance and investment products improved as premium and asset growth outpaced the increase in expenses.

Embedded value and value of new business
The embedded value of ING's life insurance operations increased 22.9% to EUR 27,586 million. Embedded value profit, an important measure of value creation, increased 262.4% to EUR 2,254 million, driven by strong growth in value of new business, robust investment performance and better operational experience. The value of new business increased 27.4% to EUR 805 million, driven by improved pricing margins, higher sales and a more profitable product mix in the United States 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. New sales, measured in annual premium equivalent, rose 27.0% to EUR 6,312 million, while the internal rate of return increased to 13.2% from 12.1% in 2004. The internal rate of return in developing markets increased to 17.4% as business units benefited from increased scale. New sales in developing markets rose 50.8%.

BANKING OPERATIONS

ING's banking businesses showed a strong increase in profit in 2005 driven by solid growth in income at ING Direct and Retail Banking, as well as historically low risk costs. Underlying profit before tax rose 27.2% to EUR 4,531 million. Growth was driven by higher savings and strong demand for mortgages at both Retail Banking and ING Direct, including high prepayment penalties on the refinancing of mortgages in the Netherlands. Profit was also supported by the sale of equity investments and a positive impact on balance from IFRS.

Total income from banking increased 9.2% to EUR 13,848 million, however on an underlying basis (excluding divestments and special items) banking income rose 11.4% to EUR 13,408 million, mainly due to strong growth in savings and mortgage lending as well as higher investment income. The interest result increased 5.3% to EUR 9,162 million. On an underlying basis, the interest result rose 9.0% to EUR 9,157 million, driven by strong growth in savings and mortgage lending at Retail Banking and ING Direct, as well as higher prepayment penalties as customers refinanced their mortgages to take advantage of low interest rates. This 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. Investment income increased sharply due to the inclusion of EUR 379 million in gains on divestments in 2005 and a loss of EUR 166 million from divestments in 2004. On an underlying basis, investment income increased 18.7% to EUR 558 million from EUR 470 million. Commission income declined 7.0% to EUR 2,401 million, fully caused by the impact of divestments. On an underlying basis, commission income rose 6.7% to EUR 2,348 million. Other income rose 30.2% to EUR 1,348 million, while on an underlying basis the increase was 39.8% (to EUR 1,345 million). This included a EUR 226 million positive

valuation result on non-trading derivatives. The proportional (50%) consolidation of Postkantoren BV in the Netherlands from 2005, which had no impact on total profit, added EUR 168 million to Other income.

Total operating expenses increased 0.6% to EUR 8,844 million, as divestments largely offset the impact of consolidations, higher labour costs and one-off expenses. On an underlying basis, excluding the impact of divestments and special items, operating expenses rose 9.6% to EUR 8,789 million, an increase of EUR 768 million. Of that increase, EUR 255 million was related to one-off costs, including EUR 47 million to restructure the Operations/IT activities in the Benelux, EUR 27 million for accelerated software depreciation, EUR 78 million in impairments on development projects at ING Real Estate, and EUR 103 million in provisions taken in Belgium. An additional EUR 168 million was related to the consolidation of 50% of Postkantoren BV. The remaining increase was driven by continued investment in growth opportunities, such as ING Direct and the expansion of retail-banking activities in Romania, Poland and India.

Additions to the provision for loan losses remained exceptionally low, supported by an improvement of the credit portfolio, the release of provisions previously taken, the absence of new large defaults and improvements in risk management. The total addition in 2005 amounted to EUR 88 million compared with EUR 465 million in 2004.

RAROC

The after-tax risk-adjusted return on capital (RAROC) of the banking operations improved to 22.6% from 14.5% in 2004. On an underlying basis, excluding divestments and special items, the after-tax RAROC improved to 18.8% from 16.4%, driven by higher economic returns due to the sharpened focus on managing for value throughout the company, and a more stringent approach to capital allocation. All three banking business lines posted higher RAROCs, and all performed above ING's target of 12.0% after tax.

ASSET MANAGEMENT

Assets under management increased 23.5% to EUR 547.4 billion in 2005, excluding the impact of several divestments and restatements including Baring Asset Management and parts of ING BHF-Bank. The growth in assets was driven by a net inflow of EUR 33.8 billion, plus EUR 34.9 billion attributable to higher currencies and EUR 35.5 billion from higher stock markets. Including divestments and restatements, total assets under management increased 11.3%.

LOOKING AHEAD

In 2005, ING was confronted with low interest rates and a flattening yield curve, but also benefited from some favourable market conditions, including strong equity and real-estate markets, historically low credit losses for both bank lending and fixed-income investments, low claims at most non-life insurance units, and low taxes. Looking ahead, the interest-rate environment will remain challenging, while risk costs and non-life claims are expected to return gradually to more normal levels. However, ING has confidence in the growth of the underlying business and in the Group's ability to continue creating value for shareholders.

RISK MANAGEMENT

Towards fully integrated risk management

Taking risk is inherent for financial-services providers. As a consequence strong risk management is a must for sustainable value creation. For ING, 2005 was characterised by an enhanced group risk profile and the strengthening of risk-management capabilities. We witnessed a reinforcing of functional reporting lines across all risk functions (credit, market, insurance and operational risk), with clear accountability within the risk functions for risk capturing, risk measurement and risk assessment. Integrated risk management was introduced and became, together with improved risk modelling and measurement, key ingredients of our strategy.

ENHANCED GROUP RISK PROFILE

ING's risk profile improved during 2005 due to the continuation of the portfolio review that started in 2004. This led to the divestment and restructuring of several units and activities that contributed neither to the profitability nor to the optimal risk profile of ING. Noteworthy for the banking activities in 2005 were the historically low risk costs. Over time, we would expect a gradual return to more normalised levels. For the insurance activities, a key risk issue was the strengthening of reserves in Taiwan to cover for unexpected risks emerging from relatively high guarantees provided for life-insurance business written before 2002. In August 2005, the Standard & Poor's rating for ING Group was upgraded to AA- confirming ING's continuous improvement in risk performance and enhanced strategic focus.

INTEGRATED RISK MANAGEMENT

To capture the benefits of being a large and diversified financial-services firm and to create a clear overview of all risks, ING is converging to an integrated approach in financial risk management. In 2005, integrated risk management – combining credit, market, insurance and non-financial risks of both bank and insurance into one common view – was formalised. ING's overall risk profile is now measured and reported on a quarterly basis. This systematic risk monitoring enables ING's CEO and CFO to review the effectiveness of ING's risk management. The integration approach is being complemented with the introduction of centralised capital management. This will lead to enhanced strategic planning that ensures a balance between risk-taking, short-term profit incentives and long-term value objectives.

RISK MODELLING AND MEASUREMENT

Credit Risk

In tandem with initiatives to improve risk transparency and compliance with various new regulations such as the Sarbanes-Oxley Act, International Financial Reporting Standards, and the Basel II capital accord, ING has been developing a new series of credit-risk measurement models. These models are generally based on a statistical analysis of ING's observed credit-risk experience in a given segment combined with the overall observed market developments in the same sectors. As part of the project, ING has widened its credit-data collection, improved its global data standards, and streamlined its credit-risk tools. As such, we want to ensure a broad basis of reliable information on which future enhancements to the credit-risk models can be based. Credit-risk models cover not only the way ING measures simple credit-risk positions, but they also estimate the probability of a debtor's default, and the level of losses that can occur if a default situation were to arise. Models are periodically updated to ensure they remain in line with the latest internal and external requirements. Consistency with the latest global standards and the implementation of state-of-the-art risk-measurement methodology help secure rapid insight into portfolio developments.

Insurance Risk

ING enhanced its risk management by the global implementation of the economic-capital framework for the ING insurance entities, covering all risks, including market, insurance, credit, operational and business risks. This implementation included the setting of Market Value at Risk (MVaR) limits and the introduction of market-consistent pricing. The limit structure contains an ING Group Insurance MVaR limit allocated through sub-limits to the business lines and business units. The ING Group Asset and Liability Committee (ALCO) Insurance monitors the limits and exposures under these limits. A similar structure is implemented within the business lines and business units. In 2005, ING also introduced the framework for market-consistent pricing of its products. Embedded Value Profit for life insurance and pensions, and Economic Profit for non-life insurance were introduced into our insurance planning and reporting processes. ING was the first company to publish its 2004 annual results under the European Embedded Value Principles.

AMBITIONS

In 2006 we will continue to focus on the strengthening of risk management in both bank and insurance activities and we will further develop our company-wide integrated risk-management approach. Our ambition is to determine the adequate level of group risk appetite supported by scenario analyses and to fully utilise our diversification opportunities.

For further information, please see the Risk Management chapter as part of the Annual Accounts on pages 152 to 166.

INSURANCE EUROPE

Strong value creation across Europe

PROFIT AND LOSS ACCOUNT

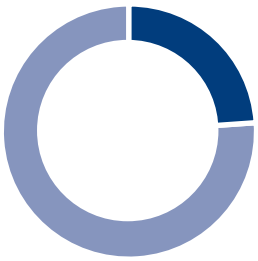
in EUR million	2005	2004	change	underlying change
Premium income	**10,702**	11,369	-5.9%	0.9%
Operating expenses	**1,870**	1,768	5.8%	6.0%
Total profit before tax	**2,031**	1,623	25.1%	
Underlying profit before tax*	**2,021**	1,612	25.4%	

* Underlying profit before tax is defined as profit before tax excluding divestments and special items.

KEY FIGURES

	2005	2004
Value of new life business (in EUR million)	**226**	138
Internal rate of return	**14.6%**	12.4%
Embedded value of life business (in EUR million)	**14,929**	12,258

UNDERLYING PROFIT BEFORE TAX
in EUR million



Insurance Europe	24%	2,021
Rest of ING	76%	6,485

GEOGRAPHICAL BREAKDOWN OF PREMIUM INCOME
in EUR million

Netherlands	66%	7,091
Belgium	18%	1,949
Rest of Europe*	16%	1,662
Total	100%	10,702

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

The increase in underlying profit of Insurance Europe was driven by strong growth in life insurance in Central Europe and in non-life in Belgium and the Netherlands. The value of new business went up significantly on the back of improved margins in the Netherlands and robust sales elsewhere. In 2005, the improvement in customer satisfaction levels at Nationale-Nederlanden brought the company close to the industry average, confirming that sustained large-scale investments have begun to bear fruit.

FINANCIAL DEVELOPMENTS

Underlying profit before tax at Insurance Europe increased 25.4% to EUR 2,021 million in 2005. This increase was driven by life insurance in Central Europe and strong underwriting results at the non-life businesses in the Netherlands and Belgium. Underlying profit before tax from life insurance increased 22.2% to EUR 1,597 million, while underlying profit before tax from non-life insurance rose 39.0% to EUR 424 million.

Insurance Europe consists of a mix of businesses in mature and developing markets. The largest operations are in the Netherlands (80% of profit) through the activities of Nationale-Nederlanden (NN), Postbank Insurance and RVS and in Belgium (8% of profit). ING is also active in Bulgaria, the Czech Republic, Greece, Hungary, Poland, Romania, Russia, the Slovak Republic and Spain (together 12% of profit).

Total premium income declined 5.9% to EUR 10,702 million, reflecting the reclassification of some life products to investment products under International Financial Reporting Standards, which had an impact of EUR 761 million, and a decline in non-life premiums in the Netherlands. Strong growth of life premiums in Belgium and Central Europe was offset by lower life premiums in the Netherlands after NN adjusted rates in 2005 to improve profitability.

Operating expenses rose 5.8% due to an increase in the Netherlands, mainly related to the new collective labour agreement, costs for streamlining the IT organisation, as well as severance and reorganisation costs. Operating expenses in Belgium and Central Europe declined as a result of cost-containment programmes.

KEY POINTS

- **Underlying profit up 25.4%, driven by strong performance in Central Europe**
- **Customer satisfaction at Nationale-Nederlanden close to industry average**
- **Further strengthening of position in Central Europe as leading foreign life insurer and pension provider**
- **Strong improvement in value of new business across Europe**

The value of new business written by Insurance Europe increased 63.8% to EUR 226 million, driven by strong sales in Central Europe and improved margins in the Netherlands. The internal rate of return (IRR) for Insurance Europe rose to 14.6% from 12.4% in 2004.

The embedded value for Insurance Europe increased 21.8% to EUR 14,929 million. In addition to the contribution from new business, the increase was driven mainly by favourable experience variances due to strong investment and operating performances as well as a high return on free surplus.

Country developments
Underlying profit before tax in the Netherlands increased 23.2% to EUR 1,589 million, as higher investment income more than offset growth in expenses. In May 2005, a cost-initiative programme was announced at Nationale-Nederlanden. A total reduction of the workforce by 1,000 positions is expected over three years, with total severance costs of EUR 84 million expected over the same period, of which about one-third was taken in 2005.

In Belgium, underlying profit from insurance rose 21.7% to EUR 174 million, mainly due to a sharp increase in results from non-life insurance. Also strong sales were reported of universal life products.

In the rest of Europe underlying profit increased 44.1% to EUR 258 million, driven by strong increases in Poland, Hungary, Greece, Spain and Romania due to healthy growth in premium income and lower operating expenses.

HIGHLIGHTS

ING's insurance companies in the mature markets of the Netherlands and Belgium face two main challenges. The first is the continued growth in legislative and regulatory requirements. In 2005, a wide range of new regulations was introduced in the Netherlands, especially in the field of pensions, equal treatment, disability and intermediaries. Regulatory change has an important impact on product design and costs. The second challenge is the relatively modest growth in the mature insurance markets. This means we have to work harder to upgrade customer service – in order to retain current clients and to attract new ones – and to improve efficiency.

The Netherlands: spotlight on customer satisfaction and efficiency
In 2005, Nationale-Nederlanden (NN) focused on increasing customer satisfaction, selling more profitable products and reducing costs. The progress in all these fields has been satisfactory. Concerning customer (broker) satisfaction, the results of the independent annual Dutch Insurance Performance Survey showed a significant improvement. Overall, NN showed an 8% improvement compared with 2004 and is close to the industry average. This improvement can be attributed to a variety of measures:
– processing times were significantly shortened by cutting administrative backlogs, reducing errors and providing better telephone access;
– backlogs were removed on all business lines, except in the Pension Departments, due entirely to the need to accommodate legal changes;
– improvements were made to the website http://mijn.NN.nl, which allows brokers to process transactions online; in 2005, around 35% of all personal transactions that were available online were processed online.

As for the second part of the strategy – selling more profitable products – NN rationalised and optimised its product portfolio in 2005. The focus is on products that offer more attractive returns and growth opportunities, such as group life and mortgages. Products that were not adding enough value have been removed and new products have been developed, such as the Levensloop-product (a product aimed at saving for different kinds of leave, such as early retirement). In addition, a thorough risk analysis has been undertaken and prices were revised on some products to better reflect the risk profile for the company and the policyholder. This stricter pricing has yielded better returns, as witnessed by the improvement in IRRs and the value of new business.

Thirdly, NN continued to look for ways to reduce costs and improve efficiency to preserve its competitive position. In May 2005, it was announced that NN will reduce its annual cost base by EUR 235 million by the end of 2007 to bring efficiency in line with the industry benchmark. This will lead to a reduction of the workforce by 1,000 positions by the end of 2007 as well as a reduction in third-party staff as backlogs diminish. Efficiency will be increased through the Lean Method program, which improves reliability by reducing wastage in core processes.

INSURANCE EUROPE (continued)

In the course of the year, NN strengthened its control and management of compliance with laws, regulations and ethical standards, due in part to a number of compliance-related incidents.

As for the other insurance business units in the Netherlands, RVS strongly increased sales in an otherwise flat market. As a result, it gained market share in individual life regular premiums, one of the most profitable market segments. Life premiums at RVS increased 4.4%. Postbank Insurance saw a strong increase in mortgage-linked insurance sales.

Strengthening distribution in Belgium
ING Insurance Belgium further strengthened its bancassurance infrastructure in 2005, by increasing its new product offering, introducing innovations in the medical underwriting of life policies (70% automatic settlement in front-office) and implementing process improvements. This resulted amongst others in record sales of the Optima investment product through ING Bank of EUR 900 million. In addition, ING focused its distribution through independent brokers who have a strong position in the quickly growing pensions market for the self-employed and small and medium-sized enterprises. Driven by new pension legislation, ING was able to sign large contracts with sector organisations. Moreover, it ensured compliance with the new legislation.

Robust value creation and growth in Central Europe
The insurance operations in Central Europe extended their track record of robust growth and value creation in 2005. Growth was evident throughout Central Europe. ING is currently the market leader in the region for pensions and ranks second in life insurance with more than 5 million clients.

The strong performance of ING's insurance businesses in Central Europe can be attributed to the consistent execution of the two-pillar strategy of optimising the current business and developing efficiency projects. In Poland, ambitious performance-improvement programmes resulted in better business performance and structurally lower costs. The Polish pension fund was again the best performing in the market according to independent press and business reviews. Hungary strengthened its market leadership with the introduction of an innovative unit-linked product.

After the success of a restructuring programme for tied agents in the Czech Republic, the programme is being rolled out throughout the rest of the region. It has already considerably increased the performance of the sales force. While maximising the performance of the tied-agent channel, ING is also broadening its distribution capabilities through alliances with selected brokers and banks. Moreover, the existing product offering has been modernised and new protection and accumulation products have been added to the range.

Following pension reform in the Slovak Republic, ING started a pension fund for mandatory pension accounts for Slovak employees at the beginning of 2005. In the course of the year, the fund achieved a market share of 8%. In December 2005, ING acquired the mandatory pension fund Sympatia Pohoda and merged it with its own fund; this has increased the market share to 12%. During the year, ING also made a major move on the market for voluntary corporate pensions by acquiring the pension fund Tatry Sympatia with a leading market share of 44%.

Performance enhanced at ING Investment Management Europe
ING Investment Management Europe (ING IM) improved the performance of its client-driven investment services in 2005. For third parties, ING IM continued to make a meaningful contribution to mutual-fund distribution through strategic partnerships and reciprocal agreements at global level. For institutional clients, ING IM maintained its focus on profitable business and for insurance companies it introduced ALM (asset and liability management)-driven solutions.

The equity department was strengthened in 2005 by restructuring and enhancing existing processes. The fixed-income department maintained its excellent performance across all strategies.

Also noteworthy was the successful introduction of a number of new funds, such as the Premium Dividend Fund for the Dutch and European market, which attracted around EUR 500 million in new assets, and the Multi-Manager fund for the Dutch institutional market (EUR 400 million).

CONCLUSIONS AND AMBITIONS

In the Netherlands, Nationale-Nederlanden is striving to further improve customer satisfaction by increasing service and quality. We will continue to implement new IT frameworks in order to shorten processing times and to bring delivery times up to industry standard. In addition, client-contact teams and information will be introduced and investments in employee training will be increased to further improve expertise levels. These efforts are aimed at increasing customer satisfaction ratings and surpassing our main competitors in 2006 and 2007. The cost-reduction programme is well underway and the aim is to bring Nationale-Nederlanden in line with external benchmarks by the end of 2007. Compliance will remain high on Nationale-Nederlanden's agenda in 2006. The focus will be on training and learning and on monitoring capacity.

In Belgium, ING Insurance will continue to strengthen its distribution. From 2006, the Optima investment products will be sold through Record Bank. There will also be a focus on cost reduction and cross-selling.

In Central Europe, ING will further enhance its strategy of improving the existing business and accelerating growth with new initiatives. Increased cross-border operational leverage should improve ING's competitive position and its focus on the fast emerging upper middle-class segment should accelerate growth. Moreover, ING will continue to exploit its strong greenfield expertise in Central Europe.

ING IM Europe aims to increase its assets under management by generating higher net inflows and improving investment performance. Its 'all-weather' fund range will be further developed and its operational quality strengthened.

INSURANCE AMERICAS

Higher profits and improved operational execution

PROFIT AND LOSS ACCOUNT

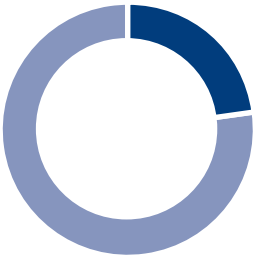
in EUR million	2005	2004	change	underlying change
Premium income	**22,744**	22,761	-0,1%	0.0%
Operating expenses	**2,397**	2,202	8.9%	11.8%
Total profit before tax	**1,941**	1,692	14.7%	
Underlying profit before tax*	**1,979**	1,601	23.6%	

* Underlying profit before tax is defined as profit before tax excluding divestments and special items.

KEY FIGURES

	2005	2004
Value of new life business (in EUR million)	**207**	173
Internal rate of return	**11.1%**	10.7%
Embedded value of life business (in EUR million)	**10,858**	8,118

UNDERLYING PROFIT BEFORE TAX
in EUR million



Insurance Americas	23%	1,979
Rest of ING	77%	6,527

GEOGRAPHICAL BREAKDOWN OF PREMIUM INCOME
in EUR million

United States	80%	18,138
Canada	11%	2,585
Latin America	9%	2,021
– of which Mexico		1,424
– of which South America*		597
Total	100%	22,744

* Chile and Peru; not including ING's joint venture in Brazil because it is a minority interest

In 2005, underlying profit before tax of Insurance Americas increased 23.6%, led by strong results in Canada and the United States. Premium income development was virtually flat, as higher non-life premiums were offset by lower life premiums. In 2005, there was a strong focus on improving execution and value creation across the region, through continued pricing discipline and by concentrating on business with the best long-term growth potential. Mexican results declined primarily due to claims and expenses from hurricanes.

FINANCIAL DEVELOPMENTS

Underlying profit before tax from Insurance Americas increased 23.6% to EUR 1,979 million in 2005. Profit growth was driven by a 27.4% increase in the United States, led by higher results from retirement services and annuities due to higher asset levels, improved investment performance and higher margins. The Canadian non-life insurance business posted a 35.8% increase in underlying profit before tax, driven by continued strong underwriting results and the acquisition of Allianz Canada.

Premium income at Insurance Americas was virtually flat at EUR 22,744 million as higher non-life premiums were offset by lower life premiums. Non-life premium income rose 5.1% to EUR 4,552 million, driven by a 16.8% increase in Canada, primarily due to the acquisition of Allianz Canada. That growth was partially offset by lower non-life premium income in Mexico from the non-renewal of certain large property-and-casualty cases and lower sales. Life premium income declined 1.3% to EUR 18,192 million, due to the reclassification of products from life insurance to investment products under IFRS, which had a negative impact of EUR 241 million. Excluding that impact, life premiums were flat as a slight decline in individual life single-premium and lower fixed-annuity sales were compensated by higher sales in retirement services.

Operating expenses increased 8.9% to EUR 2,397 million due to the acquistion of Allianz Canada and expenses in the United States related to strategic initiatives and higher incentive-related benefit costs.

The embedded value of the life-insurance business in the Americas increased 33.8% to EUR 10,858 million in 2005, primarily due to significant currency effects (EUR 1,298 million) related to strengthening of the United States dollar against the euro. The value of new life-insurance business rose 19.7% to EUR 207 million, driven by a combination of higher margins across all business lines and higher sales, primarily in retirement services. The internal rate of return (IRR) improved to 11.1% from 10.7% in 2004, due to continued pricing discipline and changes to the product mix, particularly in the United States.

KEY POINTS

- Underlying profit before tax soared on strong results in the United States and Canada
- Value of new business lifted by higher margins and sales
- Strong third-party and proprietary investment returns for Investment Management
- Results from Mexico impacted by active hurricane season in the second half of 2005

ING Investment Management delivered excellent results achieving exceptionally high total returns while maintaining relatively stable investment yields. These results were aided by exceptionally low credit losses and strong private-equity gains, as well as prepayment income on fixed-income investments. Investment income declined 2.6% to EUR 4,387 million, reflecting the EUR 249 million gain on the ING Canada initial public offering (IPO) in 2004 as well as EUR 157 million higher investment income from divested business in 2004. Excluding those items, investment income increased 7.3% driven by higher yields, prepayment penalty income on fixed-income investments, investment gains from sales of fixed-income securities, and higher private-equity gains.

Country developments
In the United States, underlying profit before tax increased 27.4% to EUR 1,149 million, led by strong results in retirement services and annuities, supported by higher margins and continued asset growth. Premium income declined 1.3% to EUR 18,138 million as lower individual life single-premium and fixed-annuities sales were largely offset by higher sales in retirement services. Operating expenses were 8.0% higher at EUR 1,468 million on an underlying basis due to the spending on strategic initiatives such as enhancements to web capabilities, costs related to implementing Sarbanes-Oxley, and higher incentive-related benefit costs.

Canadian underlying profit before tax climbed 35.8% to EUR 671 million on continued strong underwriting results, higher investment income and the positive impact of the acquisition of Allianz in 2004. The claims ratio improved slightly to 56.3% from 56.6% in 2004. The expense 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 16.8% to EUR 2,585 million, primarily due to the acquisition of Allianz Canada in 2004.

In Mexico, underlying profit before tax declined 13.9% to EUR 105 million. This was primarily due to claims and expenses from three major hurricanes. The hurricanes, along with related costs to extend reinsurance coverage after the storms, had a negative impact of EUR 39 million before tax in 2005. Premium income in Mexico declined 8.2% to EUR 1,424 million on lower sales and the non-renewal of some large property-and-casualty contracts as the company focuses on more profitable retail-market segments.

In South America, underlying profit before tax declined 34.9% to EUR 54 million due to lower earnings in Chile, including the impact of lower investment income due to low interest rates and reserve strengthening in the health business. Premium income increased 9.3% to EUR 597 million, mainly due to higher life sales in Chile. Operating expenses increased 25.0% due to higher staffing and office expenses in Chile as a result of IT improvements and customer-service enhancements. A loss in Brazil after reserve strengthening in the life and auto lines was not reflected in results, consistent with equity accounting for ING's 49%-stake in SulAmérica.

HIGHLIGHTS

The United States business consists of US Financial Services and ING Investment Management. The majority of earnings in the United States comes from retirement services, annuities, life insurance and Investment Management. ING Canada's core business is auto and homeowners insurance. ING Mexico is building a wealth-management business on the foundation of its property-and-casualty lines. South America has operations in Chile (health, life and pensions), Peru (pensions) and Brazil (a multi-line joint venture*). In 2005, there was a continued focus on improving execution and value creation across the region, through continued pricing discipline and concentrating on business with the best long-term growth potential.

Improving processes and outsourcing
During 2005, ING launched a broad Six Sigma initiative in the United States to improve processes to better meet customer needs while reducing unit costs. The initiative began with a detailed, measurable understanding of critical customer requirements, and then focused on the processes that hindered meeting those requirements.

In the United States, ING also made substantial progress outsourcing its technology infrastructure to IBM, which started at the end of 2004. IBM now manages the day-to-day operations of the infrastructure. ING realised meaningful cost benefits and, at the completion of the migration, expects to have a more stable, secure and effective technology environment.

* With the exception of the proportional share of its results, ING's 49% minority interest is not consolidated in the ING Annual Accounts.

INSURANCE AMERICAS (continued)

Public company
On 15 December 2005, ING Canada completed its first full year as a public company. On December 20, the share price closed at CAD 52.30, which represented a 101% increase from the debut price. So the company's stock price more than doubled in a year and three business days on the continued strong performance of the business. Allianz Canada, acquired in 2004, is now largely integrated into ING Canada, and the claims and cost ratios of the combined entity are strong. ING Canada remains the premier property-and-casualty company in Canada. ING is the majority shareholder, with a 70% stake.

Transforming and restructuring
In Mexico, ING is shifting from its reliance on the volatile large-customer commercial property-and-casualty line into a predominantly personal line and small and medium-sized enterprise operation. ING introduced a restructuring programme based on a new strategy, organisational structure and management team, with members recruited from within ING as well as from the local market. In addition, ING launched a new distribution strategy via tied agents based on ING's global best practices in a market that is dominated by independent intermediaries.

In 2005, the pension funds business in Peru began experiencing fierce competition from the biggest financial conglomerate in the country. Integra, ING's joint venture and Peru's leading pension-fund provider, anticipated this development by restructuring the company and tripling its sales force. As a result, the company gained additional market share.

In Brazil, ING has been discussing a restructuring of the joint venture with its partner to improve profitability and maximise value for shareholders.

Compliance and legal issues
Like many other financial-services companies in the United States, ING received inquiries from several regulatory bodies, looking into a variety of issues related to a number of different business lines. Over the past several years, ING has enhanced its policies and processes on mutual-fund trading and reached a settlement in September 2005 with the National Association of Securities Dealers (NASD), the self-regulatory organisation that oversees securities trading, about past mutual-fund trading practices at ING Funds. The NASD's review focused on inappropriate frequent trading pursuant to agreements that were entered into by Pilgrim Funds before its acquisition by ING in 2000.

In Mexico, ING Comercial América has been involved in the litigation of the commercial claims made by Grupo Fertinal. The dispute involves a determination of what amounts are due for certain hurricane-related damages sustained by a Fertinal company in 2001. ING expects that after the final outcome of this judicial procedure, the risk in the policy will be adequately covered by provisions taken as well as reinsurance coverage.

Excellent performance by ING Investment Management
ING Investment Management, with some newly recruited top managers, delivered strong and improved investment performance across core United States asset classes. Its enhanced research and portfolio-management teams in its equity and asset-allocation areas produced competitive results, while its fixed-income strategies continued to maintain top rankings over one, three, five and ten-year time periods.

In March, ING raised EUR 1.8 billion of investor assets for the new ING Global Equity Dividend and Premium Opportunity Fund (IGD), making IGD then the eighth largest closed-end fund listed on the New York Stock Exchange.

In 2005, the United States operations also completed the first phase of a significant Fund Optimisation Project. This project was designed to streamline and upgrade the menu of funds offered within ING products to provide better performing funds for customers and increased efficiency for ING.

Continued portfolio-management activities
Insurance Americas took a number of actions to better focus its portfolio of businesses on those where ING has a leading market position. In this context, all outstanding life-insurance policies and other assets of its Argentine life insurance were transferred to Zurich Financial Services. ING Chile's property-and-casualty insurance operation was sold to Liberty Mutual Group. Life Insurance Company of Georgia was sold to Jackson National Life Insurance Company.

CONCLUSIONS AND AMBITIONS

Insurance Americas will continue to balance growth with strong value creation, by leveraging its leading market positions for sales and top-line growth and driving unit costs down. Insurance Americas will focus on execution, increase margins on new business (where market conditions permit) and aggressively manage risks to ensure value creation.

In the United States, ING will explore opportunities to further serve the developing needs of ageing baby boomers as they enter retirement. Investment Management will leverage its strong investment capabilities into capital markets-linked products to deliver customised client solutions. ING will continue to ensure it is meeting customer needs while driving efficiency. We will further improve risk management and continue our focus on improving the technology environment in order to improve security and increase effectiveness.

ING Canada will drive top-line growth through new distribution strategies. We will increase our market share in the direct channel, proportional with our share in the broker channel. We will also utilise our newly launched affiliated distribution networks and increase the share of ING business in these networks.

ING Mexico aims to continue building a customer-centric organisation with top-performing sales forces, improved channel and client service and disciplined underwriting.

In Chile, the IT platform will be improved to standardise operations, lower costs, reduce operational risk and improve underwriting and pricing decisions. ING Peru is aggressively building distribution to increase market share.

INSURANCE ASIA/PACIFIC

A solid growth engine with rising premiums and sales

PROFIT AND LOSS ACCOUNT

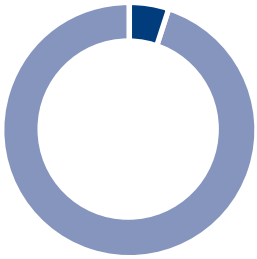
in EUR million	2005	2004	change	underlying change
Premium income	**12,286**	9,469	29.7%	49.5%
Operating expenses	**867**	727	19.3%	23.0%
Total profit before tax	**478**	756	-36.8%	
Underlying profit before tax*	**447**	475	-5.9%	

* Underlying profit before tax is defined as profit before tax excluding divestments and special items.

KEY FIGURES

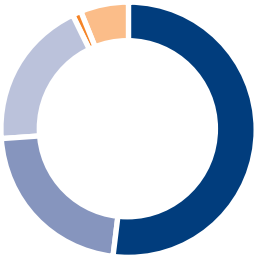
	2005	2004
Value of new life business (in EUR million)	**373**	321
Internal rate of return	**15.0%**	13.6%
Embedded value of life business (in EUR million)	**1,799**	2,076

UNDERLYING PROFIT BEFORE TAX
in EUR million



Insurance Asia/Pacific	5%	447
Rest of ING	95%	8,059

GEOGRAPHICAL BREAKDOWN OF PREMIUM INCOME
in EUR million



Japan	52%	6,343
Taiwan	22%	2,707
South Korea	19%	2,278
Australia and New Zealand	1%	181
Rest of Asia*	6%	777
Total	100%	12,286

* India, China, Hong Kong, Thailand and Malaysia

2005 was another good year for ING's insurance and asset-management activities in Asia/Pacific, with strong growth in insurance premiums and sales, particularly in Japan and South Korea. The value of new life business again increased significantly. Assets under management grew by over 40%. The financial results of Insurance Asia/Pacific were affected by a strengthening of reserves in Taiwan, necessary in light of the low interest rates. ING remains committed to invest in growth opportunities across the region, particularly in the greenfield operations and in pensions.

FINANCIAL DEVELOPMENTS

Underlying profit before tax from Insurance Asia/Pacific declined 5.9% to EUR 447 million, as a result of the strengthening of reserves in Taiwan due to the continued low interest rates. Excluding Taiwan, underlying profit before tax rose 15.8% to EUR 447 million from EUR 386 million. Profit growth was driven by South Korea (+52.1%).

On the income side, premiums rose 29.7% to EUR 12,286 million, driven by sharply higher sales in Japan, South Korea and Taiwan. Strong premium growth rates were also recorded in local-currency terms in Malaysia, India, Thailand, Hong Kong and China.

Operating expenses increased 19.3% to EUR 867 million, reflecting staff and salary increases to support the continuing growth of the businesses across the region.

The value of new business written by Insurance Asia/Pacific was EUR 373 million, up 16.2% compared with 2004, driven by strong sales and higher margins at almost all business units. South Korea made a particularly strong contribution with the robust sales volumes, favourably influencing the value of new business. The internal rate of return increased to 15.0% from 13.6% last year due to continued pricing discipline and increased scale of the business units.

The embedded value of the life business at Insurance Asia/Pacific declined to EUR 1,799 at the end of 2005 from EUR 2,076 million in 2004. This is the result of changes in economic assumptions, particularly in Taiwan, where interest-rate assumptions have been adjusted downwards.

KEY POINTS

- Life insurance and asset management in Asia/Pacific is a solid growth engine for ING
- Asia/Pacific accounts for almost half of the Group's total value of new business
- Strengthening partnerships with banks and securities houses pays off
- ING remains committed to invest in growth opportunities in China, India and Thailand

Country developments
In Australia, underlying profit before tax increased 3.7% to EUR 169 million. Results included a one-off release from reserves of EUR 29 million in 2004. Profit growth in the insurance business was driven by higher investment income and favourable claims.

In South Korea, underlying profit before tax rose 52.1% to EUR 181 million, due to strong sales. Premium income at ING Life Korea rose 42.6%, driven by sales of variable and universal life products as well as continued high persistency on existing contracts. KB Life also achieved strong results in 2005.

ING recorded a profit of nil for Taiwan in 2005 as a result of measures taken to strengthen reserves due to the continued low interest rates. A total charge of EUR 220 million was taken in 2005 to strengthen reserves, compared with EUR 100 million in 2004. At the end of 2005, reserves remained adequate at the 50% confidence level under IFRS accounting.

In Japan, underlying profit before tax increased 4.2% to EUR 74 million. Profits from the single-premium variable-annuity and mutual-fund business increased due to strong growth in premiums resulting in higher fee income. Profits from the corporate-owned life-insurance business decreased mainly due to lower investment yields and higher levels of early surrenders.

In the rest of Asia, underlying profit before tax declined to EUR 23 million from EUR 33 million in 2004, when results were positively influenced by the release of a EUR 30 million reserve for a wage-tax assessment.

HIGHLIGHTS

Consistent strategy
The insurance and asset-management sectors in Asia's high-growth markets are expanding faster than in mature markets worldwide. ING enjoys an early-mover advantage and has defined life insurance in emerging markets as one of its growth engines. It has been able to seize the opportunities arising from demographic changes, deregulation and the increasing sophistication of the customer. ING is the second-largest foreign life-insurance company in Asia/Pacific in terms of annual premium income. Almost all business units have again increased their market share in 2005.

There are a number of general features that determine the overall performance. As strong organisational capabilities are required to build a successful franchise, the focus is on strengthening distribution, optimising the product portfolio, excellence in execution and active portfolio management.

Strengthening distribution
As ING does not have its own banking subsidiaries throughout the region except in China and India, distribution is through tied agents and partnerships with banks to improve the effectiveness of each sales channel. ING has developed several joint ventures and focused on strengthening partnerships with local banks and securities houses, such as the deepening of the partnership with ANZ Group to form ING New Zealand.

In Japan, the increase in sales in 2005, particularly in single-premium variable annuities (SPVA), can be attributed to the extensive and rapidly growing network of bank and securities-house distributors. The rise in the number of independent agents helped corporate-owned life-insurance (COLI) sales higher. ING's market share in Japan went up to 3.2% from 2.3% in 2004. In Japan's huge life-insurance market – the second largest in the world – overall market growth is flat, but foreign companies are gradually gaining market share from domestic players.

In light of the multi-channel distribution structure in Australia, it is crucial for ING's insurance and wealth-management businesses to distribute through all available channels. A key channel has been the salaried advisers of its joint-venture partner ANZ. Other major channels include ING's own adviser networks, non-aligned adviser networks, and the multi-fund investment products of other major wealth managers. This breadth of distribution has led to above-average growth rates.

Overall, the bancassurance strategy in the region is paying off: 22% of total annualised premium equivalent (APE) came through banks and securities brokers (14% in 2004).

INSURANCE ASIA/PACIFIC (continued)

Optimising product portfolio
ING focuses on optimising the product portfolio in order to capitalise on customer needs. ING Antai Taiwan broadened the product range, leading to a diversification of risks. The old block of policies has been managed pro-actively by means of a reduction of average guarantees through product design and by means of better asset and liability management. In Japan, the SPVA product features were enhanced to meet customer preferences. In India, ING Vysya Life expanded its product line to include unit-linked products which led to strong sales growth. In Malaysia, ING remains the leading provider in the employee-benefit market and is looking to further build its burgeoning mutual-funds business.

Excellence in execution
As competition is fierce in Asia/Pacific, our business units in the region focus on efficiency. ING Life Korea serves as a good example. It is the leading foreign insurer in South Korea and continues to be a top performer in the market on persistency. ING's growth strategy in South Korea is one of rapidly expanding its sales force whilst maintaining its foundation of high standards of quality. This strategy has paid off for ING Life Korea in 2005. The company has over 5,000 highly productive tied agents.

Across all business units, ING also focuses on improving operational efficiency by actively managing against benchmarks, by developing and implementing more efficient processes with clear objectives and key performance indicators, and by improving operational risk management.

Active portfolio management
ING continued to adjust its business portfolio in 2005. In Asia/Pacific a number of smaller non-core activities were sold and new businesses were acquired. In March, ING announced the acquisition of a 19.9% stake in the Bank of Beijing. ING's insurance business utilises the Bank of Beijing's branch network to offer insurance and investment products to new and existing customers of the bank.

In 2005, ING New Zealand was formed following an agreement to broaden the existing Australian joint venture between ANZ and ING. It was formed by incorporating New Zealand's National Bank's managed-funds and life-insurance business and transferring the existing New Zealand life-insurance and managed-funds businesses of ING and ANZ Group to the new entity.

Following the 2004 sale of its 50% stake in QBE Mercantile Mutual, ING sold a 90% stake in Austbrokers Holdings in 2005, a network of general insurance-brokerage agencies throughout Australia. In addition, ING and its partner Principal Financial decided to close the defined-contributions business in Japan, ING/Principal Pensions.

Growth markets
In 2005, ING continued to invest in growth opportunities in its greenfield operations in China, India and Thailand. The financial-services environment in these countries is particularly challenging, with the markets becoming increasingly competitive.

In China, ING extended its operations markedly. It acquired a stake in the Bank of Beijing, as mentioned above. ING Capital Life, one of ING's two insurance joint ventures, set up branches in Beijing and Shenyang, which included the license to expand operations across Liaoning Province. It has also received approval to set up a branch in Shandong Province. Moreover, the Guangzhou license of Pacific-Antai Life Insurance was upgraded to a provincial license and the company was given permission to set up sub-branches in the cities of Dongguan, Nanhai and Shunde. Both joint ventures are now able to sell group-life and health-insurance policies.

In India, ING's coverage across the country has expanded quickly to include 70 cities now. In 2005, 61 new branches were opened and over 11,000 agents hired. ING Vysya Life is one of the fastest growing life insurers in the country. It benefits from importing best practices from other ING business units, such as Malaysia and South Korea.

ING Life Thailand has increased its market share despite slower market conditions in 2005. Developments were encouraging, particularly in telesales and partnerships with banks.

Strong growth in assets under management
Insurance Asia/Pacific witnessed strong growth in assets under management in 2005 to EUR 72 billion (from EUR 51 billion in 2004). This can be ascribed to increasing bank distribution, a move from traditional insurance products to investment-linked products and the relaxation of regulations. There have been important new fund launches in India, the Philippines, South Korea and Taiwan, which increased funds under management. As for fund performance, 77% of ING funds in Asia score above median over one year. ING Investment Management Asia/Pacific received high-profile fund-performance awards in both Australia and New Zealand.

CONCLUSIONS AND AMBITIONS

Prospects in 2006 remain favourable for Insurance Asia/Pacific as ING is well-positioned to benefit from the region's healthy economic outlook.

Going forward, ING aims to expand its activities in the countries where it currently operates. New investments will be geared towards the largest markets.

A major goal is to further strengthen partnerships with banks and securities houses. In China, for instance, ING will aim to expand activities based on strong distribution channels and local partnerships.

As for the product portfolio, there will be an increasing shift from traditional life insurance and unit-linked products to investment-linked products, as well as mutual funds, group insurance and pension products. ING is looking forward to participating in the opportunities created by pension reforms in a number of countries, especially China, India, South Korea and Taiwan.

Lastly, ING will continue to build strong organisational capabilities. Crucial elements are an improvement in assets and liability management, product innovation and further improvements in efficiency.

WHOLESALE BANKING

Creating value in a competitive environment

PROFIT AND LOSS ACCOUNT*

in EUR million	2005	2004	change	underlying change
Total income	**5,957**	5,871	1.5%	4.8%
Operating expenses	**3,466**	3,734	-7.2%	12.1%
Additions to loan-loss provisions	**-108**	192		
Total profit before tax	**2,599**	1,945	33.6%	
Underlying profit before tax**	**2,276**	2,092	8.8%	

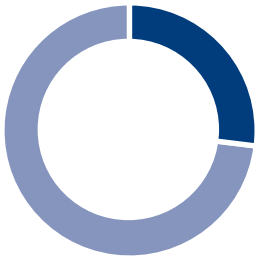
* These numbers include the result from ING Real Estate which financially reports to Wholesale Banking. ING Real Estate is discussed in detail in the chapter on Asset Management together with ING Investment Management.

** Underlying profit before tax is defined as profit before tax excluding divestments and special items.

KEY FIGURES

	2005	2004
After-tax RAROC	**22.3%**	12.2%
Economic capital (in EUR billion)	**8.5**	9.6

UNDERLYING PROFIT BEFORE TAX
in EUR million



Wholesale Banking	27%	2,276
Rest of ING	73%	6,230

BREAKDOWN OF UNDERLYING PROFIT BEFORE TAX

in EUR million	2005
Netherlands	**790**
Belgium	**519**
Rest of world	**671**
Asset Management*	**346**
Other	**-50**
Total	**2,276**

* Mainly ING Real Estate

With an even stronger client focus and by capitalising on cross-selling, ING Wholesale Banking created new business opportunities and closed several landmark deals. A redistribution of capital to more profitable products improved the business performance. Combined with increased cost control and divestments, this enabled ING's Wholesale Banking business to reduce its economic capital and add more value for ING Group. A single global brand for Wholesale Banking was also successfully implemented.

FINANCIAL DEVELOPMENTS

ING's Wholesale Banking business achieved satisfying results in difficult business conditions. 2005 was characterised by a highly competitive market with eroding credit margins and a challenging yield curve.

Underlying profit before tax from Wholesale Banking rose 8.8% to EUR 2,276 million, driven by higher income from Structured Finance, Leasing and ING Real Estate, as well as a release of loan-loss provisions due to a benign credit environment and improved risk management. Gains on divestments contributed EUR 317 million to profit before tax in 2005, while divestments in 2004 resulted in a loss of EUR 166 million.

Total income increased 1.5% to EUR 5,957 million. Excluding divestments, underlying income rose 4.8% to EUR 5,579 million. Operating expenses declined 7.2% to EUR 3,466 million, due entirely to the divestments of the Asian cash equities business, CenE Bankiers, ING BHF-Bank and Baring Asset Management. Excluding divestments, underlying expenses rose by 12.1% to EUR 3,411 million, due in part to non-recurring items. This also explained the deterioration of the underlying cost/income ratio to 61.1% from 57.1%. Excluding all non-recurring items and adjusted for exchange-rate differences, recurring operating expenses of Wholesale Banking increased 6.3%.

The addition to the provision for loan losses declined from EUR 192 million in 2004 to a net release of EUR 108 million in 2005. The release was due to improvements in the credit environment and the limited inflow of large new problem loans. The net release equalled -7 basis points of average credit-risk-weighted assets compared with an addition of 12 basis points in 2004.

KEY POINTS

- Stronger client focus boosts cross-selling and deep-selling
- Wider implementation of cost control methods
- Strong improvements in RAROC
- Implementation of the worldwide ING Wholesale Banking brand

The after-tax risk-adjusted return on capital (RAROC) from Wholesale Banking improved from 12.2% in 2004 to 22.3% in 2005, lifted in part by the impact of divestments. Underlying RAROC after-tax improved from 14.9% to 16.7%. The pre-tax RAROC of the Wholesale Banking activities in the Netherlands remained strong, while Belgium showed a slight decrease. The pre-tax RAROC in the rest of the world, excluding divestments, improved to 16.4% from 11.8%. Total economic capital decreased to EUR 8.5 billion from EUR 9.6 billion in 2004, mainly due to the divestments of ING BHF-Bank, the Asian cash equities business, CenE Bankiers and Baring Asset Management.

The asset-management activities of Wholesale Banking, which consist mainly of ING Real Estate, increased their portfolio by 39.5% to EUR 69.9 billion. This is discussed in the chapter on Asset Management.

HIGHLIGHTS

ING Wholesale Banking operates in a highly competitive market. To continue to improve our market position, Wholesale Banking has three key priorities: client-focus, cross-selling and cost control. In support of these priorities ING aims for flawless execution and strong sector knowledge. These foundations underpin the implementation of a single global brand for Wholesale Banking.

Client focus through cross-selling and one brand
2005 was the year in which ING completed Wholesale Banking's shift from a regional to a functional focus, with more attention paid to clients' needs and cross-selling more high-value added solutions and products to them. This involved the further implementation of a process called Client Relationship Planning in which an account manager discusses with relevant product and sector specialists how to best serve the client. Senior bankers and focus-sector heads provide additional knowledge and focus to ensure we identify all opportunities we should pitch to our clients. This also strengthens ING's overall competitiveness through closer client involvement. In 2005 the Client Relationship Planning process entered its second year and was extended to a wider range of Wholesale Banking's clients.

We integrated the information on our mid-corporate clients into the Wholesale Banking centralised client-information system. This helped to create more opportunities to service corporate clients in our Benelux home market. In the important Financial Markets division – serving mainly institutional clients – further changes were made to the structure to ensure it too was truly client-focused. The sales function was more closely aligned with products delivery and client demand. The appointment of a Global Head of Sales was instrumental in this. Finally, we integrated our divisions Corporate Finance and Equity Markets more into our focused Benelux offering. Several notable transactions followed from this (see landmark deals on page 30).

Central to the enhanced client-focus is cross-selling and deep-selling. By anticipating clients' needs we can identify and generate new business opportunities by providing standard ING products or creating customised solutions that offer clients real added value to their business.

To present one face to the world and improve our overall relationship with clients, ING implemented a single global brand for Wholesale Banking in 2005. A new visual identity was introduced worldwide and a home-markets advertising campaign was kicked off. Research of the client base led to the customisation for Wholesale Banking of the ING brand values. Based on this research and the brand values, action plans were developed that outline concrete steps that will be taken to further improve our relationship with our clients. The plans will be closely monitored and measured to ensure their successful implementation.

WHOLESALE BANKING (continued)

Cost control, efficiency and focused execution
Cost control is essential in any competitive market. In line with the ING Group focus on managing for value, Wholesale Banking in 2005 continued the implementation of its strategic alignment programme called the Target Operating Model. It focuses on cost control as well as revenue growth, capital optimisation and improved operational efficiency. The model meant evaluating our client portfolio to ensure a stronger focus on core clients to whom we can sell more value-creating products. In 2005 these operations were completed in Asia, the Americas and the United Kingdom. Positive results are showing already by increased RAROCs compared with 2004. In Central and Eastern Europe the implementation was completed just before the end of 2005 and ING expects to see results in 2006. In the home market of the Benelux the new cost-control method is still in the implementation phase.

In the Financial Markets division pivotal IT investments were made by providing a single database that runs across all regions and products. This can support client service at low costs. Also, the transformation of risk-data projects helped to reduce economic capital. Another step taken was the outsourcing of the Equities Clearing and Settlement department in the UK to Société Générale. The operations and technology services were better aligned with the Wholesale Banking business.

The Value Chain Management concept was introduced for six products: General Lending, Structured Finance, Payments & Cash Management, Securities Services, Corporate Finance & Equity Markets and Financial Markets. This concept provides new insights in direct and indirect costs per project and gives better information for business decisions and capital allocation.

In support of the above-mentioned developments, ING took steps to improve execution. The approval process for financing corporate clients was speeded up by a new streamlined process, in which transparency and accountability of credit approval was increased. Furthermore, the 'balanced scorecard' was introduced within Wholesale Banking. This is a method of measuring and improving individual performance.

Finally, the NMB Heller joint venture between ING and GE Finance was unravelled. This reorganisation and partial divestment paved the way for the subsequent creation of Commercial Finance, a new and more efficient division in Wholesale Banking.

Landmark deals
In 2005, several top deals were made that illustrate the successful repositioning of Wholesale Banking. In the Netherlands, ING advised telecommunications company KPN on the EUR 980 million acquisition of mobile phone operator Telfort and facilitated a EUR 1 billion Eurobond issue. Also a very innovative EUR 450 million deal was done with Hunter Douglas. It was the first reverse bookbuilding tender offer in the Netherlands.

Outside the home markets there were successes in the emerging markets of Central and Eastern Europe. In Poland, ING helped finance the EUR 1 billion acquisition of a vodka producer (Polmos) by distributor CEDC. This was a great cross-sell success that involved three major transactions and several ING teams. In Hungary, Structured Finance advised on a motorway project connecting Budapest with the Serbian border. Further, a pan-European deal was made when ING was appointed as cash-management bank for the publisher Sanoma WSOY in the Benelux, the Czech Republic and Hungary.

Finally, ING also made strong progress in Asia. In Laos, Asia's largest (USD 1 billion) cross-border hydro-power project financing was closed. Several ING teams were involved and through cross-selling ING was able to generate considerable business from this project.

CONCLUSIONS AND AMBITIONS

Wholesale Banking will continue in the direction that it set out on in 2004 and which has helped to focus the business on new priorities and deliver improved results in 2005. Client-focus, cross-selling and cost control remain essential in 2006. This means continuing with successful programmes and broadening their implementation.

Client Relationship Planning and Senior Banker coverage will be extended to more clients and further emphasis will be placed on our cross-sell strategy. The client action plans that were started in 2005 will be measured to further improve the quality of our service to clients and there will be new initiatives in cost discipline. Value Chain Management will be further implemented for other products. By making use of our sector-specific knowledge we will continue to improve the quality of our product offering. We shall increase investments in key product areas such as Financial Markets, Payments & Cash Management, Leasing and Structured Finance.

RETAIL BANKING

Sharpened focus on cost competitiveness and customer satisfaction

PROFIT AND LOSS ACCOUNT

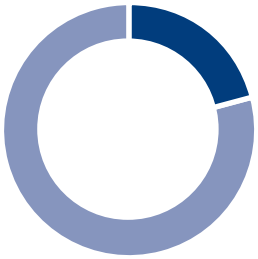
in EUR million	2005	2004	change	underlying change
Total income	**5,796**	5,062	14.5%	15.5%
Operating expenses	**3,829**	3,703	3.4%	5.7%
Additions to loan-loss provisions	**90**	184	-51.1%	
Total profit before tax	**1,877**	1,175	59.7%	
Underlying profit before tax*	**1,815**	1,168	55.4%	

* Underlying profit before tax is defined as profit before tax excluding divestments and special items.

KEY FIGURES

	2005	2004
After-tax RAROC	**36.0%**	26.2%
Economic capital (in EUR billion)	**3.4**	3.1

UNDERLYING PROFIT BEFORE TAX
in EUR million



Retail Banking	21%	1,815
Rest of ING	79%	6,691

BREAKDOWN OF UNDERLYING PROFIT BEFORE TAX

in EUR million	2005
Netherlands	**1,387**
Belgium	**337**
Poland	**41**
Other countries*	**50**
Total	**1,815**

* Mainly ING Vysya Bank, Private Banking rest of the world, and the Kookmin Bank stake.

In 2005, ING Retail Banking continued on the course set out on in 2004 with a strategic focus on profitable and selective growth, improving cost efficiency and customer satisfaction. Income increased, RAROC continued at high levels and market shares grew. Results were further flattered by a benign risk environment and some non-recurring profits, making 2005 a very good year. Recurring costs remained under control and increased only slightly. Customer-satisfaction ratings improved in all our main businesses. The strengthening of compliance and sales procedures are expected to lead to further improvement of customer satisfaction over time.

FINANCIAL DEVELOPMENTS

Underlying profit before tax from Retail Banking rose 55.4% to EUR 1,815 million, driven by strong growth in the Benelux as well as in emerging markets. Total profit before tax in 2005 rose 59.7% to EUR 1,877 million. All retail banking business units contributed to the result.

Total income increased 14.5% to EUR 5,796 million in 2005 driven mainly by higher income from mortgages and savings in the Netherlands and growth from savings, current accounts and investment products in Belgium.

Expenses were well under control in 2005. Operating expenses increased 3.4% to EUR 3,829 million. Underlying operating expenses rose 5.7%, mainly due to the consolidation of Postkantoren BV, as well as EUR 33 million in one-off costs related to the efficiency programme for the Operations/IT activities in the Benelux, and EUR 27 million in accelerated software depreciation in the Netherlands. Excluding those items, operating expenses decreased slightly as the impact of the new labour agreement in the Netherlands was offset by a release of EUR 83 million from provisions related to healthcare and pensions in the Netherlands. Excluding all non-recurring items and adjusted for exchange-rate differences, recurring operating expenses increased 0.5%, even including investments to expand in Romania, Poland, India and Private Banking. The cost/income ratio improved to 66.1% from 73.2%.

The addition to the provision for loan losses declined to EUR 90 million from EUR 184 million in 2004, mainly due to releases in Belgium and Poland. All regions reported lower risk costs, with the exception of the Netherlands, where provisions rose slightly in line with the growth of the business. The addition was equal to 11 basis points of average credit-risk-weighted assets compared with 25 basis points in 2004.

KEY POINTS

- **Continued high returns and further volume growth in the Benelux**
- **Stronger market positions in emerging markets**
- **Successful roll-out of greenfield branch network in Romania**
- **Private Banking saw rapid growth**

The after-tax risk-adjusted return on capital (RAROC) from Retail Banking improved to 36.0% from 26.2% in 2004. In the Netherlands pre-tax RAROC was 70.4% and in Belgium 51.1%, both well above ING's target of 18.5% pre-tax.

Country developments

Underlying profit before tax from Retail Banking in the Netherlands rose 27.1% to EUR 1,387 million, driven by growth in mortgage lending and savings as well as higher income from prepayment penalties on mortgages. The residential mortgage portfolio in the Netherlands grew by EUR 10.8 billion, or 13.4%, to EUR 91.5 billion. Operating expenses increased 11.2% due to the consolidation of Postkantoren BV, EUR 33 million in restructuring costs related to Operations/IT streamlining and outsourcing and EUR 27 million in accelerated software depreciation. Risk costs declined from 21 basis points of average credit-risk-weighted assets to 18 basis points.

In Belgium, underlying profit before tax increased sharply to EUR 337 million from EUR 55 million, driven by higher income due to strong growth of savings and current accounts and high sales of investment products, as well as lower expenses and releases from loan-loss provisions. Total income rose 11.9% while operating expenses declined 7.0% due to high non-recurring expenses in 2004, including provisions for litigation issues and impairments on real estate in 2004 under International Financial Reporting Standards. The upward cost effect of the acquisition of Mercator Bank was largely offset by the sale of ING Securities Bank France and Banque Baring Brothers Suisse in 2005, which were reported under ING Belgium. Risk costs declined from 34 basis points of average credit-risk-weighted assets in 2004 to –8 basis points in 2005 due to a EUR 11 million net release. The purchase of Eural Bank from Dexia Bank was successfully completed in December 2005.

In Poland, underlying profit before tax from the retail-banking activities more than doubled from EUR 19 million in 2004 to EUR 41 million in 2005 due to releases from loan-loss provisions following an improvement in the quality of the lending portfolio. ING Bank Slaski benefited from a release of loan-loss provisions after the credit portfolio was restructured and risk management was improved. Risk costs declined from EUR 17 million in 2004 to a net release of EUR 16 million. Adjusted for exchange-rate changes, income rose 2.0% as the growth in savings and deposits was offset by narrowed margins and lower lending volumes due to ING Bank Slaski's policy not to participate in foreign-currency mortgage lending because of our risk policy. Operating expenses increased by 13.1% due to investments to upgrade the branch network and higher marketing costs in order to position the bank for further market growth.

The other retail-banking activities posted an underlying profit before tax of EUR 50 million compared with EUR 3 million in 2004, due to higher results from ING Vysya Bank in India, the private-banking activities in Asia and the Kookmin Bank stake in South Korea.

ING Private Banking, the figures of which are included in the regional numbers, continued to grow strongly in 2005. Assets under management grew by 20% (when adjusted for disposals) with all regions contributing, and earnings were sharply higher, particularly in Asia and Belgium. Cost and portfolio management led to a cost/income ratio of 63% compared with 76% in 2004. The business gained further market share in the Benelux home markets with increasing referrals sourced from both ING Wholesale Banking and ING Retail Banking.

RETAIL BANKING (continued)

HIGHLIGHTS

Selective growth in our home markets
In the Netherlands, we continued to focus on customer satisfaction. Postbank was already the best among the big banks in customer satisfaction in 2004. In 2005, it further improved on this by delivering on targets, derived from customer-survey analyses, such as speed of money transfer. Postbank reported strong growth in mortgages and in internet banking, with more than two million clients online (www.mijnpostbank.nl). Postbank was awarded the Website of the Year 2005 Award by the Dutch public and was one of the most visited websites in the country. Customer-satisfaction ratings for ING Bank improved in 2005 due to strengthened complaint management. Cash services in small branches were reinstalled and new franchise branches were opened in response to customers' wishes. ING Bank was awarded several awards, including 'best business partner' by Management Team magazine. ING Bank improved its cost/income ratio by focusing on cost control and by increasing market share in savings, mortgages and in the small and medium-sized enterprise (SME) segment. Postbank and ING Bank saw a combined net growth of mutual funds against the market trend. 2005 was a very good year due to exceptional income from mortgage prepayments and low risk costs.

In Belgium, we reported good income and profit growth in the bank branch network. In comparative research in Belgium, ING had the highest customer-satisfaction rating of large banks among primary customers. The second distribution network, Record Bank, was further strengthened by the integration of Mercator Bank and the acquisition of Eural Bank, which was completed in December 2005. Record Bank is now fourth in the savings-bank market, up from 12th position in 2001. Overall, Belgium reported strong growth in savings, investment products, mortgages and current accounts.

New compliance organisation implemented
In the Netherlands, we took steps to strengthen the compliance organisation. Integrity and fairness are essential in our retail-banking operations. Following some regulatory compliance incidents, the process of setting up a new compliance structure, which was started in 2004, was accelerated after consultation with the Dutch regulator AFM.

Expanding our market share in selected emerging markets
In Poland, ING Bank Slaski grew in its chosen market segments. The bank gained market share in deposits (from 6% in 2004 to 8% in 2005). Successful campaigns for credit cards and internet banking further strengthened ING Bank Slaski's position in the market. Due to our decision not to participate in the more risky foreign-currency mortgage market, our market share in mortgages increased slowly. In the local-currency mortgage market however, our market share increased faster.

In Romania, an innovative retail-banking branch network was started up in July 2004. By December 2005, 77 outlets serving more than 150,000 retail customers had been opened in Romania's main cities. Savings are growing rapidly.

In Asia, ING Vysya Bank India reported asset growth and its tied-agents sales force expanded strongly during the year (from 768 to 1,927 agents) to capture future market growth. ING acquired a 19.9% stake in Bank of Beijing in 2005. Bank of Beijing is the second-largest city commercial bank in China and the third-largest bank in Beijing, employing over 3,600 staff, serving retail and corporate clients. ING aims to sell insurance and investment products through the Bank of Beijing. ING is represented on the board with two members, one for business management and one for corporate development. The Bank of Beijing offers ING good entry in the high-growth Chinese banking market and in the insurance markets.

Continued strong growth in Private Banking
ING Private Banking continued its robust performance in 2005. Assets and revenue growth rates were sharply higher in both mature and emerging markets. New investments were made in Asia, Latin America and Central and Eastern Europe, regions where ING sees great potential for further profitable growth.

Improving cost efficiency
In the Benelux, ING is moving ahead with its programme to improve efficiency and operational excellence. The shared service centres further increased their productivity. In 2005, ING further aligned the front-office functions to improve cost efficiency, upgrade service levels and increase customer satisfaction. Overall costs in Operations/IT stayed flat in 2005 despite strong volume growth and price inflation.

To remain competitive in mature markets, ING started to investigate the possibilities to outsource certain Operations/IT activities that can be performed at lower cost by external parties. Approximately 2,200 full-time equivalents (FTEs) are expected to be transferred to suppliers. As IT is an important business enabler and crucial to the business of financial services, ING is continuously investing in upgrading its IT applications and infrastructure environment, as well as in improving its IT security to make it more robust. Initiatives to streamline the internal organisation and processes were started in 2005. Some of the expected 500 FTE redundancies within the Operations/IT banking division will decrease through natural attrition. These redundancies were on top of the 450 redundancies announced earlier in the year.

CONCLUSIONS AND AMBITIONS

In 2005, we gained market share in all markets where we are present. We improved our cost/income ratio through the joint efforts of the business and Operations/IT departments and we improved our customer-satisfaction ratings in the Benelux.

In 2006, the focus will remain unchanged. We aim for profitable and selective market growth in both mature and emerging markets. We want to continue to strengthen our compliance organisation and improve cost efficiency especially in branch banking and Operations/IT. The outsourcing process will be further implemented in 2006. By increasing compliance awareness among all staff on prudent sales practices and fair treatment of customers, we want to maintain and strengthen our lead in customer satisfaction.

ING DIRECT

Accelerated profitable growth

PROFIT AND LOSS ACCOUNT*

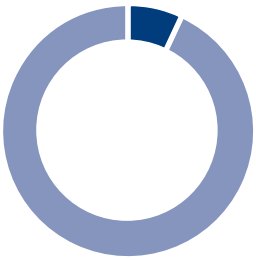
in EUR million	2005	2004	change
Total income	**2,119**	1,709	24.0%
Operating expenses	**1,396**	1,185	17.8%
Additions to loan-loss provisions	**106**	89	19.1%
Total profit before tax	**617**	435	41.8%

* Including ING Card

KEY FIGURES

	2005	2004
After-tax RAROC	**14.9%**	11.3%
Economic capital (in EUR billion)	**3.1**	2.4

UNDERLYING PROFIT BEFORE TAX
in EUR million



ING Direct	7%	617
Rest of ING	93%	7,889

In 2005, ING Direct achieved strong growth in profit, number of customers, funds entrusted and retail-mortgage lending. It maintained a high level of customer satisfaction and brand awareness and expanded its customer base – all of which are key value drivers. These results were reached in an environment of fast increasing short-term interest rates in the United States and falling long-term interest rates in various currency zones, proving the robust character of the ING Direct business.

FINANCIAL DEVELOPMENTS

ING Direct showed strong growth in profit before tax to EUR 617 million in 2005, an increase of 41.8% compared with EUR 435 million in 2004. These results were achieved against the backdrop of a challenging interest-rate environment, particularly in the United Kingdom and the United States. However, ING Direct managed to maintain a satisfying interest margin through client-rate adjustments while maintaining its commercial growth. Returns also increased as business units benefited from increased scale.

Total income rose 24.0% in 2005 to EUR 2,119 million, mainly driven by a 21.1% increase in the interest result due to the continued strong growth in funds entrusted. The total interest margin in 2005 narrowed to 0.86% from 0.98% in 2004, mainly caused by a flattening of the yield curve and the strategic decision to maintain competitive client rates in favour of stimulating growth. However, the impact on profit was mitigated by a lower operational cost base. The interest margin improved slightly in the fourth quarter of 2005, despite an increase in client rates in the United States and Canada.

Total operating expenses at ING Direct increased 17.8% to EUR 1,396 million, reflecting investments to support the continued growth of the business, particularly in mortgages. Nonetheless, the cost/income ratio of ING Direct improved to 65.9% from 69.3% in 2004, while the operational cost base (excluding marketing costs) improved to a better-than-expected 0.40% of total assets compared with 0.44% in 2004. Total marketing expenses rose 12.5%, also due to an increased focus on mortgages in addition to savings. The addition to the provision for loan losses was EUR 106 million, which was 19.1% more than in 2004. The addition equalled 17 basis points of average credit-risk-weighted assets, down from 22 basis points in 2004.

KEY POINTS

- Profit at ING Direct increased by 41.8% to EUR 617 million
- More than 3 million new customers
- Strong growth in funds entrusted to EUR 188 billion
- Mortgage-lending portfolio increased by 66%

The after-tax risk-adjusted return on capital (RAROC) of ING Direct improved to 14.9% from 11.3% in 2004. Total economic capital increased to EUR 3.1 billion from EUR 2.4 billion in 2004, reflecting strong growth of the business. With the exception of ING Card and ING Direct UK, all ING Direct units are performing above ING's target for risk-adjusted return on capital.

Country developments
ING Direct's overall profit growth was driven mainly by the business units in Germany, France, Spain and Italy, reflecting the impact of client-rate reductions in most of these countries and continued strong commercial growth. In the United States, profit before tax declined from EUR 170 million to EUR 156 million due to increases of client rates, partially following increases of the Federal Reserve rate, and an unfavourable yield-curve development. Of the eight ING Direct units, only the operations in the United Kingdom, which started in May 2003, were still loss-making. However, the loss narrowed compared with 2004, and total start-up losses are lower than expected.

HIGHLIGHTS

Strong growth
ING Direct sells a limited number of banking products via the internet, telephone and direct mail to retail customers in major developed markets at very low costs. The two core products are savings and mortgages. All ING Direct business units are market leader in their local direct-banking markets.

The number of ING Direct customers grew substantially in 2005 by 3.2 million to a total of 14.7 million worldwide. ING Direct Spain welcomed its one millionth customer in April and ING Direct UK in November. ING DiBa (the ING Direct name in Germany and Austria) reached the milestone of five million customers.

In the United States, ING Direct increased its geographical presence by rolling out its marketing campaign in the Phoenix/Arizona region and added 1.1 million new customers, bringing its total to 3.4 million.

Globally, funds entrusted continued to grow, adding EUR 42.6 billion, bringing total funds entrusted to EUR 188.0 billion at year-end. In addition, off-balance funds entrusted, which are mainly mutual funds and brokerage accounts, almost doubled to EUR 10.8 billion from EUR 5.7 billion. ING Direct France, Australia and Canada recorded a milestone of passing the EUR 10 billion mark each in funds entrusted.

Continued focus on mortgages
In 2005, robust growth continued in own originated residential mortgages, the second ING Direct core product. All business units, except for France and the United Kingdom, sold mortgages in 2005. In all these business units, the mortgage portfolio grew strongly. ING DiBa became the leading mortgage provider in new production in Germany. ING Direct Australia passed the AUD 20 billion mark (EUR 14.0 billion) in its mortgages portfolio. Growth in residential mortgages in the United States was USD 4.2 billion (EUR 3.6 billion) with the portfolio standing at USD 12.8 billion (EUR 10.9 billion) at year-end. Overall, the mortgage portfolio grew by EUR 21.8 billion to EUR 54.9 billion. This amount is equal to 29.2% of funds entrusted, compared with 22.8% in 2004.

High level of customer satisfaction
On average, 78% of customers said they received better service from ING Direct than from other financial institutions. ING Direct believes in knowledgeable, accurate, quick and customer-friendly service. Transactions such as deposits and withdrawals are dealt with largely over the internet or by the voice-response system. The high level of customer satisfaction is also acknowledged by external parties as shown by the many awards ING Direct won in 2005.

PROFIT BEFORE TAX (INCLUDING ING CARD)

in EUR million	2005	2004	Change
Canada (1997)	**73**	66	10.6%
Spain (1999)	**50**	32	56.3%
Australia (1999)	**80**	60	33.3%
France (2000)	**25**	5	400.0%
United States (2000)	**156**	170	-8.2%
Italy (2001)	**29**	11	163.6%
Germany*(2002)	**254**	151	68.2%
United Kingdom (2003)	**-34**	-54	
Subtotal ING Direct	**633**	441	43.5%
ING Card	**-16**	-6	
Total	**617**	435	41.8%

* Including Austria

ING DIRECT (continued)

Stable and broad customer base
The stability of the customer base is a key qualitative value driver for ING Direct. Throughout the past eight years, the customer base has been very stable with attrition rates lower than 5% a year. The original typical customer profile, based on initial research in Canada, was people between 20 and 45 years old with a reasonable amount of savings. People in this age range were believed to be more comfortable with direct banking through internet and telephone channels. Experience learns that people over 50 years old with high amounts of savings are also prepared to transfer savings by telephone and the internet, in order to receive higher interest rates. ING Direct's substantial amount of customers in this age group has even more the tendency to save money for the longer term.

Stock-market movements have hardly affected savings balances in ING Direct. Customer surveys show that only about 10% of ING Direct's clients moved money out of mutual funds and shares into savings, after the stock markets deteriorated since 2001. The other 90% of savings balances continued to come out of savings accounts at other banks or surpluses on current accounts. A good interest-rate offer, combined with excellent customer service and easy-to-use websites, interactive voice-response and call-centre systems were the main reasons for people to join ING Direct. A vast majority of ING Direct's clients are saving for the long term. This reconfirms the stability of ING Direct's customers' savings balances.

Competitive advantage
ING Direct's most important sustainable competitive advantage is its low cost base. As a result, it can offer customers higher interest rates on savings and still make a sufficient margin on the funds entrusted. Because of this cost advantage, ING Direct has been able to grow its profits over the last eight years while interest rates have gone through different phases of the cycle. ING Direct can also afford to keep client rates at a higher level to maintain growth momentum, as was proven this year.

In addition to the low cost base, diversification adds to ING Direct's growth potential. Diversification into mortgages helps our margin and the geographical diversification mitigates interest-rate movements in the five currency zones where ING Direct is active (United States, Canada, Australia, the United Kingdom and the euro zone). The benefit of this diversification was exemplified in 2005 when ING Direct only partially followed the increases in short-term interest rates in the United States and cut interest rates in the United Kingdom, Germany, Italy and France. This approach generated enough margin during the rest of the year to offset the tighter margins caused by rising American rates.

Brand awareness
In 2005, brand awareness exceeded 75% in most of the countries where ING Direct is active. The combination of high brand awareness with the right brand attributes is a prerequisite for growth, which is why since the beginning of 2001, standardised brand-tracking research was conducted in each country.

NUMBER OF CLIENTS, TOTAL FUNDS ENTRUSTED, MORTGAGE PORTFOLIO

Clients in thousands, funds entrusted and mortgage portfolio in EUR billion at year-end	Clients 2005	Clients 2004	Funds entrusted 2005	Funds entrusted 2004	Mortgage portfolio 2005	Mortgage portfolio 2004
Canada	**1,309**	1,121	**12.6**	9.0	**7.9**	5.2
Spain[1]	**1,249**	975	**12.8**	10.2	**3.6**	0.9
Australia	**1,240**	996	**10.4**	8.5	**14.0**	9.9
France	**501**	413	**10.8**	9.2	**–**	–
United States	**3,382**	2,226	**34.0**	21.2	**10.9**	7.3
Italy	**632**	485	**13.3**	10.6	**0.8**	0.2
Germany[2]	**5,390**	4,511	**58.4**	48.8	**17.7**	9.6
United Kingdom	**1,003**	762	**35.7**	27.9	**–**	–
Total	**14,706**	11,489	**188.0**	145.4	**54.9**	33.1

[1] Mortgage portfolio at 31 December 2005 includes EUR 1.1 billion in mortgages bought from Nationale-Nederlanden in the fourth quarter.
[2] Including Austria.

CONCLUSIONS AND AMBITIONS

ING Direct showed strong organic growth in customers, funds entrusted and mortgages in 2005. Marketing campaigns continued to be focused on savings and, increasingly, on growing its mortgage portfolio (in Germany, the United States, Italy, Australia, Canada and Spain). ING Direct now operates in all major Western European markets and in Australia, Canada and the United States. On 24 January 2006, ING Direct's (world-wide) 15-millionth customer was welcomed in Italy. For 2006, the focus remains on profitable growth in savings and mortgages in the nine countries of operation. We will promote our mutual-funds business in all the countries except the United Kingdom and Austria, which countries will follow at a later stage. Finally, ING Direct will continue to expand its marketing activities in new regions in the United States.

ING CARD DEVELOPING IN LINE WITH EXPECTATIONS

ING Card is a separate unit which is financially consolidated with the ING Direct business line. Next to managing and growing the existing credit-card portfolios of Postbank and ING Bank in the Netherlands and Belgium, new revolving credit cards were successfully introduced and rolled out in both countries in 2005. The developments were in line with expectations. ING Card showed a loss of EUR 16 million compared with a loss of EUR 6 million in 2004, mainly due to higher risk costs to bring provisions fully into line with IFRS as well as higher marketing and IT expenses. Good use was made of the revolving credit facility.

ING Card's market share in the Netherlands in 2005 was approximately 25%, which makes it number two in the market. At year-end, ING Card had a portfolio of 1.7 million cards and EUR 581 million of total credit exposure. In its operations, ING Card focuses and applies its best practices on marketing, business intelligence, client behaviour, revolving credit levels and risk management. It aims at continuously cross-selling its card products to the extensive retail-customer databases within ING as well as selling to non-ING customers. In the first quarter of 2006, ING cards will be launched in Germany as part of its European expansion plans.

ASSET MANAGEMENT

Improved performance through growth and expertise

ASSETS UNDER MANAGEMENT BY CLIENT CATEGORY
in EUR billion

Private clients	45%	247.8
Institutional clients	19%	104.9
Proprietary	36%	194.7
Total	100%	547.4

ASSETS UNDER MANAGEMENT BY BUSINESS LINE
in EUR billion

Insurance Europe	31%	169.3
Insurance Americas	37%	201.7
Insurance Asia/Pacific	13%	71.8
Wholesale Banking	9%	49.5
Retail Banking	9%	49.3
ING Direct	1%	5.8
Total	100%	547.4

ING's asset-management activities in 2005 had another good year. Considerable growth in assets under management secured ING's position as one of the world's leading asset managers. Performance benefited from developments in expertise, stronger distribution and greater economies of scale. Several acquisitions were made by ING Real Estate and there was the launch of two highly successful closed-end high-dividend funds by ING Investment Management (ING IM).

FINANCIAL DEVELOPMENTS

Assets under management increased 23.5% to EUR 547.4 billion in 2005, excluding the impact of several divestments and restatements such as Baring Asset Management and ING BHF-Bank. Including divestments and restatements, total assets under management increased by 11.3%. The growth in assets was driven by a net inflow of EUR 33.8 billion, plus EUR 34.9 billion attributable to higher currencies and EUR 35.5 billion from higher stock markets. The net inflow of EUR 33.8 billion was mainly realised by Insurance Asia/Pacific, ING Real Estate and Retail Banking. Third-party assets under management increased 27.2%, reaching EUR 352.7 billion at the end of 2005. Proprietary assets increased 17.3% to EUR 194.7 billion. ING IM manages the majority of both third-party and proprietary assets of ING.

ING Real Estate's total portfolio, including the finance activities, increased 39.5% to EUR 69.9 billion, driven mainly by the investment-management activities. ING Real Estate's investment-management portfolio grew by 52% to EUR 47.1 billion. The record growth was driven by the acquisitions of the portfolios of Gables Residential Trust in the United States and Abbey National in the United Kingdom, along with a strong inflow into 13 new funds that were created in 2005. Pre-tax profit of ING Real Estate decreased from EUR 365 million to EUR 349 million. ING Real Estate's Finance and Investment Management divisions delivered a very strong performance, but the profit of the Development division was affected by an accounting change leading to the later recognition of sales results and by an impairment on a project in Poland.

ING INVESTMENT MANAGEMENT

ING Investment Management significantly improved its investment performance in 2005. On a 3-year basis 67% of ING's assets delivered an above-median performance. Rating agencies have assigned the highest five-star rating to 14 mutual funds and 29 funds have a four-star rating. Jointly these funds represent EUR 16 billion, which is 28% of the rated portfolio.

KEY POINTS

- Total assets under management grew 23.5%
- ING Investment Management improved performance
- ING Real Estate largest property company in the world

The excellent results were mainly based on three pillars. First, ING IM continued to develop its investment expertise by, among other things, completing the build-up of its US equity team and by restructuring its European Equity Investments Department. Second, thanks to being part of ING Group and having partnerships with many other financial institutions, ING IM was able to increase the number of bank and insurance channels it uses to cross-sell products and raise assets. The growth of cross-region networks also contributed to this distribution power. Third, ING IM increased its financial strength and scale, which resulted in a reduction of relative costs. Economies of scale were also achieved by sharing research and the treasury services throughout all three ING IM units (Europe, Americas, Asia/Pacific).

Thanks to its growing expertise and distribution power, ING IM excelled in meeting client needs across the regions with good product offerings. The development and commercial successes of the closed-end high-dividend funds are prime examples of this. In 2005 ING IM launched two global closed-end funds in the United States, raising over EUR 1.8 billion of assets in the public offerings.

Other key aspects in the success of ING IM in 2005 were cost reductions. This was the result of scale advantages as discussed above, but also of strong cost control in absolute terms. The development of better back-office systems and the limited outsourcing of some non-core back-office activities contributed to cost reductions. Other developments in this respect were the restructuring and partial outsourcing of IT operations of ING IM Europe and the integration in Asia of several services into a central regional office in Hong Kong.

In 2006, ING IM aims to increase assets under management by capitalising on our global expertise to develop products that meet client's needs both globally and locally. By growing further we will continue to benefit from increasing economies of scale. Furthermore, initiatives will be implemented to raise the efficiency of distribution of ING IM products through ING affiliate channels and through third parties as open architecture increasingly becomes an accepted structure in the market. Another priority will be to continue to increase transparency of ING IM's contribution to ING Group.

ING REAL ESTATE

2005 was a good year for ING Real Estate. On the basis of the total business portfolio, ING Real Estate is the largest property company in the world. It increased its total business portfolio thanks to ongoing organic growth and landmark deals such as the acquisition of the Gables Residential Trust and the Abbey National portfolio. This last EUR 1.7 billion deal was the largest real-estate transaction to date in the United Kingdom. The portfolio was divided between various clients, and put into existing and newly established funds, while some properties were sold off. A considerable part was successfully floated on the stock exchange as the ING UK Real Estate Income Trust for EUR 700 million. Another landmark transaction was the EUR 1 billion bridge facility provided together with NIBC to a group of institutional investors for the acquisition of the VendexKBB portfolio of prime retail properties in the Netherlands. Furthermore, ING Real Estate continued its growth in Asia by launching the ING Korea Property Investments Company in 2005.

The key to the success of ING Real Estate continues to be its combination of global reach and local expertise. Its size brings economies of scale in many areas such as research. The mix of three divisions (Investment Management, Finance and Development) combined with a diversified global portfolio reduces its risk profile.

The Real Estate Finance division made substantial progress with the targeted international diversification of its EUR 20.3 billion credit portfolio while it reinforced its leading position in the Dutch market. Meanwhile, the Real Estate Development division started significant new projects such as Hafencity Hamburg and Centre Amsterdam North. Furthermore, it was pre-selected for the Zuidas Dok Company project in Amsterdam. On the Zlote Tarasy project in Poland, an impairment was suffered due to construction delays.

In the coming year, ING Real Estate's Investment Management division will concentrate on maintaining its growth momentum, capturing opportunities in Asia, such as with the China Opportunity Fund, and by launching several new funds in Europe. The Finance division will continue to focus on international diversification while maintaining its leadership position in the Netherlands. The Development division will aim for controlled growth in Europe and Australia and investigate the potential of development funds in the United States.

HUMAN RESOURCES

Work in progress

ING has three ambitions: to be a reliable partner for our customers, to create value for our shareholders and to be a challenging place to work for our employees. Meeting these ambitions calls for a new mindset, a performance culture and the further building of our human capital. Success depends on creating value for our customers and shareholders – and it is our employees who make it happen.

PERFORMANCE CULTURE

Part of ING's new strategy is to effect a fundamental change in culture and create a performance culture. ING defines this as a culture in which everyone is focused on improving ING's performance to contribute to the ultimate goal: to be a winning company that creates sustainable profitable growth. Within ING's performance culture, people should have a shared direction, be focused on execution and be well-equipped to do their jobs. In other words, all employees should understand ING's strategy and the goals of their business unit, know their role in achieving these goals, receive feedback on their performance and be rewarded fairly based on their performance. To this end, Human Resources (HR) developed a set of core principles relating to performance management and is working with the business lines to ensure that their reward plans really distinguish between high and low performers.

A performance culture was the central theme in all HR initiatives, projects and programmes in 2005. All business lines conducted a performance scan, and many are now addressing the issues raised in these scans via a variety of initiatives, which will continue in 2006.

NUMBER OF EMPLOYEES BY BUSINESS LINE

average FTEs		2005
Insurance Europe	14%	**16,100**
Insurance Americas	23%	**27,100**
Insurance Asia/Pacific	7%	**8,400**
Wholesale Banking	18%	**20,800**
Retail Banking	32%	**36,400**
ING Direct	6%	**6,500**
Total	100%	**115,300**

FOCUS ON EXECUTION

A number of steps were taken throughout the organisation to get it more focused on execution. HR developed a 'change execution framework', which will be rolled out globally in 2006. This will help steer the move to a culture in which our people are professional and accountable, focus on results and demonstrate customer-centric behaviour. Customer-centricity is included in the overall ING Business School curriculum. All business lines had to draw up a customer-centric action plan and describe how to become more customer focused as ING feels this should be embedded throughout the organisation. But above all, our workforce must preserve their integrity. Integrity is crucial to a winning company. ING will therefore continue to strengthen its compliance structure, following the implementation of its new company-wide compliance policy.

SHARED DIRECTION

Shared direction is about creating a common understanding among employees of ING's objectives. '*Live* ING' is a tool to support these objectives. Introduced in 2005, this interactive learning programme explains the new strategic priorities and organisational structure. It was developed by the ING Business School and rolled out across many different regions around the world. *Live* ING will be continued in 2006.

Communication also plays a key role in embedding the performance-culture mentality. Chairman Michel Tilmant continued his direct communication with employees, by giving employee presentations and by sending e-mails to all employees about ING's results or specific issues. The leaders of the different business lines and staff departments are doing the same. The presentations inform employees and managers about what is expected from them and where we are going. They also provide a chance for people to discuss where we are going. This dialogue is backed up by *ING Matters*, a new monthly staff magazine for all 115,300 employees worldwide, and via dialogue sessions between ING's identified talent and the Executive Board.

KEY POINTS

- Several initiatives to strengthen performance culture
- Customer-centric action plan per business line
- Managing-for-Value workshops
- Further steps to build human capital

As managers play a key role in executing this change in culture, the ING Business School organises the Managing-for-Value workshop for management and key employees. This workshop sharpens their focus on the drivers of value creation in their business and as such helps them to analyse and maximise the sustainable profit potential of their activities. Most importantly, it shows them how ING can maximise the long-term value and growth of its activities instead of the short-term profit.

BUILDING HUMAN CAPITAL

Diversity

ING has a large variety of customers. Because of this, we believe that the only way to genuinely understand their needs is to be similarly diverse. Diverse teams are better able to focus on and meet individual customer needs. Although we already recruit from a variety of backgrounds, we want to go further; by increasing internships among students from different backgrounds; by building external relationships and participating in networks that focus on people with different backgrounds; by recruiting more employees with academic qualifications outside the traditional fields; and by using job rotation to stimulate employees to broaden their horizons.

Recruitment

Another key issue is ensuring we attract the best people. We want the best graduates, and we want to be a preferred employer in every one of our key markets. ING laid the foundations for an improved approach to graduate recruitment around the world. In addition to the local introduction programmes in place, we will launch a global training programme for all recently hired graduates in 2006.

Talent management

Talent management is about having the right people in the right place at the right time. This involves thinking globally and has led us to implement a common way of identifying and developing potential high-performers throughout ING. Our new method takes a bottom-up approach, with line managers performing a key role. They are supported in this with a variety of tools and methods, such as Personal Development Action plans. In addition, best practices, including succession planning and vacancy finding and matching, are increasingly being shared across regions and business lines. The ING Business School offers programmes to strengthen our talent, such as the new ING Leadership Pipeline programme, aimed at building better leaders at all levels.

CONCLUSIONS AND AMBITIONS

Change is not achieved overnight. It requires constant support from management and most of all from employees. All our employees are essential to achieving our aims and ambitions. The success of ING's strategy for value creation will therefore largely depend on the success of instilling a performance culture and enhancing the strength, depth and diversity of our workforce. Great strides were made to provide the business with the tools it needs to succeed in creating value. This will be continued in 2006 and the years beyond.

CORPORATE RESPONSIBILITY

Striving to meet our commitments in all we do

Integrity is the key source of value for a financial-services company. ING therefore aims to conduct its business activities with the highest ethical standards. Our legitimacy as an enterprise rests on the trust our customers, employees, shareholders, regulators, capital providers and business partners have in us. To earn their trust, we have to live up to a variety of commitments. The sum of these commitments is our corporate responsibility.

ING Business Principles
In pursuing growth and managing for value, ING aims to earn its shareholders an above-average return on their investment, but without compromising its business principles. The ING Business Principles state the standards of behaviour required by everyone at ING as well as our main commitments toward key stakeholders. The Business Principles must be applied in a wide range of circumstances. They guide us in dealing with some of the dilemmas that can arise in business life.

Serving our customers
ING wants to build long-term relationships with its 60 million customers around the globe by providing outstanding service. Customer trust is driven by many factors. It depends, among other things, on how easy we are to deal with, how responsive we are to customer needs, whether we fulfil our promises and whether we treat our customers fairly. In 2005, most business units completed so-called customer-centric action plans which describe the steps that need to be taken to improve customer focus in each business unit.

Many financial products and services, such as mortgages and life insurance, cover a long period of time. We aim to inform customers thoroughly about the financial choices they make. We also have a duty to protect customers from undue risk and ensure that our actions do not damage their interests.

A growing number of transactions take place online. We have a responsibility to protect our customers' privacy and ensure that personal information and account data are stored safely. We have systems to ensure all online transactions are conducted securely and to ward off cyber-criminals. We also regularly inform our customers how to bank online safely.

We aim to provide our customers with correct and easy-to-understand information, and we take responsibility when we make mistakes. In 2005, for instance, Nationale-Nederlanden (NN) learned that, as a result of a software error, it had inadvertently provided customers with inaccurate reports of their entitlements for certain insurance products. NN informed the clients in question and reimbursed them for the difference in early 2006.

Compliance generates trust
The financial sector has been confronted with many new laws and regulations in recent years, and compliance monitoring is more important than ever. In 2005, ING put greater emphasis on compliance with laws, regulations and ethical standards. Regulatory compliance is essential because ING's long-term relationships with its clients depend on integrity and trust. In 2005, ING introduced a new compliance policy, which will be implemented throughout the company by the end of 2006. ING also strengthened its compliance organisation in the Netherlands.

Responsible lending and investment
Financial-services providers are increasingly being held accountable for the actions of their corporate clients. ING's wholesale banking operations use policies called the Corporate Social Responsibility Statements to make sure companies that request financing are not involved in areas that are incompatible with ING's environmental, social or ethical values.

In project finance, ING applies a social and environmental set of screens, called the Equator Principles. Although project finance is only a small part of ING's overall credit portfolio, it plays an important role in emerging markets. The Equator Principles categorise projects according to whether they have high, medium or low environmental and social risk and come into play with project costs of at least EUR 50 million.

KEY POINTS

- New company-wide compliance policy
- ING Chances for Children launched to increase children's access to education in emerging markets
- Internal environmental policy to reduce business travel and consumption of energy and paper.

Responsible share ownership
ING Group has EUR 547 billion in assets under management, of which EUR 195 billion are proprietary assets. The majority of the proprietary assets comes from the premium income generated by our insurance business. We have a duty to invest these assets in a responsible manner, from both a prudential and ethical standpoint. On the one hand, we want to ensure that we are able to meet our promises to policyholders in the future; on the other hand, we want to avoid investing proprietary assets in companies that engage in activities incompatible with our policy regarding the defence industry.

ING Investment Management (ING IM) takes into account social, environmental and ethical considerations and also focuses on good corporate governance in the companies in which it invests through its voting behaviour. For client assets, ING IM does not restrict investments on the basis of ING's own social, ethical and environmental criteria. However, it offers clients the possibility to screen for various social and environmental issues and informs clients about serious issues.

ING Chances for Children
In 2005, ING Group launched a global community-development programme called Chances for Children. The aim of the programme is to improve children's access to primary education in developing countries. Working with UNICEF, ING's target is to send 50,000 children in India, Brazil and Ethiopia to school by the end of 2007. At year-end 2005, ING had already raised enough money to send 34,000 children to school.

Environment
ING Group adopted a new internal environmental policy in 2005 to govern its future environmental activities. The policy gives priority to three areas where the business units will focus on reducing consumption in the coming years: business travel, energy consumption and paper consumption.

ING also joined the Global Roundtable on Climate Change, which brings together over 150 senior executives from the private sector and leaders of international governmental bodies and non-governmental organisations (NGOs). The Roundtable provides ING with a valuable forum to learn more about the scientific, technological and economic issues connected with climate change. This will help the Group better understand the risks we and our clients face, as well as new business opportunities that may arise in the future.

Commitments in 2006
As part of ING's effort to further enhance the awareness of social, ethical and environmental issues throughout the Group, ING will be putting more emphasis on a select number of corporate responsibility commitments in 2006. These include a more prominent focus on compliance and responsible sales practices, a more customer-centric approach, an attractive and stimulating workplace, community development and responsible procurement. We also want to involve our stakeholders more closely in policy development and our Corporate Responsibility reporting process. By consistently emphasising these topics, business units will be increasingly encouraged to take these issues into account when managing their day-to-day business.

The Corporate Responsibility Report 2005 is available from 11 April 2006 on www.ing.com. The report can also be ordered through the website.

Amsterdam, 6 March 2006
The Executive Board

REPORT OF THE SUPERVISORY BOARD

With corporate governance and compliance high on the agenda, the Supervisory Board discussed a wide array of subjects in 2005, most importantly the quarterly results and strategic issues.

General
The Supervisory Board held eight meetings in 2005, while the Audit Committee met six times, the Remuneration and Nomination Committee three times and the Corporate Governance Committee twice. Attendance was very high.

An ING Knowledge Day was prepared, which will be held annually to give Supervisory Board members a deeper insight in subjects from an ING perspective, varying from technical issues to business models. The first Knowledge Day took place in January 2006. As a new Supervisory Board member, Jan Hommen followed an introduction programme in 2005.

Supervisory Board meetings
Four meetings of the Supervisory Board were mainly dedicated to the annual and quarterly results. Two meetings were held to discuss the medium-term plan and strategy, while another meeting took place during a visit to Prague to learn more about ING's position in Central Europe. On the basis of presentations, ING in Mexico, ING Bank Slaski, ING Insurance USA and ING in the Netherlands were discussed. Other topics through the year were the overall risk profile of the group, the risk organisation, internal control, the business principles, leadership development, corporate governance and compliance. Regarding governance, the future of the ING Trust Office was discussed. A proposal was approved to make English the sole external reporting language as of 2006 for the financial press releases, while a similar proposal for the Annual Report will be tabled for the 2006 Shareholders' Meeting. Furthermore, the future composition of the Executive Board and the Supervisory Board were discussed, as well as the remuneration of both boards.

During the annual internal meeting of the Supervisory Board – not attended by Executive Board members – the functioning of the Supervisory Board and the Executive Board and their individual members was discussed. Discussions on the Supervisory Board focused on its profile and composition, its role in decision-making, its role as supervisor and advisor, the preparation of the meetings, the position of the committees and the extent to which the individual members could play their role as they wish to do. One of the conclusions was that there is a need for additional in-depth information, which will be filled in by the annual Knowledge Day. Regarding the composition of the Supervisory Board, it was confirmed that the upcoming vacancies will be used to further internationalise the board in line with the global activities of the Group. Regarding the Executive Board the discussions focused on future vacancies.

Audit Committee meetings
The Audit Committee discussed in four meetings the annual and quarterly results and in two meetings the annual and semi-annual US GAAP results. An important subject in 2005 was the introduction of the International Financial Reporting Standards and the impact of these new accounting principles on the balance sheet and profit & loss account. Other topics were risk management, capital management and compliance on the basis of incidents reports. The independence and the quality of service of the external auditors were evaluated. The Audit Committee was informed of the key themes of Corporate Audit Services in 2005 and discussed its future role regarding financial audit in relation to the external auditors. Management letters on internal control were discussed. The Audit Committee was updated on the SOX-404 project, which is aimed on bringing ING's internal controls and underlying documentation in line with the requirements of the American Sarbanes-Oxley Act as of year-end 2006. Tax issues got more attention, both general tax levels and specific topics during the year. Presentations were given by ING Investment Management Europe, the Corporate Tax Department and Corporate Market Risk Management.

Remuneration and Nomination Committee meetings
The Remuneration and Nomination Committee discussed a shortlist of international candidates for appointment to the Supervisory Board in 2006 and 2007 bearing in mind the Supervisory Board profile and the upcoming vacancies. Proposals were prepared for appointments to the Supervisory Board committees.

The committee also discussed the annual report on leadership development, ensuring proper talent management and succession planning for key positions. It includes a talent review and a list of future Executive Board candidates. Candidates for new appointments to the Executive Board were discussed.

The top-management remuneration structure was also an important agenda item. The Committee prepared the Remuneration Report, which was adopted by the Supervisory Board and was inserted in the Annual Report. Short-term and long-term performance targets for the individual Executive Board members were evaluated, resulting in a proposal to the Supervisory Board regarding the 2004 remuneration for each Executive Board member.

Furthermore, the 2005 remuneration structure and performance targets were discussed, as well as a refinement of the performance drivers as of 2007. The pension and

pre-retirement arrangements for the Executive Board members were also discussed in order to align them with new Dutch legislation.

Regarding the remuneration of the Supervisory Board, a proposal to increase the compensation for the Audit Committee was prepared prior to an overall evaluation of the compensation of the Supervisory Board. Early 2006 a proposal was made to increase the Supervisory Board remuneration, which will be an agenda item at the 2006 Shareholders' Meeting.

Corporate Governance Committee meetings
The Corporate Governance Committee prepared the agenda for the Annual General Meeting of Shareholders as well as the chapter on corporate governance in the Annual Report. The future of the ING Trust Office was discussed, also responding to remarks in the 2005 Shareholders' Meeting to reduce the influence of the Trust Office. Furthermore, several regulations were updated to bring them in line with new international legislation and regulations. In order to assess whether Supervisory Board members are independent as defined in the Tabaksblat Code, an Independence Statement, containing the Tabaksblat independence criteria, was formulated. The Independence Statement will be submitted to all Supervisory Board members for signature on an annual basis. The 2005 Independence Statement has been signed by all members of the Supervisory Board.

Composition of the Executive Board
In 2005 there were no changes to the Executive Board. At the Annual General Meeting of Shareholders on 25 April 2006 three Executive Board members will resign, while four new members will be proposed for appointment. Fred Hubbell and Hans Verkoren elected to retire from ING, while Alexander Rinnooy Kan will leave ING to take up a new position as the chairman of the Social and Economic Council of the Netherlands. Dick Harryvan (1953, Dutch), Tom McInerney (1956, American), Hans van der Noordaa (1961, Dutch) and Jacques de Vaucleroy (1956, Belgian) are the new Executive Board members, to be appointed by the Shareholders' Meeting on 25 April 2006.

Dick Harryvan will succeed Hans Verkoren. Mr. Harryvan is currently Chief Financial Officer and Chief Risk Officer of ING Direct and member of the Board of ING Direct.

Tom McInerney will take over Fred Hubbell's responsibilities for Insurance Americas and ING Investment Management in the Americas. Mr. McInerney will combine his new role with his current position as Chief Executive Officer of ING US Financial Services.

Hans van der Noordaa will take over Alexander Rinnooy Kan's responsibilities for Insurance Asia/Pacific and ING Investment Management Asia/Pacific. Mr. Van der Noordaa is currently Chief Executive Officer of ING Retail Netherlands, responsible for Postbank, ING Bank and RVS Insurance. Alexander Rinnooy Kan's responsibilities for Real Estate will be transferred to Eric Boyer who is the Executive Board member responsible for Wholesale Banking.

Jacques de Vaucleroy will take over responsibility for Insurance Europe, including Alexander Rinnooy Kan's responsibilities for ING's insurance activities in Central Europe and Fred Hubbell's responsibilities for the insurance activities in the Netherlands and ING Investment Management in Europe. Jacques is currently Group President ING Retail at ING US Financial Services.

Information on the members of the Executive Board and the nominated members is provided on pages 52-53.

Fred Hubbell, Alexander Rinnooy Kan and Hans Verkoren leave ING
After almost seven years on the Executive Board, Fred Hubbell will return to his native country, the United States. Fred played a significant role in integrating the three insurance companies we acquired in the US. Thanks to this successful integration, ING is today one of the top-5 insurers in the US and enjoys strong name recognition.

Hans Verkoren will retire after serving the company for almost 30 years. During the past two years on the Board, he concentrated on maturing the ING Direct business model. Thanks to his leadership, ING Direct is today the world's leading direct bank.

Alexander Rinnooy Kan was ten years at ING's Executive Board. He has been a key factor in the success of the organisation's growth strategy, due to his vast experience and excellent reputation worldwide.

We would like to thank Fred, Alexander and Hans for their teamwork and strong personal contributions. We are happy that we were able to work together to prepare ING for the future.

Independence and composition of the Supervisory Board
The Supervisory Board is of the opinion that it is in compliance with best-practice provision III.2.1 of the Dutch Corporate Governance Code and that there are no Supervisory Board members who qualify as 'non-independent' as defined in the above-mentioned best-practice provision. Luella Gross Goldberg and Godfried van der Lugt were reappointed as members of the Supervisory Board. For Luella Gross Goldberg it is her last term until the AGM 2007.

REPORT OF THE SUPERVISORY BOARD (continued)

Jan Timmer retired from the Supervisory Board after the AGM on 26 April 2005, as reported in the 2004 Annual Report. Jan Hommen was appointed as a new member as of 1 June 2005. He is the former vice-chairman and CFO of the Board of Management of Royal Philips Electronics. Christine Lagarde, at that time partner of law firm Baker & Mackenzie, was appointed as a new member as of 27 April 2005. Unfortunately, she had to resign in June 2005 after being appointed to the new French government as Minister for Foreign Trade. ING regretted Christine Lagarde's resignation, wishing her well in her new position.

Mr. Bourdais de Charbonnière was appointed as vice-chairman of the Supervisory Board following the Supervisory Board meeting of 16 February. After the retirement of Mr. Timmer in April 2005, Mr. Bourdais de Charbonnière was appointed to the Remuneration and Nomination Committee and the Corporate Governance Committee, while Mr. Hommen was appointed to the Audit Committee as of November 2005. Prior to his scheduled retirement in the 2006 Shareholders' Meeting, Mr. De Meester volunteered to step down from the Audit Committee in October 2005 to ensure a smooth renewal of the Audit Committee following the retirement of several members in 2005 and 2006. Mr. Van der Lugt joined the Audit Committee as a new member in November 2005.

In the AGM of 25 April 2006, Messrs. Jacobs and De Meester will retire, while Messrs. Herkströter and Vuursteen are eligible for reappointment. At the same Shareholders' Meeting Piet Klaver (1945, Dutch) will be nominated for appointment. Piet Klaver is chairman of the Executive Board of SHV Holdings, a Dutch-based international trading company. He will bring valuable expertise and international experience to ING's Supervisory Board.

In line with the retirement rules, Mrs. Gross Goldberg and Messrs. Herkströter and Van der Heijden are scheduled to retire after the AGM of 24 April 2007.

Information on the members of the Supervisory Board and the nominated new member is provided on pages 55-57.

Retirement of Aad Jacobs and Paul de Meester
Aad Jacobs was eight years on the Supervisory Board following his retirement as chairman of the Executive Board in 1998. Also as a member of the Supervisory Board he was very dedicated and committed to the interests of ING. His broad and in-depth knowledge and experience helped us in further developing ING. Aad Jacobs was member of the Audit Committee since 2000 and chairman as of 2003, leading that committee into an era of much more responsibilities. He very much contributed to the development of the Audit Committee.

Paul de Meester was a director at BBL. He was appointed in 1998, following the acquisition of BBL. He was a member of the Audit Committee since 2002. In both the Supervisory Board and Audit Committee, Mr. De Meester had always a fresh view on the many subjects that were discussed.

We would like to thank both Mr. Jacobs and Mr. De Meester for their contributions to ING's development during their eight years on the Supervisory Board. Both were outspoken personalities, who also contributed to the team spirit.

Annual accounts and dividend
The Executive Board has prepared the annual accounts and discussed these with the Supervisory Board. The annual accounts will be submitted for adoption to the General Meeting of Shareholders as part of the Annual Report. The proposed dividend for 2005 is EUR 1.18 per (depositary receipt for an) ordinary share. Taking into account the interim dividend of EUR 0.54, the proposed final dividend amounts to EUR 0.64, payable in cash.

Thanks for another successful year
The Supervisory Board would like to thank the Executive Board members for the very good performance in 2005. Our appreciation also goes out to the 115,000 employees worldwide for their individual contributions to another successful year, successful both in profit development and growth of the business in all regions and business lines.

Amsterdam, 6 March 2006
The Supervisory Board

CORPORATE GOVERNANCE

This chapter discusses the application by ING Groep N.V. ('ING Group') of the Dutch Corporate Governance Code (the 'Tabaksblat Code') and provides information on capital and control, the Executive Board, the Supervisory Board and the external auditors.

DUTCH CORPORATE GOVERNANCE CODE

In compliance with the Tabaksblat Code
In its corporate-governance structure and its corporate-governance practices, ING Group uses the Tabaksblat Code as reference. In a separate document, entitled 'The Dutch Corporate Governance Code – ING's implementation of the Tabaksblat Code for good corporate governance' (available on the website of ING Group www.ing.com) ING Group sets out whether and how it applied each of the best-practice provisions of the Tabaksblat Code. The ING Group corporate-governance structure as described in this document, including some deviations from the Tabaksblat Code described therein, was approved by the General Meeting of Shareholders on 26 April 2005. As a result, ING Group is considered to be in full compliance with the Code.

In 2005, ING Group applied the best-practice provisions of the Tabaksblat Code as described in the above-mentioned document, subject to the following qualifications:
- With respect to best-practice provision II.1.4 of the Tabaksblat Code regarding reporting on internal risk-management and control systems, ING Group has elected to report in accordance with the regulations adopted under Section 404 of the US Sarbanes-Oxley Act (SOX), which applies to ING Group. The Executive Board will add this report for the first time to the annual accounts and/or annual report for the financial year 2006.
- Mr. J.H.M. 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 (which is not compliant with best-practice provision III.3.4). Mr. Hommen has informed us he will resolve this situation in due course.

Both qualifications were approved by the General Meeting of Shareholders of 26 April 2005.

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).

CAPITAL AND CONTROL

Capital structure, shares
The authorised capital of ING Group consists of ordinary shares, preference A shares, five series of preference B shares and cumulative preference shares. When we refer to shares herein, we mean both our ordinary shares and our preference shares, unless otherwise specified. Currently, only ordinary and preference A shares are issued, while a right to acquire cumulative preference shares has been granted to the ING Continuity Foundation (see page 61). The purpose of the cumulative preference shares is to protect the independence, the continuity and the identity of the company against the acquisition of control by third parties, including hostile takeovers, while the ordinary shares and the preference shares are used solely for funding purposes. The shares, which are all registered shares, are not listed on a stock exchange.

Depositary receipts
Over 99% of the issued ordinary and preference shares are held by the ING Trust Office or 'Trust Office'. The Trust Office issues bearer depositary receipts in exchange for these shares. The depositary receipts are listed (see page 188 for an overview of the listings). The depositary receipts can be exchanged, without any restrictions, for the underlying shares. An administrative fee may be charged for this.

CORPORATE GOVERNANCE (continued)

Although the depositary receipts do not formally have any voting rights, holders of depositary receipts are in practice fully equated with shareholders with regard to voting. The Trust Office will, subject to certain restrictions, grant a proxy to a holder of depositary receipts for ordinary shares or preference shares, respectively, to the effect that such holder may, in the name of the Trust Office, exercise the voting rights attached to the number of its shares of the relevant category that corresponds to the number of depositary receipts of the relevant category held by such holder of depositary receipts. Holders of depositary receipts may vote as they see fit. Holders of depositary receipts not attending a meeting can also issue binding voting instructions to the Trust Office. The Trust Office has made it easier for votes to be cast in this way by putting arrangements in place for proxy voting and e-voting.

The restrictions under which the Trust Office will grant a voting proxy to holders of bearer receipts are:
- the relevant holder of depositary receipts must have announced his or her intention to attend the General Meeting of Shareholders observing the provisions laid down in the articles of association of ING Group;
- the relevant holder of depositary receipts may delegate the powers conferred upon him by means of the voting proxy, provided that the relevant holder of depositary receipts has announced his intention to do so to the Trust Office observing a term before the commencement of the General Meeting of Shareholders, which term will be determined by the Trust Office.

The Trust Office has discretion to vote in respect of shares for which it has not issued proxy votes to holders of depositary receipts and has not received any voting instructions. Under the Articles of Trust the Trust Office is required to promote the interests of all holders of depositary receipts, irrespective of whether they attend the General Meetings of Shareholders, also taking into account the interests of ING Group, the businesses of ING Group and its group companies and all other ING Group stakeholders in voting such shares, so as to ensure that all these interests are given as much consideration and protection as possible.

The depositary receipts and the Trust Office structure outlined above would prevent a small minority of shareholders, which coincidentally may form the majority in the meeting, from taking decisions purely to suit themselves in the absence of other parties at the General Meeting of Shareholders.

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

The board of the Trust Office reports on its activities through an annual report, which has been included on pages 59-60 of this annual report.

The Executive Board and the Supervisory Board remain committed to abolish the bearer depositary receipts and the Trust Office structure once representation including proxy voting of holders of ordinary shares and depositary receipts thereof has reached at least 35% of the total number of votes that may be cast on ordinary shares during three consecutive years.

Voting rights

Each share entitles the holder to cast a vote at the General Meeting of Shareholders. By Dutch law, voting rights are proportional to the nominal value of the shares. In other words, each ordinary share (nominal value: EUR 0.24) gives the right to one vote, while each preference A share (nominal value: EUR 1.20) gives the right to five votes.

On the basis of the closing price of the shares on 31 December 2005, the ratio of market price to voting rights on depositary receipts for ordinary shares was EUR 29.30 : 1, while the ratio for depositary receipts for preference A shares was EUR 3.29 : 5. There is an element of disequilibrium in this respect. Forthcoming legislation will be necessary to link the voting rights for preference shares to the market value of the shares.

In addition to this, it should be noted that the vast majority of the depositary receipts for preference A shares were issued as stock dividend on ordinary shares. The vast majority of holders of ordinary shares and depositary receipts for ordinary shares have, therefore, had the opportunity to obtain depositary receipts for preference A shares. It should also be noted that the market price of the depositary receipts for preference A shares has been relatively flat because of the financial rights attached to them. The market price of the depositary receipts for ordinary shares, on the other hand, has risen substantially over the years. Indeed, the ordinary shares have been split on two occasions because of the level of the share price.

Finally, it should be noted that the depositary receipts for preference A shares are freely available on the stock market. Any holders of ordinary shares or depositary receipts for ordinary shares who feel restricted by the disequilibrium can, therefore, choose to purchase additional depositary receipts for preference A shares.

Proposals by shareholders/holders of depositary receipts
In view of the size and market value of ING Group, proposals to put items on the Shareholders' Meeting agenda can be made by shareholders and holders of depositary receipts representing a joint total of 1 per mille of the share capital or representing together, on the basis of the stock prices on the Euronext Amsterdam Stock Exchange, a share value of at least EUR 50 million. Given the period of notice required for proxy voting, proposals have to be submitted in writing at least 50 days before the date of the meeting. Properly submitted proposals will be included on the agenda for the General Meeting of Shareholders.

Issue of shares
The company's authorised capital is the maximum amount of capital allowed to be issued under the terms of its Articles of Association. New shares in excess of this amount can only be issued after amendment of the Articles of Association. For reasons of flexibility (an amendment to the Articles of Association has to be passed by notarial deed if it is to become effective, and this in turn requires a declaration of no objection to be issued by the Minister of Justice), the authorised capital in the Articles of Association of ING Group has been set at the highest level permitted by law.

Share issues have to be approved by the General Meeting of Shareholders, which may also delegate its authority. Each year, the General Meeting is asked to delegate authority to the Executive Board to issue new shares. The powers thus delegated to the Executive Board are limited:
- in time: powers are delegated for a period of 18 months;
- to specific types of shares: only ordinary shares and preference B shares may be issued;
- by number: (1) ordinary shares may be issued up to a maximum of 10% of the issued capital, or 20% in the event of a merger or takeover; (2) preference B shares may be issued up to a maximum which is equal to the total number of preference B shares that is necessary to convert all outstanding ING Perpetual Securities III issued in 2004 in the amount of 1 billion euros (and similar instruments that are or may be issued) into preference shares if and when required pursuant to the conditions thereof;
- as regards the issue price of the preference B shares: the issue price must at least be equal to the stock price of the ordinary shares at the Amsterdam Stock Exchange;
- in terms of control: resolutions by the Executive Board to issue shares require the approval of the Supervisory Board.

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

Shareholders' structure
Details of investors who have reported their interest in ING Group pursuant to the Disclosure of Major Holdings in Listed Companies Act 1996 (or the predecessor of this legislation) are shown on page 188. As at 31 December 2005, ING Group subsidiaries held an interest of 13.13% in ABN AMRO, mainly in preference shares. The interests in Aegon and Fortis were below 1%. These interests are held as investments. There are no shareholders' or other agreements between ING Group and the above major shareholders on the exercising of voting rights.

ING Group is not aware of investors with an interest of 10% or more in ING Group.

Under the terms of the Dutch Act on the Supervision of the Credit System 1992 and the Insurance Industry (Supervision) Act 1993, declarations of no objection from the Dutch Minister of Finance are to be obtained by anyone wishing to obtain or hold a participating interest of at least 10% respectively in ING Group or to exercise control to this extent via a participating interest in ING Group.

Similarly, on the basis of indirect change of control statutes in the various jurisdictions where subsidiaries of ING Group are operating, permission from or notification to local regulatory authorities may be required for the acquisition of a substantial interest in ING Group.

CORPORATE GOVERNANCE (continued)

EXECUTIVE BOARD

Function of Executive Board
The Executive Board is responsible for the day-to-day management of the company and its business lines (Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct). The organisation, powers and modus operandi of the Executive Board are detailed in the Executive Board Charter, which was approved by the Supervisory Board. The Executive Board Charter is available on the ING Group website (www.ing.com).

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

Remuneration and share ownership
Details of the remuneration of members of the Executive Board, including shares and/or or option rights granted to them, together with information on the policy behind such decisions, are provided, starting on page 67. Members of the Executive Board are permitted to hold shares and depositary receipts for shares in the company for long-term investment purposes. Transactions in these shares are subject to the ING regulations for insiders. These regulations are available on the ING Group website (www.ing.com).

Ancillary positions/Conflicting interests
In order to avoid potential conflicts of interest, ING Group has a policy that members of its Executive Board do not accept corporate directorships with listed companies outside ING. The only exception is the membership of Fred Hubbell of the Board of Directors of The Macerich Company in the U.S., a real-estate company. He held this position already prior to his employment with ING.

Transactions involving actual or potential conflicts of interest
Details of relationships that members of the Executive Board may have with ING Group subsidiaries as ordinary, private individuals are not reported, with the exception of information on any loans that may have been granted to them (see page 70). In all these cases, the company complies with the best-practice provisions of the Tabaksblat Code.

INFORMATION ON MEMBERS OF THE EXECUTIVE BOARD

Michel J. Tilmant, chairman
(Born 1952, Belgian nationality)
Michel Tilmant graduated from Louvain University with a Licence in Business Administration. He is also a graduate of Louvain School for European Affairs. He started his career with Morgan Guaranty Trust Company in New York. In 1992 he joined Bank Brussels Lambert, where he was appointed chairman of the Executive Board in 1997. After the acquisition of BBL by ING in 1998, Michel Tilmant was appointed vice-chairman as of May 2000. He was appointed chairman in April 2004. Four Group staff departments report directly to Michel Tilmant: Corporate Human Resources, Corporate Development, Corporate Communications & Affairs and Corporate Audit Services.

Cees Maas, vice-chairman and CFO
(Born 1947, Dutch nationality)
After completing his degree in engineering physics and economics at the Erasmus University of Rotterdam in 1976, Cees Maas joined the Ministry of Finance of the Netherlands. From 1986 to 1992 he was Treasurer-General. In July 1992, he joined ING Group and became a member of the Executive Board. In July 1996, Cees Maas was appointed Chief Financial Officer. He was appointed vice-chairman of the Executive Board in April 2004. The following departments report to Cees Maas: Corporate Control & Finance, Market Risk Management, Credit Risk Management, Capital Management, Corporate Insurance Risk Management, Corporate Tax and Corporate Legal, Compliance & Security.

Eric F. Boyer de la Giroday
(Born 1952, Belgian nationality)
After completing his degree in commercial engineering at the Free University of Brussels and a Master in Business Administration at the Wharton School, University of Pennsylvania, Eric Boyer started his career with Citibank in 1978. In 1984 he joined Bank Brussels Lambert, which was acquired by ING Group in 1998, where he held various management positions in the fields of capital markets, treasury and corporate and investment banking. He was appointed a member of the Executive Board of ING Group in April 2004. He is responsible for Wholesale Banking.

Fred S. Hubbell
(Born 1951, American nationality)
Fred Hubbell received his bachelor's degree (B.A.) from the University of North Carolina in Chapel Hill. He also has a law degree from the University of Iowa College of Law, Iowa City and attended the Harvard Graduate School of Business in Boston. He was Chief Executive Officer and President of the US life insurance company Equitable of Iowa, which was acquired by ING in 1997. Following his responsibility for the international insurance activities, he was appointed a member of the Executive Board of ING Group in May 2000. Fred Hubbell is also chairman of ING Verzekeringen N.V. (ING Insurance). He is responsible for the insurance activities in the Americas (US, Canada, Latin America) and for Nationale-Nederlanden in the Netherlands as well as ING Investment Management in both the Americas and Europe. He is also responsible for the coordination of global activities of ING Investment Management.

Eli P. Leenaars
(Born 1961, Dutch nationality)
Eli Leenaars studied civil law at the Catholic University of Nijmegen and received an LLM from the European University Institute in Florence, Italy and attended the Harvard Graduate School of Business in Boston. After a traineeship at ABN AMRO Bank, he joined ING in 1991, where he held various management positions, including chairman of ING Poland and of ING Latin America. He was appointed a member of the Executive Board of ING Group in April 2004. He is responsible for Retail Banking (Netherlands, Belgium, South-West Europe, Poland and India). He is also in charge of Operations/IT and private banking.

Alexander H.G. Rinnooy Kan
(Born 1949, Dutch nationality)
Alexander Rinnooy Kan graduated with a doctorate degree in mathematics (cum laude) from the University of Leiden. He also holds a bachelor's degree in econometrics (cum laude) and a PhD in mathematics from the University of Amsterdam. He was awarded a honorary degree in economics from the Free University of Brussels. Since 1977, he has held various positions with the Erasmus University of Rotterdam, of which he was appointed Rector Magnificus in 1986. In 1991, he became President of the Federation of Netherlands Industries and Employers (VNO). After the merger in 1995 with the Netherlands Christian Employers' Federation (NCW) he became President of VNO-NCW. In September 1996, he became a member of the Executive Board of ING Group. He is responsible for all insurance activities in Asia/Pacific and Central Europe, as well as ING Investment Management in Asia/Pacific. In addition, he is responsible for ING Real Estate, Corporate IT, Corporate Procurement and ING Global Pensions.

Hans K. Verkoren
(Born 1947, Dutch nationality)
After positions with banks before completing his degree in economics, followed after his graduation with positions at the Ministry of Finance and the Municipality of Amsterdam, Hans Verkoren began his career with ING in 1978 at the Postal Giro and National Savings Bank, which were merged into Postbank N.V. in 1986. In 1987 he was appointed in the Board of Postbank and, after the merger with NMB Bank, in the Board of NMB Postbank Group. After the merger with Nationale-Nederlanden in 1991 he remained responsible for Postbank until 1995. In that year he became responsible for consumer banking international, notably the ING Direct line of business. He was appointed a member of the Executive Board in April 2004. He is responsible for ING Direct and ING Card.

Changes in the composition
Fred Hubbell and Hans Verkoren have elected to retire from the Executive Board as of the annual General Meeting of Shareholders on 25 April 2006. At the same meeting, Alexander Rinnooy Kan will step down from the Executive Board following his appointment as chairman of the Social and Economic Council of the Netherlands (SER).

The Supervisory Board will propose appointing four new members to the Executive Board as of the annual General Meeting of Shareholders on 25 April 2006:

Dick Harryvan (born 1953, Dutch nationality) who has been Chief Financial Officer, Chief Risk Officer and member of the Global Management Team of ING Direct since 2005.

Tom McInerney (born 1956, American nationality) who has been CEO of ING's Insurance activities in the United States (US Financial Services) since 2002.

Hans van der Noordaa (born 1961, Dutch nationality) who has been CEO of the Retail Division of ING Netherlands since 2004, a position that made him responsible for Postbank, ING Bank and RVS.

Jacques de Vaucleroy (born 1961, Belgian nationality) who has been Group President ING Retail at US Financial Services since 2004.

CORPORATE GOVERNANCE (continued)

SUPERVISORY BOARD

Function of Supervisory Board and its committees
The function of the Supervisory Board is to supervise the policy of the Executive Board and the general course of events in the company and its business, as well as to provide advice to the Executive Board. The Supervisory Board has three committees: the Audit Committee, the Remuneration and Nomination Committee and the Corporate Governance Committee. The organisation, powers and modus operandi of the Supervisory Board are detailed in the Supervisory Board Charter. Separate charters have been drawn up for the Audit Committee, the Remuneration and Nomination Committee and the Corporate Governance Committee. These charters are available on the ING Group website (www.ing.com). A short description of the duties for the three Committees follows below.

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, ING Verzekeringen N.V. and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements, and in monitoring the independence and performance of ING's internal and external auditors.

The Remuneration and Nomination Committee advises the Supervisory Board amongst others on the composition of the Supervisory Board and Executive Board, on the compensation packages of the members of the Executive Board and on stock-based compensation programmes for top senior management, including the Executive Board.

The Corporate Governance Committee assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting thereon in the Annual Report and to the Annual General Meeting of Shareholders, and advises the Supervisory Board on improvements in respect of the foregoing.

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

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

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

Reappointment of Supervisory Board members
Members of the Supervisory Board will resign from the Board at the annual General Meeting of Shareholders held in the calendar year in which they will complete the fourth year after their most recent reappointment. As a general rule, they shall also resign at the annual General Meeting of Shareholders in the year in which they attain the age of seventy and shall not be reappointed. The schedule for resignation by rotation is available on the ING Group website (www.ing.com). Members of the Supervisory Board may as a general rule be reappointed for two periods of four years, based on a proposal from the Supervisory Board to the Shareholders' Meeting.

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

Details of transactions involving actual or potential conflicts of interest
Details of any relationships that members of the Supervisory Board may have with ING Group subsidiaries as ordinary, private individuals are not reported, with the exception of any loans that may have been granted to them (see page 74).

Independence
Members of the Supervisory Board to whom the dependence criteria of the Tabaksblat Code do not apply and members of the Supervisory Board to whom the criteria do apply but who can explain why this does not undermine their independence, are deemed to be independent. Annually, the Supervisory Board members are requested to assess whether they still meet the Tabaksblat Code independence criteria and to confirm this in writing. On the basis of these criteria, all members of the Supervisory Board are to be regarded as independent as of 31 December 2005.

Remuneration and share ownership
The remuneration of the members of the Supervisory Board is set by the General Meeting of Shareholders and is not dependent on the results of the company. Details of the remuneration are provided starting on page 73.

Members of the Supervisory Board are permitted to hold shares and depositary receipts for shares in the company for long-term investment purposes. Details are given on page 74. If any members of the Supervisory Board were granted ING option rights during their previous membership of the Executive Board (see page 74), these option rights will be part of the ING option scheme, which is detailed on page 142. Transactions by Supervisory Board members in ING Group shares and depositary receipts for shares and ING option rights held by Supervisory Board members are subject to the ING regulations for insiders. These regulations can be downloaded from the ING Group website (www.ing.com).

INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD

Cor A.J. Herkströter, chairman
(Born 1937, appointed in 1998, term expires in 2006, Dutch nationality)
Chairman of the Remuneration & Nomination Committee and the Corporate Governance Committee. Former president of Royal Dutch Petroleum Company and chairman of the Committee of Managing Directors, Royal Dutch/Shell Group. Other business activities: chairman of the Supervisory Board of Koninklijke DSM N.V. (listed company). Member of the Advisory Committee, Robert Bosch GmbH. Trustee of the International Accounting Standards Committee Foundation. Chairman of the Social Advisory Council, Tinbergen Institute. Professor of International Management, University of Amsterdam. Chairman of the Advisory Committee Royal NIVRA (Netherlands Institute of Chartered Accountants). Member Committee Capital Market, Authority Financial Markets, Amsterdam.

Eric Bourdais de Charbonnière, vice-chairman
(Born 1939, appointed in 2004, term expires in 2008, French nationality)
Member of the Remuneration & Nomination Committee and the Corporate Governance Committee. Former managing director of JP Morgan and Chief Financial Officer of Michelin. Other business activities: chairman of the Supervisory Board of Michelin and member of the Supervisory Board of Thomson (listed companies).

Luella Gross Goldberg
(Born 1937, appointed in 2001, term expires in 2007, American nationality)
Member of the Remuneration & Nomination Committee and the Corporate Governance Committee. Former member of the Board of Directors of ReliaStar Financial Corp. Other business activities: member of the Supervisory Board of each of TCF Financial Corporation, Hormel Foods Corporation, Communications Systems Inc. and Hector Communications Corporation (listed companies). Member of the Advisory Board of Carlson School of Management, University of Minnesota. Member of the Supervisory Board of the Minnesota Orchestra. Member (emerita) of the Board of Trustees, Wellesley College.

CORPORATE GOVERNANCE (continued)

Paul F. van der Heijden
(Born 1949, appointed in 1995, term expires in 2007, Dutch nationality)
Appointment also on the recommendation of the Central Works Council. Member of the Remuneration & Nomination Committee and the Corporate Governance Committee. Rector Magnificus and professor of labour law and industrial relations at the University of Amsterdam.
Other business activities: Member of the Supervisory Board of NUON N.V. and Buhrmann Nederland B.V. Crown-appointed member of the Social and Economic Council of the Netherlands. President of the ILO Governing Body, Committee on Freedom of Association (United Nations).

Claus Dieter Hoffmann
(Born 1942, appointed in 2003, term expires in 2007, German nationality)
Member of the Audit Committee. Former Chief Financial Officer of Robert Bosch GmbH. Other business activities: managing partner of H+H Senior Advisors, Stuttgart. Member of the Supervisory Board of each of EnBW AG (listed company), Bauerfeind AG and Jowat AG. Chairman of the Charlottenklinik Foundation (hospital). Chairman of the Board of Trustees (Vereinigung der Freunde) of Stuttgart University.

Jan H.M. Hommen
(Born 1943, appointed in 2005, term expires in 2009, Dutch nationality)
Member of the Audit Committee (from November 2005). Former vice-chairman and CFO of the Board of Management of Royal Philips Electronics. Other business activities: chairman of the Supervisory Board of each of Reed Elsevier and TNT N.V. (listed companies). Member of the Supervisory Board of Koninklijke Ahold N.V. (listed company). Chairman of the Supervisory Board of each of Academisch Ziekenhuis Maastricht (hospital) and Tias Business School. Chairman of the Board of Directors of Medquist Inc.

Aad G. Jacobs
(Born 1936, appointed in 1998, last term expires in 2006, Dutch nationality)
Chairman of the Audit Committee. Former chairman of the Executive Board of ING Group (retired in May 1998).
Other business activities: chairman of the Supervisory Board of each of Royal Dutch Shell plc, Imtech N.V. and N.V. Verenigd Bezit VNU (listed companies). Vice-chairman of the Supervisory Board of each of SBM Offshore NV and Buhrmann N.V. (listed companies). Chairman of the Supervisory Board of Royal Johan Enschedé N.V.

Wim Kok
(Born 1938, appointed in 2003, term expires in 2007, Dutch nationality)
Former Minister of Finance and Prime Minister of the Netherlands. Other business activities: member of the Supervisory Board of each of Royal Dutch Shell plc and TNT N.V. (listed companies). Member of the Supervisory Board of KLM Royal Dutch Airlines. Chairman of the Supervisory Board of the Anne Frank Foundation. Member of the Supervisory Board of each of the Rijksmuseum, the National Ballet and the Music Theatre, Amsterdam, AGO Foundation and the Netherlands Cancer Institute, Antoni van Leeuwenhoek Hospital. Member of the Board of Start Foundation.

Godfried J.A. van der Lugt
(Born 1940, appointed in 2001, term expires in 2009, Dutch nationality)
Member of the Audit Committee (from November 2005). Former chairman of the Executive Board of ING Group (retired in May 2000). Other business activities: Chairman of the Supervisory Board of each of Siemens Nederland N.V. and Stadsherstel Amsterdam NV. Vice-chairman of the Supervisory Board of Universitair Medisch Centrum Groningen (hospital). Treasurer of Vereniging Natuurmonumenten (foundation for nature conservation).

Paul J.A. Baron de Meester
(Born 1935, appointed in 1998, last term expires in 2006, Belgian nationality)
Member of the Audit Committee (until November 2005). Former member of the Board of Directors of BBL. Former chairman of the Belgian construction company Besix-Betonimmo. Other business activities: member of the Supervisory Board of each of Tessenderlo Chemie N.V. and ETEX N.V. Chairman of the International Chamber of Commerce Belgium. Chairman of the Supervisory Board of Regionaal Ziekenhuis H. Hart (hospital).

Karel Vuursteen
(Born 1941, appointed in 2002, term expires in 2006, Dutch nationality)
Former chairman of the Executive Board of Heineken N.V. Other business activities: Member of the Supervisory Board of each of Akzo Nobel N.V., AB Electrolux and Henkel KGaA (listed companies). Chairman of the Supervisory Board of Petroplus International N.V. Member of the Board of Directors of Heineken Holding N.V.

Changes in the composition
Aad Jacobs and Paul Baron de Meester will retire after the 2006 Shareholders' Meeting, having reached the age of 70 and 71, respectively. Cor Herkströter and Karel Vuursteen will be nominated for reappointment to the Supervisory Board in the Shareholders' Meeting on 25 April 2006. Mr. Herkströter will reach the age of 70 in 2007, while Mr. Vuursteen will be eligible for reappointment for the full four-year term.

At the 2006 Shareholders' Meeting Piet Klaver (born 1945, Dutch nationality) will be proposed for appointment to the Supervisory Board as of 25 April 2006. Mr. Klaver is chairman of the Executive Board of SHV Holdings N.V. The proposed appointment of Piet Klaver is based on his international experience as Executive Board chairman of a multinational and his knowledge of international business.

EXTERNAL AUDITORS

Ernst & Young Accountants (Ernst & Young) and KPMG Accountants N.V. (KPMG) are the appointed auditors of ING Group. Ernst & Young is responsible for auditing the financial statements of ING Group and ING Verzekeringen N.V., while KPMG is responsible for the audit of the financial statements of ING Bank N.V.

At the General Meeting of Shareholders on 27 April 2004, Ernst & Young was appointed to audit the financial statements of ING Group for the financial years 2004 to 2007 inclusive, to report about the outcome of these audits to the Executive Board and the Supervisory Board and to give a statement about the truth and fairness of the financial statements of ING Group

The Supervisory Board evaluates the performance of the external auditors on an annual basis, in particular their independence, based on the findings of the Executive Board and the Audit Committee. In addition to the annual evaluation, the Audit Committee and Supervisory Board will review the auditors' performance in 2007, prior to a proposal to the General Meeting of Shareholders for the next auditor's appointment. The proposal will include the main conclusions of the assessment of the functioning of the external auditor.

The external auditors, both Ernst & Young and KPMG, attend the meetings of the Audit Committee.

After a maximum period of 5 years of performing audit services to ING Groep N.V. or ING Verzekeringen N.V. or ING Bank N.V., the lead audit partners of the external audit firms and the audit partners responsible for reviewing the audits, have to be replaced by other partners of the respective external audit firms. The Audit Committee makes recommendations to the Supervisory Board regarding these replacements, among others, based on an annual evaluation of the provided services. In line with this agreement, the lead audit partner of KPMG has been succeeded in 2005. The lead audit partner of Ernst & Young will be succeeded after the year-end audit 2006. The rotation of other partners of Ernst & Young and KPMG involved with the audit of the financial statements of ING are subject to applicable independence legislation.

The external auditors may be questioned at the annual General Meeting of Shareholders in relation to their statements on the fairness of the annual accounts. The external auditors will therefore attend and be entitled to address this meeting.

Both Ernst & Young and KPMG may only provide permitted non-audit services to ING Group and its subsidiaries with permission of the Audit Committee. The Audit Committee separately pre-approves the type(s) of audit, audit-related and non-audit services to be provided by ING's external audit firms on an annual basis. The Audit Committee also sets the maximum annual amount that may be spent for such pre-approved services. Throughout the year the external audit firms and Corporate Audit Services monitor the amounts paid versus the pre-approved amounts. The external auditors provide the Audit Committee with a full overview of all services provided to ING, including related fees, supported by sufficiently detailed information. This overview is semi-annually evaluated by the Audit Committee.

In addition to the pre-approval procedure each service either will be generally pre-approved by the Audit Committee or should be individually pre-approved by the Audit Committee at a subsequent date. More details on ING's policy regarding external auditor's independence are available on the website of ING Group (www.ing.com).

In 2005 and 2004, the following amounts were paid to Ernst & Young and KPMG for audit services and non-audit services:

FEES ERNST & YOUNG AND KPMG

in EUR million	**2005**	2004
Audit fees	**43**	40
Audit-related fees	**13**	7
Tax fees	**3**	5
All other fees	**3**	5
Total	**62**	57

REPORT OF ING TRUST OFFICE

The following report is issued in compliance with the provisions in article 15 of the Conditions of Trust for registered shares in ING Groep N.V.

Pursuant to its Constitution, the object of the Stichting ING Aandelen (ING Trust Office) is:

a. to foster the interests of the holders of depositary receipts for shares in the capital of ING Groep N.V., while having regard for the interests of (i) the company itself, (ii) the enterprises carried on by the company and companies associated with it in a group and (iii) all other stakeholders in the company, such that all those interests are balanced and safeguarded as effectively as possible;
b. to acquire and administer registered ordinary and preference shares for which bearer depositary receipts have been issued;
c. to foster the exchange of information between the company on the one hand and the depositary-receipt holders and shareholders in the company on the other;
d. to promote and organise the solicitation of proxies of shareholders other than the Stichting itself and of specific proxies and/or voting instructions of depositary-receipt holders.

During the 2005 reporting year the Board held three meetings. On 18 April 2005 the Board met to discuss the 2004 annual report and to prepare the Annual General Meeting of Shareholders on 26 April 2005. Prior to this Board meeting the Executive Board and Supervisory Board of ING Groep N.V discussed with the Trust Office the company's activities and performance over 2004 on the basis of the press release of 17 February 2005 on the 2004 figures. On 26 April 2005 the Board convened before the Annual General Meeting to discuss the proxy voting results and to decide on the initial position of the Board vis-à-vis the items on the agenda. A third meeting was held on 5 December 2005.

In the meeting of 5 December 2005 attention was paid to the position of the Trust Office and the current state of affairs regarding proxy voting. Furthermore, the Board decided to change the articles of association of the Trust Office to comply with the Dutch Corporate Governance code, best-practice provision IV.2.3 stating that a person may be appointed to the management of the Trust Office for a maximum of three four-year terms.

Prior to its meeting on 5 December 2005 the Executive Board and Supervisory Board of ING discussed with the Trust Office the company's activities and performance over the first nine months of 2005 as published on 10 November 2005.

The Trust Office organises the solicitation of proxies of shareholders other than the Trust Office itself and of specific proxies and/or voting instructions of depositary-receipt holders. The Board encourages the greatest possible participation of depositary-receipt holders and shareholders. Holders of depositary receipts in the Netherlands, the United Kingdom and the United States are able to vote by proxy. For the 2005 Annual General Meeting the Trust Office received voting instructions for 631,842,774 depositary receipts, which account for more than 36% of the total number of votes outstanding. Present at the meeting was approximately 1% of the total number of votes outstanding, so more than 37% of the total issued capital attended or was represented in the annual General Meeting of Shareholders, while the Board of the Trust Office voted for the remaining depositary receipts. New legislation is announced that will reduce the multiple voting rights of the preference shares and bring the voting rights in line with the market value of the preference shares. If this legislation would already have been in place at this meeting, the percentage of the total issued capital represented would have been 26% instead of 37%. The Trust Office takes the position that abandoning depositary receipts will be considered when the turnout at the shareholders' meeting reaches a level of at least 35% of the voting rights (excluding the multiple voting rights of preference shares) during three consecutive years.

The Trust Office has to vote in the interest of all depositary-receipt holders, including the majority of depositary-receipt holders that has not given voting instructions, while taking into account the interests of ING and other stakeholders. By doing so the Trust Office promotes the execution of voting rights in a transparent way and prevents at the same time that a minority of shareholders could use a chance majority of votes to the disadvantage of those investors not present or not represented. The Board, as is customary, attended the Annual General Meeting and answered various questions. The Trust Office voted in favour of all agenda items for the shares for which it had received no voting instructions. About 2% of the voting instructions instructed to vote against the agenda item on the maximum number of stock options and performance shares to be granted to the Executive Board. A similar percentage instructed to vote against the agenda item on the authorisation to issue ordinary shares with or without preferential rights.

On 31 December 2005 the nominal value of administered ordinary shares amounted to EUR 528,981,126.52 for which 2,204,088,026 depositary receipts of EUR 0.24 each were issued. During the reporting year, the net number of depositary receipts issued for ordinary shares ran to 823,578.

The increase came about as follows:

Add: from exercise of warrants	2,112
from conversion of shares into depositary receipts	831,308
Less: from conversion of depositary receipts into shares	9,842

On 31 December 2005, preference A shares representing a nominal amount of EUR 104,491,514.40 were entered into the administration, for which 87,076,262 depositary receipts with a nominal value of EUR 1.20 were issued. During the reporting year there have been no changes in the total number of outstanding depositary receipts of preference A shares.

Tom Regtuijt was reappointed as Board member from 1 May 2005. In accordance with the provisions of article 7, section 3.8 of the Constitution, the Trust Office disclosed the proposed reappointments by publication in NRC Handelsblad and the Officiële Prijscourant (AEX Official List) of 5 April 2005. In 2006 Huib Blaisse is due to retire by rotation. He is eligible for reappointment. The intention to reappoint him will be published in due course. The Board will also invite other candidates every time a vacancy arises.

The Board of the Trust Office currently consists of:
Ton Risseeuw, chairman (former chairman of the Executive Board of Getronics NV, several supervisory directorships and additional offices);
Huib Blaisse (lawyer and partner at Blaisse, several other advisory offices);
Paul Frentrop (Director Deminor Nederland B.V., in that capacity advisor of Dutch and foreign institutional investors with regard to corporate-governance issues);
Tom Regtuijt (former Executive Board Member of Nederlandse Spoorwegen (Netherlands Railways), several supervisory and advice offices);
Jan Veraart (former Chairman of the Executive Board of HBG (Dutch construction company), several supervisory directorships and additional offices).

An overview of additional relevant offices held by Board members can be found on the website of the Trust Office: www.ingtrustoffice.com.

The annual remuneration for all Board members is EUR 7,800. The costs of proxy voting amounted to EUR 107,155.26.

The Trust Office may consult depositary-receipt holders in a separate meeting. This possibility was not made use of, also given the fact that holders of depositary receipts can attend the General Meeting of Shareholders and look after their own interests.

Because of a much higher attendance of depositary-receipt holders, the Trust Office availed itself of the opportunity to communicate with them in the 2005 Annual General Meeting of Shareholders.

The activities involved in the administration of shares are performed by the Algemeen Administratie- en Trustkantoor BV, Amsterdam.

The contact details of Stichting ING Aandelen (ING Trust Office) are:
Coco C.M. van Hulten
Telephone + 31 20 5418864
E-mail: coco.van.hulten@ing.com

Amsterdam, 6 March 2006
Board of Stichting ING Aandelen

REPORT OF ING CONTINUITY FOUNDATION

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

A call-option agreement concluded between the Stichting and ING Groep N.V. vests the Stichting with the right to acquire cumulative preference shares in the capital of ING Groep N.V. up to a maximum of 900 million cumulative preference shares. The acquisition of cumulative preference shares by the Stichting is subject to the restriction that, immediately after the issue of cumulative preference shares, the total amount of cumulative preference shares may not exceed one third of the total issued share capital of ING Groep N.V. If new shares other than cumulative preference shares are subsequently issued, the Stichting may again exercise its right, subject to the provisions of the preceding sentence. On acquisition of cumulative preference shares, at least 25% of the nominal value must be paid up on said shares.

In 2005 the Board of the Stichting met twice, namely on 18 April and 5 December. The composition of the Board is currently as follows: Ad Timmermans (chairman) and Allard Metzelaar, who were reappointed as of 12 May 2005, Bas Kortmann and Wim van Vonno.

Amsterdam, 6 March 2006
Board of Stichting Continuïteit ING

Statement of independence
The Board of Stichting Continuïteit ING and the Executive Board of ING Groep N.V. hereby declare that in their joint opinion the requirements concerning the independence of the members of the Board of Stichting Continuïteit ING contained in Book II (04) of the Listing and Issuing Rules of Euronext Amsterdam N.V., Amsterdam, have been complied with.

Board of Stichting Continuïteit ING
Executive Board of ING Groep N.V.

COMPLIANCE

In everything ING does, it has to maintain high ethical standards. Compliance risk is the risk of impairment of ING's integrity, leading to damage to ING's reputation, legal or regulatory sanctions, or financial loss as a result of a failure to comply with applicable laws, regulations and standards. Compliance is a responsibility that individual employees share, regardless of their position.

Compliance vision
Amongst ING's most important assets are the integrity of its organisation and the reputation for professional and ethical conduct that ING's businesses enjoy around the world. ING is committed to the preservation of its integrity and reputation, and requires of all businesses:

1. Good understanding of, and strict compliance with, applicable laws, regulations and standards in each of the markets and jurisdictions in which ING operates;
2. The continued implementation of, and adherence to, ING's compliance standards.

Regulatory compliance is essential because ING's long-term relationships with its clients depend on integrity and fairness.

Governance and compliance organisation
The Executive Board of ING Group has ultimate responsibility for compliance by ING business units with applicable laws, regulations and ethical standards, thereby having oversight-responsibility for the management of ING's compliance risks. The Executive Board established an ING Group Compliance Policy on 1 July 2005 and has decided that the ING Group Compliance Policy shall be implemented throughout its business by 31 December 2006. Management of business units is responsible for the implementation and adherence to this new compliance policy supported and advised by their Compliance Officers.

The scope of the compliance function relates to compliance risk-related laws, regulations and standards which are specific to the financial-services industry and which are issued by legislative and regulatory bodies that are relevant to ING's businesses, or by ING Corporate Compliance.

Important compliance risk areas are:

a. Client-related integrity risk areas: e.g. money laundering, terrorist financing, customer due diligence;
b. Personal conduct-related integrity risk areas: e.g. market abuse and personal insider trading, business principles and local codes of conduct, whistleblower complaints;
c. Financial services conduct-related integrity risk areas: e.g. marketing and sales conduct, transparency of product offerings, customer interest and protection, complaint-handling processes, data protection/privacy;
d. Organisational conduct-related integrity risk areas: e.g. conflicts of interest, anti-trust, new-product approval, sector/industry standards, oversight of intermediaries.

To avoid potential conflicts of interest, an ING Compliance Officer is independent from the business activities and has dual reporting lines: a direct reporting line to general business management and a functional reporting line to the next higher Compliance Officer.

Other accomplishments in compliance in 2005
The Executive Board issued a new Chinese Walls Policy. Management has to ensure that confidential and inside information is not misused or spread inadvertently. The policy also helps to manage the potentially conflicting interests of the business lines of ING.

As a result of the implementation of the EU Market Abuse Directive all relevant documentation has been reviewed and renewed to ensure compliance with the directive. The ING Insider Regulation, which regulates the private investments of ING's employees with access to ING inside information, has been renewed to reflect the new market abuse rules. 1,500 employees were added to the group of insiders while all existing 7,000 insiders had to sign off on the renewed regulation.

The regulation on Credit Facilities to ING Officers has been renewed. Pursuant to this regulation ING Officers have to provide on a yearly basis at the request of Compliance an overview of all credit facilities granted to them by credit institutions and other companies belonging to ING Group. ING Officers are defined as members of ING Group's Executive Board, Supervisory Board and members of the Management Council in the Netherlands and the managing directors of Dutch credit institutions belonging to ING Group and officers directly reporting to those managing directors.

A policy on outside positions of Management Council members was implemented in 2005 to avoid potential conflicts of interest. The policy governs outside positions held by ING's senior management. Managers need the consent of the Executive Board to hold positions with potential conflicts of interest. These positions are administered at Corporate Compliance. Management Council members have to sign off annually on the outside positions reported.

As the tone at the top is instrumental to ensure that Compliance is fully embedded in ING's organisation, the Executive Board uses every opportunity to stress the importance of Compliance to ING, not only to the outside world, but to employees at all organisational levels.

Plans for the future
The main objective for 2006 is to implement the new ING Group Compliance Policy by the end of the year and to further strengthen the compliance organisation. The implementation of the compliance policy and compliance monitoring have been included as new performance targets for senior management in 2006.

In addition, new legislation will need to be implemented as well. For example, the Third Anti-Money Laundering Directive of the EU builds on existing EU legislation and incorporates recommendations of the Financial Action Task Force (FATF). The directive will result in a review of ING's Financial Economic Crime Policy.

Furthermore, the Markets in Financial Instruments Directive (MiFID) will have a significant impact on ING and on the European markets in which ING operates. The implementation of MiFID is a vast project that started in 2005 and is scheduled to be completed by November 2007 (the EU deadline). Project teams have been set up to ensure timely implementation of MiFID in the implementation within the relevant business lines.

SECTION 404 SARBANES-OXLEY ACT

Due to the listing of ING shares on the New York Stock Exchange, ING Group is required to comply with the SEC regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act, or SOX 404. These regulations require that the CEO and CFO of ING Group report and certify on an annual basis, starting in its annual report over 2006, on the effectiveness of ING Group's internal controls over financial reporting, and that the external auditors provide an attestation report on the management's assessment. The management report and the external-auditors attestation will be included annually in Form 20-F, which is filed with the Securities and Exchange Commission.

Internal controls over financial reporting already existed before the adoption of SOX 404. However, SOX 404 regulations require management to demonstrate the effectiveness of such controls. This implies a more formalised approach in executing our tasks. ING Group has long-established Business Principles and a strong internal-control culture, which all staff must adhere to. In addition, ING established the SOX 404 Advisory Board and Steering Committee to oversee the implementation of SOX 404 policies. SOX 404 activities are organised along the lines of the governance structure, and involve the participation of senior management across ING Group, assisted by local project teams.

REMUNERATION REPORT

This chapter sets out the remuneration for the Executive Board and the Supervisory Board. The remuneration policy for the Executive Board was adopted by the Annual General Meeting of Shareholders (AGM) on 27 April 2004. In 2005 there are no changes to this policy and therefore, the approval of the AGM still applies for 2005. As set out on page 65, the Supervisory Board proposes to amend the remuneration policy with respect to the Executive Board pension scheme, which amendment will be submitted to the AGM on 25 April 2006, so that following adoption the remuneration policy thus amended, will apply for 2006 and subsequent years. The chapter starts with the general policy for senior-management remuneration, followed by the Executive Board compensation for 2005 and the compensation structure for 2006. In addition, information is included on Supervisory Board remuneration, on loans and advances to the Executive and Supervisory Board members as well as ING Group shares held by members of both boards.

GENERAL POLICY SENIOR-MANAGEMENT REMUNERATION

Background

The prime objective of the remuneration policy is to enable the company to recruit and retain qualified and expert managers. The remuneration package supports a performance-driven culture that aligns ING's objectives with those of its stakeholders. ING rewards performance on the basis of previously determined, challenging, measurable and influenceable short-term and long-term targets.

ING's remuneration policy is based on five key principles that apply across ING. These principles are:

- Total compensation levels are benchmarked against relevant markets in which ING competes for talent.
- ING aims for total compensation at the median level in the relevant market, allowing only for above-median compensation in the event of outstanding performance.
- The remuneration package includes variable-pay components (short-term and long-term incentives) to ensure that executive remuneration is linked to ING's short-term and long-term business performance.
- To enhance the effectiveness of the short-term incentive plan, clear, measurable and challenging targets are set at the beginning of each year.
- Long-term incentives ensure a focus on longer-term strategic targets and create alignment of management with the interests of shareholders. A broad selection of ING's senior managers participate in the plan to ensure a common focus on ING's overall performance.

Remuneration structure

Total compensation throughout ING consists of three basic components:

- Fixed or base salary, which represents the total guaranteed annual income.
- Short-term incentive (STI) in cash, which compensates for past performance measured over one year;
- Long-term incentive (LTI) in stock options and/or performance shares, compensates for performance measured over multiple years and is forward-looking.

In addition to the base salary and incentive plan participation, Executive Board members enjoy benefits similar to most other employees of ING Group. These include benefits such as private medical insurance, the use of company cars and, if applicable, expatriate allowances.

Base salary

The base salaries of the Executive Board should be sufficient to attract and retain high calibre management needed to achieve our business objectives. The Supervisory Board assesses the experience, background and responsibilities of the CEO and the members of the Executive Board when making decisions on base-salary levels.

To ensure that base-salary levels are in line with the relevant market for talent, the Supervisory Board reviews the base-salary levels of the Executive Board on an annual basis.

Short-term incentive plan

The short-term incentive plan (STIP) is a key component of ING's performance-driven culture. The short-term incentive is paid in cash. The 'at target' bonus opportunity is expressed as a percentage of base salary. The target levels are based on benchmarks reflecting external market competitiveness as well as internal objectives. Three financial parameters were used in the 2005 STIP for the members of the Executive Board and top senior management across the organisation (the top-200 executives) to measure performance at Group level. These financial parameters are: net profit, total operating expenses and return on economic capital.

By combining a profit, a cost and a return parameter, the overall performance of ING is properly reflected. Each element is weighted equally to determine the final award. The three performance targets are set by the Supervisory Board at the beginning of the performance period. Under the short-term incentive plan, the actual payout in any year may vary between 0% and 200% of the target level.

In addition to the financial targets, part of the short-term incentive award is based on individual performance, assessed over predefined measurable targets set for each senior executive. These targets depend on the specific responsibilities of the individual Executive Board members and are determined and assessed by the Supervisory Board. The Executive Board sets the targets for top senior management. For this layer directly reporting to the Executive Board, the emphasis is on individual performance as the primary business-related responsibility.

SHORT-TERM INCENTIVE: RELATIVE WEIGHT OF GROUP AND INDIVIDUAL PERFORMANCE

	Group performance	Individual performance
Executive Board	70% of total bonus	30% of total bonus
Top senior management	15% of total bonus	85% of total bonus

Long-term incentive plan
The long-term incentive plan (LTIP) at ING includes both stock options and performance shares. LTIP awards are granted to ensure alignment of senior management with the interests of shareholders, and to retain top management over a longer period of time. The LTIP awards will be granted with a total 'fair value' split between stock options and performance shares. The LTI plan was tabled and adopted during the General Meeting of Shareholders on 27 April 2004.

The ING stock options have a total term of ten years and a vesting period of three years. After three years, the options will only vest if the option holder is still employed by ING (or retired). The exercise price of the stock options is equal to the Euronext Amsterdam opening price on a specific date during the first 'open period' after the General Meeting of Shareholders.

Performance shares are conditionally granted. The number of shares that is ultimately granted at the end of a 3-year performance period depends on ING Group's Total Shareholder Return (TSR) over three years (return in the form of capital gains and reinvested dividends that shareholders receive in that period) relative to the TSR performance of a pre-defined peer group. The criteria used to determine the performance peer group are: a) considered comparable and relevant by the Supervisory Board, b) representing ING's current portfolio of businesses (e.g. banking, insurance and asset management) and ING's geographical spread, c) global players, d) listed and a substantial free float.

On the basis of these criteria the performance peer group is composed as follows:
- Citigroup, Credit Suisse, Fortis, Lloyds TSB (bank/insurance companies);
- ABN Amro, Bank of America, BNP Paribas, BSCH, Deutsche Bank, HSBC (banks);
- Aegon, AIG, Allianz, Aviva, AXA, Hartford Financial Services, Munich Re Prudential (insurance companies);
- Amvescap PLC (asset manager).

ING's TSR ranking within this group of companies determines the final number of performance shares that vest at the end of the three-year performance period. The initial number of performance shares granted at the beginning of each three-year period is based on a mid-position ranking of ING. This initial grant will increase or decrease (on a linear basis) on the basis of ING's TSR position after the three-year performance period as specified in the table below.

NUMBER OF SHARES AWARDED AFTER EACH THREE-YEAR PERFORMANCE PERIOD RELATED TO PEER GROUP

ING ranking	Number of shares
1 - 3	200%
4 - 8	Between 200% and 100%
9 - 11	100%
12 - 17	Between 100% and 0%
18 - 20	0%

The Supervisory Board reviews the peer group before each new three-year performance period. The performance test itself will be carried out at the end of every three-year performance period by an independent third party.

The Executive Board members are not allowed to sell shares obtained either through the stock-option or the performance-shares plan within a period of five years from the grant date. They are only allowed to sell part of their performance shares at the date of vesting to pay tax over the vested award. Shares obtained from exercised stock options may only be sold within a period of five years from the grant date of the options to pay tax over the vested award.

Remuneration levels
Every year a compensation benchmark analysis is performed based upon a peer group of companies. This peer group, established in 2003, is a mix of European financial services companies and Dutch-based multinationals. The peer group reflects ING's business structure and environment. ING competes with these companies for executive talent. The following companies are part of this compensation peer group: ABN Amro, Aegon, Ahold, AXA, BNP Paribas, Credit Suisse, Fortis, KPN, Royal Bank of Scotland, Société Générale.

REMUNERATION REPORT (continued)

In 2003, the compensation benchmark report identified a significant compensation gap at total direct compensation levels between ING's Executive Board and its peer group counterparts. Key recommendations from the report included that in order to close the gap, in particular the variable (performance-driven) pay component should be increased.

In line with ING's overall remuneration policy, the Supervisory Board has gradually converged the Executive Board salaries to the European/Dutch median benchmark over a period of four years, starting in 2003. This has been achieved by raising the target bonus levels of both the short-term and long-term incentives. This ensures that future payouts more directly reflect performance. As a result, the mix between base salary, short-term and long-term incentives has changed so that the total remuneration is divided equally between each component (i.e. 1/3rd base salary, 1/3rd short-term incentives, and 1/3rd long-term incentives) in case of at-target performance.

Pensions Executive Board members
The pensions of the Dutch members of the Executive Board are based on defined-benefit plans, which are insured through a contract with Nationale-Nederlanden Levensverzekering Maatschappij N.V. The Employment Contract will terminate by operation of law in case of retirement ('Standard Retirement'), which will take place on June 1 of the year that the individual has reached or will reach the age of 65. The retirement age has been changed from previous years (age 60) to 65 as a result of the change in the Dutch tax reform; Executive Board members that are age 55 or older as of 1 January 2005, maintain the standard retirement age of 60. The Executive Board prospective pensions amount to a maximum of 60% of their base salaries. Starting in 2006, members of the Executive Board will be required to pay a portion of the pension premium. This change aligns with those outlined and agreed to in the Collective Labour Agreement. The non-Dutch members of the Executive Board have a pension plan linked to their home base.

Employment contract for newly appointed Board members
The contract of employment for Executive Board members appointed after 1 January 2004 provides for an appointment for a period of four years (the appointment period) and allows for re-appointment by the General Meeting of Shareholders.

Beginning in 2004, the amount that newly appointed Executive Board members would be entitled to in case of an involuntary exit has been set at a multiple of their Executive Board member base salary, preserving their existing rights. These rights slightly exceed the exit-arrangement provision in the Dutch Corporate Governance Code, i.e. no more than two times base salary (first appointment period) or one time base salary (all other situations). For the Executive Board members appointed before 2004, the exit clause has been set at three years base salary.

The term of notice for Executive Board members is three months for the employee and six months for the employer.

Proposed remuneration-policy change regarding Executive Board pension schemes
Pensions form an important part of the Executive Board's total remuneration package and therefore must meet the prime objective of the ING remuneration policy: to enable the company to recruit and to retain qualified and expert managers. Pension schemes must also observe the requirements set by the (ever-changing) laws and regulations in the various relevant jurisdictions and should reflect the social situation in the various Executive Board members' home bases. In addition, pension-related issues are more complex as a result of the increasing international composition of the Executive Board. In order to meet the demands described above the Supervisory Board intends to review the Executive Board pension plan with the intention to move from a defined benefit scheme to a defined contribution scheme. As a result, it is proposed to the General Meeting of Shareholders to agree to amend the Executive Board remuneration policy with respect to pensions accordingly.

On the basis of the thus amended remuneration policy, the Supervisory Board will undertake a review of the Executive Board pension scheme, with the objective of maintaining a comparable level of benefits as under the current defined benefit scheme. This revised pension plan will apply to the Executive Board members who are appointed after 1 January 2006. Whether and to what extent this revised pension plan will apply to existing Executive Board members and/or non-Dutch members who have a pension plan related to their home base, will also be part of this review.

REMUNERATION EXECUTIVE BOARD 2005

Executive Board Base salary 2005

The base salary of the Executive Board members has been frozen for 2005, as was the case in 2004. The Executive Board received a 7.5% increase in their base salary in 2003. Prior to 2003, the EB members' base salary had been effectively frozen since 1999. Michel Tilmant and Cees Maas received a standard promotional increase in their base salary as of 28 April 2004 as a result of their appointment as chairman and vice-chairman of the Executive Board, respectively.

Executive Board Short-term incentive plan 2005

The target STI payout over 2005 was set at 75% of the individual Executive Board member's base salary. The final award is based on the achievement of a set of common Group financial targets and specific individual qualitative and quantitative objectives for each Executive Board member. Specifically, 70% of the total award is based on the Group's operating net profit, total operating expenses and return on economic capital, while the remaining 30% is based on individual objectives set at the beginning of the year by the chairman of the Executive Board and approved by the Remuneration and Nomination Committee of the Supervisory Board.

Early in 2006, the Remuneration and Nomination Committee reviewed the actual results of ING against the 2005 targets. Over 2005, ING exceeded on average the three Group financial targets set, resulting in a score of 141% of target on this component. The individual performance of the Executive Board members was on average 175%. ING's external auditor has reviewed to which extent the objectives, both the group and the individual, have been met.

The table on page 68 gives the details of the compensation in cash of the individual members of the Executive Board. Compensation in cash of former members of the Executive Board amounted to EUR 681,000 in 2004 and EUR 1,746,000 in 2003.

Executive Board Long-term incentive plan 2005

Under the long-term incentive plan (LTIP) for the Executive Board, two instruments are used: stock options and performance shares. As mentioned earlier, an identical plan has been adopted by the Executive Board for the senior managers across ING. As a result, approximately 7,000 senior managers participate in a similar plan.

The target level for the 2005 LTIP was set at 75% of base salary for each EB member. The final grant level depends on the Group STIP performance and will vary between 50% of the target level (if Group STI would be 0%) and 150% (if Group STI would be 200%).

As the Group STIP performance outcome over 2005 was 141%, the resulting LTIP award is 120% of target. The number of options and performance shares is determined based on a reference price set at the end of 2005 (EUR 29.30) and a 'fair value' calculation of options and performance shares (based on an option-pricing model).

The grant is subject to shareholder approval of the maximum number of stock options and performance shares to be granted to the Executive Board pursuant to the 2005 LTIP. The LTI grant table on page 69 shows the award amounts for each Executive Board member.

The exercise price of the options will be fixed at the Euronext Amsterdam Stock Market opening price of the ING Group share on 12 May 2006. The performance shares are granted at the beginning of 2006; the final number will depend on the ranking within the performance peer group after the three-year period (2006 – 2008) based on the performance/payout scale on page 65.

The table on page 69 gives the details of the long-term incentives of the individual members of the Executive Board. The fair market value of long-term incentives of former members of the Executive Board amounted to nil in 2004 and EUR 481,000 in 2003.

Pensions

The first table on page 70 gives the details of the pension costs of the individual members of the Executive Board. Pension costs of former members of the Executive Board amounted to EUR 887,000 in 2004 and EUR 586,000 in 2003.

REMUNERATION REPORT (continued)

COMPENSATION IN CASH OF THE MEMBERS OF THE EXECUTIVE BOARD

amounts in thousands of euros	**2005**	2004	2003
MICHEL TILMANT[1]			
Base salary	**1,289**	1,250	1,172
Short-term performance-related bonus	**1,520**	866	366
Total cash compensation	**2,809**	2,116	1,538
CEES MAAS[1]			
Base salary	**697**	677	634
Short-term performance-related bonus	**806**	530	333
Total cash compensation	**1,503**	1,207	967
ERIC BOYER DE LA GIRODAY[2]			
Base salary	**850**	574	
Short-term performance-related bonus	**945**	445	
Total cash compensation	**1,795**	1,019	
FRED HUBBELL[3]			
Base salary	**1,120**	1,121	1,232
Short-term performance-related bonus	**1,270**	855	647
Total cash compensation	**2,390**	1,976	1,879
ELI LEENAARS[2]			
Base salary	**634**	428	
Short-term performance-related bonus	**705**	321	
Total cash compensation	**1,339**	749	
ALEXANDER RINNOOY KAN			
Base salary	**634**	634	634
Short-term performance related bonus	**705**	493	333
Total cash compensation	**1,339**	1,127	967
HANS VERKOREN[2]			
Base salary	**634**	428	
Short-term performance-related bonus	**705**	335	
Total cash compensation	**1,339**	763	

[1] The increase in base salary for Michel Tilmant and Cees Maas reflects a 10% increase, effective April 2004, related to their promotion to chairman and vice-chairman respectively.
[2] Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren were appointed to the Executive Board on 28 April 2004. The figures for these members reflect compensation earned in their capacity as Executive Board members. Thus, the figures for 2004 reflect the partial year as Executive Board members.
[3] Fred Hubbell gets his compensation in US dollars. For each year, the compensation in US dollars has been translated to euros at the average exchange rate for that year.

LONG-TERM INCENTIVES OF THE MEMBERS OF THE EXECUTIVE BOARD[1]

amounts in thousands of euros	2005	2004	2003
MICHEL TILMANT			
Number of options	**108,200**	82,600	41,250
Number of shares	**19,300**	15,000	13,750
Fair market value of long-term incentive[2]	**1,160**	661	481
CEES MAAS			
Number of options	**58,500**	51,200	41,250
Number of shares	**10,400**	9,300	13,750
Fair market value of long-term incentive[2]	**628**	410	481
ERIC BOYER DE LA GIRODAY[3]			
Number of options	**71,400**	43,400	
Number of shares	**12,800**	7,900	
Fair market value of long-term incentive[2]	**765**	347	
FRED HUBBELL[4]			
Number of options	**0**	84,700	41,250
Number of shares	**0**	15,400	13,750
Fair market value of long-term incentive[2]	**1,008**	678	481
ELI LEENAARS[3]			
Number of options	**53,200**	32,400	
Number of shares	**9,500**	5,900	
Fair market value of long-term incentive[2]	**571**	259	
ALEXANDER RINNOOY KAN[4]			
Number of options	**0**	48,000	41,250
Number of shares	**0**	8,700	13,750
Fair market value of long-term incentive[2]	**571**	384	481
HANS VERKOREN[3][4]			
Number of options	**0**	32,400	
Number of shares	**0**	5,900	
Fair market value of long-term incentive[2]	**571**	259	

[1] Long-term incentives are granted in the year following the reporting year (for example, awards shown for 2003 performance were awarded in 2004). For 2002 performance (awards granted in 2003), each Executive Board member was granted 7,000 conditional shares, the condition being an employment contract. The conditional shares vested in May 2005 and as such, 7,764 shares (7,000 plus 764 share dividends) were delivered to the Executive Board members. The total expense relating to the conditional share awards (EUR 604,000) was recognised pro rata over the vesting period. Beginning in the performance year 2003, the Executive Board member's long-term incentive awards were made under the new LTI plan adopted by the AGM in 2004. The plan provides for a combination of share options and performance shares based on a 50/50 split in value. The ratio of options to performance shares varies each year as a result of the fair value calculation and the 50/50 split in value. The vesting period for the performance shares is 3 years. The costs of the performance shares are expensed pro-rata over the three-year period. The fair-value calculation for the performance year 2003 resulted in a ratio of options to performance shares of 3:1. The fair-value calculation for the performance year 2004 resulted in a ratio of options to performance shares of 5.5:1. For the performance year 2005, the Company proposes to grant to the Executive Board members the combination of stock options and performance shares (based on the 50/50 split in value) as disclosed in the above table, in May 2006 (after the AGM). The fair-market-value calculations for the 2005 performance year result in a ratio of options to performance shares of 5.6:1.

[2] Fair Market Value of long-term incentive reflects the estimated fair market value of the long-term incentive award on the date of grant based on a fair value calculation. The valuation is calculated annually for grants made to the Executive Board members for performance over the year specified.

[3] Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren were appointed to the Executive Board on 28 April 2004. The figures for these members reflect compensation earned in their capacity as Executive Board members.

[4] As a result of their resignation/retirement from the Executive Board in 2006, Fred Hubbell, Alexander Rinnooy Kan and Hans Verkoren will receive their 2005 long-term incentive award in the form of cash instead of options and shares.

REMUNERATION REPORT (continued)

PENSION COSTS OF THE MEMBERS OF THE EXECUTIVE BOARD[1]

in thousands of euros	**2005**	2004	2003
Michel Tilmant[2]	**685**	467	412
Cees Maas	**482**	345	361
Eric Boyer de la Giroday[3]	**482**	260	
Fred Hubbell[4]	**395**	462	273
Eli Leenaars[3]	**255**	102	
Alexander Rinnooy Kan	**483**	346	327
Hans Verkoren[3]	**306**	109	

[1] For reasons of comparison, the company pension expenses are recalculated under IAS 19 with general assumption setting for 2003 to 2005.
[2] Restated figures for the year 2003.
[3] Eric Boyer de la Giroday, Eli Leenaars and Hans Verkoren were appointed to the Executive Board on 28 April 2004. The figures for these members reflect pension costs in their capacity as Executive Board members.
[4] Fred Hubbell's pension costs have been translated from US dollars to euros at the average exchange rate for that year.

Loans and advances

The table below presents the loans and advances provided to Executive Board members and outstanding on 31 December 2005, 2004 and 2003. These loans were concluded in the normal course of business and on terms applicable to company personnel as a whole and were approved by the Supervisory Board. In 2004, a loan has been granted to Fred Hubbell amounting to EUR 100,000 and was repaid before 31 December 2004. This loan bore an average interest rate of 4.7%. In line with ING's expatriate policy, ING paid in 2005 an amount of EUR 18,465 in advance for Dutch taxes due by Eli Leenaars for US stock options that were granted in 2002 and vested in March 2005. This amount was repaid by him before 31 December 2005.

LOANS AND ADVANCES TO MEMBERS OF THE EXECUTIVE BOARD

amounts in thousands of euros	**Amount outstanding 31 December**	**Average interest rate**	**Repayments 2005**	Amount outstanding 31 December	Average interest rate	Repayments 2004	Amount outstanding 31 December	Average interest rate	Repayments 2003
Cees Maas	**446**	**4.0%**		446	4.0%		446	4.0%	15
Eric Boyer de la Giroday	**31**	**4.3%**	**3**	34	4.3%	3			
Hans Verkoren	**222**	**4.7%**	**71**	293	4.8%	16			
Alexander Rinnooy Kan							889	3.4%	
	699	**4.2%**	**74**	773	4.3%	19	1,335	3.6%	15

Shares

Executive Board members are permitted to hold ING (depositary receipts for) shares as a long-term investment. The table below shows the holdings by members of the Executive Board.

ING GROUP (DEPOSITARY RECEIPTS FOR) SHARES HELD BY MEMBERS OF THE EXECUTIVE BOARD[1]

	Number of (depositary receipts for) shares **2005**	2004	2003
MEMBERS OF THE EXECUTIVE BOARD			
Michel Tilmant	**7,764**		
Cees Maas	**7,764**		
Fred Hubbell[1]	**1,101,731**	1,107,717	1,104,100
Alexander Rinnooy Kan	**7,764**		

[1] ING Group (depositary receipts for) shares of direct family included.

INFORMATION ON THE OPTIONS OUTSTANDING AND THE MOVEMENTS DURING THE FINANCIAL YEAR OF OPTIONS HELD BY THE MEMBERS OF THE EXECUTIVE BOARD AS AT 31 DECEMBER 2005

Number of options	Outstanding as at 31 December 2004	**Granted in 2005**	**Exercised in 2005**	**Waived or expired in 2005[1]**	**Outstanding as at 31 December 2005**	Exercise price in in Euros	Exercise price in US dollars	Expiry date
Michel Tilmant	20,000			**20,000**	**0**	28.30		3 Apr 2005
	15,000			**15,000**	**0**	28.68		3 Apr 2005
	30,000				**30,000**	35.26		15 Mar 2006
	20,000				**20,000**	35.80		15 Mar 2006
	21,000				**21,000**	29.39		11 Mar 2012
	14,000				**14,000**	29.50		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
	41,250				**41,250**	17.69		14 May 2014
		82,600			**82,600**	21.67		13 May 2015
Cees Maas	50,000			**50,000**	**0**	28.68		3 Apr 2005
	50,000				**50,000**	35.26		15 Mar 2006
	35,000				**35,000**	29.39		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
	41,250				**41,250**	17.69		14 May 2014
		51,200			**51,200**	21.67		13 May 2015
Eric Boyer de la Giroday	2,000				**2,000**	26.10		28 May 2009
	10,000				**10,000**	28.30		3 Apr 2010
	4,000				**4,000**	35.80		15 Mar 2011
	3,000				**3,000**	28.60		27 May 2012
	4,000				**4,000**	12.55		3 Mar 2013
	17,800				**17,800**	17.69		14 May 2014
		53,400			**53,400**	21.67		13 May 2015
Fred Hubbell	50,000			**50,000**	**0**	28.68		3 Apr 2005
	50,000				**50,000**	35.26		15 Mar 2006
	35,000				**35,000**	29.39		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
	41,250				**41,250**	17.69		14 May 2014
		84,700			**84,700**	21.67		13 May 2015
Eli Leenaars	3,300				**3,300**	**25.25**		1 Apr 2009
	10,000				**10,000**		27.28	3 Apr 2010
	22,400				**22,400**		31.96	15 Mar 2011
	31,000				**31,000**		25.72	11 Mar 2012
	7,850				**7,850**	**12.55**		3 Mar 2013
	9,654				**9,654**	**18.75**		15 Mar 2014
	6,436				**6,436**	**18.71**		15 Mar 2014
		41,700			**41,700**	**21.67**		13 May 2015
Alexander Rinnooy Kan	12,000			**12,000**	**0**	28.68		3 Apr 2005
	50,000				**50,000**	35.26		15 Mar 2006
	35,000				**35,000**	29.39		11 Mar 2012
	35,000				**35,000**	12.65		3 Mar 2013
	41,250				**41,250**	17.69		14 May 2014
		48,000			**48,000**	21.67		13 May 2015
Hans Verkoren	12,000			**12,000**	**0**	28.68		3 Apr 2005
	20,000				**20,000**	35.26		15 Mar 2006
	23,000				**23,000**	29.39		11 Mar 2012
	30,000				**30,000**	12.65		3 Mar 2013
	17,800				**17,800**	18.71		15 Mar 2014
		42,800			**42,800**	21.67		13 May 2015

[1] Waived at vesting date or expired at expiry date.

REMUNERATION REPORT (continued)

EXECUTIVE BOARD REMUNERATION STRUCTURE 2006

Policy for 2006
With regard to the remuneration policy for 2006, the Supervisory Board continues to build upon the remuneration policy initiated in 2003, which supports the performance-oriented culture. Over the past four years, the Executive Board's total remuneration package has gradually converged to the European benchmark through increases in the short-term and long-term incentive target levels (as a percentage of base salary).

Executive Board Base salary 2006
The plan is to keep base-salary levels flat in 2006. A market-competitive analysis is conducted on an annual basis to ensure market competitiveness.

Executive Board Short-term incentive plan 2006
Continuing with the intended focus on variable, performance-related remuneration, the Supervisory Board has decided to increase the short-term incentive at target to 100% of base salary. The actual payout may vary between 0% and 200% of the target level (e.g. between 0% and 200% of base salary).

The mix for the 2006 short-term incentive award will remain the same as in 2005: 70% will be determined by pre-defined ING Group financial performance measures and 30% will be based on individual performance objectives set for each Executive Board member and agreed by the Supervisory Board.

The Supervisory Board has concluded for 2006 that the Executive Board's short-term incentive award for the Group performance should again be measured using the same three financial criteria as were used in 2005: net profit, total operating expenses and return on economic capital. The targets set are challenging. The business continues to progress with the implementation of economic profit/embedded value profit and it is expected that this measure will be included as a Group performance driver in 2007.

Executive Board Long-term incentive plan 2006
The Supervisory Board intends to set the nominal LTI target value at 100% of base salary (same target percentage as the STI). The range may vary between 50% and 150% of the target level (e.g. between 50% and 150% of base salary). The structure for the 2006 long-term incentive award will remain the same as the 2003 structure (the total nominal value at grant will be split between stock options and performance shares).

As was the case in 2005, the total LTI value in stock options and performance shares to be granted to the Executive Board members will be determined by the Supervisory Board at the end of 2006, based on the achievement of the three pre-defined financial objectives set out in the 2006 short-term incentive plan.

Executive Board Pension Plan 2006
The Supervisory Board intends to review the Executive Board pension plan during 2006 with the intention to move from a defined benefit scheme to a defined contribution scheme, which will provide a targeted benefit similar to the current Executive Board defined benefit pension scheme.

REMUNERATION SUPERVISORY BOARD

Remuneration

The annual remuneration of the chairman and vice-chairman of the Supervisory Board amounts to EUR 68,100, including EUR 6,810 expense allowances. Other members receive a remuneration of EUR 38,600, including EUR 2,270 expense allowances. In addition to this remuneration, membership of a Supervisory Board committee entitles to an additional remuneration and expense allowances, except for the chairman and vice-chairman. The table below shows the remuneration and expense allowances per Supervisory Board member for 2005 and previous years. Remuneration and expense allowances of former Supervisory Board members retired before 2005 was EUR 89,000 in 2003.

REMUNERATION OF THE MEMBERS AND FORMER MEMBERS OF THE SUPERVISORY BOARD

amounts in thousands of euros	**2005**	2004	2003
MEMBERS OF THE SUPERVISORY BOARD			
Cor Herkströter	**68**	68	68
Eric Bourdais de Charbonnière[1]	**65**	29	
Luella Gross Goldberg	**44**	44	40
Paul van der Heijden	**43**	44	44
Claus Dieter Hoffmann	**49**	46	32
Jan Hommen[2]	**24**		
Aad Jacobs	**51**	49	43
Wim Kok	**40**	39	39
Godfried van der Lugt	**39**	39	29
Paul Baron de Meester[3]	**58**	57	52
Karel Vuursteen	**39**	39	39
	520	454	386
FORMER MEMBERS OF THE SUPERVISORY BOARD			
Christine Lagarde[4]	**10**		
Jan Timmer[5]	**19**	54	46
	549	508	432

[1] Member as of April 2004; vice-chairman as of February 2005.
[2] Member as of June 2005.
[3] Including a compensation payment to match his former remuneration as a member of the BBL Supervisory Board.
[4] Appointed in April 2005 and resigned in June 2005.
[5] Retired in April 2005.

Proposal to increase Supervisory Board remuneration

On the agenda of the 2006 General Meeting of Shareholders a proposal has been tabled to increase the annual remuneration of the Supervisory Board members given a) the further growth and internationalisation of ING Group since the last remuneration increase in 1998, b) the necessity to offer a competitive compensation to be able to attract and retain high-quality directors with relevant international expertise and experience, and c) the wider and more demanding range of tasks of the Supervisory Board and its committees, resulting from international developments in corporate governance and compliance.

The increase of the Supervisory Board remuneration would be as follow as of 1 July 2006: chairman EUR 75,000 (was EUR 61,260), vice-chairman EUR 65,000 (was EUR 61,260), other members EUR 45,000 (was EUR 36,300), chairman of the Audit Committee EUR 8,000 (was EUR 1,360), members of the Audit Committee EUR 6,000 (was EUR 1,360), chairman of other Supervisory Board committees EUR 7,500 (was EUR 1,360), members of other Supervisory Board committees EUR 5,000 (was EUR 1,360). In addition to the remuneration, Supervisory Board members are entitled to expense allowances, which are partly fixed and partly directly related to the costs incurred.

REMUNERATION REPORT (continued)

Loans and advances
As at 31 December 2005, the amount of loans and advances outstanding to the Supervisory Board was EUR 1.6 million at an average rate of 4.7%. This amount concerns a loan to Aad Jacobs. No loans and advances were outstanding to other members of the Supervisory Board.

As at 31 December 2004, the amount of loans and advances outstanding to the Supervisory Board was EUR 1.6 million at an average rate of 4.7%. This amount concerns a loan to Aad Jacobs. No loans and advances were outstanding to other members of the Supervisory Board.

As at 31 December 2003, the amount of loans and advances outstanding to the Supervisory Board was EUR 1.8 million at an average rate of 4.7%. This amount concerned a loan to Aad Jacobs of EUR 1.6 million at an average rate of 4.7% and a loan to Paul Baron de Meester of EUR 0.2 million at an average rate of 4.8%. No loans and advances were outstanding to other members of the Supervisory Board.

ING Group (depositary receipts for) shares and options
Supervisory Board members are permitted to hold ING (depositary receipts for) shares as a long-term investment. The table below shows the holdings by members of the Supervisory Board. Supervisory Board members did not hold ING options at year-end 2005.

ING GROUP (DEPOSITARY RECEIPTS FOR) SHARES HELD BY MEMBERS OF THE SUPERVISORY BOARD[1]

	Number of (depositary receipts for) shares		
	2005	2004	2003
MEMBERS OF THE SUPERVISORY BOARD			
Cor Herkströter	**1,616**	1,616	1,616
Luella Gross Goldberg	**6,814**	6,701	6,369
Paul van der Heijden	**0**	1,716	1,716
Paul Baron de Meester	**5,550**	5,550	5,276
Karel Vuursteen	**1,510**	1,510	1,510

[1] ING Group (depositary receipts for) shares of direct family included.

WORKS COUNCILS AND ADVISORY COUNCIL

CENTRAL WORKS COUNCIL
as at 1 January 2006

Josine Sips, *chairman*
Paul de Widt, *secretary*
Wim Evers, *deputy chairman*
Gerard Dekkers, *deputy secretary*
Goof Bode, Hans de Boer, Hans van den Brink,
Eric van den Broek, Petra Delhez, Wim Dijkhuizen,
Jeffrey Dinsbach, Rob Eijt, Ger Heijboer, Jan Hertog,
Bas Hofstee, Ben van Kessel, Jan Kuijper,
René van der Linden, Remko Roos, Anja Rozendaal,
André Schat, Bernard Wempe, Paul Zoet

EUROPEAN WORKS COUNCIL
as at 1 January 2006

Mathieu Blondeel, *chairman*, Belgium
Mirjam Busse, *secretary*, the Netherlands
Adriana Dumitrescu, *deputy chairman,* Romania
Marcel Koopman, *deputy secretary*, the Netherlands
Jean-Claude Van Den Abeele, Freddy Dekerf,
Olivier Vandueren, Dirk Verstrepen, Belgium
Evetta Mircheva, Bulgaria
Marie Martinkova, Czech Republic
Hervé Laurent, Sebastien Barthe, France
Thomas Meder, Klaus Eichwald, Germany
Maria Tapini Orianou, Greece
Laszlo Szabo, Hungary
Alan Maher, Ireland
Arsène Kihm, Denis Richard, Luxembourg
Bob Bohlander, Eric van den Broek, Wim Evers, Bas Hofstee,
Gerlinde Korterink, Maarten Kramer, Paul Zoet,
the Netherlands
Mieczyslaw Bielawski, Mariusz Cieslik, Jaroslaw Szczesny,
Poland
José Sanz Gomez, Gregorio Tejedor Mingo, Spain
Thomas Wipf, Switzerland
Mike Sharman, Sati Khaira, United Kingdom

ING GROUP ADVISORY COUNCIL

Gerlach Cerfontaine, *chairman*, Chairman Executive Board
Schiphol Group, the Netherlands
Yuan Chen, President State Development Bank, China
Hans Eggerstedt, former member Executive Board Unilever,
the Netherlands
Marc Eyskens, former Prime Minister of Belgium
Frits Goldschmeding, former President Randstad Holding,
the Netherlands
Louise Gunning-Schepers, Chairman Executive Board AMC
(Amsterdam Medical Center), the Netherlands
Loek Hermans, Chairman MKB-Nederland (Netherlands
Federation of Small and Medium-sized Enterprises)
Jim Heskett, Professor Emeritus of Business Logistics,
Harvard University, USA
Rudy van der Meer, former member Executive Board
AKZO Nobel, the Netherlands
Paul Nouwen, former CEO ANWB (Royal Dutch Touring
Club), the Netherlands
Petra Roth, Mayor Frankfurt am Main, Germany
George Verberg, former Chief Managing Director
of Nederlandse Gasunie (Dutch natural Gas Union,
the Netherlands
Eckart Wintzen, Managing Director Ex'tent, the Netherlands

Since the establishment of the ING Group Advisory Council in 1996, regional advisory boards were also created. This led increasingly to a duplicating effect. Therefore, the Executive Board and the ING Group Advisory Council jointly decided to end the activities of the ING Group Advisory Council in its current set-up as of 1 January 2006. The Executive Board would like to thank all Advisory Council members for their commitment and valuable contributions through the years.

CONSOLIDATED BALANCE SHEET OF ING GROUP AS AT 31 DECEMBER
before profit appropriation

amounts in millions of euros	2005	2004
ASSETS		
Cash and balances with central banks 1	**13,084**	9,113
Amounts due from banks 2	**47,466**	45,084
Financial assets at fair value through profit or loss 3		
– trading assets	**149,187**	79,649
– investments for risk of policyholders	**100,961**	77,662
– non-trading derivatives	**7,766**	
– designated as at fair value through profit or loss	**10,230**	
– other		3,334
Investments 4		
– available-for-sale	**305,707**	276,331
– held-to-maturity	**18,937**	
Loans and advances to customers 5	**439,181**	330,458
Reinsurance contracts 17	**8,285**	6,744
Investments in associates 6	**3,622**	2,663
Investment property 7	**5,031**	7,151
Property and equipment 8	**5,757**	5,783
Intangible assets 9	**3,661**	594
Deferred acquisition costs 10	**9,604**	10,428
Other assets 11	**30,160**	21,397
Total assets	**1,158,639**	876,391
EQUITY		
Equity attributable to equity holders of the Company	**36,736**	24,069
Third-party interests	**1,689**	3,481
Group equity 12	**38,425**	27,550
LIABILITIES		
Preference shares 13	**296**	
Subordinated loans 14	**6,096**	4,109
Debt securities in issue 15	**81,262**	79,012
Other borrowed funds 16	**32,252**	23,712
Insurance and investment contracts 17	**263,487**	216,851
Amounts due to banks 18	**122,234**	95,878
Customer deposits and other funds on deposit 19	**465,712**	349,241
Financial liabilities at fair value through profit or loss 20		
– trading liabilities	**92,058**	53,841
– non-trading derivatives	**6,248**	
– designated as at fair value through profit or loss	**11,562**	
Other liabilities 21	**39,007**	26,197
Total liabilities	**1,120,214**	848,841
Total equity and liabilities	**1,158,639**	876,391

References relate to the notes starting on page 98 which form an integral part of the consolidated annual accounts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros	2005	2004
INCOME		
Interest income banking operations	**48,176**	25,448
Interest expense banking operations	**39,109**	16,707
Interest result banking operations 22	**9,067**	8,741
Premium income 23	**45,758**	43,617
Income from investments 24	**9,915**	9,730
Gains and losses from investments 25	**930**	649
Commission income 26	**3,747**	3,779
Valuation results from non-trading derivatives 27	**47**	
Net trading income 28	**426**	888
Other income 29	**1,251**	755
Total income	**71,141**	68,159
EXPENSES		
Underwriting expenditure 30	**47,120**	45,384
Additions to the provision for loan losses 5	**109**	453
Other impairments 31	**76**	22
Staff costs 32	**7,646**	7,667
Other interest expenses 33	**969**	1,019
Other operating expenses 34	**6,327**	5,874
Total expenditure	**62,247**	60,419
Profit before tax	**8,894**	7,740
Taxation 35	**1,379**	1,709
Profit for the period (before third-party interests)	**7,515**	6,031
Attribution:		
Net profit attributable to equity holders of the Company	**7,210**	5,755
Third-party interests	**305**	276
Profit for the period	**7,515**	6,031

amounts in euros	2005	2004
Earnings per ordinary share attributable to equity holders of the Company 36	**3.32**	2.71
Diluted earnings per ordinary share 36	**3.32**	2.71
Dividend per ordinary share 37	**1.18**	1.07

References relate to the notes starting on page 135 which form an integral part of the consolidated annual accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros		2005	2004
Profit before tax		**8,894**	7,740
Adjusted for	– depreciation	**1,278**	563
	– amortisation of deferred acquisition costs and VOBA	**-1,141**	-858
	– increase in provisions for insurance and investment contracts	**21,250**	13,244
	– additions to the provision for loan losses	**109**	453
	– other	**-1,303**	4,479
Taxation paid		**-1,398**	-1,163
Movements in	– amounts due from banks, not available on demand	**-720**	-1,206
	– trading assets	**-29,925**	-4,417
	– non-trading derivatives	**2,596**	
	– other financial assets at fair value through profit or loss	**-2,193**	-14
	– loans and advances to customers	**-62,709**	-34,737
	– other assets	**-7,551**	336
	– amounts due to banks, not payable on demand	**19,405**	21,986
	– customer deposits and other funds on deposit	**62,089**	64,555
	– trading liabilities	**13,442**	
	– other financial liabilities at fair value through profit or loss	**8,398**	
	– other liabilities	**3,228**	4,141
Net cash flow from operating activities		**33,749**	75,102
Investment and advances	– associates and group companies	**-1.109**	-2,643
	– available-for-sale investments	**-260,769**	-262,293
	– held-to-maturity investments	**-1,030**	
	– investment property	**-1,156**	-1,169
	– property and equipment	**-540**	-380
	– assets subject to operating leases	**-991**	-950
	– investments for the risk of policyholders	**-41,781**	-34,467
	– other investments	**-164**	-103
Disposals and redemptions	– associates and group companies	**1,761**	1,520
	– available-for-sale investments	**218,847**	197,070
	– held-to-maturity investments	**245**	
	– investment property	**1,030**	1,123
	– property and equipment	**483**	192
	– assets subject to operating leases	**391**	388
	– investments for the risk of policyholders	**34,464**	29,382
	– other investments	**13**	65
Net cash flow from investing activities 38		**-50,306**	-72,265
Proceeds from issuance of subordinated loans		**1,901**	1,000
Repayments of subordinated loans		**-177**	-410
Borrowed funds and debt securities		**7,842**	26
Deposits by reinsurers		**93**	309
Issuance of ordinary shares		**114**	1,037
Dividends paid		**-2,461**	-883
Net cash flow from financing activities		**7,312**	1,079
Net cash flow 39		**-9,245**	3,916
Cash and cash equivalents at beginning of year		**11,588**	7,715
Implementation IAS 32/39		**692**	
Effect of exchange-rate changes on cash and cash equivalents		**300**	-43
Cash and cash equivalents at end of year		**3,335**	11,588
Cash and cash equivalents comprises the following items			
Treasury bills and other eligible bills 39		**11,572**	12,382
Amounts due from/to banks		**-21,321**	-9,907
Cash and balances with central banks		**13,084**	9,113
Cash and cash equivalents at end of year		**3,335**	11,588

References relate to the notes starting on page 150 which form an integral part of the consolidated annual accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ING GROUP FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros	Total	Share capital	Share premium	Revaluation reserve	Currency translation reserve	Other reserves
Balance as at 1 January 2004	19,340	612	8,064	1,199		9,465
Unrealised revaluations after taxation						
– revaluations	717			795		-78
– transferred to profit and loss (realised)	-587			-737		150
Exchange differences	-756				-184	-572
Total amount recognised directly in equity	-626			58	-184	-500
Net profit for the period	5,755					5,755
	5,129			58	-184	5,255
Dividend[1]	-2,094	16	-1,227			-883
Purchases/sales of treasury shares	1,694	6	1,688			
Balance as at 31 December 2004	24,069	634	8,525	1,257	-184	13,837
Implementation IAS 32/39 and IFRS 4	**4,103**	**-104**	**-191**	**7,538**	**-556**	**-2,584**
Unrealised revaluations after taxation						
– revaluations	**2,514**			**2,148**	**489**	**-123**
– transferred to profit and loss (realised)	**-663**			**-663**		
– unrealised revaluations transferred to deferred profit sharing liabilities and DAC	**-89**			**-89**		
Unrealised revaluations from cash flow hedges						
– revaluations	**764**			**764**		
Employee stock option and share plans	**63**					**63**
Exchange differences	**1,217**			**251**	**919**	**47**
Total amount recognised directly in equity	**3,806**			**2,411**	**1,408**	**-13**
Net profit for the period	**7,210**					**7,210**
	11,016			**2,411**	**1,408**	**7,197**
Dividend[2]	**-2,461**					**-2,461**
Exercise of warrants and options	**9**		**9**			
Balance as at 31 December 2005	**36,736**	**530**	**8,343**	**11,206**	**668**	**15,989**

[1] 2003 final dividend of EUR 0.49 per ordinary share and 2004 interim dividend of EUR 0.49 per ordinary share.
[2] 2004 final dividend of EUR 0.58 per ordinary share and 2005 interim dividend of EUR 0.54 per ordinary share.

In 2005, deferred taxes with regard to unrealised revaluations amounted to EUR 363 million (2004: EUR -48 million).

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP

BASIS OF PRESENTATION

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

ING Group has not early adopted any new International Financial Reporting Standards. Recently issued standards that become effective after 2005 are not expected to have a material effect on equity or profit for the period.

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

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

CHANGES IN ACCOUNTING PRINCIPLES

ING Group applies IFRS as adopted by the EU as of 2005. The 2004 comparatives have been restated to comply with IFRS-EU. However, as permitted by IFRS 1, ING Group has not restated the 2004 comparatives for the impact of IAS 32, IAS 39 and IFRS 4. Accordingly, comparative information with respect to financial instruments and insurance contracts is prepared under ING Group's previous accounting policies (ING GAAP). As a result, certain comparative information relating to financial instruments and insurance contracts is not presented. The effects of implementing IFRS-EU are set out below under 'Impact of changes in accounting principles on net profit and equity'.
ING Group has implemented IFRS-EU retrospectively, using the following transitional provisions:
– Goodwill is only capitalised on acquisitions after 1 January 2004. Accounting for acquisitions before that date has not been restated; goodwill on those acquisitions was charged directly to shareholders' equity.
– Hedge accounting is applied to all hedge relationships that were accounted for as a hedge under ING GAAP and meet the IAS 39 criteria for hedge accounting as of 1 January 2005.
– Unrecognised actuarial results on employee benefit plans were recognised directly in equity at 1 January 2004.
– The cumulative translation differences reserve in equity was reset to nil at 1 January 2004.
– IFRS 2 (share-based payments) is applied for awards issued after 7 November 2002, that have not vested by 1 January 2005.

IMPACT OF CHANGES IN ACCOUNTING PRINCIPLES ON NET PROFIT AND EQUITY

The impact of implementing IFRS-EU on equity and net profit is summarised as follows:

IMPACT OF CHANGES IN ACCOUNTING PRINCIPLES

amounts in millions of euros	Net profit 2004	Group equity 1 January 2004[1]	Group equity 31 December 2004	**Impact IAS 32/39 and IFRS 4**	**Group equity 1 January 2005[2]**
Amounts in accordance with ING GAAP	5,968	24,844	29,361		**29,361**
Goodwill	25		139		**139**
Property	-407	-74	-72		**-72**
Employee benefits	107	-3,169	-3,017		**-3,017**
Leases		-37	-37		**-37**
Available-for-sale debt securities				**9,922**	**9,922**
Insurance provisions		59	59	**-3,126**	**-3,067**
Derivatives/hedge accounting/fair value option				**-977**	**-977**
Loans and advances to customers				**465**	**465**
Loan loss provisions				**623**	**623**
Venture capital investments				**90**	**90**
Foreign currency translation	-20				
Result on sale of group companies	42				
Other	-23	82	49	**-35**	**14**
Taxation	63	1,148	1,082	**-2,460**	**-1,378**
Classification of equity instruments – shareholders' equity				**-399**	**-399**
IFRS-EU impact on net profit and shareholders' equity	-213	-1,991	-1,797	**4,103**	**2,306**
Classification of equity instruments – third-party interest				**-1,442**	**-1,442**
Third-party interests in equity			-14	**56**	**42**
IFRS-EU impact on net profit and group equity	-213	-1,991	-1,811	**2,717**	**906**
Amounts in accordance with IFRS-EU	5,755	22,853	27,550	**2,717**	**30,267**

[1] IFRS as adopted by the EU, excluding IAS 32, IAS 39 and IFRS 4.
[2] IFRS as adopted by the EU, including IAS 32, IAS 39 and IFRS 4.

In finalising the transition to IFRS as adopted by the EU, certain changes were made to the transition impact disclosed earlier. These changes include the implementation of the fair value option in 2005. These changes were insignificant, both individually and in aggregate.

TRANSITION IMPACT

amounts in millions of euros	Net profit 2004	Group equity 1 January 2004	Group equity 31 December 2004	**Impact IAS 32/39 and IFRS 4**	**Group equity 1 January 2005**
Disclosed earlier	-213	-1,991	-1,801	**4,222**	**2,421**
Impact of changes			4	**-119**	**-115**
Final	-213	-1,991	-1,797	**4,103**	**2,306**

EXPLANATION OF DIFFERENCES BETWEEN IFRS-EU AND ING GAAP

The explanation of differences in accounting principles between IFRS-EU (applied as of 2005) and the accounting principles applied by ING Group in the 2004 annual accounts (ING GAAP) is presented below in two sections:

– differences between ING GAAP and IFRS-EU excluding IAS 32/39 and IFRS 4, which were implemented in the restated 2004 comparatives as of 1 January 2004;
– differences due to the impact of IAS 32/39 and IFRS 4 which were implemented as of 1 January 2005.

DIFFERENCES BETWEEN ING GAAP AND IFRS EXCLUDING IAS 32/39 AND IFRS 4

Goodwill

Under ING GAAP, goodwill was charged to equity. Under IFRS-EU, all goodwill arising after 1 January 2004 is capitalised and subject to an annual impairment review. Goodwill charged to equity prior to 1 January 2004 was not restated.

Investment property

Under IFRS-EU, investment property is reported at fair value, with changes in fair value reported in the profit and loss account. Under ING GAAP, investment property was reported at fair value, with changes in fair value reported in a revaluation reserve in equity; at disposal, the accumulated revaluation was recognised in the profit and loss account under ING GAAP.

Property in own use

Both under IFRS-EU and ING GAAP, property in own use is reported at fair value, with changes in fair value reported in a revaluation reserve in equity. However, under IFRS-EU a depreciation charge is recognised in the profit and loss account. At disposal, the accumulated revaluation was recognised in the profit and loss account under ING GAAP. Under IFRS-EU, no result is recognised on disposal. Furthermore, under IFRS-EU individually negative revaluation reserves on a property-by-property basis are charged to the profit and loss account; under ING GAAP negative revaluation reserves were offset against positive revaluation reserves.

Property under development for third parties

Both under IFRS-EU and ING GAAP, property in the course of construction is reported at cost and profit is recognised on completion date. However, IFRS-EU is more restrictive on the overhead expenses that may be capitalised and the definition of the completion date is different under IFRS-EU.

Employee benefits

Accounting for pension liabilities under ING GAAP was similar to IFRS-EU; however, at transition to IFRS all unrecognised actuarial gains and losses were charged to shareholders' equity. Under IFRS additional provisions for certain employee benefits are required.

Employee benefits – share-based payments

Under IFRS-EU, the fair value of shares and options granted to employees is recognised in the profit and loss account over the vesting period of the award. The majority of the share-based payments are equity-settled. Under ING GAAP the intrinsic value was recognised in the profit and loss account.

Leases

Under ING GAAP, operating leases where ING is the lessor were presented as Loans and advances to customers. Under IFRS-EU, these are presented as property and equipment, with depreciation recognised in the profit and loss account on a straight-line basis. All bonuses/discounts are amortised over the lease term under IFRS-EU whilst under ING GAAP they were reported in income immediately.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP (CONTINUED)

Insurance provisions
Where deferred acquisition costs are amortised over the lives of policies in relation to the emergence of estimated gross profits, the amortisation is adjusted for the effect of the differences between ING GAAP and IFRS-EU.

Foreign currency translation
Under ING GAAP, translation differences on insurance liabilities and related investments were recorded in equity. Under IFRS-EU, both are recognised in the profit and loss account. Both under IFRS-EU and ING GAAP translation differences on foreign operations are reported in a translation reserve in equity; however, at transition to IFRS-EU the translation differences reserve was reset to nil.

Result on sale of consolidated subsidiaries
The result on sale under IFRS-EU is different from ING GAAP as the book value at the time of disposal under IFRS-EU differs from ING GAAP. This specifically relates to a negative revaluation on property in own use that under IFRS-EU was charged to the profit and loss account in 2004, whereas it was included in the result on disposal under ING GAAP (also in 2004). The effect included in Result on sale of consolidated subsidiaries is offset by an opposite amount included in Property, the total effect on 2004 net profit is nil.

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

DIFFERENCES FROM IMPLEMENTING IAS 32/39 AND IFRS 4 AS OF 1 JANUARY 2005
Available-for-sale debt securities
Under IFRS-EU, quoted debt securities (non-trading) other than those designated as being held-to-maturity are reported at fair value, with changes in fair value recognised in a revaluation reserve in equity; realised results are recognised directly in the profit and loss account. Under ING GAAP, debt securities were reported at amortised cost; realised results were deferred and amortised over the remaining term.

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

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

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

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

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

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

Loans and advances to customers
Under both ING GAAP and IFRS-EU loans are measured at amortised cost. Under IFRS-EU, certain fees/costs are capitalised and amortised whilst under ING GAAP they were expensed immediately (e.g. mortgage broker fees). The amortisation of premiums, discounts and fees under IFRS-EU is based on effective yield whereas under ING GAAP these were amortised on a straight-line basis. Under IFRS-EU, realised results are reported in net income. Under ING GAAP these were amortised over the remaining term (e.g. certain prepayment penalties on mortgages).

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

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

Equity securities
Under ING GAAP, negative revaluations on equity securities were only charged to the profit and loss account as impairment when triggered by the financial condition of the issuer. Under IFRS-EU, impairment is also triggered by a significant or prolonged decline of the market value below cost. This does not affect Group equity as at 1 January 2005.

Classification of equity instruments
Under ING GAAP, preference shares and trust preferred securities were - in accordance with the legal form - classified as equity. Under IFRS-EU, the terms and conditions of ING Group's preference shares and trust preferred securities require their classification as liabilities.

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

IMPACT OF CHANGES IN ACCOUNTING PRINCIPLES ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

IFRS-EU TRANSITION EFFECTS ON THE STATEMENT OF CASH FLOWS

amounts in millions of euros	**1 January 2005**	1 January 2004
Cash and cash equivalents – ING GAAP	**11,291**	7,338
Consolidation of SPE's	**989**	377
Cash and cash equivalents – IFRS-EU	**12,280**	7,715

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP (CONTINUED)

ACQUISITIONS AND DISPOSALS OF GROUP COMPANIES

IMPACT OF MOST SIGNIFICANT CHANGES IN COMPOSITION OF THE GROUP

amounts in millions of euros	**Before acquisition/ disposal**	**After acquisition/ disposal**	**Impact 2005**	Before acquisition/ disposal	After acquisition/ disposal	Impact 2004
Assets	**1,160,984**	**1,158,639**	**-2,345**	889,202	876,391	-12,811
Liabilities and third-party interests	**1,124,183**	**1,121,903**	**-2,280**	865,263	852,322	-12,941
Shareholders' equity	**36,801**	**36,736**	**-65**	23,939	24,069	130
Total income	**71,377**	**71,141**	**-236**	68,211	68,159	-52
Net profit for the period	**7,353**	**7,210**	**-143**	5,700	5,755	55

The impact of a change in the composition of the group is defined as the change in assets, liabilities, shareholders' equity or net profit resulting from the acquisition or disposal of a group company, compared to the situation where no acquisition or disposal took place. The impact is included in the financial year in which the acquisition or disposal took place.

In February 2005, ING sold internet service provider Freeler to KPN. The sale resulted in a net gain of EUR 10 million.

In March 2005, ING Group reduced its stake in ING Bank Slaski from 87.77% to 75% by selling shares on the market. By reducing the stake in ING Bank Slaski, ING Group complied with requirements set by the Polish regulator in 2001. ING Group has no intention to further reduce its stake of 75% in ING Bank Slaski.

In March 2005, ING Group acquired 19.9% of Bank of Beijing for an amount of EUR 166 million. Bank of Beijing is the second largest city commercial bank in China and the third largest bank in Beijing.

In March 2005, ING Group finalised the sale of Barings Asset Management to MassMutual Financial Group and Northern Trust Corp. The sale resulted in a net gain of EUR 254 million.

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

In June 2005, ING Group formed a private equity joint venture to purchase Gables Residential Trust, a U.S.-based real estate investment trust. Gables Residential Trust is a developer, builder, owner and manager of higher-end multifamily properties. ING will provide USD 400 million in equity to finance the transaction. The venture is managed by ING Clarion, a wholly-owned subsidiary of ING Group.

In June 2005, ING Group has purchased GE Commercial Finance's 50% stake in NMB-Heller's Dutch and Belgian factoring business. The factoring business has been transferred into a new company, which operates under the name ING Commercial Finance. GE Commercial Finance purchased ING's 50% stake in NMB-Heller's German unit, Heller GmbH. Both purchases took effect retroactively from 1 January 2005.

In August 2005, ING Group acquired a portfolio of properties located in the UK from Abbey National. The purchase price amounted to EUR 1.7 billion. The portfolio has been divided between various separate account clients.

In October 2005, ING Group acquired Eural NV from Dexia Bank Belgium. In the course of 2006, Eural is expected to be merged with ING Belgium's unit Record Bank.

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

In December 2005 ING Group sold Arenda Holding BV to ZBG, a Dutch private equity firm. Arenda is a provider of consumer finance products.

In 2004, ING Group sold most of the German banking units of ING BHF-Bank. The transaction includes ING BHF-Bank's asset management, private banking, financial markets and core corporate banking business. The value of the transaction amounted to EUR 600 million.

In 2004, ING Group acquired Allianz's property and casualty insurance operations in Canada. The goodwill amounted to EUR 48 million.

In 2004, ING Group reduced its shareholding in ING Canada Inc from 100% to 72.9% by an initial public offering of 34,880,000 common shares of ING Canada Inc. The gross proceeds amounted to EUR 552 million. In 2005, the underwriting syndicate exercised its option to buy an additional 5,232,000 common shares, reducing the shareholding of ING Group to 70%.

In 2004, ING Group signed a co-insurance agreement with Scottish Re regarding its individual life reinsurance business in the United States. Under this agreement, all assets of the business have been transferred to Scottish Re while the liabilities related to the business have been reinsured through Scottish Re. Under the agreement ING Group paid a ceding commission amounting to EUR 450 million.

In 2004, ING Group acquired the Dutch real estate fund Rodamco Asia. As a result, the fund was delisted from Euronext in Amsterdam in 2004 and from the Frankfurt Stock Exchange in 2005. The goodwill amounted to EUR 22 million.

In 2004, ING Group sold its 100% subsidiary CenE Bankiers to Van Lanschot. CenE Bankiers is specialised in commercial and private banking in the Netherlands. The value of the transaction amounted to EUR 250 million.

In 2004, ING Group acquired Mercator Bank, a Belgium medium-sized savings bank. The negative goodwill amounted to EUR 26 million and was recognised as income in the profit and loss account.

In 2004, ING Group sold its Asian cash equities business to Macquarie Bank. The cash equities business comprises sales, trading, research and equity capital markets operations.

In 2004, ING Group sold its non-life insurance business in Australia to QBE Insurance Group. The value of the transaction amounted to EUR 431 million.

CRITICAL ACCOUNTING POLICIES

ING Group has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to insurance provisions and deferred acquisition costs, provisions for loan losses and the determination of the fair values of financial assets and liabilities and employee benefits. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce materially different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the consolidated financial statements and the information below under Principles of valuation and determination of results.

INSURANCE PROVISIONS, DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The establishment of insurance provisions, DAC and VOBA is an inherently uncertain process, involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends.

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

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

Insurance provisions also include the impact of minimum guarantees which are contained within certain variable annuity products. This impact is dependant upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, mortality and morbidity trends and other factors. The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expense.

PROVISIONS FOR LOAN LOSSES

Provisions for loan losses are recognised based on an incurred loss model. Considerable judgement is exercised in determining the extent of the loan loss provision (impairment) and is based on the management's evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit, industry and geographical concentration trends. Changes in such judgements and analyses may lead to changes in the provisions for loan losses over time.

The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP (CONTINUED)

Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Current observable data may include changes in unemployment rates, property prices and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

For certain financial assets and liabilities, including OTC derivative instruments, no quoted market prices are available. For these financial assets and liabilities fair value is determined using valuation techniques. These valuation techniques consider, among other factors, contractual and market prices, correlations, time value of money, credit, yield curve volatility factors and/or prepayment rates of the underlying positions. All valuation techniques used are approved by the applicable internal authorities. In addition, market data used in these valuation techniques are validated on a daily basis.

Models are subjective in nature and significant judgement is involved in establishing fair values for financial assets and liabilities. Models involve various assumptions regarding the underlying price, yield curve, correlations and many other factors. The use of different valuation techniques and assumptions could produce materially different estimates of fair value.

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

EMPLOYEE BENEFITS

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

The liability recognised in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses and past unrecognised service costs.

The determination of the defined benefit plan liability is based on internal and external actuarial models and calculations. The defined benefit obligation is calculated using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rate of increase in future salary and benefit levels, mortality rates, health care costs trend rates, consumer price index and the expected return on plan assets. The assumptions are based on available market data and the historical performance of plan assets and are updated annually.

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

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

CONSOLIDATION

ING Group ('the Group') comprises ING Groep N.V. ('the Company'), ING Verzekeringen N.V., ING Bank N.V. and all other subsidiaries. The consolidated financial statements of ING Group comprise all entities (including special purpose entities) where ING Group, and/or it subsidiaries, has, either directly or indirectly, the power to exercise control over the financial and operating policies. Control is presumed to exist when ING Group has, directly or indirectly through subsidiaries, more than one half of the voting power or otherwise exercises effective control.

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with Group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of ING Groep N.V. There are no material restrictions on subsidiaries to transfer funds to the parent company.

ING Group's interests in jointly controlled entities are accounted for by proportionate consolidation. ING Group proportionately consolidates its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in ING Group's financial statements. ING Group recognises the portion of gains or losses on the sale of assets to the joint venture that it is attributable to the other venturers. ING Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by ING Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

For interests in investment vehicles the existence of control is determined taking into account both ING's financial interests for own risk and its role as investment manager.

USE OF ESTIMATES AND ASSUMPTIONS
The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities as at balance sheet date as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

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

SEGMENTAL REPORTING
A business segment is a distinguishable component of the Group engaged in providing products or services that is subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated. The business lines of the Group are the business segments and the primary segment reporting format, the geographical segments the secondary.

ANALYSIS OF INSURANCE BUSINESS
Where amounts in respect of insurance business are analysed into 'life' and 'non-life', health and disability insurance business is included in 'non-life'.

FOREIGN CURRENCY TRANSLATION
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency.

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

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

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

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

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

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP (CONTINUED)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market (for example over-the-counter derivatives) are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

DERIVATIVES AND HEDGE ACCOUNTING

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

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); (2) hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items including the method for assessing the hedging instruments' effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

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

Fair value hedge

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

Cash flow hedge

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

Net investment hedge

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

Non-trading derivatives that do not qualify for hedge accounting

Certain non-trading derivative instruments that are used by the Group as part of its risk management strategies do not qualify for hedge accounting under the Group's accounting policies. Changes in the fair value of non-trading derivatives that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

FINANCIAL ASSETS

Recognition of financial assets

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

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it has no longer control over the asset. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Group is exposed to changes in the value of the asset.

Loans and advances to customers

Loans and advances to customers are initially recognised at fair value, net of transaction costs. Subsequently, they are carried at amortised cost using the effective interest rate method less any impairment losses.

Investments

Investment securities (including loans quoted in active markets) are classified either as held-to-maturity or available-for-sale assets and are initially recognised at fair value, net of transaction costs. Investment securities and loans quoted in active markets with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities and actively traded loans intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale.

Available-for-sale financial assets

For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective yield method. Available-for-sale financial assets are measured at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as gains and losses from investments. For impairments on available-for-sale financial assets reference is made to the section Impairments of other financial assets.

Held-to-maturity investments

Investments for which the Group has the positive intention and ability to hold to maturity and which are designated as held-to-maturity assets are subsequently carried at amortised cost using the effective yield method, less any provision for impairment.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss comprise two sub-categories: financial assets held for trading and other financial assets designated at fair value through profit and loss by management, including investments for the risk of policyholders. A financial asset is classified as at fair value through profit and loss if acquired principally for the purpose of selling in the short term or if so designated by management. Designation by management will only take place if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. Investments for the risk of policyholders are investments against insurance liabilities for which all changes in fair value of invested assets are offset by similar changes in insurance liabilities.

Realised gains and losses on investments

Realised gains and losses on investments are determined as the difference between the sale proceeds and (amortised) cost. For equity securities the cost is determined by using a weighted average per portfolio. For debt securities the cost is determined by specific identification.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Group has a legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

REPURCHASE TRANSACTIONS AND REVERSE REPURCHASE TRANSACTIONS

Securities sold subject to repurchase agreements ('repos') are retained in the consolidated financial statements. The counterparty liability is included in Amounts due to banks, Other borrowed funds or Customer deposits and other funds on deposit, as appropriate.

Securities purchased under agreements to resell ('reverse repos') are recorded as Loans and advances to customers or Amounts due from banks, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP (CONTINUED)

PROVISIONS FOR LOAN LOSSES

The Group assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes, but is not limited to:
- The borrower has sought or has been placed in bankruptcy or similar protection and this avoids or delays repayment of the financial asset.
- The borrower has failed in the repayment of principle, interest or fees and the payment failure has remained unsolved for a certain period.
- The borrower has evidenced significant financial difficulty, to the extent that it will have a negative impact on the future cash flows of the financial asset.
- The credit obligation has been restructured for non-commercial reasons. ING has granted concessions, for economic or legal reasons relating to the borrower's financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

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

IMPAIRMENT OF OTHER FINANCIAL ASSETS

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through the profit and loss account.

INVESTMENTS IN ASSOCIATES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and subsequently accounted for by the equity method of accounting.

The Group's investment in associates (net of any accumulated impairment loss) includes goodwill identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

For interests in investment vehicles the existence of significant influence is determined taking into account both ING's financial interests for own risk and its role as investment manager.

INVESTMENT PROPERTY

Investment property is stated at fair value as at the balance sheet date. Changes in the carrying amount resulting from revaluations are recorded in the profit and loss account. On disposal the difference between the sale proceeds and book value is recognised in the profit and loss account.

Fair value of investment property is based on regular appraisals by independent qualified valuers.

PROPERTY AND EQUIPMENT

Property in own use

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

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

Property under construction

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

Property held for sale

Property held for sale comprises properties obtained from foreclosures and property developed for sale for which there is no specifically negotiated contract. These properties are stated at the lower of cost and net realisable value. Cost includes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where the net realisable value is lower than the carrying amount, the impairment is recorded in the profit and loss account.

Property under development for third parties

Property under development for third parties is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and the Group's own directly attributable development and supervision expenses less any required provision for impairment. Profit is recognised on completion date of the property (completed contract method).

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

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP (CONTINUED)

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

Assets under operating leases
Assets leased out under operating leases in which ING is the lessor are stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over the lease term. Reference is made to Leases.

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

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

LEASES
The Group as the lessee
The leases entered into by ING are primarily operating leases. The total payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

The Group as the lessor
When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable under Loans and advances to customers or Amounts due from banks. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. When assets are held subject to an operating lease, the assets are included under "Assets under operating leases".

PURCHASE ACCOUNTING, GOODWILL AND OTHER INTANGIBLE ASSETS
Goodwill
ING Group's acquisitions are accounted for under the purchase method of accounting, whereby the cost of the acquisitions is allocated to the fair value of the assets, liabilities and contingent liabilities acquired. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and the Group's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. The results of the operations of the acquired companies are included in the profit and loss account from the date control is obtained.

Goodwill is only capitalised on acquisitions after the date of implementing IFRS-EU (1 January 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on those acquisitions were charged directly to shareholders' equity. Goodwill is allocated to cash-generating units for the purpose of impairment testing. These cash-generating units represent the lowest level at which goodwill is monitored for internal management purposes. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the cash generating units (including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

Adjustments to the fair value as of the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recorded as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. However, recognition of deferred tax assets after the acquisition date is recorded as an adjustment to goodwill even after the first year. On disposal of group companies, the difference between the sale proceeds and book value (including goodwill) and the amount included in the currency translation reserve in equity is included in the profit and loss account.

Computer software
Computer software that has been purchased or generated internally for internal use is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed three years. Amortisation is included in other expenses.

Value of business acquired (VOBA)
VOBA is an asset that represents the present value of estimated net cash flows embedded in the insurance contracts of an acquired company, which existed at the time the company was acquired. VOBA is amortised similar to amortisation of deferred acquisition costs as described in the section Deferred acquisition costs.

Other intangible assets
Other intangible assets are capitalised and amortised over their expected economic lives. Intangible assets with an indefinite life are not amortised.

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

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

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

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

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

TAXATION
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the profit and loss account together with the deferred gain or loss.

FINANCIAL LIABILITIES
Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense using the effective interest method.

Borrowings are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in net income.

Financial liabilities at fair value through profit and loss comprise two sub-categories: financial liabilities held for trading and other financial liabilities designated at fair value through profit and loss by management. Designation by management will only take place if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP (CONTINUED)

INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Insurance contracts

Insurance policies which bear significant insurance risk under the Group accounting policies are presented as insurance contracts. Provisions for liabilities under insurance contracts represent estimates of future payouts that will be required in respect of life and non-life insurance claims, including expenses relating to such claims.

Provision for life policy liabilities

The Provision for life policy liabilities is calculated on the basis of a prudent prospective actuarial method, taking into account the conditions for current insurance contracts.

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

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

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

Provision for unearned premiums and unexpired insurance risks

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

Claims provision

The Claims provision is calculated either on a case-by-case basis or by approximation on the basis of experience. Provisions have also been made for claims incurred but not reported and for future claims handling expenses. The adequacy of the Claims provision is evaluated each year using standard actuarial techniques. In addition, so-called 'IBNR' reserves are set to recognise the estimated cost of losses that have occurred but which have not yet been notified.

Deferred profit sharing liability

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

Insurance provisions for policies for which the policyholder bears the investment risk

The insurance provisions for policies for which the policyholders bear the investment risk are calculated on the same basis as the provision for life policy liabilities. For insurance contracts for which policyholders bear the investment risk the insurance provisions are generally shown at the balance sheet value of the associated investments.

Reinsurance contracts

Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in the same way as the original contracts for which the reinsurance was concluded.

Investment contracts

Insurance policies without discretionary participation features which do not bear significant insurance risk under the Group accounting policies are presented as Investment contracts. Provisions for liabilities under investment contracts are determined either at amortised cost, using the effective interest method (including certain initial acquisition expenses) or at fair value.

Adequacy test

The adequacy of the Provision for life policy liabilities net of DAC and VOBA is evaluated regularly by each business unit. The test considers current estimates of all contractual and related cash flows. It takes into account future developments. It allows for remaining unamortised interest-rate rebates, DAC and VOBA. It includes investment income on the same basis as it is included in the profit and loss.

If it is determined using a best estimate (50%) confidence level that a shortfall exists, it is immediately recorded in the profit and loss account.

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

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

OTHER LIABILITIES

Employee benefits - pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and unrecognised past service costs. The defined benefit obligation is calculated annually by internal and external actuaries using the projected unit credit method.

The defined benefit obligation is calculated using the expected rate of return on plan assets. Differences between this expected return and the actual return on these plan assets and actuarial changes are not recognised in the profit and loss account, unless the accumulated differences and changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. The excess is amortised and charged or credited to the profit and loss account over employees' remaining working lives. The corridor was reset to nil at the date of transition to IFRS-EU (1 January 2004).

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-retirement obligations

Some Group companies provide post-retirement healthcare and other benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Other provisions

A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, whereas the timing or the amount is uncertain. Unless stated otherwise below, provisions are discounted using a pre-tax discount rate to reflect the time value of money. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

Reorganisation provisions include employee termination benefits when the Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

INCOME RECOGNITION

Premium income

Premiums from life insurance policies are recognised as revenue when due from the policyholder. For non-life insurance policies, premium income is recognised on a pro-rata basis over the term of the related policy coverage. Receipts under investment contracts are not recognised as premium income.

Net interest income

Interest income and expense are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP (CONTINUED)

does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Movements in the 'clean fair value' are included in net trading income.

Fees and commissions
Fees and commissions are generally recognised as the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service has been provided. Asset management fees related to investment funds and investment contract fees are recognised rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Lease income
The proceeds from leasing out assets under operating leases are recognised on a straight-line basis over the life of the lease agreement. Lease payments received in respect of finance leases when ING is the lessor are divided into an interest component (recognised as interest income) and a repayment component.

Expense recognition
Expenses are recognised in the profit and loss account when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

EARNINGS PER ORDINARY SHARE
Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. The following has been taken into consideration in calculating the weighted average number of ordinary shares outstanding:
– own shares held by group companies are deducted from the total number of ordinary shares in issue;
– the computation is based on daily averages;
– in case of exercised warrants, the day of exercise is taken into consideration.

Diluted earnings per share data are computed as if the stock options and warrants outstanding at year-end were exercised at the beginning of the period. It is also assumed that ING Group uses the cash thus received for stock options and warrants exercised to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from the exercise of warrants and stock options is added to the average number of shares used for the calculation of diluted earnings per share.

FIDUCIARY ACTIVITIES
The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

ACCOUNTING POLICIES APPLIED IN RESPECT OF FINANCIAL INSTRUMENTS AND INSURANCE CONTRACTS FOR THE YEAR ENDED 31 DECEMBER 2004
As explained under 'Changes in accounting principles', the 2004 comparatives for financial instruments and insurance contracts are presented under the accounting principles applied in the 2004 financial statements (i.e. not restated for IAS 32, IAS 39 and IFRS 4). The main items involved are:
– non trading derivatives
– investments
– loans and advances to customers
– insurance, reinsurance and investment contracts

Key differences between the former ING GAAP accounting principles and IFRS-EU for these items are described in the section 'Changes in accounting principles'.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP

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

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, amounts due from other banks and amounts due to banks. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The net cash flow shown in respect of Loans and advances to customers only relates to transactions involving actual payments or receipts. The Additions to the provision for loan losses which is deducted from the item Loans and advances to customers in the balance sheet has been adjusted accordingly for the profit before tax and is shown separately in the cash flow statement.

The difference between the net cash flow in accordance with the cash flow statement and the movement in Cash in the balance sheet is due to exchange differences and is separately accounted for as part of the reconciliation of the net cash flow and the balance sheet movement in cash.

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP

AMOUNTS IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE

ASSETS

1 CASH AND BALANCES WITH CENTRAL BANKS

CASH AND BALANCES WITH CENTRAL BANKS

	2005	2004
Amounts held at central banks	**9,479**	6,734
Cash and bank balances	**3,498**	2,231
Short term deposits insurance operations	**107**	148
	13,084	9,113

2 AMOUNTS DUE FROM BANKS

AMOUNTS DUE FROM BANKS

	Netherlands	International	Total 2005	Netherlands	International	Total 2004
Loans and advances to banks	**2,805**	**24,072**	**26,877**	1,853	18,644	20,497
Cash advances, overdrafts and other balances	**2,174**	**18,422**	**20,596**	1,737	22,868	24,605
	4,979	**42,494**	**47,473**	3,590	41,512	45,102
Provision for loan losses			**-7**			-18
			47,466			45,084

As at 31 December 2005, amounts due from banks included receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 7,738 million (2004: EUR 10,799 million).

As at 31 December 2005, the non-subordinated receivables amounted to EUR 47,406 million (2004: EUR 44,818 million) and the subordinated receivables amounted to EUR 60 million (2004: EUR 266 million).

As at 31 December 2005, assets held under finance lease contracts amounted to EUR 225 million (2004: EUR 158 million).

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2005	2004
Trading assets	**149,187**	79,649
Investments for risk of policyholders	**100,961**	77,662
Non-trading derivatives	**7,766**	
Designated as at fair value through profit or loss	**10,230**	
Other		3,334
	268,144	160,645

The majority of financial assets designated as at fair value through profit or loss are equity and debt securities.

TRADING ASSETS BY TYPE

	2005	2004
Equity securities	**10,107**	10,103
Debt securities	**38,299**	37,171
Derivatives	**20,254**	
Loans and receivables	**80,527**	32,375
	149,187	79,649

Trading derivatives as at 31 December 2004 are included in trading liabilities.

At 31 December 2005, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 67 million (2004: nil) and EUR 1,653 million (2004: nil), respectively.

INVESTMENTS FOR THE RISK OF POLICYHOLDERS BY TYPE

	2005	2004
Equity securities	**79,290**	74,015
Debt securities	**7,140**	2,673
Other investments	**14,531**	974
	100,961	77,662

The cost of investments for risk of policyholders as at 31 December 2005 was EUR 88,748 million (2004: EUR 77,338 million).

NON-TRADING DERIVATIVES

	2005	2004
Derivatives used in cash flow hedging	**2,274**	
Derivatives used in fair value hedging	**1,179**	
Derivatives used in hedges of net investments in foreign operations	**31**	
Other non-trading derivatives	**4,282**	
	7,766	

4 INVESTMENTS

INVESTMENTS BY TYPE

	2005	2004
Available-for-sale		
Equity securities	**16,466**	11,449
Debt securities	**289,241**	264,882
	305,707	276,331
Held-to-maturity		
Debt securities	**18,937**	
	18,937	
	324,644	276,331

The fair value of the securities classified as held-to-maturity amounts to EUR 19,466 million at 31 December 2005.

MOVEMENTS IN INVESTMENTS – AVAILABLE-FOR-SALE AND HELD-TO-MATURITY

	Available-for-sale							
	Equity securities		Debt securities		Held-to-maturity		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Opening balance	**11,449**	11,907	**264,882**	208,261			**276,331**	220,168
Implementation IAS 32/39	**928**		**-25,716**		**14,059**		**-10,729**	
Additions	**9,015**	5,602	**251,027**	257,035	**1,030**		**261,072**	262,637
Transfers	**233**		**-4,817**		**4,010**		**-574**	
Changes in the composition of the group	**-380**	-280	**-1,458**	-1,369			**-1,838**	-1,649
Gains/(losses) from change in fair value	**3,097**	678	**-630**	-860			**2,467**	-182
Provision for impairment	**-91**	-20	**34**	-46			**-57**	-66
Disposals and redemptions	**-8,390**	-6,090	**-210,629**	-190,481	**-245**		**-219,264**	-196,571
Exchange differences	**605**	-348	**16,548**	-7,658	**83**		**17,236**	-8,006
Closing balance	**16,466**	11,449	**289,241**	264,882	**18,937**		**324,644**	276,331

AVAILABLE-FOR-SALE EQUITY SECURITIES BY INSURANCE AND BANKING OPERATIONS

	Listed		Unlisted		Total	
	2005	2004	**2005**	2004	**2005**	2004
Insurance operations	**12,311**	9,333	**2,008**	950	**14,319**	10,283
Banking operations	**1,238**	759	**909**	407	**2,147**	1,166
	13,549	10,092	**2,917**	1,357	**16,466**	11,449

DEBT SECURITIES BY INSURANCE AND BANKING OPERATIONS

	Available-for-sale		Held-to-maturity		Total	
	2005	2004	**2005**	2004	**2005**	2004
Insurance operations	**130,189**	101,833			**130,189**	101,833
Banking operations	**159,052**	163,049	**18,937**		**177,989**	163,049
	289,241	264,882	**18,937**		**308,178**	264,882

REVALUATION OF AVAILABLE-FOR-SALE EQUITY SECURITIES

	2005	2004
Cost	**11,422**	10,492
Revaluation – gross unrealised gains	**5,134**	2,042
– gross unrealised losses	**90**	1,085
	16,466	11,449

REVALUATION OF AVAILABLE-FOR-SALE DEBT SECURITIES

	2005
Cost	**280,649**
Revaluation – gross unrealised gains	**10,401**
– gross unrealised losses	**1,809**
	289,241

As at 31 December 2005, the balance sheet value included shares which were lent or sold in repurchase transactions amounting to nil (2004: EUR 5 million) and EUR 3 million (2004: EUR 9 million), respectively. As at 31 December 2005, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 708 million (2004: EUR 719 million) and EUR 37,181 million (2004: EUR 29,402 million), respectively.

Borrowed equity securities and convertible bonds are not recognised in the balance sheet and amounted to nil as at 31 December 2005 (2004: EUR 12 million).

Borrowed debt securities are not recognised in the balance sheet and amounted to EUR 3,295 million as at 31 December 2005 (2004: EUR 2,868 million).

Investments in connection with the insurance operations with a combined carrying value of EUR 3 million (2004: EUR 153 million) were non-income-producing for the year ended 31 December 2005.

5 LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS BY INSURANCE AND BANKING OPERATIONS

	2005	2004
Insurance operations	**38,467**	36,306
Banking operations	**404,511**	299,057
	442,978	335,363
Eliminations	**3,797**	4,905
	439,181	330,458

LOANS AND ADVANCES TO CUSTOMERS BY TYPE – BANKING OPERATIONS

	Netherlands	**International**	**Total 2005**	Netherlands	International	Total 2004
Loans to or guaranteed by public authorities	**13,907**	**17,535**	**31,442**	7,296	17,118	24,414
Loans secured by mortgages	**111,257**	**69,855**	**181,112**	103,596	53,156	156,752
Loans guaranteed by credit institutions	**1,448**	**378**	**1,826**	414	702	1,116
Other personal lending	**9,942**	**15,200**	**25,142**	6,419	8,474	14,893
Other corporate loans	**81,946**	**86,349**	**168,295**	39,852	66,274	106,126
	218,500	**189,317**	**407,817**	157,577	145,724	303,301
Provision for loan losses	**-916**	**-2,390**	**-3,306**	-1,073	-3,171	-4,244
	217,584	**186,927**	**404,511**	156,504	142,553	299,057

LOANS AND ADVANCES TO CUSTOMERS BY TYPE – INSURANCE OPERATIONS

	Netherlands	**International**	**Total 2005**	Netherlands	International	Total 2004
Policy loans	**55**	**3,481**	**3,536**	56	2,834	2,890
Loans secured by mortgages	**17,438**	**10,638**	**28,076**	17,460	9,552	27,012
Personal loans	**3,836**	**2,125**	**5,961**	5,039	181	5,220
Other	**836**	**105**	**941**	523	773	1,296
	22,165	**16,349**	**38,514**	23,078	13,340	36,418
Provision for loan losses	**-16**	**-31**	**-47**	-104	-8	-112
	22,149	**16,318**	**38,467**	22,974	13,332	36,306

LOANS AND ADVANCES TO CUSTOMERS ANALYSED BY SUBORDINATION – BANKING OPERATIONS

	2005	2004
Non-subordinated	**402,747**	298,263
Subordinated	**1,764**	794
	404,511	299,057

As at 31 December 2005, Loans and advances to customers included receivables with regard to securities which have been acquired in reverse repurchase transactions related to the banking operations amounting to EUR 6,684 million (2004: EUR 24,110 million).

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (CONTINUED)

Loans and advances to customers and Amounts due from banks include finance lease receivables, analysed as follows:

FINANCE LEASE RECEIVABLES

	2005	2004
Maturities of gross investment in financial leases receivable		
Not later than 1 year	**4,230**	4,067
Later than 1 year and not later than 5 years	**7,355**	7,111
Later than 5 years	**2,654**	2,269
	14,239	13,447
Unearned future finance income on finance leases	**-2,022**	-1,783
Net investment in finance leases	**12,217**	11,664
Maturities of net investment in finance leases		
Not later than 1 year	**3,727**	3,533
Later than 1 year and not later than 5 years	**6,163**	6,160
Later than 5 years	**2,327**	1,971
	12,217	11,664
Included in Loans and advances to customers	**11,992**	11,506
Included in Amounts due from banks	**225**	158
	12,217	11,664

The allowance for uncollectible finance lease receivables included in the provision for loan losses amounted to EUR 45 million at 31 December 2005 (2004: EUR 116 million).

PROVISION FOR LOAN LOSSES ANALYSED BY SECURITY – BANKING OPERATIONS

	Netherlands	International	Total 2005	Netherlands	International	Total 2004
Loans secured by public authorities	**1**	**2**	**3**		36	36
Loans secured by mortgages	**93**	**273**	**366**	199	213	412
Loans guaranteed by credit institutions		**13**	**13**		23	23
Other personal lending	**230**	**408**	**638**	181	344	525
Other corporate loans	**592**	**1,701**	**2,293**	692	2,574	3,266
Other				14	180	194
	916	**2,397**	**3,313**	1,086	3,370	4,456

MOVEMENTS IN PROVISION FOR LOAN LOSSES – BANKING OPERATIONS

	2005	2004
Opening balance	**4,456**	4,835
Implementation IAS 32/39	**-592**	
Changes in the composition of the group	**-4**	-38
Write-offs	**-842**	-956
Recoveries	**61**	85
Increase/(decrease) in loan loss provision	**88**	465
Exchange differences	**115**	-29
Other movements	**31**	94
Closing balance	**3,313**	4,456
The closing balance is included in		
– amounts due to banks	**7**	18
– loans and advances to customers	**3,306**	4,244
– other assets		194
	3,313	4,456

6 INVESTMENTS IN ASSOCIATES

INVESTMENTS IN ASSOCIATES

2005	Interest held (%)	Balance sheet value	Total assets	Total liabilities	Total income	Total expense
Vesteda	25	731	4,333	1,409	390	121
Lionbrook Property Partnership	33	308	988	62	42	14
ING Winkels Basisfonds	25	275	1,177	75	134	12
ING Woningen Basisfonds	25	205	925	54	144	45
Property Fund Iberica	30	165	1,472	911	241	152
Lion Properties Fund	8	147	2,427	590	245	48
Lion Industrial Trust	12	144	2,583	1,231	281	98
ING PF Brittanica	33	135	768	361	48	28
ING Industrial Fund Australia	13	133	1,192	349	119	24
Gables RE Trust – Permanent/Bridge equity	18	131	2,539	1,750	190	51
ING Retail Property Fund Australia	30	122	724	312	50	22
Q-Park N.V.	19	105	1,277	721	32	29
ING Korea Property Investments	51	89	368	223	23	6
ING Vastgoed Winkels C.V.	10	72	727	8	107	15
ING Logistic Property C.V.	25	62	477	230	48	23
ING Office Fund Australia	7	61	1,300	538	115	28
ING Convent Garden	44	53	247	125	12	4
Retail Property Fund France Belgium (RPFFB)	15	52	863	520	101	48
ING Vastgoed Woningen C.V.	10	51	515		95	35
Other investments in associates[1]		512				
		3,553				
Receivables from associates		69				
		3,622				

[1] Includes SulAmérica

INVESTMENTS IN ASSOCIATES

2004	Interest held (%)	Balance sheet value	Total assets	Total liabilities	Total income	Total expense
Vesteda	25	724	4,323	1,427	335	265
Property Fund Iberica	30	134	1,345	898	144	71
Lion Property Fund	12	116	1,210	243	54	11
Lion Industrial Trust	16	102	1,284	657	137	133
Q-Park N.V.	19	97	1,133	621	174	156
Lionbrook Property Partnership	26	79	413	109	27	7
ING UK Property Income Limited Partnership	45	63	369	229	6	3
ING Logistic Property C.V.	25	60	465	225	27	19
ING Retail Property Fund Australia	30	56	604	417	45	21
Other investments in associates[2]		1,131				
		2,562				
Receivables from associates		101				
		2,663				

[2] Includes NRG and SulAmérica

Accumulated impairments have been recognised of EUR 4 million (2004: EUR 4 million).

MOVEMENTS IN ASSOCIATES

	Investments in associates		Receivables from associates	
	2005	2004	**2005**	2004
Opening balance	**2,562**	2,104	**101**	170
Additions and advances	**707**	251	**69**	21
Changes in the composition of the group	**-323**	96		-75
Transfer to and from investments	**964**	357		
Revaluations	**125**	22		
Share of results	**412**	165		
Dividends received	**-170**	-128		
Disposals and redemptions	**-819**	-281	**-104**	-15
Exchange differences	**95**	-24	**3**	
Closing balance	**3,553**	2,562	**69**	101

7 INVESTMENT PROPERTY

MOVEMENTS IN INVESTMENT PROPERTY

	2005	2004
Opening balance	**7,151**	6,138
Additions	**1,156**	1,113
Changes in the composition of the group	**-187**	477
Transfer to and from other assets	**-2,432**	233
Transfer to and from property in own use	**-2**	-8
Fair value gains/(losses)	**171**	199
Disposals	**-879**	-1,046
Exchange differences	**53**	-49
Other movements		94
Closing balance	**5,031**	7,151

INVESTMENT PROPERTY BY INSURANCE AND BANKING OPERATIONS

	2005	2004
Insurance operations	**3,310**	5,196
Banking operations	**1,721**	1,955
	5,031	7,151

The total amount of rental income recognised in the profit and loss account for the years ended 31 December 2005 and 2004 was EUR 372 million and EUR 453 million respectively. The total amount of contingent rent recognised in the profit and loss account for the years ended 31 December 2005 and 2004 was EUR 6 million and EUR 27 million respectively.

The total amount of direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income for the years ended 31 December 2005 and 2004 was EUR 105 million and EUR 206 million respectively. The total amount of direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income for the years ended 31 December 2005 and 2004 was EUR 38 million and EUR 30 million respectively.

APPRAISAL OF INVESTMENT PROPERTY DURING THE LAST FIVE YEARS BY PROFESSIONALLY QUALIFIED VALUERS (IN PERCENTAGES)

Years of appraisal	
2005	**93**
2004	**3**
2003	
2002	
2001	**4**
	100

8 PROPERTY AND EQUIPMENT

PROPERTY AND EQUIPMENT BY TYPE

	2005	2004
Property in own use	**2,271**	2,409
Equipment	**1,316**	1,273
Assets under operating leases	**2,170**	2,101
	5,757	5,783

PROPERTY IN OWN USE BY INSURANCE AND BANKING OPERATIONS

	2005	2004
Insurance operations	**788**	842
Banking operations	**1,483**	1,567
	2,271	2,409

MOVEMENTS IN PROPERTY IN OWN USE

	2005	2004
Opening balance	**2,409**	2,785
Additions	**73**	83
Changes in the composition of the group	**3**	-26
Transfer to and from investment property	**2**	8
Transfer to and from other assets	**-25**	-11
Depreciation	**-68**	-15
Revaluations	**216**	-39
Impairments	**-13**	-22
Reversal of impairments	**27**	
Disposals	**-421**	-158
Exchange differences	**62**	-7
Other movements	**6**	-189
Closing balance	**2,271**	2,409
Gross carrying amount as at 31 December	**2,362**	2,446
Accumulated depreciation as at 31 December	**-83**	-15
Accumulated impairments as at 31 December	**-8**	-22
Net book value	**2,271**	2,409
Revaluation surplus		
Opening balance	**361**	380
Changes in revaluation reserve for the year	**251**	-19
Closing balance	**612**	361

The cost or purchase price amounted to EUR 1,659 million (2004: EUR 2,070 million). Cost less accumulated depreciation would have been EUR 1,576 million (2004: EUR 1,943 million).

APPRAISAL OF PROPERTY IN OWN USE DURING THE LAST FIVE YEARS BY PROFESSIONALLY QUALIFIED VALUERS (IN PERCENTAGES)

years of appraisal	
2005	**67**
2004	**14**
2003	**8**
2002	**1**
2001	**10**
	100

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (CONTINUED)

MOVEMENTS IN EQUIPMENT

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2005	2004	**2005**	2004	**2005**	2004
Opening balance	**333**	374	**940**	935	**1,273**	1,309
Additions	**183**	166	**297**	247	**480**	413
Changes in the composition of the group	**-8**	6	**-12**	-1	**-20**	5
Disposals	**-8**	-16	**-41**	-18	**-49**	-34
Depreciation	**-198**	-196	**-223**	-214	**-421**	-410
Exchange differences	**12**	-1	**41**	-9	**53**	-10
Closing balance	**314**	333	**1,002**	940	**1,316**	1,273
Gross carrying amount as at 31 December	**1,198**	1,025	**2,523**	2,241	**3,721**	3,266
Accumulated depreciation as at 31 December	**-884**	-692	**-1,521**	-1,301	**-2,405**	-1,993
Net book value	**314**	333	**1,002**	940	**1,316**	1,273

MOVEMENTS IN ASSETS UNDER OPERATING LEASES

	Cars		Other leased-out assets		Total	
	2005	2004	**2005**	2004	**2005**	2004
Opening balance	**2,060**	2,033	**41**	68	**2,101**	2,101
Additions	**990**	944		6	**990**	950
Changes to the composition of the group	**3**		**22**		**25**	
Disposals	**-392**	-378		-10	**-392**	-388
Depreciation	**-549**	-536	**-9**	-20	**-558**	-556
Impairments		-6				-6
Exchange differences	**4**	3		-3	**4**	
Closing balance	**2,116**	2,060	**54**	41	**2,170**	2,101
Gross carrying amount as at 31 December	**3,070**	3,123	**98**	206	**3,168**	3,329
Accumulated depreciation as at 31 December	**-954**	-1,057	**-44**	-165	**-998**	-1,222
Accumulated impairments as at 31 December		-6				-6
Net book value	**2,116**	2,060	**54**	41	**2,170**	2,101

The Group leases assets to third parties under operating leases as lessor. The future minimum lease payments to be received under non-cancellable operating leases are as follows:

FUTURE MINIMUM LEASE PAYMENTS BY MATURITY

	2005	2004
Not later than 1 year	**664**	663
Later than 1 year and not later than 5 years	**1,505**	1,419
Later than 5 years	**1**	19
	2,170	2,101

9 INTANGIBLE ASSETS

MOVEMENTS IN INTANGIBLE ASSETS

	Value of business acquired 2005	Value of business acquired 2004	Goodwill 2005	Goodwill 2004	Software 2005	Software 2004	Other 2005	Other 2004	Total 2005	Total 2004
Opening balance			**139**		**423**	631	**32**		**594**	631
Capitalised					**38**	58			**38**	58
Transfer from deferred acquisition costs	**2,693**								**2,693**	
Additions	**101**		**70**	80	**174**	228	**15**		**360**	308
Amortisation	**-241**				**-215**	-245	**-5**	33	**-461**	-212
Impairments					**-20**		**-1**		**-21**	
Effect of unrealised revaluations in equity	**157**								**157**	
Changes in the composition of the group	**63**		**-60**	68	**-5**	-250	**45**	-1	**43**	-183
Exchange differences	**213**		**24**	-9	**13**	1	**8**		**258**	-8
Closing balance	**2,986**		**173**	139	**408**	423	**94**	32	**3,661**	594

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

As at 31 December 2005 the gross amount of goodwill amounted to EUR 173 million (2004: EUR 139 million).

As at 31 December 2004 value of business acquired was included in Deferred acquisition costs.

10 DEFERRED ACQUISITION COSTS

MOVEMENTS IN DEFERRED ACQUISITION COSTS

	Investment contracts 2005	Investment contracts 2004	Life insurance 2005	Life insurance 2004	Non-life insurance 2005	Non-life insurance 2004	Total 2005	Total 2004
Opening balance			**9,999**	9,485	**429**	361	**10,428**	9,846
Implementation IFRS 4	**110**		**-742**				**-632**	
Capitalised	**23**		**2,422**	2,854	**311**	262	**2,756**	3,116
Amortisation	**-10**		**-1,150**	-1,812	**-315**	-219	**-1,475**	-2,031
Unlocking			**4**				**4**	
Effect of unrealised revaluations in equity			**239**				**239**	
Transfer to VOBA	**-119**		**-2,574**				**-2,693**	
Changes in the composition of the group			**-138**		**-2**	37	**-140**	37
Exchange differences	**10**		**1,062**	-527	**67**	-12	**1,139**	-539
Disposal of portfolios	**57**		**-79**	-1			**-22**	-1
Closing balance	**71**		**9,043**	9,999	**490**	429	**9,604**	10,428

For flexible life insurance contracts the growth rate assumption used for calculating the amortisation of the deferred acquisition costs is currently 7.9% gross (6.9% net of investment management fees).

11 OTHER ASSETS

OTHER ASSETS BY TYPE

	2005	2004
Reinsurance and insurance receivables	**3,144**	3,013
Deferred tax assets	**2,118**	1,028
Property held for sale	**1,891**	1,639
Property under development for third parties	**71**	47
Income tax receivable	**580**	232
Accrued interest and rents	**13,776**	8,327
Other accrued assets	**1,112**	2,290
Other receivables	**7,468**	4,821
	30,160	21,397

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (CONTINUED)

REINSURANCE AND INSURANCE RECEIVABLES

	2005	2004
Receivables on account of direct insurance from		
– policyholders	**2,212**	2,298
– intermediaries	**213**	327
Reinsurance receivables	**719**	388
	3,144	3,013

DEFERRED TAX ASSETS BY ORIGIN

	2005	2004
Deferred tax assets relating to		
– insurance provisions	**160**	83
– investments	**490**	
– other provisions	**397**	172
– unused tax losses carried forward	**793**	459
– loans and advances to customers	**236**	
– other	**779**	641
	2,855	1,355
Deferred tax liabilities (offset by deferred tax assets) relating to		
– insurance provisions	**57**	
– investments	**427**	78
– deferred acquisition costs and VOBA	**76**	51
– other provisions	**15**	15
– other	**162**	183
	737	327
	2,118	1,028

DEFERRED TAX ASSETS IN CONNECTION WITH UNUSED TAX LOSSES CARRIED FORWARD

	2005	2004
Total unused tax losses carried forward	**3,651**	3,470
Unused tax losses carried forward not recognised as a deferred tax asset	**906**	1,817
Unused tax losses carried forward recognised as a deferred tax asset	**2,745**	1,653
Average tax rate	**28.9%**	27.8%
Deferred tax asset	**793**	459

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

TOTAL UNUSED TAX LOSSES CARRIED FORWARD ANALYSED BY EXPIRY TERMS

	No deferred tax asset recognised	Deferred tax asset recognised 2005	No deferred tax asset recognised	Deferred tax asset recognised 2004
– up to five years	**29**	**348**	62	568
– five to ten years		**384**	6	326
– ten to twenty years	**322**	**640**	750	189
– unlimited	**555**	**1,373**	999	570
	906	**2,745**	1,817	1,653

PROPERTY HELD FOR SALE

	2005	2004
Property obtained from foreclosures	**532**	473
Property developed for sale	**1,359**	1,166
	1,891	1,639
Gross carrying amount as at 31 December	**1,960**	1,639
Accumulated impairments as at 31 December	**-69**	
Net book value	**1,891**	1,639

EQUITY

12 GROUP EQUITY

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	2005	2004
Share capital	**530**	634
Share premium	**8,343**	8,525
Revaluation reserve	**11,206**	1,257
Share of associates reserve	**608**	613
Currency translation reserve	**668**	-184
Treasury shares	**-868**	-563
Other reserves	**16,249**	13,787
Equity attributable to equity holders of the Company	**36,736**	24,069

The revaluation reserve includes revaluations related to securities and property in own use and the reserve for cash flow hedging and hedges of net investments of foreign operations. The reserve for cash flow hedging amounts to EUR 2,046 million as at 31 December 2005.

The other reserves include retained earnings.

SHARE CAPITAL

	Preference shares (par value EUR 1.20)		Ordinary shares (par value EUR 0.24)	
	Number X1,000	Amount	Number X1,000	Amount
2005				
Authorised share capital	**300,000**	**360**	**3,000,000**	**720**
Unissued share capital	**212,920**	**256**	**795,066**	**190**
Issued share capital	**87,080**	**104**	**2,204,934**	**530**
2004				
Authorised share capital	300,000	360	3,000,000	720
Unissued share capital	212,920	256	795,280	190
Issued share capital	87,080	104	2,204,720	530

MOVEMENTS IN ISSUED SHARE CAPITAL

	Preference shares (par value EUR 1.20)		Ordinary shares (par value EUR 0.24)	
	Number X1,000	Amount	Number X1,000	Amount
Issued share capital as at 31 December 2003	87,080	104	2,115,901	508
From 2003 final stockdividend			31,731	8
From 2004 interim stockdividend			31,699	8
Issue of shares			25,389	6
Issued share capital as at 31 December 2004	87,080	104	2,204,720	530
Issue of shares			**214**	
Issued share capital as at 31 December 2005	**87,080**	**104**	**2,204,934**	**530**

As of 2005, the total amount of preference shares (EUR 104 million share capital and EUR 192 million share premium) is presented as liabilities. Reference is made to Note 13 Preference shares.

As at 31 December 2005, the capital and reserves of Stichting Regio Bank, included in Other reserves, amounted to EUR 583 million (2004: EUR 507 million) and cannot be freely distributed. The increase reflects the profit appropriation for the year.

The revaluation reserve, share of associates reserve and currency translation reserve cannot be freely distributed.

Ordinary shares
All shares are in registered form. No share certificates will be issued. Shares may be transferred by means of a deed of transfer, subject to the approval of the Executive Board of ING Group. The par value of ordinary shares is currently EUR 0.24. The authorised ordinary share capital of ING Group consists of 3,000,000 shares, of which as at 31 December 2005 2,204,934 million have been issued and fully paid.

Depository receipts for ordinary shares and preference shares
More than 99% of the ordinary shares and preference shares issued by ING Groep N.V. are held by the Stichting ING Aandelen (Trust Office ING Shares). In exchange for these shares, the Trust Office has issued depositary receipts in bearer form for ordinary shares and for preference shares, respectively. The depositary receipts are listed on various European stock exchanges. Depositary receipts can be exchanged for (non-listed) shares of the relevant category without any restriction.

The holder of a depositary receipt is entitled to receive from the Trust Office payment of dividends and distributions corresponding with the dividends and distributions received by the Trust Office on a share of the relevant category.

In addition, the holder of a depositary receipt is entitled to attend and to speak at the General Meeting of Shareholders of ING Groep N.V. either in person or by proxy. A holder of a depositary receipt who thus attends the General Meeting of Shareholders, is entitled to vote as a proxy of the Trust Office but entirely at his own discretion for a number of shares equal to the number of his depositary receipts of the relevant category.

A holder of depositary receipts who does not attend the General Meeting of Shareholders in person or by proxy is entitled to give a binding voting instruction to the Trust Office for a number of shares equal to the number of his depositary receipts of the relevant category.

Concentration of holders of depository receipts for shares
As at 31 December 2005, ABN AMRO Holding, AEGON and Fortis each had an interest in depositary receipts (for ordinary shares and for preference shares) of ING Groep N.V. of between 5% and 10%.

Depositary receipts for ordinary shares held by ING Group
As at 31 December 2005, 38.7 million of depository receipts for ordinary shares ING Groep N.V. with a par value of EUR 0.24 was held by ING Group or its subsidiaries. These were purchased to hedge option rights granted to the Executive Board members and other employees.

Dividend restrictions
ING Groep N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of (i) the paid-up capital, and (ii) reserves required by law. Additionally, certain group companies are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

B warrants
In 1998, ING Groep N.V. authorised the issue of a maximum of 17,317,132 B warrants, of which 17,220,200 have been issued. As at 31 December 2005, 17,189,554 B warrants were outstanding (2004: 17,190,610). B warrant holders are entitled to obtain from ING Groep N.V., for a fixed price, depository receipts for ordinary shares in the proportion of 1 B warrant to 2 depository receipts. B warrant holders may exercise their rights at their own discretion but no later than 5 January 2008. As at 31 December 2005, no B warrants (2004: nil) were held by group companies of ING Group.

The current exercise price of B warrants is EUR 49.92 for 2 depository receipts. The exercise price of B warrants will be adjusted by ING Group if one or more of the following circumstances occur:

1. ING Groep N.V. issues ordinary shares with pre-emptive rights for existing holders thereof at a price lower than the average price over the 20 business days preceding the relevant announcement of the median price between the highest and lowest prices of the depository receipts of EUR 0.24 par value as stated in the Official Price List of Euronext Amsterdam N.V.;

2. ING Groep N.V. issues ordinary shares to existing holders thereof, such shares being paid from a reserve of the company at a price lower than the average price over the 20 business days preceding the relevant announcement of the median price between the highest and lowest prices of the depository receipts of EUR 0.24 par value as stated in the Official Price List of Euronext Amsterdam N.V.;

3. ING Groep N.V. issues ordinary shares to existing holders thereof by way of paying a dividend at a price lower than the average price over the 20 business days preceding the relevant announcement of the median price between the highest and lowest prices of the depository receipts of EUR 0.24 par value as stated in the Official Price List of Euronext Amsterdam N.V.;

4. ING Groep N.V. grants to existing holders of ordinary shares pre-emptive rights to obtain securities other than ordinary shares;

5. Any company grants to existing holders of ordinary shares of ING Groep N.V. a right of subscription for securities which may be converted into or exchanged for ordinary shares of ING Groep N.V., provided that the price for which such ordinary shares of ING Groep N.V. may (initially) be obtained is lower than the then applicable exercise price;

6. ING Groep N.V. makes a distribution in cash out of its share premium reserve(s) to holders of ordinary shares.

In case of a split or consolidation of the shares of ING Groep N.V., a warrant holder shall remain entitled to a number of shares, the aggregate par value of which shall be equal to the aggregate par value of the number of shares to which he was entitled before the split or consolidation.

In case of a restructuring of the share capital of ING Groep N.V. or a merger of ING Group with any other company or a transfer of the assets of ING Group (or a substantial part thereof) to any other company, the exercise price of the B warrants will not be adjusted. In that event, a warrant holder will be entitled to obtain the securities of the kind and number a holder of ordinary shares would have been entitled to if the B warrants had been exchanged for ordinary shares immediately before that event.

MOVEMENTS IN THIRD-PARTY INTERESTS

	2005	2004
Opening balance	**3,481**	3,513
Implementation IAS 32/39 and IFRS 4	**-1,386**	
Unrealised revaluations after tax	**-32**	29
Unrealised revaluations transferred to deferred profit sharing liabilities and DAC	**17**	
Exchange differences	**14**	-103
Net profit for the period	**305**	275
Changes in the composition of the group	**-710**	-233
Closing balance	**1,689**	3,481

LIABILITIES

13 PREFERENCE SHARES

As a result of the implementation of IAS 32 in 2005 preference shares are presented as liabilities. In the 2004 comparatives, preference shares are included in equity.

ING Group preference shares

The par value of the preference shares is EUR 1.20. Preference shares are divided into two categories: 'A' preference shares and 'B' preference shares. The authorised preference share capital of ING Groep N.V. consists of 100 million 'A' preference shares, of which as at 31 December 2005 87 million have been issued and 200 million 'B' preference shares, of which none have been issued.

Preference shares may only be issued if at least the nominal value is paid up.

Preference shares rank before ordinary shares in entitlement to dividends and distributions upon liquidation of ING Groep N.V., but are subordinated to cumulative preference shares. Holders of 'A' and 'B' preference shares rank pari passu among themselves. If the profit or amount available for distribution to the holders of preference shares is not sufficient to make such distribution in full, the holders will receive a distribution in proportion to the amount they would have received if the distribution could have been made in full. The 'A' preference shares and 'B' preference shares are not cumulative and their holders will not be compensated in subsequent years for a shortfall in a prior year.

The ING Groep N.V.'s Articles of Association make provision for cancellation of preference shares.

'A' preference shares

The dividend on the 'A' preference shares is equal to a percentage of the amount (including share premium) for which the 'A' preference shares were originally issued.

This percentage is calculated by taking the arithmetic mean of the average effective yield on the five longest-dated Dutch government loans, as calculated by a Calculating Agent to be designated by the Executive Board for the last twenty stock exchange days preceding the day on which the first 'A' preference shares are issued, or, as the case may be, preceding the day on which the dividend percentage is adjusted. The percentage thus established may be increased or decreased by not more than a half percentage point, depending on the market conditions then prevailing, as the Executive Board may decide with the approval of the Supervisory Board.

The dividend on the 'A' preference shares is set at EUR 0.1582 per year until 1 January 2014 at which stage the dividend percentage will be readjusted (and thereafter every ten years) to the average effective yield at that time on the five longest-dated Dutch government loans.

'A' preference shares may only be cancelled if a distribution of the amount (including share premium) for which the 'A' preference shares were originally issued reduced by the par value of the shares can be made on each 'A' preference share. Upon liquidation of ING Groep N.V., a distribution of the amount (including share premium) for which the 'A' preference shares were originally issued will, insofar as possible, be made on each 'A preference share.

Cumulative preference shares

The par value of the cumulative preference shares is EUR 1.20. None of these shares have been issued.

The cumulative preference shares rank before the preference shares and the ordinary shares in entitlement to dividend and to distributions upon liquidation of ING Groep N.V.

The dividend on the cumulative preference shares will be equal to a percentage, calculated on the amount compulsorily paid up or yet to be paid up. This percentage shall be equal to the average of the Euro OverNight Index Average (EONIA) as calculated by the European Central Bank. During the financial year for which the distribution is made, this percentage is weighted on the basis of the number of days for which it applies, increased by two and a half percentage points.

If and to the extent that the profit available for distribution is not sufficient to pay the dividend referred to above in full, the shortfall will be made up from the reserves insofar as possible. If, and to the extent that, the dividend distribution cannot be made from the reserves, the profits earned in subsequent years shall first be used to make up the shortfall before any distribution may be made on shares of any other category.

ING Groep N.V.'s Articles of Association make provision for the cancellation of cumulative preference shares. Upon cancellation of cumulative preference shares and upon liquidation of ING Groep N.V., the amount paid up on the cumulative preference shares will be repaid together with the dividend shortfall in preceding years, insofar as this shortfall has not yet been made up.

14 SUBORDINATED LOANS

Subordinated loans consists of perpetual subordinated bonds issued by ING Groep N.V. These bonds have been issued to raise hybrid capital for ING Verzekeringen N.V. and Tier-1 capital for ING Bank N.V.

EUR 5,563 million (2004: EUR 3,743 million) of these loans has been subsequently provided as subordinated loans by ING Groep N.V. to ING Bank N.V. under the same conditions as the original bonds.

EUR 1,792 million (2004: EUR 366 million) has been subsequently provided as subordinated loans by ING Groep N.V. to ING Verzekeringen N.V. under the same conditions as the original bonds.

15 DEBT SECURITIES IN ISSUE

The debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on interest-rate levels, such as certificates of deposit and accepted bills issued by ING Group, except for subordinated items. ING Group does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

DEBT SECURITIES IN ISSUE

	2005	2004
Fixed rate debt securities		
– 1 year or less	**39,978**	29,392
– 2 years or less but over 1 year	**3,816**	4,144
– 3 years or less but over 2 years	**1,741**	4,532
– 4 years or less but over 3 years	**3,863**	3,665
– 5 years or less but over 4 years	**10,350**	5,090
– over 5 years	**9,718**	10,784
Total fixed rate debt securities	**69,466**	57,607
Floating rate debt securities		
– 1 year or less	**5,074**	11,689
– 2 years or less but over 1 year	**872**	2,427
– 3 years or less but over 2 years	**144**	1,348
– 4 years or less but over 3 years	**494**	2,317
– 5 years or less but over 4 years	**1,064**	1,807
– over 5 years	**4,148**	1,817
Total floating rate debt securities	**11,796**	21,405
Total debt securities	**81,262**	79,012

As of December 31, 2005, ING Group had unused lines of credit available including the payment of commercial paper borrowings presented above as part of the debt securities in issue, totalling EUR 22,588 million (2004: EUR 15,904 million).

16 OTHER BORROWED FUNDS

OTHER BORROWED FUNDS BY REMAINING TERM

2005	2006	2007	2008	2009	2010	There after	Total
Subordinated loans of group companies	**1,011**	**1,435**	**735**	**713**	**1,492**	**8,924**	**14,310**
Preference shares of group companies						**1,261**	**1,261**
Loans contracted	**6,082**	**508**	**533**	**404**	**518**	**1,666**	**9,711**
Loans from credit institutions	**4,443**	**642**	**951**	**83**	**276**	**575**	**6,970**
	11,536	**2,585**	**2,219**	**1,200**	**2,286**	**12,426**	**32,252**

2004	2005	2006	2007	2008	2009	There after	Total
Subordinated loans of group companies	842	1,131	550	377	797	11,978	15,675
Loans contracted	3,499	406	46	207	221	220	4,599
Loans from credit institutions	3,077	18	279	46		18	3,438
	7,418	1,555	875	630	1,018	12,216	23,712

Subordinated loans of group companies relate to capital debentures and private loans which are subordinated to all current and future liabilities of ING Bank N.V. or Postbank N.V.

Preference shares of group companies comprise non-cumulative guaranteed Trust Preference Securities which are issued by wholly owned subsidiaries of ING Groep N.V. These securities have a liquidation preference of a certain amount plus any accrued interest and unpaid dividend. Dividends with regard to these preference securities are presented as an interest expense in the profit and loss account. These trust preference securities generally have no voting rights.

17 INSURANCE, REINSURANCE AND INVESTMENT CONTRACTS

INSURANCE, REINSURANCE AND INVESTMENT CONTRACTS

	Gross		Reinsured element		Own account	
	2005	2004	**2005**	2004	**2005**	2004
Provision for life policy liabilities	**137,066**	125,804	**5,441**	4,105	**131,625**	121,699
Provision for (deferred) profit sharing and rebates	**4,195**	803			**4,195**	803
Insurance provisions for policies for which the policyholders bear the investment risk	**90,728**	78,807	**1,197**	1,151	**89,531**	77,656
Life insurance provisions	**231,989**	205,414	**6,638**	5,256	**225,351**	200,158
Provisions for unearned premiums and unexpired risks	**3,093**	2,863	**258**	354	**2,835**	2,509
Claims provisions	**9,591**	8,512	**1,389**	1,134	**8,202**	7,378
Other insurance provisions	**181**	62			**181**	62
Total provisions for insurance contracts	**244,854**	216,851	**8,285**	6,744	**236,569**	210,107
Investment contracts	**7,223**				**7,223**	
Investment contracts for which the policyholders bear the investment risk	**11,410**				**11,410**	
Investment contracts liabilities	**18,633**				**18,633**	
Insurance and investment contracts	**263,487**	216,851	**8,285**	6,744	**255,202**	210,107

As at 31 December 2005 the provision for life policy liabilities includes EUR 51,866 million for participating life policy liabilities.

As at 31 December 2005 claims incurred but not reported (IBNR) included in the claims provisions amounted to EUR 1,831 million.

MOVEMENTS IN LIFE INSURANCE PROVISIONS

	Gross		Reinsured element		Own account	
	2005	2004	**2005**	2004	**2005**	2004
Opening balance	**205,414**	192,293	**5,256**	4,083	**200,158**	188,210
Implementation IFRS 4	**-14,315**		**-7**		**-14,308**	
Changes in the composition of the group			**-44**		**44**	
	191,099	192,293	**5,205**	4,083	**185,894**	188,210
Current year provisions	**19,449**	16,181	**806**	1,805	**18,643**	14,376
Prior year provisions:						
– benefit payments to policyholders	**-10,929**		**-431**		**-10,498**	
– interest accrual	**4,057**		**-32**		**4,089**	
– valuation changes for risk of policyholders	**5,074**				**5,074**	
– effect of changes in discount rate assumptions	**2**				**2**	
– effect of changes in other assumptions	**1,167**		**306**		**861**	
	-629	1,963	**-157**		**-472**	1,963
Exchange differences	**17,691**	-9,136	**616**	-338	**17,075**	-8,798
Other movements	**4,379**	4,113	**168**	-294	**4,211**	4,407
Closing balance	**231,989**	205,414	**6,638**	5,256	**225,351**	200,158

Where discounting is used in the calculation of life insurance provisions, the rate is within the range of 3% to 6% (based on weighted averages).

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

As at 31 December 2005, the receivables from reinsurers amounted to EUR 719 million (2004: EUR 388 million), against which EUR 6 million (2004: nil) was provided for as uncollectible reinsurance.

MOVEMENTS IN PROVISIONS FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS

	Gross		Reinsured element		Own account	
	2005	2004	**2005**	2004	**2005**	2004
Opening balance	**2,863**	3,174	**354**	687	**2,509**	2,487
Changes in the composition of the group	**-41**	-333	**-26**	-350	**-15**	17
	2,822	2,841	**328**	337	**2,494**	2,504
Premiums written	**6,613**	6,642	**526**	756	**6,087**	5,886
Premiums earned during the year	**-6,769**	-6,542	**-636**	-729	**-6,133**	-5,813
Exchange differences	**424**	-76	**44**	-18	**380**	-58
Other movements	**3**	-2	**-4**	8	**7**	-10
Closing balance	**3,093**	2,863	**258**	354	**2,835**	2,509

MOVEMENTS IN CLAIMS PROVISIONS

	Gross		Reinsured element		Own account	
	2005	2004	**2005**	2004	**2005**	2004
Opening balance	**8,512**	7,911	**1,134**	614	**7,378**	7,297
Implementation IFRS 4	**39**		**20**		**19**	
Changes in the composition of the group		853	**-27**	638	**27**	215
	8,551	8,764	**1,127**	1,252	**7,424**	7,512
Additions						
– for the current year	**4,688**	3,893	**891**	284	**3,797**	3,609
– for prior years	**-614**	-359	**-22**	-48	**-592**	-311
– interest accrual of provision	**92**	133	**20**	10	**72**	123
	4,166	3,667	**889**	246	**3,277**	3,421
Claim settlements and claim settlement costs						
– for the current year	**2,042**	1,749	**295**	64	**1,747**	1,685
– for prior years	**2,209**	1,938	**536**	227	**1,673**	1,711
	4,251	3,687	**831**	291	**3,420**	3,396
Exchange differences	**911**	-177	**164**	-58	**747**	-119
Other movements	**214**	-55	**40**	-15	**174**	-40
Closing balance	**9,591**	8,512	**1,389**	1,134	**8,202**	7,378

ING Group had an outstanding balance of EUR 68 million at 31 December 2005 (2004: EUR 96 million) relating to environmental and asbestos claims of the insurance operations. In establishing the liability for unpaid claims and claims adjustment expenses related to asbestos related illness and toxic waste clean up, the management of ING Group considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognised for IBNR claims and for known claims (including the costs of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities are reviewed and updated regularly.

The release of the provision from prior years in 2005 and 2004 are a result of favourable underwriting results in several business units, in particular, the Netherlands business units benefited from a change in legal requirements for health and disability benefits and Canada experienced unexpectedly mild winters.

Where discounting is used in the calculation of the claims provisions, the rate is within the range of 3% to 4%.

MOVEMENTS IN INVESTMENT CONTRACTS LIABILITIES

	2005
Opening balance	**0**
Implementation IFRS 4	**16,860**
	16,860
Current year liabilities	**5,553**
Prior year provisions	
– payments to contract holders	**-7,051**
– interest accrual	**276**
– valuation changes investments	**1,060**
	-5,715
Exchange differences	**1,659**
Other movements	**276**
Closing balance	**18,633**

GROSS CLAIMS DEVELOPMENT TABLE

	Underwriting year 2004	Underwriting year 2005	Total
Estimate of cumulative claims:			
At the end of underwriting year	3,893	4,688	
One year later	3,990		
Estimate of cumulative claims	3,990	4,688	8,678
Cumulative payments	-2,583	-1,729	-4,312
Liability recognised	1,407	2,959	4,366
Liability recognised to prior underwriting years			5,225
Total amount recognised in balance sheet			9,591

18 AMOUNTS DUE TO BANKS

Amounts due to banks include non-subordinated debt due to banks, other than amounts in the form of debt securities. As at 31 December 2005, liabilities concerning securities sold in repurchase transactions amounted to EUR 23,857 million (2004: EUR 24,452 million).

AMOUNTS DUE TO BANKS

	Netherlands	International	Total 2005	Netherlands	International	Total 2004
Non-interest bearing	2,535	1,934	4,469	757	1,461	2,218
Interest-bearing	33,714	84,051	117,765	31,951	61,709	93,660
	36,249	85,985	122,234	32,708	63,170	95,878

19 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

	2005	2004
Saving accounts	269,389	219,468
Credit balances on customer accounts	127,469	84,996
Corporate time deposits	57,655	42,928
Other	11,199	1,849
	465,712	349,241

CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSITS BY TYPE

	Netherlands	International	Total 2005	Netherlands	International	Total 2004
Non-interest bearing	13,754	1,359	15,113	13,223	1,807	15,030
Interest-bearing	158,252	292,347	450,599	107,992	226,219	334,211
	172,006	293,706	465,712	121,215	228,026	349,241

No funds have been entrusted to the Group by customers on terms other than those prevailing in the normal course of business. As at 31 December 2005, Customer deposits and other funds on deposit included liabilities with regard to securities sold in repurchase transactions amounting to EUR 2,104 million (2004: EUR 4,908 million).

Savings accounts relate to the balances on savings accounts, savings books, savings deposits and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

20 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2005	2004
Trading liabilities	**92,058**	53,841
Non-trading derivatives	**6,248**	
Designated as at fair value through profit or loss	**11,562**	
	109,868	53,841

For the financial year 2005 the changes in fair value of financial liabilities designated as at fair value through profit or loss attributable to changes in credit risk of ING Group are insignificant.

The nominal amounts of liabilities designated as at fair value through profit or loss approximates the fair value.

Financial liabilities designated as at fair value through profit or loss relate to debt securities in issue, funds entrusted and structured products.

TRADING LIABILITIES BY TYPE

	2005	2004
Equity securities	**10,206**	9,314
Debt securities	**7,264**	10,058
Funds on deposits	**54,264**	33,080
Derivatives	**20,324**	1,389
	92,058	53,841

NON-TRADING DERIVATIVES

	2005
Derivatives used in cash flow hedges	**753**
Derivatives used in fair value hedges	**1,336**
Derivatives used in hedges of net investments in foreign operations	**91**
Other non-trading derivatives	**4,068**
	6,248

21 OTHER LIABILITIES

OTHER LIABILITIES BY TYPE

	2005	2004
Deferred tax liabilities	**5,128**	1,049
Income tax payable	**1,184**	1,153
Pension liabilities and other staff related liabilities	**1,998**	2,556
Other taxation and social security contribution	**633**	437
Deposits from reinsurers	**642**	549
Accrued interest	**10,699**	5,116
Costs payable	**2,443**	2,268
Other provisions	**1,181**	943
Other	**15,099**	12,126
	39,007	26,197

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

DEFERRED TAX LIABILITIES BY ORIGIN

	2005	2004
Deferred tax assets (offset by deferred tax liabilities) relating to		
– insurance provisions	**2,119**	1,949
– other provisions	**1,057**	452
– unused tax losses carried forward	**450**	336
– fiscal equalisation reserve	**13**	33
– other	**2,273**	2,296
	5,912	5,066
Deferred tax liabilities relating to		
– investments	**2,974**	1,336
– financial assets and liabilities at fair value through profit or loss	**37**	76
– deferred acquisition costs	**3,999**	2,965
– fiscal equalisation reserve	**7**	
– depreciation	**65**	-475
– other provisions	**577**	699
– receivables	**167**	99
– loans and advances to customers	**131**	312
– other	**3,083**	1,103
	11,040	6,115
	5,128	1,049

DEFERRED TAX ASSET (OFFSET BY DEFERRED TAX LIABILITIES) IN CONNECTION WITH UNUSED TAX LOSSES CARRIED FORWARD

	2005	2004
Total unused tax losses carried forward	**1,689**	1,047
Unused tax losses carried forward not recognised as a deferred tax asset	**398**	64
Unused tax losses carried forward recognised as a deferred tax asset	**1,291**	983
Average tax rate	**34.9%**	34.2%
Deferred tax asset	**450**	336

TOTAL UNUSED TAX LOSSES CARRIED FORWARD ANALYSED BY EXPIRY TERMS

	No deferred tax asset recognised	Deferred tax asset recognised 2005	No deferred tax asset recognised	Deferred tax asset recognised 2004
– up to five years	**72**	**48**	20	247
– five to ten years		**96**	5	39
– ten to twenty years	**263**	**726**		657
– unlimited	**63**	**421**	39	40
	398	**1,291**	64	983

MOVEMENTS IN OTHER PROVISIONS

	Reorganisations and relocations 2005	Reorganisations and relocations 2004	Other 2005	Other 2004	Total 2005	Total 2004
Opening balance	**258**	236	**685**	679	**943**	915
Changes in the composition of the group	**-7**	-38	**53**	-60	**46**	-98
Additions	**127**	115	**347**	262	**474**	377
Releases	**-3**	-4	**-8**	-21	**-11**	-25
Charges	**-81**	-99	**-291**	-161	**-372**	-260
Exchange differences	**6**	-2	**35**	-14	**41**	-16
Other movements	**56**	50	**4**		**60**	50
Closing balance	**356**	258	**825**	685	**1,181**	943

The additions to provision for reorganisations and relocations in 2005 relate to the restructuring of the Operations & IT activities in the Benelux and reorganisations in the Dutch insurance operations. The provision at 31 December 2004 includes an amount of EUR 41 million for the restructuring of the international Wholesale Banking network.

The amounts included in other provisions are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation. In general, the reorganisations and relocations provisions are of a short-term nature.

Pension liabilities and other staff-related liabilities

The Group maintains defined benefit retirement plans in the major countries in which it operates. These plans generally cover all employees and provide benefits that are related to the remuneration and service of employees upon retirement. Provided that the plan assets are sufficient, the benefits from many of these plans are subject to some form of indexation.

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

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

Certain group companies sponsor defined contribution pension plans. The assets of all ING Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in current liabilities. The amount incurred in 2005 was EUR 76 million (2004: EUR 109 million).

SUMMARY OF PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES

	Pension liabilities		Post-retirement benefits other than pension liabilities		Other		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Defined benefit obligation	**15,782**	12,925	**441**	726	**898**	870	**17,121**	14,521
Fair value of plan assets	**12,937**	10,498			**375**	353	**13,312**	10,851
	2,845	2,427	**441**	726	**523**	517	**3,809**	3,670
Unrecognised past service costs		-1	**-6**	-2			**-6**	-3
Unrecognised gains/(losses)	**-1,778**	-1,034	**-27**	-68			**-1,805**	-1,102
Amount included in Other liabilities	**1,067**	1,392	**408**	656	**523**	517	**1,998**	2,565

Pension Liabilities

MOVEMENTS IN DEFINED BENEFIT OBLIGATIONS

	2005	2004
Opening balance	**12,925**	11,196
Current service cost	**477**	434
Interest costs	**643**	699
Participant contributions	**8**	2
Benefits paid	**-416**	-392
Actuarial gains and losses	**1,680**	1,251
Past service cost	**192**	
Changes in the composition of the group	**67**	-174
Effect of curtailment or settlement	**-12**	-1
Exchange differences	**218**	-90
Closing balance	**15,782**	12,925

As at 31 December 2005, the defined benefit obligation consisted of funded plans amounting to EUR 15,658 million (2004: EUR 12,488 million) and unfunded plans amounting to EUR 124 million (2004: EUR 437 million).

MOVEMENTS IN FAIR VALUE OF PLAN ASSETS

	2005	2004
Opening balance	**10,498**	9,528
Expected return on plan assets	**710**	686
Employer's contribution	**1,002**	688
Participant contributions	**7**	1
Benefits paid	**-416**	-392
Actuarial gains and losses	**873**	185
Changes in the composition of the group	**98**	-134
Exchange differences	**165**	-64
Closing balance	**12,937**	10,498

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

CATEGORIES OF PLAN ASSETS

	Target allocation 2006	**2005**	Percentage of plan assets 2004	**Weighted average expected long term rate of return 2005**
Equity securities	**33**	**36**	38	**8.1**
Debt securities	**56**	**53**	52	**4.7**
Other	**11**	**11**	10	**6.6**
	100	**100**	100	**6.2**

Equity securities include ING Group ordinary shares of EUR 15 million (0.1% of total plan assets) at 31 December 2005 (2004: EUR 16 million, 0.1% of total plan assets).

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

WEIGHTED AVERAGES OF BASIC ACTUARIAL ASSUMPTIONS IN ANNUAL % AS AT 31 DECEMBER

	2005	2004
Discount rates	**4.25**	4.75
Expected rates of salary increases (excluding promotion increases)	**2.50**	2.50
Medical cost trend rates	**4.25**	4.25
Consumer price inflation	**1.75**	2.00

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

Expected Cash Flows
There are not expected to be any mininum funding requirements during 2006.

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

PENSION BENEFITS

	Pension benefits
2006	**354**
2007	**406**
2008	**432**
2009	**446**
2010	**462**
Years 2011 – 2015	**2,491**

In 2005 the employer's contributions amounted EUR 1,002 million (2004: EUR 688 million).

Post-retirement benefits other than pensions

MOVEMENTS IN DEFINED BENEFIT OBLIGATIONS

	2005	2004
Opening balance	**726**	635
Current service cost	**42**	31
Interest costs	**40**	35
Employer's contribution	**70**	
Participant contributions	**6**	
Benefits paid	**-28**	-20
Actuarial gains and losses	**143**	69
Changes in the composition of the group	**-1**	
Effect of curtailment or settlement	**-569**	
Exchange differences	**12**	-24
Closing balance	**441**	726

The defined benefit obligations of post-retirement benefits other than pensions are entirely unfunded.

WEIGHTED AVERAGES OF BASIC ACTUARIAL ASSUMPTIONS IN ANNUAL % AS AT 31 DECEMBER

	2005	2004
Discount rates	**4.25**	4.75
Expected rates of salary increases (excluding promotional increase)	**2.50**	2.50
Medical cost trend rates	**4.25**	4.25
Consumer price inflation	**1.75**	2.00

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

An increase of 1% in the assumed medical cost trend rate for each future year would have resulted in an additional accumulated defined benefit obligation of EUR 84 million at 31 December 2005 (2004: EUR 146 million) and an increase in the charge for the year of EUR 7 million (2004: EUR 12 million). A decrease of 1% in the medical cost trend rate for each future year would have resulted in lower defined benefit obligation of EUR 66 million at 31 December 2005 (2004: EUR 108 million) and a decrease in the charge for the year of EUR 5 million (2004: EUR 9 million).

Expected Cash Flows
There are not expected to be any minimum funding requirements during 2006.

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

POST-RETIREMENTS OTHER THAN PENSIONS

	Post-retirement benefits other than pensions
2006	**15**
2007	**16**
2008	**17**
2009	**18**
2010	**19**
Years 2011 – 2015	**90**

ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP

AMOUNTS IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE

ASSETS AND LIABILITIES BY MATURITY

2005	Less than one month	1-3 months	3-12 months	1-5 years	Over five years	Maturity not applicable	Total
ASSETS							
Cash and balances with central banks	13,084						13,084
Amounts due from banks	20,790	5,964	5,138	9,949	5,625		47,466
Financial assets at fair value through profit or loss							
– trading assets						149,187	149,187
– non-trading derivatives	170	177	254	1,822	5,421	-78	7,766
– designated at fair value through profit or loss	107	309	1,184	2,909	4,963	758	10,230
Investments							
– available-for-sale	5,332	4,249	12,036	80,195	163,769	40,126	305,707
– held-to-maturity	456	77	875	6,548	10,980	1	18,937
Loans and advances to customers	89,382	14,276	29,258	81,778	224,221	266	439,181
Reinsurance contracts	39	57	895	437	1,206	5,651	8,285
Intangible assets			71	143		3,447	3,661
Deferred acquisition costs						9,604	9,604
Other assets	9,255	1,721	9,109	5,626	993	3,456	30,160
Remaining assets (where maturities are not applicable)[1]						115,371	115,371
Total assets	138,615	26,830	58,820	189,407	417,178	327,789	1,158,639
LIABILITIES							
Preference shares						296	296
Subordinated loans					6,096		6,096
Debt securities in issue	18,933	15,581	10,543	22,360	13,845		81,262
Other borrowed funds	9,396	4,743	3,506	11,216	3,360	31	32,252
Insurance and investment contracts	1,896	2,709	8,962	20,120	94,974	134,826	263,487
Amounts due to banks	78,827	21,883	15,623	4,317	1,584		122,234
Customer deposits and other funds on deposit	394,141	47,310	9,446	5,752	9,063		465,712
Financial liabilities at fair value through profit or loss							
– trading liabilities						92,058	92,058
– non-trading derivatives	76	200	1,708	1,452	2,812		6,248
– designated at fair value through profit or loss	112	510	1,538	5,072	4,330		11,562
Other liabilities	7,966	3,272	14,955	5,610	3,992	3,212	39,007
Total liabilities	511,347	96,208	66,281	75,899	140,056	230,423	1,120,214

[1] Included in remaining assets where maturities are not applicable are:
- property and equipment
- investment property
- investments for risk of policyholders
- investments in associates
- other financial assets at fair value through profit or loss

ASSETS AND LIABILITIES BY MATURITY

2004	Less than one month	1-3 months	3-12 months	1-5 years	Over five years	Maturity not applicable	Total
ASSETS							
Cash and balances with central banks	9,113						9,113
Amounts due from banks	4,797	29,319	4,037	4,389	2,542		45,084
Financial assets at fair value through profit or loss							
– trading assets						79,649	79,649
– other	127	707	704	1,225	571		3,334
Investments							
– available-for-sale	3,958	2,575	7,844	55,237	93,435	113,282	276,331
Loans and advances to customers	89,539	9,906	17,918	52,669	144,880	15,546	330,458
Reinsurance contracts	69	107	660	489	3,623	1,796	6,744
Intangible assets						594	594
Deferred acquisition costs						10,428	10,428
Other assets						21,396	21,396
Remaining assets (where maturities are not applicable)[1]						93,260	93,260
Total assets	107,603	42,614	31,163	114,009	245,051	335,951	876,391
LIABILITIES							
Subordinated loans					4,109		4,109
Debt securities in issue	329	25,442	18,716	24,163	10,362		79,012
Other borrowed funds		222	7,474	4,084	11,932		23,712
Insurance and investment contracts	9,957	3,234	7,570	18,838	76,791	100,461	216,851
Amounts due to banks	66,067	14,610	11,285	2,832	1,084		95,878
Customer deposits and other funds on deposit	317,514	10,494	8,101	6,273	6,859		349,241
Financial liabilities at fair value through profit or loss							
– trading liabilities						53,841	53,841
– non-trading derivatives							
Other liabilities	4,297	1,587	13,351	4,057	2,741	164	26,197
Total liabilities	398,164	55,589	66,497	60,247	113,878	154,466	848,841

[1] Included in remaining assets where maturities are not applicable are:
- property and equipment
- investment property
- investments for risk of policyholders
- investments in associates
- other financial assets at fair value through profit or loss

DERIVATIVES AND HEDGE ACCOUNTING

ING Group manages the various risks it is exposed to as described in the Risk Management section. In managing these risks ING Group uses economic hedges, i.e. positions with opposite risk profiles to reduce the total risk exposure. To qualify for hedge accounting under IFRS-EU strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. Both at inception and during the hedge relationship it can be concluded that the hedge does not (longer) qualify for hedge accounting. As a result, the volatility from these hedges in the profit and loss account may be higher than would be expected from an economic point of view.

Interest rate risk

ING Group uses various derivative instruments to manage its exposure to interest rate risk. The main products used to manage interest rate risk are interest rate swaps and cross-currency interest rate swaps. Hedge accounting is applied using fair value hedge accounting or cash flow hedge accounting for positions that meet the criteria under IFRS-EU.

Foreign exchange risk

The most significant foreign exchange risk relates to foreign currency exposures on foreign subsidiaries and Tier-1 capital denominated in US Dollars. ING reduces these exposures by entering into derivatives (including currency forwards and swaps) and non-derivative financial instruments such as funding denominated in foreign currencies. Hedge accounting is applied using net investment hedge accounting or fair value hedge accounting for those positions that meet the criteria under IFRS-EU.

ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (CONTINUED)

Credit risk

ING Group uses credit derivatives in managing its exposure to credit risk, including total return swaps and credit default swaps to sell or buy protection for credit risk. Generally, no hedge accounting is applicable for credit derivatives.

MAXIMUM CREDIT EXPOSURE

Credit risk in the non-trading environment mainly relates to loans to customers, non-trading derivatives and investments. For loans to customers and non-trading derivatives the balance sheet value approximates the maximum credit exposure for these items. For the investments maximum credit exposure is best represented by the cost as disclosed in Note 4 Investments.

ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable primarily consist of interest-bearing securities pledged to secure deposits from the Dutch Central Bank and other banks, serve to secure margin accounts or are used for other purposes required by law.

ASSETS NOT FREELY DISPOSABLE

	Customer deposits and other funds on deposit and debt securities in issue		Banks		Guarantees for off balance sheet items		Other contingent liabilities		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Investments	**3,533**	2,847	**4,245**	4,813		1	**840**	715	**8,618**	8,376
Lending	**1,101**	3,264	**1**	2	**116**	9			**1,218**	3,275
Banks	**328**	42	**899**	589	**375**				**1,602**	631
Other assets	**1,712**	339	**912**	1,448	**328**	41	**84**		**3,036**	1,828
	6,674	6,492	**6,057**	6,852	**819**	51	**924**	715	**14,474**	14,110

OFF-BALANCE SHEET ARRANGEMENTS

CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business the Group is a party to activities whose risks are not reflected in whole or part in the consolidated financial statements. In response to the needs of its customers, the Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

CONTINGENT LIABILITIES AND COMMITMENTS

	2005	2004
Insurance operations		
Commitments	**4,049**	2,477
Guarantees	**237**	1,082
	4,286	3,559
Banking operations		
Contingent liabilities in respect of		
– discounted bills	**5**	4
– guarantees	**15,933**	17,060
– irrevocable letters of credit	**7,436**	6,233
– other	**396**	378
	23,770	23,675
Irrevocable facilities	**85,098**	69,011
	113,154	96,245

Guarantees relate both to credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Group in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. The guarantees are generally of a short-term nature. In addition to the items included in contingent liabilities, ING Group has issued guarantees as a participant in collective arrangements of national industry bodies and as participant in government required collective guarantee schemes which apply in different countries.

Irrevocable letters of credit mainly secure payments to third parties for a customer's foreign and domestic trade transactions in order to finance a shipment of goods. ING Group's credit risk in these transactions is limited since these transactions are collateralised by the commodity shipped and are of a short duration.

Other contingent liabilities mainly relate to acceptances of bills and are of a short-term nature.

Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. ING Group's credit risk in these transactions is limited. Most of the unused portion of irrevocable credit facilities is secured by customers' assets or counter-guarantees by the central governments and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

SPECIAL PURPOSE ENTITIES (SPEs) AND SECURITISATION

ING Group has established a number of SPEs and engages in activities with SPEs, for example as investor, administrator or provider of other financial services. SPEs which are controlled by ING Group are included in the consolidated financial statements.

The non-consolidated SPEs primarily relate to commercial paper programmes. In the normal course of business, ING Group structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients' receivables or other financial assets to an SPE. The SPE issues asset-backed commercial paper to the market to fund the purchases. ING Group, in its role as administrative agent, facilitates these transactions by providing structuring, accounting, funding and operations services. As ING Group has no ownership or controlling interest in the SPE nor does it service the transferred assets, the SPE is not included in the consolidated financial statements.

ING Group supports the commercial paper programs by providing the SPE with short-term stand by liquidity facilities. Primarily these liquidity facilities are meant to cover temporarily disruptions in the commercial paper market. Once drawn these facilities bear normal credit risk. A number of programs are supported by granting structured liquidity facilities to the SPE, in which ING Group - in addition to normal liquidity facilities – to a certain extent covers the credit risk incorporated in these programs itself, and as a consequence might suffer credit losses from it. Furthermore, under a Program Wide Credit Enhancement ING Group guarantees to a limited amount all remaining losses incorporated in the SPE to the commercial paper investors. All facilities, which vary in risk profile, are granted to the SPE subject to normal ING Group analysis procedures regarding credit risk and liquidity risk. The fees received for services provided and for facilities are charged on market conditions.

The normal non-structured stand by liquidity facilities and the structured facilities are reported under irrevocable facilities.

Collateralised debt obligations (CDO)-transactions

Within ING Group, SPEs are used for CDO transactions. In a typical CDO transaction an SPE is used to issue structured, rated securities which are backed (or collateralised) by a pool of transferable debt securities. In these transactions ING often has different roles:
– the arranger of the transaction; ING structures the SPE, acquires the assets for the SPE and sells the CDOs to investors;
– collateral manager of the assets in the SPE; ING manages the assets based on strict conditions of the SPEs charter;
– investor.

ING Group receives market-rate fees for structuring, (asset) managing and distributing CDO-securities to investors.

Other entities

ING Group is also a party in other SPEs used in for instance structured finance and leasing transactions.

FUTURE RENTAL COMMITMENTS

FUTURE RENTAL COMMITMENTS FOR OPERATING LEASE CONTRACTS AS AT 31 DECEMBER 2005

2006	**275**
2007	**194**
2008	**181**
2009	**172**
2010	**164**
years after 2010	**355**

LEGAL PROCEEDINGS

ING Group companies are involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, including the United States, involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as insurers, lenders, employers, investors and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, management does not believe that their outcome will have a material adverse effect on the Group's financial position or results of operations.

These legal proceedings include a dispute over certain hurricane damages claimed by a Mexican fertilizer producer Grupo Fertinal ('Fertinal') against ING Comercial América, a wholly owned subsidiary of ING Group. Fertinal claims EUR 254 million (USD 300 million) from ING Comercial América, the maximum coverage under the insurance policy of their mining operations. A judge in Mexico ruled in favor of Fertinal. This decision was appealed to a Mexican Court of Appeal, which reduced the judgment to EUR 80 million (USD 94 million), plus interest. This decision has been appealed. ING Comercial América continues to pursue this matter vigorously; however, at this time we cannot assess the final outcome. Fertinal has also made criminal complaints alleging fraud against certain ING Comercial América employees, but, currently, there are no criminal actions pending.

ING Comercial América also has been the subject of certain complaints and suits concerning the performance of certain interest sensitive life insurance products. ING Comercial América is defending these matters vigorously; however, at this time, we are unable to assess the final outcome of these matters.

In 2005, ING Comercial América management learned of an earthquake reinsurance arrangement that was inconsistent with local requirements. This arrangement was restructured and the matter was reported to the SEC and to Mexican authorities. Mexican regulators required that ING Comercial América restate certain financials and to correct a statutory margin shortfall, which required approximately EUR 74 million (USD 87 million) in additional capital. In addition, Mexican authorities fined ING Comercial América EUR 3.2 million.

In the Netherlands ING Bank N.V., together with other major Dutch banks and the payment processor Interpay (in which ING Bank N.V. is a minority shareholder), were subject of an examination by the Dutch competition authority 'Nederlandse Mededingings-autoriteit' or NMa. In April 2004, the NMa has adopted a decision which indicated that ING Bank N.V. and other Dutch banks should have sold payment processing services on an individual basis and imposed a fine of EUR 3.9 million on ING Bank N.V. At the time of the decision, the banks had already decided that they would henceforth sell payment processing services individually. Furthermore, the NMa held that Interpay committed a separate infringement by charging prices for its services that were anti-competitive. Both Interpay and the Dutch banks (including ING Bank N.V.) have appealed the NMa decision. In December 2005, the NMa decided to reduce the fines imposed on the banks (for ING Bank N.V. to EUR 3.3 million) and to repeal the decision regarding Interpay. ING Bank N.V. has decided not to file an appeal against this decision.

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

DIVIDEND RESTRICTIONS

In addition to the restrictions in respect of minimum capital and solvency requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries. The most significant restrictions for ING Group are related to the insurance operations located in the United States, which are subject to limitations on the payment of dividends to the parent company imposed by the Insurance Commissioner of the state of domicile. For life, accident and health subsidiaries, dividends are generally limited to the greater of 10% of statutory surplus or the statutory net gain from operations. For the property and casualty subsidiaries, dividends are limited to a specified percentage of the previous year's shareholders' equity or previous year's net investment gains, which varies by state. Dividends paid in excess of these limitations require prior approval of the Insurance Commissioner of the state of domicile.

The management of ING Group does not believe that these limitations will affect the ability of ING Group to pay dividends to its shareholders in the future.

JOINT VENTURES

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

MOST SIGNIFICANT JOINT VENTURES

	Interest held (%)	Assets	Liabilities	Income	Expense
2005					
ING Australia Ltd	**51**	**7,932**	**7,527**	**357**	**257**
Postkantoren B.V.	**50**	**169**	**132**	**241**	**238**
KB Life	**49**	**160**	**148**	**97**	**96**
JV New Zealand Business	**51**	**151**	**48**	**10**	**6**
Pacific-Aetna Life Insurance/Shanghai Branch	**50**	**114**	**96**	**38**	**39**
Total		**8,526**	**7,951**	**743**	**636**
2004					
NMB Heller	50	1,130	1,105	63	-67
ING Australia Ltd	51	6,697	6,357	1,318	1,196
Pacific-Aetna Life Insurance/Shanghai Branch	50	77	62	32	34
Total		7,904	7,524	1,413	1,163

ING and ANZ, one of Australia's major banks, formed a funds management and life insurance joint venture in Australia. The joint venture, ING Australia Ltd, is owned for 51% by ING and 49% by ANZ.

RELATED PARTIES

In the normal course of business, the Group enters into various transactions with related companies. Related companies comprise non-consolidated entities and the non-consolidated part of joint ventures. These transactions are not considered material to the Group, either individually or in the aggregate. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions have taken place on an at arm's length basis.

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

	Joint ventures	**Associates 2005**	Joint ventures	Associates 2004
Receivables	**344**	**413**	142	242
Liabilities	**99**	**35**	214	27
Guarantees issued in favour of		**3**	124	2

Income received from and expenses paid to joint ventures were EUR 25 million and EUR 71 million respectively (2004: EUR 5 million and EUR 150 million respectively) and income received from and expenses paid to associates were EUR 91 million and EUR 1 million respectively (2004: EUR 6 million and nil respectively).

TRANSACTIONS WITH ING BANK N.V. AND ING VERZEKERINGEN N.V.

	ING Bank N.V.	**ING Verzekeringen N.V. 2005**	ING Bank N.V.	ING Verzekeringen N.V. 2004
Receivables	**533**	**224**	373	11
Liabilities	**134**		58	183
Guarantees issued in favour of	**3**		126	
Expenses paid	**97**	**19**	151	
Income received	**72**		11	1

Transactions with key management personnel (Executive Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. These transactions are disclosed in more detail in the remuneration report in the annual report (page 64 up to and including page 74) and Note 21 Other liabilities.

ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (CONTINUED)

KEY MANAGEMENT PERSONNEL COMPENSATION

amounts in thousands of euros	Executive Board 2005	Executive Board 2004	Supervisory Board 2005	Supervisory Board 2004	Total 2005	Total 2004
Base salary and short-term bonus	**12,514**	9,506	**549**	508	**13,063**	10,014
Pension costs	**3,088**	2,978			**3,088**	2,978
Retirement benefit		132				132
Fair market value of long-tem incentives	**5,274**	2,998			**5,274**	2,998
Total compensation	**20,876**	15,614	**549**	508	**21,425**	16,122

LOANS AND ADVANCES TO KEY MANAGEMENT PERSONNEL

amounts in thousands of euros	Amount outstanding 31 December	Average Interest Rate	Repayments 2005	Amount outstanding 31 December	Average Interest Rate	Repayments 2004
Executive Board members	**699**	**4.2%**	**74**	773	4.3%	19
Supervisory Board members	**1,588**	**4.7%**		1,588	4.7%	200
Total	**2,287**		**74**	2,361		219

The total number of stock options on ING Groep N.V. shares held by the Executive Board members amounted to 1,271,640 at 31 December 2005 (2004: 1,026,240). As at 31 December 2005, members of the Executive Board held 1,125,023 ING Groep N.V. shares (2004: 1,107,717). Part of these shares are held in a trust. As at 31 December 2005, members of the Supervisory Board held 15,490 ING Groep N.V. shares (2004: 17,093).

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	Estimated fair value	Balance sheet value 2005	Estimated fair value	Balance sheet value 2004
FINANCIAL ASSETS				
Cash and balances with central banks	**13,084**	**13,084**	9,113	9,113
Amounts due from banks[1]	**48,250**	**47,466**	46,951	45,084
Financial assets at fair value through profit or loss				
– trading	**149,187**	**149,187**	79,649	79,649
– investments for risk of policyholders	**100,961**	**100,961**	77,662	77,662
– non-trading derivatives	**7,766**	**7,766**		
– designated as at fair value through profit or loss	**10,230**	**10,230**		
– other			3,334	3,334
Investments				
– available-for-sale	**305,707**	**305,707**	286,724	276,331
– held-to-maturity	**19,466**	**18,937**		
Loans and advances to customers[1]	**434,829**	**427,189**	340,732	318,952
Other assets[2]	**27,462**	**27,462**	20,137	20,137
	1,116,942	**1,107,989**	864,302	830,262
FINANCIAL LIABILITIES				
Preference shares	**296**	**296**		
Subordinated loans	**7,779**	**6,096**	6,371	4,109
Debt securities in issue	**81,757**	**81,262**	79,644	79,012
Other borrowed funds	**32,259**	**32,252**	23,910	23,712
Investment contracts	**18,633**	**18,633**		
Amounts due to banks	**122,064**	**122,234**	96,816	95,878
Customer deposits and other funds on deposit	**466,982**	**465,712**	350,131	349,241
Financial liabilities at fair value through profit or loss				
– trading	**92,058**	**92,058**	53,841	53,841
– non-trading derivatives	**6,248**	**6,248**		
– designated as at fair value through profit or loss	**11,562**	**11,562**		
Other liabilities[3]	**29,285**	**29,285**	12,307	12,307
	868,923	**865,638**	623,020	618,100

[1] Amounts due from banks and Loans and advances to customers do not include finance lease receivables.
[2] Other assets do not include (deferred) tax assets.
[3] Other liabilities do not include (deferred) tax liabilities, pension liabilities, insurance provisions and other provisions.

The estimated fair values correspond with the amounts at which the financial instruments could have been traded on a fair basis at the balance sheet date between knowledgeable, willing parties in arm's-length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. Because substantial trading markets do not exist for all of these financial instruments various techniques have been developed to estimate their approximate fair values. These techniques are subjective in nature and involve various assumptions about the discount rate and the estimates of the amount and timing of the anticipated future cash flows. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

If the estimated fair value is lower than the balance sheet value a review has been performed to determine that the carrying amount is recoverable.

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

FINANCIAL ASSETS

Cash and balances with central banks
The carrying amount of cash approximates its fair value.

Amounts due from banks
The fair values of receivables from banks are estimated based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

Non-trading derivatives
The fair values of derivatives held for non-trading purposes are based on broker/dealer valuations or on internal discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings. The fair values of derivatives held for non-trading purposes generally reflect the estimated amounts that the Group would receive or pay to terminate the contracts at the balance sheet date.

Financial assets at fair value through profit or loss
The fair values of securities in the trading portfolio and other assets at fair value through profit and loss are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings.

Investments
The fair values of equity securities are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed-interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment.

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

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

Other assets
The carrying amount of other assets is not materially different than the fair value.

FINANCIAL LIABILITIES

Preference shares and subordinated loans
The fair value of the subordinated loans is estimated using discounted cash flows based on interest rates that apply to similar instruments.

Investment contracts
For guaranteed investment contracts the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For other investment-type contracts, fair values are estimated based on the cash surrender values.

Amounts due to banks
The fair values of payables to banks are estimated based on discounting future cash flows using available market interest rates for payables to banks with similar characteristics.

ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (CONTINUED)

Customer deposits and other funds on deposit
The carrying values of customer deposits and other funds on deposit with no stated maturity approximate their fair values. The fair values of deposits with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities.

Financial liabilities at fair value through profit or loss
The fair values of securities in the trading portfolio and other liabilities at fair value through profit or loss are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings.

Debt securities in issue and other borrowed funds
The fair value of debt securities in issue and other borrowed funds is estimated using discounted cash flows based on current market interest rates for these instruments.

Other liabilities
The carrying amount of other liabilities are stated at their book value which is not materially different than the fair value.

CAPITAL BASE

CAPITAL BASE

	Group	Insurance 2005	Banking	Group	Insurance 2004	Banking
Equity attributable to the equity holders of the Company	**36,736**			24,069		
Excluding: Revaluation reserves[4]	**-6,304**					
Preference shares	**296**					
Preference shares issued by group companies[5]	**1,269**			1,283		
Goodwill	**-173**			-171		
Subordinated loans[5]	**6,318**			4,109		
Capital base ING Group	**38,142**			29,290		
Core debt (debt raised to finance subsidiaries)	**3,969**			3,316		
	42,111	**19,085**[1]	**23,884**[2]	32,606	13,408[1]	19,877[2]
Third-party interests		**1,227**	**652**		1,776	508
Subordinated loans ING Verzekeringen N.V.		**2,229**			2,526	-385
Equity components not included in Tier-1[3]			**-1,128**			
Capital base						
– ING Verzekeringen N.V.		**22,541**			17,710	
– ING Bank N.V. (Tier-1 qualifying capital)			**23,408**			20,000

[1] includes EUR 1,792 million (2004: EUR 366 million) of subordinated loans to ING Insurance.
[2] includes EUR 5,764 million (2004: EUR 5,026 million) of subordinated loans to ING Bank.
[3] includes revaluation reserve and dividend declared but not paid yet.
[4] includes revaluation of debt securities (offset by shadow accounting) and the impact of cashflow hedge accounting.
[5] nominal amounts.

REGULATORY REQUIREMENTS

ING Bank
Capital adequacy and the use of regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision (the Basel Committee) and European Community Directives, as implemented by the Dutch Central Bank (DNB) for supervisory purposes. The minimum Tier-1 ratio is 4% and the minimum total capital ratio (known as the 'BIS ratio') is 8% of all risk-weighted assets, including off-balance sheet items and market risk associated with trading portfolios.

CAPITAL POSITION OF ING BANK

	2005	2004
Equity attributable to the equity holders of the Company.	**21,331**	14,894
Third-party interests	**482**	508
Subordinated loans qualifying as Tier-1 capital[1]	**5,764**	5,026
Goodwill	**-77**	-43
Minority interest Record Bank	**170**	
Revaluation reserve[2]	**-4,262**	-385
Core capital – Tier-1	**23,408**	20,000
Supplementary capital – Tier-2	**11,605**	10,533
Available Tier-3 funds	**363**	357
Deductions	**-650**	-534
Qualifying capital	**34,726**	30,356
Risk-weighted assets	**319,653**	274,138
Tier-1	**7.32%**	7.30%
BIS ratio	**10.86%**	11.07%

[1] subordinated loans qualifying as Tier-1 capital have been placed by ING Groep N.V. with ING Bank N.V.
[2] revaluation reserve is deducted as it is not part of Tier-1 capital (included in Tier-2) and includes the cumulative revaluations on investment property.

ING Insurance

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

CAPITAL POSITION OF ING INSURANCE

	Total ING Verze-keringen N.V.	Non-Insurance companies, core debt & other eliminations	Insurance companies 2005	Total ING Verze-keringen N.V.	Non-Insurance companies, core debt & other eliminations	Insurance companies 2004
Available capital	**22,541**	**-1,349**	**21,192**	17,710	-948	16,762
Required capital	**8,851**		**8,851**	8,697		8,697
Surplus capital	**13,690**		**12,341**	9,013		8,065
Ratio of available versus required capital	**255%**		**239%**	204%		193%

ING Group

According to an agreement ('Protocol') between the Dutch Central Bank and the former Pension & Insurance Board regarding the supervision of financial conglomerates, ING Group is required to have an amount of capital, reserves and subordinated loans which are at least equal to the sum of:
– the required capital for the banking activities; and
– the required capital for the insurance activities.
For regulatory purposes certain (external) subordinated loans of ING Bank N.V. and ING Verzekeringen N.V. are included.

ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP (CONTINUED)

REGULATORY REQUIRED CAPITAL ING GROUP

	2005	2004
Equity attributable to the equity holders of the Company	**36,736**	24,069
Excluding: Revaluation reserves	**-6,304**	
Preference shares	**296**	
Preference shares issued by group companies	**1,269**	1,283
Goodwill	**-173**	-171
Subordinated loans	**6,318**	4,109
Capital base ING Group	**38,142**	29,290
Subordinated loans ING Bank N.V. (included in Tier-2)	**10,304**	9,951
Subordinated loans ING Verzekeringen N.V.	**4,052**	2,893
Capital base including subordinated loans	**52,498**	42,134
Required capital banking operations	**25,572**	21,931
Required capital insurance operations	**8,851**	8,697
Surplus capital	**18,075**	11,506

INCOME

22 INTEREST RESULT BANKING OPERATIONS

NET INTEREST INCOME – BANKING OPERATIONS

	2005	2004
Interest income on loans	**18,912**	15,846
Interest income on impaired loans	**-23**	-84
Total interest income on loans	**18,889**	15,762
Interest income on available-for-sale securities	**5,989**	6,175
Interest income on held-to-maturity securities	**639**	
Interest income on trading portfolio	**15,237**	883
Interest income on non-trading derivatives	**5,658**	
Other interest income	**1,764**	2,628
Total interest income	**48,176**	25,448
Interest expense on deposits by banks	**2,371**	1,351
Interest expense on customer deposits and other funds on deposit	**11,960**	9,440
Interest expense on debt securities	**2,911**	2,688
Interest expense on subordinated loans	**1,126**	892
Interest on trading liabilities	**13,369**	
Interest on non-trading derivatives	**5,821**	
Other interest expense	**1,551**	2,336
Total interest expense	**39,109**	16,707
Net interest result	**9,067**	8,741

The presentation of interest income and interest expense changed in 2005 due to the implementation of IAS 32 and 39. For certain trading derivatives interest income and expense were included in Net trading income in 2004. As of 2005 these are presented as interest income and interest expense as included in Interest result banking operations. This reclassification results in an increase in 2005 in interest income and interest expense of approximately EUR 12 billion. In addition, interest income and expense related to certain non-trading derivatives that were presented net during 2004, are presented gross as of 2005. As a result of this presentation difference, interest income and interest expense in 2005 is approximately EUR 5 billion higher than in 2004.

INTEREST MARGIN, ANALYSED ON A PERCENTAGE BASIS OF THE NETHERLANDS AND INTERNATIONAL OPERATIONS

	2005	2004
Netherlands	**1.28**	1.35
International	**0.85**	0.90
Overall	**1.16**	1.22

In 2005, the growth of the average total assets caused an increase of the interest margin amounting to EUR 1,214 million (2004: EUR 1,183 million). The decrease of the interest margin by 6 basis points caused a decrease of the interest result with EUR 345 million (in 2004 the decrease of the interest margin by 9 basis points caused a decrease of the interest result with EUR 453 million).

23 PREMIUM INCOME

PREMIUM INCOME

	2005	2004
Premium income from life insurance policies	**39,145**	36,975
Premium income from non-life insurance policies	**6,613**	6,642
	45,758	43,617

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

EFFECT REINSURANCE ON PREMIUMS WRITTEN

	Non-life	Life	Total 2005	Non-life	Life	Total 2004
Direct premiums written, gross	**6,556**	**37,644**	**44,200**	6,592	35,532	42,124
Reinsurance assumed premiums written, gross	**57**	**1,501**	**1,558**	50	1,443	1,493
Total gross premiums written	**6,613**	**39,145**	**45,758**	6,642	36,975	43,617
Reinsurance ceded	**526**	**2,031**	**2,557**	756	1,619	2,375
	6,087	**37,114**	**43,201**	5,886	35,356	41,242

EFFECT OF REINSURANCE ON NON-LIFE PREMIUMS EARNED

	2005	2004
Direct premiums earned, gross	**6,712**	6,492
Reinsurance assumed premiums earned, gross	**57**	50
Total gross premiums earned	**6,769**	6,542
Reinsurance ceded	**636**	729
	6,133	5,813

PREMIUM INCOME FROM LIFE INSURANCE POLICIES

	Gross	Reinsurers' share	Own account 2005	Gross	Reinsurers' share	Own account 2004
Policies for which the insurer bears the investment risk	**19,894**	**808**	**19,086**	19,119	783	18,336
Policies for which the policyholder bears the investment risk	**17,750**	**59**	**17,691**	16,413	53	16,360
Total direct business	**37,644**	**867**	**36,777**	35,532	836	34,696
Indirect business	**2,353**	**2,016**	**337**	2,090	1,430	660
	39,997	**2,883**	**37,114**	37,622	2,266	35,356
Eliminations	**852**	**852**		647	647	
	39,145	**2,031**	**37,114**	36,975	1,619	35,356

PREMIUMS WRITTEN FROM DIRECT LIFE BUSINESS

2005	Policies for which the insurer bears the investment risk			Policies for which the policyholder bears the investment risk		
	Gross	Reinsurers' share	Own account	Gross	Reinsurers' share	Own account
PERIODIC PREMIUMS						
Individual policies						
– without profit sharing	9,368	679	8,689	3,843	2	3,841
– with profit sharing	2,438	49	2,389			
	11,806	728	11,078	3,843	2	3,841
Group policies						
– without profit sharing	2,430	66	2,364	6,258	24	6,234
– with profit sharing	690	10	680			
	3,120	76	3,044	6,258	24	6,234
Total periodic premiums	14,926	804	14,122	10,101	26	10,075
SINGLE PREMIUMS						
Individual policies						
– without profit sharing	904	1	903	5,685	22	5,663
– with profit sharing	2,965		2,965			
	3,869	1	3,868	5,685	22	5,663
Group policies						
– without profit sharing	563		563	1,964	11	1,953
– with profit sharing	536	3	533			
	1,099	3	1,096	1,964	11	1,953
Total single premiums	4,968	4	4,964	7,649	33	7,616
Total life business premiums	19,894	808	19,086	17,750	59	17,691

Total single premiums includes EUR 520 million in 2005 from profit sharing.

PREMIUMS WRITTEN FROM DIRECT LIFE BUSINESS

2004	Policies for which the insurer bears the investment risk			Policies for which the policyholder bears the investment risk		
	Gross	Reinsurers' share	Own account	Gross	Reinsurers' share	Own account
PERIODIC PREMIUMS						
Individual policies						
– without profit sharing	6,605	632	5,973	3,566	1	3,565
– with profit sharing	4,213	74	4,139			
	10,818	706	10,112	3,566	1	3,565
Group policies						
– without profit sharing	2,223	58	2,165	6,653	37	6,616
– with profit sharing	802	14	788			
	3,025	72	2,953	6,653	37	6,616
Total periodic premiums	13,843	778	13,065	10,219	38	10,181
SINGLE PREMIUMS						
Individual policies						
– without profit sharing	1,476	1	1,475	4,011	1	4,010
– with profit sharing	2,716		2,716			
	4,192	1	4,191	4,011	1	4,010
Group policies						
– without profit sharing	677		677	2,183	14	2,169
– with profit sharing	407	4	403			
	1,084	4	1,080	2,183	14	2,169
Total single premiums	5,276	5	5,271	6,194	15	6,179
Total life business premiums	19,119	783	18,336	16,413	53	16,360

Total single premiums includes EUR 457 million in 2004 from profit sharing.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP (CONTINUED)

NON-LIFE INSURANCE POLICIES BY CLASS OF BUSINESS

2005	Gross premiums written	Gross premiums earned[2]	Gross claims expenses	Operating expenses	Acquisition costs and other underwriting expenditure[3]	Net reinsurance income/ (expenses)	Operational result
Health	1,154	1,118	915	144	122	32	92
Accident[1]	780	803	470	128	98	-7	268
Third-party liability motor	927	946	544	132	118	-10	272
Other motor	1,442	1,467	723	170	240	12	379
Marine and aviation	109	127	56	17	17	-26	11
Fire and other property losses	1,503	1,551	1,287	242	324	365	101
General liability	406	408	156	88	85	-16	137
Credit and suretyship	61	64	24	13	10	-11	10
Legal assistance	40	40	22	13	6		
Miscellaneous financial losses	134	188	158	25	24	1	17
Indirect business	57	57	44	6	15	12	22
	6,613	6,769	4,399	978	1,059	352	1,309

[1] including disability insurance products.
[2] excluding reinsurance.
[3] including other underwriting income.

NON-LIFE INSURANCE POLICIES BY CLASS OF BUSINESS

2004	Gross premiums written	Gross premiums earned[2]	Gross claims expenses	Operating expenses	Acquisition costs and other underwriting expenditure[3]	Net reinsurance income/ (expenses)	Operational result
Health	1,097	1,078	785	127	169	-50	77
Accident[1]	872	857	507	125	111	5	271
Third-party liability motor	840	839	556	106	94	-10	94
Other motor	1,335	1,344	663	161	204	-5	362
Marine and aviation	141	142	55	18	22	-38	9
Fire and other property losses	1,489	1,495	681	228	306	-135	156
General liability	438	430	228	69	89	-46	20
Credit and suretyship	57	54	3	10	10	-14	20
Legal assistance	35	35	25	13	6		-8
Miscellaneous financial losses	288	217	109	22	28	-49	509
Indirect business	50	51	24	4	-49	-5	99
	6,642	6,542	3,636	883	990	-347	1,609

[1] including disability insurance products.
[2] excluding reinsurance.
[3] including other underwriting income.

24 INCOME FROM INVESTMENTS

INVESTMENT INCOME BY INSURANCE AND BANKING OPERATIONS

	Insurance operations 2005	Insurance operations 2004	Banking operations 2005	Banking operations 2004	Total 2005	Total 2004
Income from disposal of group companies	-25	480	415	-143	390	337
Income from investment property	206	287	194	248	400	535
Movement in fair value of investment property	143	137	59	62	202	199
Income from investments in equity securities	479	425	71	151	550	576
Income from investments in debt securities	5,757	5,302			5,757	5,302
Income from loans						
– personal loans	259	332			259	332
– mortgage loans	1,695	1,664			1,695	1,664
– policy loans	223	171			223	171
– other	427	614	12		439	614
	9,164	9,412	751	318	9,915	9,730

25 GAINS AND LOSSES FROM INVESTMENTS

GAINS AND LOSSES FROM INVESTMENTS

	Insurance operations		Banking operations			Total
	2005	2004	**2005**	2004	**2005**	2004
Realised result on disposal of equity securities	**511**	604	**171**		**682**	604
Realised result on disposal of debt securities	**245**		**60**		**305**	
Impairments of available-for-sale equity securities	**-46**		**-45**	45	**-91**	45
Impairments of available-for-sale debt securities	**34**				**34**	
	744	604	**186**	45	**930**	649

26 COMMISSION INCOME

FEE AND COMMISSION INCOME

	Insurance operations		Banking operations			Total
	2005	2004	**2005**	2004	**2005**	2004
Funds transfer			**645**	620	**645**	620
Securities business			**905**	946	**905**	946
Insurance broking	**890**	136	**115**	136	**1,005**	272
Management fees	**1,420**	1,156	**787**	869	**2,207**	2,025
Brokerage and advisory fees	**167**		**152**	140	**319**	140
Other	**119**	1,032	**645**	624	**764**	1,656
	2,596	2,324	**3,249**	3,335	**5,845**	5,659

FEE AND COMMISSION EXPENSES

	Insurance operations		Banking operations			Total
	2005	2004	**2005**	2004	**2005**	2004
Funds transfer			**56**	45	**56**	45
Securities business			**264**	281	**264**	281
Insurance broking	**500**	19			**500**	19
Management fees	**686**	686	**139**	103	**825**	789
Brokerage and advisory fees	**10**		**6**	1	**16**	1
Other	**54**	419	**383**	326	**437**	745
	1,250	1,124	**848**	756	**2,098**	1,880

27 VALUATION RESULTS FROM NON-TRADING DERIVATIVES

VALUATION RESULTS FROM NON-TRADING DERIVATIVES

	Insurance operations		Banking operations			Total
	2005	2004	**2005**	2004	**2005**	2004
Change in fair value of derivatives – fair value hedges	**87**		**-425**		**-338**	
Change in fair value of derivatives – cash-flow hedges (ineffective portion)			**-1**		**-1**	
Change in fair value of derivatives – hedges of net investment in foreign entities (ineffective portion)	**-16**				**-16**	
Change in fair value of other non-trading derivatives	**-152**		**296**		**144**	
Net result on non-trading derivatives	**-81**		**-130**		**-211**	
Change in fair value of assets and liabilities (hedged items)	**-98**		**467**		**369**	
Valuation results on assets and liabilities designated as at fair value through profit or loss (excluding trading)			**-111**		**-111**	
Net valuation results	**-179**		**226**		**47**	

28 NET TRADING INCOME

NET TRADING INCOME

	Insurance operations		Banking operations		Total	
	2005	2004	**2005**	2004	**2005**	2004
Results from securities trading	**84**	323	**660**	365	**744**	688
Results from foreign exchange transactions	**-87**	-72	**378**	566	**291**	494
Other	**9**	12	**-618**	-306	**-609**	-294
	6	263	**420**	625	**426**	888

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

The portion of trading gains and losses for the years ended 31 December 2005 and 2004 that related to trading securities still held at 31 December, amounts to EUR 7 million and EUR 154 million respectively.

29 OTHER INCOME

OTHER INCOME

	Insurance operations		Banking operations		Total	
	2005	2004	**2005**	2004	**2005**	2004
Share of profit from associates	**401**	195	**140**	34	**541**	229
Operating lease income			**72**	112	**72**	112
Negative goodwill				26		26
Other	**149**	150	**489**	238	**638**	388
	550	345	**701**	410	**1,251**	755

EXPENDITURE

30 UNDERWRITING EXPENDITURE

UNDERWRITING EXPENDITURE

	2005	2004
EXPENDITURE FROM LIFE UNDERWRITING		
Reinsurance and retrocession premiums	**2,031**	1,619
Gross benefits	**22,129**	25,774
Reinsurance recoveries	**-1,625**	-929
Movements in other insurance provisions for own account	**15,824**	11,098
Costs of acquiring insurance business	**1,060**	1,324
Other underwriting expenditure	**364**	713
Profit sharing and rebates	**2,214**	684
	41,997	40,283
EXPENDITURE FROM NON-LIFE UNDERWRITING		
Reinsurance and retrocession premiums	**526**	756
Gross claims	**4,343**	3,598
Reinsurance recoveries	**-775**	-303
Movements in the provision for unearned premiums	**-46**	73
Movements in the claims provision	**-49**	58
Costs of acquiring insurance business	**1,012**	951
Other underwriting expenditure	**-52**	-32
	4,959	5,101
EXPENDITURE FROM INVESTMENT CONTRACTS		
Costs of acquiring investment contracts	**53**	
Profit sharing and rebates	**17**	
Other movements in investment contract liabilities	**94**	
	164	
	47,120	45,384

PROFIT SHARING AND REBATES

	2005	2004
Distributions on account of interest or underwriting results	**1,824**	313
Bonuses added to policies	**379**	371
Deferred profit sharing expense	**11**	
	2,214	684

Underwriting expenditure includes an amount of EUR 3,956 million in 2005 (2004: EUR 4,258 million) in respect of commission paid and payable with regard to the insurance operations. Amortisation of deferred costs of acquiring new business amounted to EUR 1,475 million in 2005 (2004: EUR 2,031 million).

Expenditure from Life underwriting includes an amount of EUR 220 million in 2005 (EUR 100 million in 2004) in relation to reserve strengthening for Insurance Asia Pacific as further described under Segment Reporting.

ING transferred part of their life insurance business to Scottish Re in 2004 by means of a co-insurance contract. ING recorded a loss amounting to EUR 160 million in Underwriting expenditure in 2004 on the transaction. This loss represented the reduction of the related deferred acquisition costs. In addition, an amount of EUR 240 million will be amortised over the life of the underlying business, starting in 2005 and gradually decreasing in subsequent years as the business runs off. The amount amortised in 2005 amounts to EUR 34 million. The cumulative amortisation recognised amounts to EUR 34 million.

The underwriting expenditure regarding investment income for risk of policyholders of EUR 5,074 million (2004: EUR 2,309 million) has not been recognised as an expense in Underwriting expenditure. Accordingly, the equal amount of related income has also not been recognised in Income from investments and Gains and losses from investments.

31 OTHER IMPAIRMENTS

OTHER IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENTS RECOGNISED IN THE PROFIT AND LOSS ACCOUNT

	Impairment losses		Reversals of impairments		Total	
	2005	2004	2005	2004	2005	2004
Property and equipment	**82**	22	**-27**		**55**	22
Other intangible assets	**21**				**21**	
	103	22	**-27**		**76**	22

Impairments on Loans and advances to customers are presented under Additions to the provision for loan losses. Impairments on investments are presented under Gains and losses from investments.

32 STAFF COSTS

STAFF COSTS

	Insurance operations		Banking operations		Total	
	2005	2004	2005	2004	2005	2004
Salaries	**2,038**	1,928	**3,286**	3,308	**5,324**	5,236
Pension and other staff related liability costs	**143**	144	**256**	484	**399**	628
Social security costs	**214**	191	**444**	426	**658**	617
Share-based compensation arrangements	**36**	19	**33**	57	**69**	76
Other staff costs	**470**	404	**726**	706	**1,196**	1,110
	2,901	2,686	**4,745**	4,981	**7,646**	7,667

PENSION AND OTHER STAFF RELATED LIABILITY COSTS

	Pension		Post-retirement benefits other than pensions		Other		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Current service cost	**477**	434	**42**	31	**32**	6	**551**	471
Past service cost	**192**				**5**		**197**	
Interest cost	**643**	699	**40**	35	**35**	14	**718**	748
Expected return on assets	**-710**	-686			**-22**	-11	**-732**	-697
Effect of curtailment or settlement	**-12**	-3	**-396**		**-3**		**-411**	-3
Defined benefit post-employment plans	**590**	444	**-314**	66	**47**	9	**323**	519
Defined contribution plans							**76**	109
							399	628

Contributions to defined contribution plans are generally determined as a percentage of pay.

The actual return on the plan assets amounted to EUR 1,583 million (2004: EUR 540 million).

Remuneration of Senior Management, Executive Board and Supervisory Board
The information on share based payment plans and remuneration of the members of the Executive Board and the Supervisory Board is included in the remuneration report in the annual report (page 64 up to and including page 74). This information is considered to be an integral part of the audited annual accounts.

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

ING Group holds directly or indirectly its own shares in order to fulfil the obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned (so-called delta hedge). As at 31 December 2005, 38,722,934 (2004: 29,427,538) own shares were held in connection to the option plan compared to 85,128,950 options outstanding. As a result the granted option rights were (delta-) hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour. The hedge is rebalanced regularly at predetermined points in time.

Exposure arising out of the share plan is not hedged. The obligations with regard to these plans will be funded by issuing own shares.

The option rights are valid for a period of five or ten years. Option rights, that are not exercised within this period, lapse. Option rights granted will remain valid until expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a certain continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Group shares at the date on which the options are granted.

The entitlement to the depositary receipts for ING shares is granted conditionally. If the participant remains in employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional. In 2005 73,500 shares have been granted to the members of the Executive Board and 2,907,101 shares have been granted to senior management and other employees remaining in the service of ING Group.

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

MOVEMENTS IN OPTION RIGHTS, BOTH OUTSTANDING AND NONVESTED

	Options outstanding		Weighted average exercise price	
	2005	2004	**2005**	2004
Opening balance	**81,010,410**	83,187,633	**24.97**	26.39
Granted	**15,734,031**	13,568,410	**23.28**	18.71
Exercised	**2,820,253**	918,566	**21.15**	16.96
Forfeited	**298,315**	940,054	**23.60**	20.05
Expired	**8,496,923**	13,887,013	**30.26**	29.45
Closing balance	**85,128,950**	81,010,410	**24.42**	24.98

	Options nonvested		Weighted average grant date fair value	
	2005	2004	**2005**	2004
Opening balance	**48,317,040**	51,392,079	**4.84**	6.21
Granted	**15,734,031**	11,435,785	**3.49**	3.55
Vested	**22,394,188**	14,085,603	**6.11**	8.80
Forfeited	**249,751**	425,221	**3.54**	3.64
Closing balance	**41,407,132**	48,317,040	**3.65**	4.85

SUMMARY OF STOCK OPTIONS OUTSTANDING AND EXERCISABLE AS AT 31 DECEMBER 2005

Range of exercise price in euros	**Options outstanding as at 31 December 2005**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at 31 December 2005**	**Weighted average remaining contractual life**	**Weighted average exercise price**
0.00 – 15.00	**16,872,752**	**7.18**	**12.71**	**2,423,643**	**7.20**	**12.89**
15.00 – 20.00	**10,797,877**	**8.20**	**18.69**	**301,461**	**7.97**	**18.70**
20.00 – 25.00	**15,423,891**	**9.23**	**23.25**	**172,095**	**8.11**	**23.21**
25.00 – 30.00	**27,110,926**	**5.28**	**28.59**	**25,901,115**	**5.21**	**28.57**
30.00 – 35.00	**361,530**	**2.86**	**33.15**	**361,530**	**2.86**	**33.15**
35.00 – 40.00	**14,561,974**	**3.48**	**35.47**	**14,561,974**	**3.48**	**35.47**

The aggregate intrinsic value of options outstanding and exercisable at 31 December 2005 was EUR 4.88 and EUR 10.72, respectively.

As of 31 December 2005 there was EUR 50 million (2004: EUR 24 million) of total unrecognised compensation costs related to stock options. These costs are expected to be recognised over a weighted average period of 2 years (2004: 1.8 years).

The fair value of options granted is recorded as an expense under personnel expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined by using an option-pricing model. This model takes the risk free interest rate into account (ranging from 3.12% to 3.46%), as well as the expected life of the options granted, the exercise price, the current share price, the expected volatility of the certificates of ING Group shares and the expected dividends in the range of EUR 1.07 to EUR 1.12.

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

MOVEMENTS IN SHARE AWARDS

	Share awards		Weighted average grant date fair value	
	2005	2004	**2005**	2004
Opening balance	**3,715,896**		**19.37**	
Granted	**2,980,601**	3,792,509	**27.50**	19.38
Vested	**152,006**		**20.26**	
Forfeited	**45,022**	76,613	**24.71**	19.37
Closing balance	**6,499,469**	3,715,896	**22.92**	19.38

The fair value of share awards granted is recorded as an expense under personnel expenses and is allocated over the vesting period of the share awards. The fair values of share awards have been determined by using a Monte Carlo Simulation based valuation model. The model takes into account the risk free interest rate and for performance shares the current stock prices, expected volatilities and current divided yields of the performance peer group used to determine ING's Total Shareholder Return (TSR) ranking.

As of 31 December 2005 there was EUR 81 million (2004: EUR 51 million) of total unrecognised compensation costs related to share awards. These costs are expected to be recognised over a weighted average period of 1.9 years (2004: 2.2 years).

33 OTHER INTEREST EXPENSES

Other interest expenses mainly consist of interest in connection with the insurance operations, including interest on the perpetual subordinated loans.

Other interest expenses includes EUR 14 million and EUR 111 million dividends paid on preference shares and trust preferred securities (2004: nil and EUR 136 million).

34 OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES

	Insurance operations		Banking operations		Total	
	2005	2004	**2005**	2004	**2005**	2004
Depreciation of property and equipment	**113**	114	**376**	311	**489**	425
Computer costs	**319**	211	**669**	663	**988**	874
Office expenses	**595**	633	**622**	646	**1,217**	1,279
Travel and accommodation expenses	**104**	91	**133**	115	**237**	206
Advertising and public relations	**150**	128	**619**	566	**769**	694
External advisory fees	**505**	435	**356**	274	**861**	709
Other	**470**	419	**1,172**	1,157	**1,642**	1,576
	2,256	2,031	**3,947**	3,732	**6,203**	5,763
Addition/(releases) of provision for reorganisation and relocation	**38**	29	**86**	82	**124**	111
	2,294	2,060	**4,033**	3,814	**6,327**	5,874

Other operating expenses include lease and sublease payments in respect to operating leases in which ING is the lessee.

35 TAXATION

TAXATION BY TYPE

	Netherlands	**International**	**Total 2005**	Netherlands	International	Total 2004
Current taxation	**855**	**388**	**1,243**	1,025	315	1,340
Deferred taxation	**-2**	**138**	**136**	212	157	369
	853	**526**	**1,379**	1,237	472	1,709

RECONCILIATION OF THE STATUTORY INCOME TAX RATE TO ING GROUP'S EFFECTIVE INCOME TAX RATE

	2005	2004
Result before taxation	**8,894**	7,740
Statutory tax rate	**31.5%**	34.5%
Statutory tax amount	**2,802**	2,670
Associates exemption	**-386**	-460
Other income not subject to tax	**-222**	-10
Expenses not deductible for tax purposes	**37**	1
Differences caused by different foreign tax rates	**29**	-120
Adjustment to prior periods	**-77**	
Change in tax rates	**-2**	
Deferred tax benefit from previously unrecognised amounts	**-413**	
Current tax benefit from previously unrecognised amounts	**-418**	
Write down and reversal of deferred tax assets	**2**	
Other	**27**	-372
Effective tax amount	**1,379**	1,709
Effective tax rate	**15.5%**	22.1%

36 EARNINGS PER ORDINARY SHARE

EARNINGS PER ORDINARY SHARE

	Net profit (in millions of euros)		Weighted average number of ordinary shares outstanding during the period (in millions)		Net profit per ordinary share (in euros)	
	2005	2004	2005	2004	2005	2004
Net profit	**7,210**	5,755	**2,169.5**	2,125.3	**3.32**	2.71

Due to the absence of dilutive effects, the net profit equals the diluted profit.

37 DIVIDEND PER ORDINARY SHARE

DIVIDEND PER ORDINARY SHARE

	Per ordinary share (in euros)	Total amount of dividend paid (in millions of euros)
2005[1]	**1.18**	**2,588**
2004	1.07	2,359

[1] The Executive Board, with the approval of the Supervisory Board, has proposed, subject to the ratification by the General Meeting of Shareholders, a dividend of EUR 1.18 per share for the year 2005. Following the decision of the General Meeting of Shareholders with regard to the profit appropriation, the final dividend will become payable on 4 May 2006.

SEGMENT REPORTING

AMOUNTS IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

ING Group's business segments relate to the internal segmentation by business lines. These include the business lines: Retail Banking, Wholesale Banking, ING Direct, Insurance Americas, Insurance Europe and Insurance Asia-Pacific. Other mainly includes items not directly attributable to the business lines.

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

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

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

SECONDARY REPORTING FORMAT – GEOGRAPHIC SEGMENTS

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

BUSINESS SEGMENTS

2005	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Eliminations	Total Group
Total income										
Income – external	15,844	28,032	13,168	6,808	5,611	1,830	-152	71,141		71,141
Income – inter-segment	201	4	31	-851	185	289	641	500	-500	
	16,045	28,036	13,199	5,957	5,796	2,119	489	71,641	-500	71,141
Segment profit before taxation	2,031	1,941	478	2,599	1,877	617	-649	8,894		8,894
Divestments	-10	38	-31	-323	-62			-388		-388
Underlying profit before taxation	2,021	1,979	447	2,276	1,815	617	-649	8,506		8,506
Segment assets	113,900	165,719	48,326	677,869	311,382	233,412	27,856	1,578,464	-419,825	1,158,639
Segment liabilities	101,855	158,330	44,697	669,352	307,990	230,346	21,018	1,533,588	-413,374	1,120,214
Depreciation and amortisation	405	934	613	181	229	63		2,425		2,425
Impairments	29	15	19	75	6			144		144
Reversal of impairments		41	1	15	12			69		69
Share in profit or loss of associates	346	12	34	134	6		9	541		541
Book value of associates	2,421	15	1	1,114	45	2	24	3,622		3,622

At 31 December 2005 the segment Insurance Asia Pacific had a net reserve inadequacy using a prudent (90%) confidence level, and, in line with Group Policy, is taking measures to improve adequacy in that region. This inadequacy was offset by reserve adequacies in other segments, such that at the Group level there is a net adequacy at the prudent (90%) confidence level.

BUSINESS SEGMENTS

2004	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Eliminations	Total Group
Total income										
Income – external	16,011	28,080	10,469	7,251	4,454	1,177	717	68,159		68,159
Income – inter-segment	30	4	21	-1,380	608	532	535	350	-350	
	16,041	28,084	10,490	5,871	5,062	1,709	1,252	68,509	-350	68,159
Segment profit before taxation	1,623	1,692	756	1,945	1,175	435	114	7,740		7,740
Divestments		-91	-281	106	-7			-273		-273
Special items	-11			41			-372	-342		-342
Underlying profit before taxation	1,612	1,601	475	2,092	1,168	435	-258	7,125		7,125
Segment assets	100,258	132,101	31,622	474,948	252,450	170,001	35,808	1,197,188	-320,797	876,391
Segment liabilities	90,947	126,156	28,998	465,700	249,949	167,731	20,144	1,149,625	-300,784	848,841
Depreciation & amortisation	348	1,427	440	220	220	49	12	2,716		2,716
Impairments	14	52	3	52	31			152		152
Share in profit or loss of associates	147	35	10	28	-6		15	229		229
Book value of associates	1,311	14	33	791	41	10	463	2,663		2,663

Special items in 2004 comprise results from foreign currency hedges, restructuring provisions for Wholesale Banking and a gain on old insurance business.

INTEREST INCOME (EXTERNAL) AND INTEREST EXPENSE (EXTERNAL) BREAKDOWN PER BUSINESS LINE

	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total Group
2005								
Interest income	**3,658**	**4,492**	**856**	**30,092**	**10,200**	**8,154**	**-289**	**57,163**
Interest expense	**115**	**341**	**4**	**25,326**	**7,067**	**6,528**	**769**	**40,150**
	3,543	**4,151**	**852**	**4,766**	**3,133**	**1,626**	**-1,058**	**17,013**
2004								
Interest income	3,341	4,332	671	12,988	6,328	6,141	-5	33,796
Interest expense	124	320	5	8,637	2,848	5,077	777	17,788
	3,217	4,012	666	4,351	3,480	1,064	-782	16,008

GEOGRAPHICAL SEGMENTS

GEOGRAPHICAL SEGMENTS OF ING GROUP

2005	**Netherlands**	**Belgium**	**Rest of Europe**	**North America**	**Latin America**	**Asia**	**Australia**	**Other**	**Total Group**
Total income									
Income – external	**16,791**	**5,142**	**5,588**	**26,871**	**2,771**	**12,997**	**789**	**324**	**71,273**
Income – inter-segment	**217**	**-358**	**460**	**-161**	**55**	**89**	**21**	**-455**	**-132**
	17,008	**4,784**	**6,048**	**26,710**	**2,826**	**13,086**	**810**	**-131**	**71,141**
Segment profit before taxation	**3,566**	**1,383**	**1,123**	**2,434**	**168**	**361**	**336**	**-477**	**8,894**
Segment assets	**271,096**	**165,590**	**329,198**	**275,661**	**19,653**	**64,176**	**26,832**	**6,433**	**1,158,639**

SEGMENT REPORTING (CONTINUED)

GEOGRAPHICAL SEGMENTS OF ING GROUP

2004	Netherlands	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Total Group
Total income									
Income – external	16,768	5,402	4,666	26,578	2,735	8,891	1,980	1,260	68,280
Income – inter-segment	-223	-236	453	-29	23	63	24	-196	-121
	16,545	5,166	5,119	26,549	2,758	8,954	2,004	1,064	68,159
Segment profit before taxation	2,881	808	506	1,732	237	283	541	752	7,740
Segment assets	195,646	136,318	258,479	204,663	12,646	44,851	21,271	2,516	876,390

INCOME BY GEOGRAPHICAL AREA

	Insurance operations		Banking operations		Eliminations		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Netherlands	**11,509**	11,235	**5,532**	5,310	**33**		**17,008**	16,545
Belgium	**2,518**	2,877	**2,266**	2,289			**4,784**	5,166
Rest of Europe	**2,157**	1,813	**3,891**	3,306			**6,048**	5,119
North America	**25,408**	25,397	**1,302**	1,152			**26,710**	26,549
Latin America	**2,675**	2,643	**151**	115			**2,826**	2,758
Asia	**12,648**	8,644	**438**	310			**13,086**	8,954
Australia	**543**	1,814	**267**	190			**810**	2,004
Other	**844**	1,678	**2**	6			**846**	1,684
	58,302	56,101	**13,849**	12,678	**33**		**72,118**	68,779
Income between geographical areas[1]	**-878**	-499			**99**	121	**-977**	-620
	57,424	55,602	**13,849**	12,678	**132**	121	**71,141**	68,159

[1] Mainly related to reinsurance premiums ceded between group companies in different geographical areas.

INCOME FROM THE INSURANCE OPERATIONS BY GEOGRAPHICAL AREA

	Life premiums written		Non-life premiums written		Investment income[1]		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Netherlands	**5,449**	5,822	**1,642**	1,693	**4,418**	3,720	**11,509**	11,235
Belgium	**1,630**	2,115	**318**	324	**570**	438	**2,518**	2,877
Rest of Europe	**1,617**	1,367	**46**	48	**494**	398	**2,157**	1,813
North America	**17,624**	17,923	**3,099**	2,741	**4,685**	4,733	**25,408**	25,397
Latin America	**567**	506	**1,454**	1,591	**654**	546	**2,675**	2,643
Asia	**12,064**	8,009	**41**	37	**543**	598	**12,648**	8,644
Australia	**181**	1,223		200	**362**	391	**543**	1,814
Other	**15**	13	**133**	142	**696**	1,523	**844**	1,678
	39,147	36,978	**6,733**	6,776	**12,422**	12,347	**58,302**	56,101
Income between geographical areas[2]	**-2**	-3	**-120**	-134	**-756**	-362	**-878**	-499
	39,145	36,975	**6,613**	6,642	**11,666**	11,985	**57,424**	55,602

[1] Including commission and other income.
[2] Mainly related to reinsurance premiums ceded between group companies in different geographical areas.

PROFIT BEFORE TAXATION BY GEOGRAPHICAL AREA

	Insurance operations		Banking operations		Total	
	2005	2004	**2005**	2004	**2005**	2004
Netherlands	**1,714**	1,201	**1,693**	1,680	**3,407**	2,881
Belgium	**192**	128	**790**	680	**982**	808
Rest of Europe	**263**	179	**1,317**	327	**1,580**	506
North America	**1,443**	1,142	**705**	590	**2,148**	1,732
Latin America	**152**	197	**78**	40	**230**	237
Asia	**275**	287	**170**	-4	**445**	283
Australia	**195**	436	**162**	105	**357**	541
Other	**-256**	752	**1**		**-255**	752
	3,978	4,322	**4,916**	3,418	**8,894**	7,740

PROFIT BEFORE TAXATION FROM THE INSURANCE OPERATIONS BY GEOGRAPHICAL AREA

	Life		Non-life		Total	
	2005	2004	**2005**	2004	**2005**	2004
Netherlands	**1,324**	934	**390**	267	**1,714**	1,201
Belgium	**139**	111	**53**	17	**192**	128
Rest of Europe	**256**	168	**7**	11	**263**	179
North America	**623**	362	**820**	780	**1,443**	1,142
Latin America	**98**	99	**54**	98	**152**	197
Asia	**269**	284	**6**	3	**275**	287
Australia	**195**	162		274	**195**	436
Other	**-238**	527	**-18**	225	**-256**	752
	2,666	2,647	**1,312**	1,675	**3,978**	4,322

GEOGRAPHICAL ANALYSIS OF CLAIMS, COST RATIO AND COMBINED RATIO FOR NON-LIFE INSURANCE POLICIES

	Claims ratio		Cost ratio		Combined ratio	
	2005	2004	**2005**	2004	**2005**	2004
Netherlands	**56.0**	60.6	**39.0**	36.8	**95.0**	97.4
Belgium	**66.8**	71.1	**34.1**	36.7	**100.9**	107.8
Rest of Europe	**51.5**	46.1	**41.8**	35.8	**93.3**	81.9
North America	**59.7**	61.0	**29.4**	27.6	**89.1**	88.6
Latin America	**75.8**	71.8	**28.4**	27.6	**104.2**	99.4
Asia	**52.5**	56.6	**40.3**	40.9	**92.8**	97.5
Australia		46.3		28.0		74.3
Other	**119.7**	62.8	**14.6**	16.4	**134.3**	79.2
Total	**62.7**	63.0	**31.9**	30.6	**94.6**	93.6

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

DEFERRED ACQUISITION COSTS OF INSURANCE BUSINESS BY GEOGRAPHICAL AREA

	Investment contracts		Life insurance		Non-life insurance		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Netherlands			**460**	442	**61**	61	**521**	503
Belgium			**43**	47	**16**	18	**59**	65
Rest of Europe			**221**	209	**4**	4	**225**	213
North America			**4,863**	6,001	**292**	246	**5,155**	6,247
Latin America			**97**	74	**115**	99	**212**	173
Asia			**3,359**	3,226	**2**	1	**3,361**	3,227
Australia	**71**						**71**	
	71		**9,043**	9,999	**490**	429	**9,604**	10,428

INSURANCE PROVISIONS OWN ACCOUNT BY GEOGRAPHICAL AREA

	Provision for life policy liabilities		Insurance provisions for policies for which the policyholders bear the investment risk		Claims provision		Other		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Netherlands	**39,564**	39,264	**17,065**	15,472	**3,224**	3,364	**2,778**	874	**62,631**	58,974
Belgium	**7,731**	6,732	**175**	3,248	**540**	510	**893**	181	**9,339**	10,671
Rest of Europe	**5,272**	4,479	**1,808**	1,708	**28**	26	**484**	70	**7,592**	6,283
North America	**53,411**	52,395	**59,956**	46,912	**3,538**	2,994	**1,763**	1,404	**118,668**	103,705
Latin America	**3,021**	2,168	**54**	66	**301**	232	**692**	572	**4,068**	3,038
Asia	**22,534**	16,586	**10,473**	4,251	**26**	21	**495**	272	**33,528**	21,130
Australia	**96**	75		5,999					**96**	6,074
Other	**-4**				**545**	231	**106**	1	**647**	232
	131,625	121,699	**89,531**	77,656	**8,202**	7,378	**7,211**	3,374	**236,569**	210,107

38 NET CASH FLOW FROM INVESTING ACTIVITIES

COMPANIES ACQUIRED AND DISPOSED OF IN 2005

amounts in billions of euros	Acquisition of Eural	Acquisition of New Zealand	Total acquisitions	Disposal of Baring Asset Management	Disposal of Life of Georgia	Total disposals
GENERAL						
Primary line of business	Bank	Insurance		Bank	Insurance	
PURCHASE PRICE						
Purchase price	-0.1	-0.1	-0.2	0.7	0.2	0.9
Cash in company acquired / disposed					0.1	0.1
Cash outflow / inflow on acquisition / disposal	-0.1	-0.1	-0.2	0.7	0.3	1.0
ASSETS						
Investments	1.6		1.6		-1.8	-1.8
Loans and advances to customers	0.8		0.8	-2.2		-2.2
Amounts due from banks	0.3		0.3	-1.4		-1.4
Miscellaneous other assets	0.1	0.1	0.2	-0.7		-0.7
LIABILITIES						
Insurance and investment contracts					-1.5	-1.5
Amounts due to banks				-0.1		-0.1
Customer deposits and other funds on deposit	1.4		1.4	-2.5		-2.5
Miscellaneous other liabilities	1.2		1.2	-0.9		-0.9
Net assets	0.2	0.1	0.3	-0.9	-0.3	-1.2
Third-party interest						
Net assets acquired	0.2	0.1	0.3	-0.9	-0.3	-1.2

COMPANIES ACQUIRED AND DISPOSED OF IN 2004

amounts in billions of euros	Allianz Canada	Other	Total acquisitions	BHF	Other	Total disposals
GENERAL						
Primary line of business	Insurance	Bank		Bank	Bank/ Insurance	
PURCHASE PRICE						
Purchase price	-0.3	-1.9	-2.2	0.4	1.0	1.4
Cash in company acquired / disposed	0.5		0.5			
Cash outflow / inflow on acquisition / disposal	0.2	-1.9	-1.7	0.4	1.0	1.4
ASSETS						
Investments		4.8	4.8	-7.5	-3.2	-10.7
Loans and advances to customers		0.6	0.6			
Financial assets at fair value through profit or loss				-4.0	-0.3	-4.3
Miscellaneous other assets	0.9	2.2	3.1	-4.4	-1.8	-6.2
LIABILITIES						
Amounts due to banks				-5.0	-0.3	-5.3
Customer deposits and other funds on deposit		3.8	3.8	-8.2	-2.7	-10.9
Miscellaneous other liabilities	1.0	0.1	1.1	-1.6	0.1	-1.5
Net assets	-0.1	3.8	3.7	-0.9	-2.4	-3.3
Third-party interest						
Net assets acquired	-0.1	3.8	3.7	-0.9	-2.4	-3.3

Acquisitions and disposals of group companies have been included in the cash flow from investing activities at cost or sales price, insofar as payment was made in cash. The cash in the company acquired/disposed has been eliminated from the cost or sales price.

39 NET CASH FLOW AND CASH AND CASH EQUIVALENTS

INTEREST AND DIVIDEND RECEIVED AND PAID

amounts in millions of euros	**2005**	2004
Interest received	**53,015**	33,767
Interest paid	**33,379**	17,848
	19,636	15,919
Dividend received	**522**	443
Dividend paid	**2,461**	883

TREASURY BILLS AND OTHER ELIGIBLE BILLS INCLUDED IN CASH AND CASH EQUIVALENTS

amounts in millions of euros	**2005**	2004
Treasury bills and other eligible bills included in trading assets	**8,878**	8,730
Treasury bills and other eligible bills included in available-for-sale investments	**2,694**	3,652
	11,572	12,382

RISK MANAGEMENT

AMOUNTS IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE

INTRODUCTION

GROUP RISK FUNCTION

The Executive Board determines the risk appetite of ING Group, aiming for a balance between risk, return and capital and sets risk policy and limits. The Chief Financial Officer (CFO) bears primary overall responsibility for the Group Risk Function. ING has a Dual Signatory Approval structure whereby Executive Board members and the Corporate Risk Managers will take direct responsibility for specified matters (such as transactional approval) within the delegated authorities granted by the Executive Board.

The Group Risk Function is structured independently from the business lines and is organised through three departments:
– Corporate Credit Risk Management (CCRM) is responsible for the credit risk management of ING Bank and ING Insurance;
– Corporate Market Risk Management (CMRM) is responsible for the market risk management of ING Bank and also for the operational risk management of ING Bank and ING Insurance;
– Corporate Insurance Risk Management (CIRM) is responsible for the insurance and market risk management of ING Insurance.

The heads of these departments (Corporate Risk Managers) report to the CFO and bear direct responsibility for risk (mitigating) decisions. The Corporate Risk Managers advise the CFO and are responsible for the harmonisation and standardisation of risk-management practises. They are also responsible for risk definitions, policies, procedures, models and methodologies, measurement, monitoring and consolidated reporting.

The regional and local risk managers in the business lines have a functional reporting line to the Corporate Risk Managers; they ensure day-to-day risk analysis, proper measurement and controls, registration of risks and policy development within the overall risk governance framework.

GROUP RISK COMMITTEES

The risk committees described below act within the overall risk policy and delegated authorities granted by the Executive Board. The risk committees have an advisory role to the CFO and ensure a close link between the business lines and the Group risk management function through representation of the business heads and the Corporate Risk Managers on each committee.

ING Group Credit Committee – Policy (GCCP)
GCCP advises on policies, methodologies and procedures related to credit, insurance, market and operational risks within ING Group. The GCCP meets on a monthly basis. This committee was created in 2005 as a result of the streamlining of risk management governance at a Group level.

ING Group Credit Committee – Transaction Approval (GCCTA)
GCCTA advises on transactions involving the taking of credit risk (including issuer investment risk). The GCCTA meets twice weekly. This committee was formerly known as the Central Credit Committee (CKC).

ING Provisioning Committee (IPC)
IPC advises on specific and collective loan loss provisions figures for ING. The IPC meets on a quarterly basis.

Asset & Liability Committee ING Bank (ALCO Bank)
ALCO Bank advises on the overall risk profile of all ING Bank's non-trading market risk that occurs in its Wholesale Banking, Retail Banking and ING Direct activities. ALCO Bank defines the policy regarding funding, liquidity, interest rate mismatch and solvency of ING Bank. ALCO Bank meets on a monthly basis.

Asset & Liability Committee ING Insurance (ALCO Insurance)
ALCO Insurance advises on all risks for ING Insurance activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. ALCO Insurance meets six times a year.

GROUP RISK MEASUREMENT

Group risk management is described by risk category for ING Bank and ING Insurance in two separate sections below. For ING Bank the following risk categories apply: credit risk, market risk and operational risk. For ING Insurance the relevant risks are: actuarial and underwriting risk, market risk, credit risk and operational risk.

In the sections below, the risk categories are sub-divided by types of risk and for each type of risk the applicable risk measurement method that ING practices is described, including a quantification of the risks.

ING BANK

CREDIT RISK

General

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

In anticipation of the planned introduction of new global capital regulations from the Basel Committee, ING has commenced a bank-wide Basel project led by CCRM. The goal of this project is to ensure ING's compliance with the new regulations by the required implementation date of 31 December 2007. A key element of the project is the continued development, implementation and back-testing of in-house objective risk rating and loss-given default models for use in the credit approval process, risk reporting, performance monitoring and portfolio management. Simultaneously, ING is refining its credit risk management governance and practices to conform to industry best practices and regulatory requirements.

Measurement

Credit risk

Credit risk is the risk of loss from the default by debtors or counterparties. Credit risks arise in ING Bank's lending, pre-settlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

Credit analysis is risk/reward-oriented whereby the level of credit analysis is a function of the risk amount, tenor, structure (e.g. covers received) of the facility, and the risks entered into. Continually more sophisticated RAROC-based tools are used internally to ensure a proper balance of risk and reward within the portfolio and concentration parameters. ING's credit analysts make use of publicly available information in combination with in-house analysis based on information provided by the customer, peer-group comparisons, industry comparisons and other quantitative techniques.

The credit exposure of ING Bank is mainly related to traditional lending to individuals and businesses. Loans to individuals are mainly mortgage loans secured by residential property. Loans to businesses are often collateralised, but can be unsecured based on internal analysis of the borrowers' creditworthiness. Pre-settlement credit exposure arises also from trading activities, for instance in derivatives, repurchase transactions and securities lending/borrowing. ING uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING's potential future exposure on individual and portfolios of trades. Master agreements and collateral agreements are frequently entered into to reduce these credit risks.

Risk classes are defined based upon the quality of the exposures in terms of creditworthiness, varying from investment grade to problem grade expressed in Moody's and S&P equivalents.

RISK CLASSES: ING BANK PORTFOLIO, AS % OF TOTAL OUTSTANDINGS[1]

in percentages	**2005**	2004
AAA (1)	**13.8%**	11.8%
AA (2-4)	**22.1%**	21.9%
A (4-7)	**9.5%**	10.9%
BBB (8-10)	**21.6%**	22.5%
BB (11-13)	**27.6%**	29.1%
B (14-17)	**4.0%**	2.3%
Watch / Problem Grade (18-22)	**1.4%**	1.5%
	100.0%	100.0%

[1] based on lending (wholesale and retail), financial markets and investment activities.

The shift from mid-grade (BB-BBB) assets to high quality (AA-AAA) assets is the result of the continuing growth of ING Direct.

RISK CONCENTRATION: ING BANK PORTFOLIO, BY ECONOMIC SECTOR

in percentages	**2005**	2004
Construction, infrastructure & Real estate	**5.7%**	4.3%
Financial institutions	**39.4%**	39.6%
Private individuals	**28.1%**	28.9%
Public administration	**9.2%**	8.6%
Services	**2.1%**	2.1%
Other	**15.5%**	16.5%
	100.0%	100.0%

The credit portfolio is under constant review. A formal analysis takes place quarterly to determine the provisions for possible bad debts, using a bottom-up approach. Conclusions are discussed by the IPC, which advises the Executive Board on specific provisioning levels. ING Bank identifies as impaired loans those loans for which it is probable, based on current information and events that the principal and interest amounts contractually due will not be collected in accordance with the contractual terms of the loan agreements.

In 2005, ING added EUR 88 million to the provision for loan losses, compared with EUR 465 million in 2004. The addition equalled 3 basis points of average credit-risk-weighted assets in 2005, compared with 18 basis points in 2004. ING is of the opinion that its loan-loss provisions as of 31 December 2005 are adequate to absorb losses from ING Bank's credit risk taking activities.

Country risk
Country risk is the risk that ING faces which is specifically attributable to events in a specific country (or group of countries). Country risk is identified in lending (corporate and counterparty), trading and investment activities. All transactions and trading positions generated by ING include country risk. Country risk is further divided into economic and transfer risk. Economic risk is the concentration risk relating to any event in the risk country which may affect transactions and other exposure in that country, regardless of the currency. Transfer risk is the risk incurred through the inability of ING or its counterparties to meet their respective foreign currency obligations due to a specific country event.

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

LARGEST ECONOMIC EXPOSURES: ING BANK LENDING PORTFOLIO, BY COUNTRY[1]

amounts in billions of euros	**2005**	2004
Netherlands	**176.8**	178.4
United States of America	**69.8**	58.2
Germany	**67.9**	60.5
Belgium	**56.5**	43.3
Spain	**42.2**	33.9
United Kingdom	**39.2**	41.3
Italy	**19.1**	16.5
Australia	**18.8**	15.6
France	**17.3**	25.2
Canada	**16.7**	11.5

[1] only covers exposures in excess of EUR 10 billion, including intercompany exposures with ING Insurance.

The methodology for calculating risk capital is linked to the risk definitions with respect to determining where the country risk occurs. Emerging market countries with low and medium risk that have not defaulted require no mandatory provisions for transfer risk. Instead of provisions, additional capital is allocated to transactions that incur country risk, the amount of which is a function of the risk of the country as well as the risk of the transaction itself.

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

For those transactions where DVP settlement is not possible, ING establishes settlement limits through the credit approval process. Settlement risk is then monitored and managed through the credit risk management units. Risk is further mitigated by operational procedures requiring trade confirmations to counterparties with all transaction details, and entering into internationally accepted documentation, such as International Swaps and Derivatives Association (ISDA) Master Agreements for derivative transactions. Additionally, ING regularly participates in projects with other banks to improve and develop new clearing systems and clearing mechanisms to further reduce the level of settlement risk.

Collateral policies
As with all financial institutions, ING is in the business of taking credit risks. As such, we continually evaluate the creditworthiness of our customers, trading partners and investments for their ability to meet their financial obligations to ING. During the assessment process of creating new loans, acquiring securities, as well as reviewing existing loans and securities positions, ING determines the amount and type of collateral, if any, that a customer may be required to pledge to ING.

Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more collateral the customer or counterparty will have to provide. Within counterparty trading activities, ING actively enters into various legal arrangements whereby counterparties (or ING) may have to post collateral to one another to cover market fluctuations of their relative positions. Laws in various jurisdictions also affect the type and amount of collateral that ING can receive or pledge. Additionally, ING will sometimes enter into credit default swaps, and other similar instruments, in order to reduce the perceived credit risk on a given borrower or portfolio.

Restructuring
In some cases, ING will work with the obligor and its other creditors, if any, to restructure the company and its financial obligations in order to minimise any financial losses to the creditors as a whole, and ING in particular. This can be accomplished through many means available to the creditors, the most common of which are (1) extending the repayment period, (2) selling assets; (3) selling business lines of the debtor, (4) forgiving part of the financial obligations, and (5) a combination of the above. The decision to enter into such a restructuring is made only after careful internal assessment and an internal approval. Once a restructuring is completed, the obligor is again subject to normal credit risk monitoring procedures.

Past-due obligations
ING continually measures its portfolio in terms of payment arrears. Particularly the retail portfolios (such as residential mortgages, consumer loans and policy loans) are closely monitored on a monthly basis to determine if there are any significant changes in the level of arrears. Generally, an obligation is considered 'past-due' if a payment of interest or principal is more than one day late. In practice, the first 5-7 days are considered to be operational risk. After this period, letters will be sent to the obligor reminding it of its (past due) payment obligations. If payment has not been made after 90 days, the obligation is generally considered impaired and transferred to one of the 'problem loan' units. In order to reduce the number of arrears, most ING units encourages obligors to set up automatic debits from their accounts to ensure timely payments.

There is no significant concentration of a particular type of loan structure in the watch-list or the impaired loan portfolio. As such, the make up of the collateral received generally mirrors that of the portfolio as a whole.

Generally, all loans with past due financial obligations of more than 90 days past due are automatically reclassified as impaired. However, there can also be other reasons for declaring a loan impaired prior to being 90 days past due. These include, but are not limited to, ING's assessment of the customer's perceived inability to meet its financial obligations, or the customer filing for bankruptcy or bankruptcy protection. In some cases, a material breach of financial covenants will also trigger a reclassification of a loan to the impaired category.

Repossession policy
It is ING's general policy not to take repossession of assets of defaulted debtors. Rather, ING attempts to sell the assets from within the legal entity that has pledged these assets to ING, in accordance with the respective collateral or pledge agreements signed with the obligors. In those cases where ING does take possession of the collateral, ING generally attempts to sell the asset as quickly as possible to prospective buyers. Based on internal assessments to determine the highest and quickest return for ING, the sale of repossessed assets could be the sale of the company as a whole (or at least all of its assets), or the assets could be sold over time.

MARKET RISK

GENERAL
Market risk arises from trading and non-trading activities within the three business lines of ING Bank:
- ING Wholesale Banking: Trading market risks arise within ING Wholesale Banking primarily through market making, client facilitation and proprietary trading in the fixed income, equities and foreign exchange markets and directly related derivative markets. ING has no material commodity portfolios. Trading positions are marked to market daily. ING's policy is to maintain an internationally diversified and mainly client-related trading portfolio, while avoiding large risk concentrations. Non-trading market risk is transferred to the asset & liability management (ALM) books; these are structural interest rate mismatch positions that result from commercial banking activities.
- ING Retail Banking: ING identifies non-trading residual market risk that results from banking products of which the future cash flows depend on client behaviour like current accounts, saving accounts and mortgages.
- ING Direct: Within ING Direct no trading positions are maintained; the market risks are characterised as a combination of ALM and market risk arising from retail products.

MEASUREMENT

Trading risk

ING Wholesale Banking uses the Value-at-Risk (VaR) methodology as the primary risk measure. VaR for market risk quantifies, with a one-sided confidence level of at least 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remain unchanged for a time interval of one day. The impact of historical market movements on today's portfolio is estimated, based on equally weighted observed market movements of the previous 250 business days. The VaR also serves as a basis for the calculation of the regulatory capital and economic capital that ING needs to hold to cover possible losses from trading activities.

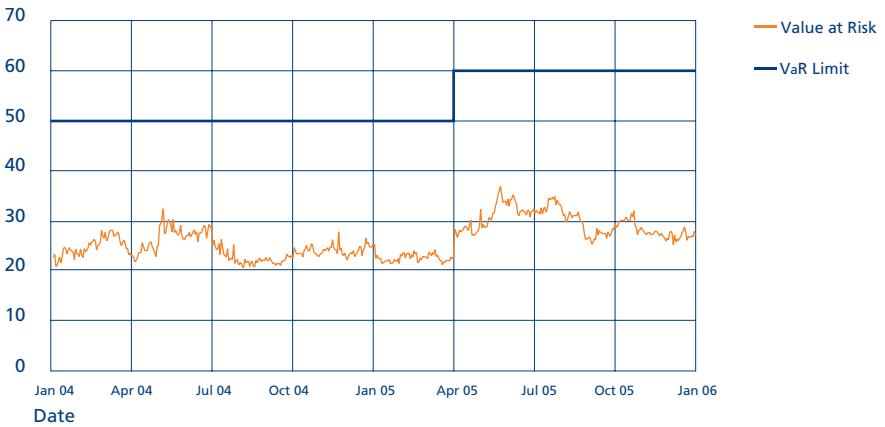
Market risk for the fixed income and equity markets is split into two components: general market risk and specific market risk. The general market risk component estimates the VaR resulting from general market-value movements (e.g. euribor movements). The specific market risk component estimates the VaR resulting from market-value movements that relate to the underlying issuer of securities in the portfolios.

VaR for linear portfolios is calculated using a variance – covariance approach. The market risk of all the important option portfolios within ING is measured by Monte Carlo simulation methods.

The following chart shows the development of the overnight VaR for the ING Wholesale Banking trading portfolio which was managed by trading risk management during 2004 and 2005. Several banking books are governed by the trading risk process and are therefore excluded from the non-trading risk table below and included in the trading risk graph and table below. In addition, several lesser significant banking books are included in both the trading risk and non-trading risk tables. Therefore, there is a small overlap between trading and non-trading risks as described in the paragraphs below.

CONSOLIDATED TRADING VaR ING WHOLESALE BANKING 2004-2005

in millions of euros



During 2004 and 2005 the overnight VaR for the ING Wholesale Banking trading portfolio was continuously within the range of EUR 20 – 40 million. As of 1 April 2005 Treasury and Investment portfolios are included in the overall ING Wholesale Banking trading VaR limit structure. This resulted in an increase of the VaR figures. At the same time the ING Wholesale Banking trading limit has been adjusted from EUR 50 million to EUR 60 million.

The average exposure over 2005 was higher than 2004 (average VaR 2005: EUR 28 million and average VaR 2004: EUR 25 million). The VaR remained well within the ING Wholesale Banking trading limit. The interest rate markets provided the largest contribution to the trading VaR.

More details on the VaR of the ING Wholesale Banking trading portfolio for 2005 and 2004 are provided in the table below.

CONSOLIDATED TRADING VAR: ING WHOLESALE BANKING, BY PORTFOLIO

	Low	**High**	**Average**	**Year end 2005**	Low	High	Average	Year end 2004
Foreign exchange	**1**	**5**	**3**	**2**	2	11	4	3
Equities	**7**	**13**	**10**	**9**	5	12	8	9
Interest	**14**	**30**	**21**	**22**	13	28	19	16
Diversification[1]			**-6**	**-6**			-6	-2
Total VaR			**28**	**27**			25	26

[1] Diversification cannot be calculated for the columns Low and High since the observations for both the individual markets as well as total VaR may come from different dates.

Note: the above captions are consistent with those used for internal risk management purposes and do not relate to financial statement captions.

Although VaR models estimate potential future results, estimates are based on historical market data. ING continuously monitors the plausibility and effectiveness of the VaR model in use. The technique for this purpose is generally known as backtesting in which the actual daily result is compared with the daily VaR. In addition to using actual results for backtesting, ING also uses hypothetical results, which measures results excluding the effect of intraday trading, fees and commissions. When the actual or hypothetical loss exceeds the VaR an 'occurrence' has taken place. Based on ING Bank's one-sided confidence level of at least 99% an occurrence is expected, on average, once in every 100 business days. In 2005, there has been no occurrence where a daily trading loss exceeded the daily consolidated VaR of ING Wholesale Banking.

Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, ING uses structured stress testing for monitoring the market risk under these extreme conditions. Stress scenarios are based on historical and hypothetical extreme events. The result of the stress testing is an event risk number, which is an estimate of the P&L effect caused by a potential event and its world-wide impact for ING Wholesale Banking. The event-risk policy (and its technical implementation) is specific for ING as there is no event risk calculation method that is generally accepted by other banks and regulators (like the Value-at-Risk model). ING's event risk policy basically consists of defined stress parameters per country and per market (fixed income, equity, foreign exchange and related derivative markets). The parameters indicate historical maximum market movements within the time frame of one month. The scenarios and stress parameters are backtested against extreme market movements that actually occur in the markets.

Non-trading risk-interest rate risk
The non-trading books primarily consist of banking (commercial) books and ALM books. Within ING Bank the commercial business units are not allowed to run structural mismatch positions in their banking books. As a result of this policy all structural interest-rate risks are replicated to the ALM books of the designated Treasury departments within ING Wholesale Banking. The management of structural interest-rate mismatch positions is performed within the Treasury function. The commercial business units bear responsibility for the remaining interest-rate risks that result from banking products of which future cash flows depend on client behaviour, like saving accounts and mortgages. Within ING Direct the interest rate risks from the ALM books and the commercial banking books are measured and managed on an integrated level.

Within ING several methods are in place to model the interest-rate risk characteristics of demand deposits, saving accounts and mortgages. This is done via replicating portfolio models whereby the interest rate character is modelled taking into account the contractual and behavioural characteristics of these products. All models and assumptions are back-tested regularly and presented to the designated Asset & Liability Committee for approval. Historical simulation is used to determine the duration and the investment rules for saving accounts and demand deposits, taking into account historical client rates, outstanding volumes and market rates. The investment rules are tested on their suitability through volatility/correlation analysis and updated regularly. To estimate future prepayment rates of mortgages, a model is applied based on historical observed prepayments.

ING Bank uses several measures to control interest-rate risk. The most important ones are Value-at-Risk (VaR) and Earnings-at-Risk (EaR). EaR measures the pre-tax loss of net accrual interest income resulting from changes of market interest rates over a time period of one year. The EaR calculations differ per book. For the ALM books it measures the potential loss of net accrual interest due to the structural mismatch in interest rate positions. In these calculations it is assumed that all gaps are to be reinvested or refunded at the changed market rates. The calculations capture the earnings risk in the current ALM book and do not consider the impact of new business. For the commercial banking books the EaR captures the basis risk between market interest rates and the client rates of saving accounts and demand deposits. For these books the impact of new business is included in the EaR calculations.

The VaR figures represent the value impact to the banking books as result of changing market rates. For the commercial banking books the VaR calculations capture the convexity resulting from the optionality in the main mortgage portfolios. In these calculations it is assumed that savings and other demand deposits are perfectly represenated via the replicating portfolios. For the ALM books the VaR figures capture the potential change of value due to the structural mismatch in interest rate positions.

The interest rate risk that results from the investment of the Bank's own funds (equity) is isolated under the ING Bank Corporate line. In these calculations it is assumed that the Bank's own funds are not sensitive to market rate changes (the duration of equity is assumed to be zero anticipating future regulatory requirements).

In the table on the next page both the EaR figures and the VaR figures for the large banking books (representing approximately 95% of the banking book) are presented as result of a parallel instantaneous shock to the market rates of 2%. The VaR figures are therefore calculated under a different scenario than the traditional VaR figures for the trading books.

EARNINGS-AT-RISK BY BUSINESS LINES (2% SHOCK TO MARKET RATES)

	2005
ING Wholesale Banking	**-158**
ING Retail Banking	**-95**
ING Direct	**-513**
ING Bank Corporate Line	**33**
ING Bank Total	**-733**

VAR BY BUSINESS LINES (2% SHOCK TO MARKET RATE)

	2005
ING Wholesale Banking	**-1,023**
ING Retail Banking	**-619**
ING Direct	**-69**
ING Bank Corporate Line	**-1,492**
ING Bank Total	**-3,203**

Note: Several banking books are governed by the trading risk process and are therefore excluded from the non-trading risk table and included in the above trading risk table. In addition, several lesser significant banking books are included in both the trading risk and non-trading risk tables. Therefore, there is a small overlap between trading and non-trading risks as described above. Information on interest sensitivity for internal management purposes is calculated on an adverse shock basis only. Accordingly the effects of favourable interest rate movements are not disclosed.

The ING Bank EaR is mainly caused by the EaR contributions of EUR (EUR -250 million), USD (EUR -297 million) and GBP (EUR -188 million) interest rate exposure. The main contributing portfolios of the EaR are the savings and demand deposits portfolios (short-term earnings will be affected) and the ALM books.

Non-trading risk – foreign-exchange risk

ING takes on exposure to foreign-exchange fluctuations on its financial position and cash flows. Currency exposures in the non-trading books are largely transferred by way of internal transactions to Financial Markets Treasury, which performs the day-to-day management of all foreign-currency positions.

The most material foreign exchange risk in the non-trading books relates to translation risk due to foreign investments and USD-denominated Tier-1 capital. The translation risk is managed by Capital Management on behalf of ALCO Bank. For ING's main foreign currencies, US dollar, Pound sterling 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.

OVERNIGHT EXPOSURE ING BANK, FOR PRIMARY NON-TRADING CURRENCIES

	Foreign investments	Tier-1	Gross exposure	Hedges	Net position
2005					
US dollars	**4,562**	**-3,214**	**1,348**	**-701**	**647**
Pound sterling	**-1,247**		**-1,247**	**1,252**	**5**
Polish zloty	**809**		**809**	**-489**	**320**
South Korean won	**1,047**		**1,047**	**-955**	**92**
Other currency	**1,300**		**1,300**	**-1,192**	**108**
Total	**6,471**	**-3,214**	**3,257**	**-2,085**	**1,172**
2004					
US dollars	3,730	-2,675	1,055	-1,131	-76
Pound sterling	-1,250		-1,250	1,299	49
Polish zloty	642		642	-399	243
South Korean won	477		477	-438	39
Other currency	431		431	-191	240
Total	4,030	-2,675	1,355	-860	495

The amount of USD and Korean won capital invested in foreign investments has increased significantly during 2005. For USD the main reasons were higher retained earnings and the impact of the introduction of IFRS-EU accounting rules (ie revaluation reserves relating to fixed income securities). The increase in Korean won capital was caused by a higher valuation of Kookmin Bank equity stake.

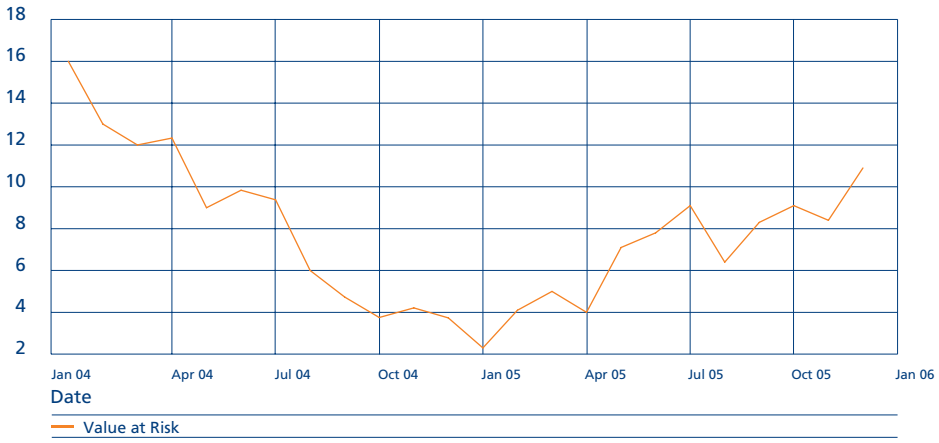
While results on net investment hedges are taxable under Dutch fiscal rules, ING has not chosen to adjust hedges to compensate for tax effects. As of the beginning of 2006 the majority of hedge results will no longer be taxable.

CONSOLIDATED NON-TRADING FX VAR ING BANK

	Low	**High**	**Average**	**Year end 2005**	Low	High	Average	Year end 2004
FX VaR	**2**	**11**	**7**	**11**	4	16	9	4

The chart graph below provides an overview of the development of the FX VaR during 2004 and 2005.

CONSOLIDATED FX VaR ING BANK 2004 – 2005



Liquidity risk

Liquidity risk is the risk that ING Bank or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable costs and in a timely manner. Within ING Bank, ALCO Bank bears overall responsibility for the liquidity risk strategy. ALCO Bank has delegated day-to-day liquidity management to the Treasury Amsterdam, which is responsible for managing the overall liquidity-risk position of ING Bank, while regional and local treasuries are responsible for managing liquidity in their respective regions and locations.

The main objective of ING's liquidity strategy is to maintain sufficient liquidity in order to ensure safe and sound operations. The liquidity strategy of ING Bank has four primary components.

The first is the day-to-day funding. It is policy to sufficiently spread the day-to-day funding requirements. The Treasury function monitors all maturing cash flows along with expected changes in core-business funding requirements. This includes replenishment of existing funds as they mature, expected withdrawals from retail current accounts, savings and additional borrowings. Furthermore, access to the capital markets is actively managed by regularly issuing public debt in all material markets and the maintenance of investor relations.

The second component is to maintain an adequate mix of funding sources. ING Bank aims for a well-diversified funding mix in terms of instrument types, fund providers, geographic markets and currencies. Sources of liquidity are widely distributed over the entire ING Bank. ING has a broad base of core retail funding, which mainly consists of current accounts, savings and retail deposits. Although these accounts can be withdrawn immediately or at short notice, the accounts are considered to form a stable resource of funding because of the broad customer base. The retail funding is, from a geographical point of view, widely spread, with most of the funding located in the euro zone.

The third component of ING's liquidity strategy is to maintain a broad portfolio of highly marketable assets that can be easily used to bear disruptions in the cash-flow profile. ING has relatively large portfolios of unencumbered marketable assets. These marketable assets can provide liquidity through repurchase agreements or through sale. The majority of ING's marketable assets are located in the euro zone.

The fourth component of ING's liquidity strategy is to have adequate and up-to-date contingency funding plans in place throughout the organisation. The contingency funding plans are established for addressing temporary and long-term liquidity disruptions caused by a general event in the market or an ING specific event. These plans ensure that all roles and responsibilities are clearly defined and all necessary management information is in place. The main objective of ING's contingency funding plan is to enable senior management to act effectively and efficiently at times of crisis.

The key focus of the measurement of liquidity within ING is on the periods of one week and one month. The internally used liquidity figures are calculated in line with the regulatory reporting requirements for liquidity risk of the Dutch Central Bank. For this purpose the positions are split by type of product and counterparty. All positions with a known maturity date are included in the maturity calendar based on their contractual maturity date. Positions with an unknown maturity date and marketable assets are included as items with a direct liquidity value. Standby facilities, undrawn irrevocable credit facilities, guarantees and other contingent liabilities are also included. The positions in the week and the month categories are weighted under a scenario that is a mix between a market event and an ING-specific event. The total available liquidity values are corrected for liquidity surpluses in inconvertible currencies and in locations with restrictions on capital transfer. Most of these inconvertible and non-transferable positions are located outside the euro zone. Under the regulatory guidelines, banks should at a minimum report positive liquidity figures. In addition to this a framework is implemented within ING Bank that sets limits on the overall weekly and monthly liquidity risk positions to ensure adequate buffers of liquidity. The table below shows the liquidity position of ING Bank presented as at 31 December 2005 under the scenarios described above.

LIQUIDITY POSITION

	Weekly	Monthly
ING Bank	**111,165**	**24,512**

OPERATIONAL RISK

GENERAL

The aim for the Group and local operational risk management departments is to support general management of the business lines, which is responsible for managing operational risk by raising operational risk awareness and insight, increasing operational risk and loss transparency, improving early warning information and allocating risk ownership and responsibilities. This contributes to more stable business processes and lower operational risk costs. Furthermore, implementing an appropriate operational risk management function will prepare ING for the Basel II regulations applicable from 31 December 2007. ING intends to apply for the Advance Measurement Approach, the most sophisticated risk capital charge option available under Basel II.

MEASUREMENT

ING has defined operational risk as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. ING distinguishes the following event types (based on the Basel Committee level 1 and 2 event types):
– processing failure
– control failure
– unauthorised activities
– internal crime/fraud
– external crime/fraud
– information security failure
– employment practices & workplace safety
– clients, products and business malpractice
– system failure
– business disruption

Each of these risks has a related function (e.g. Compliance, IT, Legal, Information Security, Finance, Human Resources, Operations) responsible for the management process and oversight of that risk.

Operational risk measurement as calculated in the economic capital model consists of two parts. The first part is a probabilistic model in which a generic capital per business unit is calculated based on an incident loss database and the relative size and inherent risk of the business units. The second part is the scorecard adjustment, which reflects the business unit specific level of Operational Risk Management, or ORM implementation.

To assess, monitor and manage operational risk, ING has developed a sophisticated framework of activities which includes:
– risk awareness programmes and risk & control self assessments
– audit finding action tracking and incident reporting and analysis
– key-risk indicators reporting and local operational risk committees
– new-product reviews

The maturity of the ORM process is measured on an annual basis by a set of five scorecards assessing the ORM-framework activities. The Basel II progress reporting is also based on these scorecards and supporting evidence.

In order to protect ING against financial consequences of uncertain operational events ING has acquired insurance policies issued by third-party insurers, with world-wide cover for (Computer) Crime, Professional Liability, Directors & Officers Liability, Employment Practices Liability and Fiduciary Liability. ING retains a portion of these risks that matches industry practice.

ING INSURANCE

GENERAL

ING is engaged in the business of selling life and non-life insurance products. Life products include a broad range of traditional life, unit-linked, annuities, universal life, group life, pension, and (guaranteed) investment contracts. Non-life insurance products include all lines of insurance products that do not fall under the life insurance business – fire, automobile, accident and health, third-party liability and disability contracts.

Risks from these products arise with respect to the adequacy of insurance premium rate levels and provisions for insurance liabilities and capital position as well as uncertainty of the future returns on investments of the insurance premiums. Risks are classified as actuarial and underwriting, market risk, credit risk and operational risk. ING considers that the principal components of insurance risk are actuarial and underwriting risk.

ING regularly monitors the solvency level for the total insurance business at a prudent level. ING believes its solvency level is adequate.

Reserve adequacy – Taiwan

The adequacy of the provision for life policy liabilities (net of DAC and VOBA) is evaluated regularly. ING's policy for reserve adequacy testing is disclosed under "Principles of valuation and determination of results".

As at 31 December 2005, ING's life insurance businesses as a whole are sufficiently adequate at a 90% confidence level. All business lines are, on a stand-alone basis, adequate at a 90% confidence interval, except for the business line Insurance Asia/Pacific. The inadequacy in Insurance Asia/Pacific is fully attributable to Taiwan.

At 31 December 2005, the inadequacy range for Taiwan is EUR 2.8 billion to EUR 3.3 billion based on a 90% confidence interval on a Taiwan reserve level (net of DAC and VOBA) of EUR 9 billion. The inadequacy results from a material exposure in Taiwan to a sustained low interest rate environment. This is due to long term interest rate guarantees of 6-8% embedded in the life and health contracts sold by the business until 2001. These long term guarantees and the future premiums (which have a present value of approximately EUR 20 billion) create a liability with an effective duration over 30, compared to an asset duration of approximately 9. ING stopped selling these high guarantees in its Taiwan life insurance products in 2001. The post 2001 business is adequate at a 90% confidence interval, which partially compensates inadequacy related to the pre-2001 business. Furthermore, ING has over time strengthened reserves by EUR 420 million for this exposure and increased the internal capital allocation for this business.

The outcome of the reserve adequacy test for Taiwan is inherently uncertain given the use of various assumptions and the long term nature of the liability. The outcome can only be reliably estimated within broad ranges which are bound to vary significantly from period to period. The outcome of the test for Taiwan is especially sensitive to (changes in) interest rate assumptions. The reserve adequacy test at 31 December 2005 is based on the current 10-year swap rate in Taiwan at 31 December 2005 of 2.35%, with the assumption that, in the long term, this swap rate will move to 5.75%.

Management's best estimate, based on a 50% confidence interval, is that Taiwan has a marginal adequacy of EUR 165 million (which represents a 53% confidence interval) as at 31 December 2005. Under the Group's accounting policy, any inadequacy below the 50% interval would be charged to the profit and loss account immediately.

The sensitivity to interest rates changes is explained below under ING Insurance – Interest rate sensitivity.

If the interest rates as at 31 December 2005 would have been 1% lower, Taiwan would have been inadequate at the 50% confidence interval and, consequently, an amount of approximately EUR 1.7 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. If the interest rates as at 31 December 2005 would have been 1% higher, Taiwan would be sufficiently adequate at the 50% confidence interval, but would still have been inadequate at the 90% confidence interval. Consequently, the charge currently included in the profit and loss would likely have been reduced.

Furthermore, the reserve adequacy test includes our expectation that the legal entity will be formally domesticated as a subsidiary of a US entity rather than a branch during 2006 and that mortality dividends will continue to be allowed to be offset versus negative interest rate experience

ACTUARIAL AND UNDERWRITING RISK

General

Actuarial and underwriting risks are the risks resulting from the pricing and acceptance of insurance contracts. These risks are managed through product design requirements, risk limitations, and management of concentrations. Actuarial risks are managed through pricing procedures and included in the overall adequacy of provisions for insurance contract and investment contract liabilities. Underwriting risks are managed in the process whereby applications submitted for insurance coverage are reviewed. The maximum underwriting exposure is limited through exclusions, cover limits, and reinsurance.

Measurement

ING Group has established actuarial and underwriting risk tolerance levels in specific areas of its insurance operations.

For the main non-life units (in The Netherlands, Belgium, Canada, Mexico) the risk tolerance is generally set at 2.5% of the Group's after-tax earnings. For 2005, this translated into a (pre-tax) risk tolerance level of EUR 170 million. The risk tolerance refers to the maximum allowable loss for catastrophe events. The assessment of potential losses in this business is done on the basis of 1 in 250 events. With respect to the Fire line of business this assessment is based on risk assessment models that are widely accepted in the industry. For the smaller non-life units, the (pre-tax) risk tolerance level for 2005 was set at EUR 5.0 million per event per business unit.

With respect to life business ING Group's (pre-tax) risk tolerance level is set at EUR 22 million per insured life. While life insurance risks are considered to be naturally diversifiable by virtue of each life being a separate risk, group contracts may result in significant exposures. For life insurance contracts involving multiple lives ING made its own assessment and believes that the potential loss from a significant mortality event occurring in the normal course of business will not exceed an amount higher than approximately 12% of the Groups after-tax earnings. For 2005, this translated into a (pre-tax) risk-tolerance level of EUR 750 million. Such an amount could result from a pandemic as observed during the Spanish Flue pandemic in 1918, without taking into account medical improvements since that time. ING continues to model the possible impact of pandemics based on studies published by internationally credible organisations.

In case of the existence of exposures higher than the risk tolerance levels as defined above, appropriate procedures are in place, including third-party reinsurance covers. Particularly for the property and casualty portfolio, ING purchases protection through which the exposure due to natural catastrophes is substantially mitigated. ING believes that the credit risks to which it is exposed under reinsurance contracts are minor.

Regarding catastrophic losses arising from events such as terrorism, ING believes that it is not possible to develop a business model that takes into account the possibility of very high losses resulting from these events. For the non-life business, losses that result from these events are generally not covered unless required by law. In various countries industry pools have been established to mitigate the terrorism risk to which the individual insurers are nevertheless still exposed. ING participates in such pools.

Through scenario analyses, ING Insurance measured the potential changes in the realised after-tax earnings of the insurance operations from an increase/decrease of the insurance risk factors over the year 2005. These changes to income can relate to realised claims or any other net-income item that would be affected by the change of these factors. In addition, ING has estimated the impact to the 31 December 2005 shareholders equity of ING Insurance from the same change in insurance risk factors. The differentiation of sensitivities before and after risk mitigation typically refers to mitigation of the risks by re-insurance.

INSURANCE RISKS SENSITIVITY

		Effect on ING Insurance 2005 net profit		Effect on ING Insurance 2005 shareholders' equity	
		Before risk mitigation	After risk mitigation	Before risk mitigation	After risk mitigation
Mortality	+10%	-82	-61	-85	-63
	-10%	80	61	83	64
Morbidity	+10%	-70	-66	-70	-67
	-10%	70	66	71	67
P&C	+10%	-125	-98	-130	-101
	-10%	125	98	130	101

The sensitivities represent a one-time increase/decrease of the realised claims of P&C and morbidity and an increase/decrease of the mortality rates over 2005. Due to the standard definition of the shocks the mortality risk partly hedges the longevity risk globally, but mortality risk may not offset longevity risk in particular region. In this case the total risk increases after including the existing reinsurance contracts.

MARKET RISK

General

Market risks arise when the market value of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, equity prices, foreign exchange rates and real estate prices can impact present and future earnings of the insurance operations as well as the shareholders equity.

In 2005, ING implemented Market Value at Risk (MVaR) limits to manage the market and credit risks resulting from the Insurance operations world-wide. ALCO Insurance has set a MVaR limit for ING Group Insurance and each of the business lines that relates to the economic capital of ING Group Insurance. The MVaR is based on a 99.95% confidence interval over a one-year horizon.

These limits are further allocated to the ING Insurance business units through MVaR sublimits. These limits are managed by an ALCO Insurance structure on the respective organisational levels. Corporate Insurance Risk Management (CIRM) consolidates and monitors the MVaR exposures of the business lines including diversification effects on a quarterly basis. In 2005 there were no breaches of the overall ING Insurance MVaR limit.

Measurement

At an ING Group level, CIRM is responsible for implementing and monitoring asset and liability management (ALM) practices and for consistency of the MVaR calculation methods world-wide.

The market risk of ING Insurance is primarily related to interest rate risk and equity risk although it also includes real estate and foreign currency risks. The following sections provide an analysis of the exposures of the different types of market risks.

ALM risk – interest rate risk

ING's insurance operations are exposed to changes in interest rates with respect to guaranteed interest rates on the insurance and investment contract liabilities when interest rates fall. The current product portfolio also includes products where interest rate risks are entirely or partially passed on to the policyholder, thereby reducing ING's exposure to interest rate movements.

Through scenario analyses, ING Insurance measured the potential changes in earnings of the insurance operations from an instantaneous increase/decrease in interest rates of 100 basis points. These changes to income can relate to investment income, interest paid to policyholders, adequacy of provision for liabilities, market-value adjustments, amortisation of Deferred Acquisition Costs (DAC) or any other net-income item that would be affected by interest rate changes. The effect of interest rate changes is different by business line and by product. In addition, ING has estimated the impact to the 31 December 2005 shareholders equity of ING Insurance from such an instantaneous change in interest rates.

INTEREST-RATE SENSITIVITY

	Effect on ING Insurance 2005 net profit	Effect on ING Insurance 2005 shareholders' equity
Increase interest rates by 1%	-68	-2,814
Decrease interest rates by 1%	-1,743	1,255

The sensitivities represent an instantaneous increase/decrease of interest rates as of 31 December 2005. The net profit sensitivity reflects the related immediate effect on net income after-tax for the year 2005. Sensitivity disclosures include the effect of non-bifurcated embedded derivatives contained in insurance contracts.

The most significant interest rate risk within ING's insurance businesses exists in Taiwan where ING has material exposure to a sustained low interest rate environment. This is due to long term interest rate guarantees of 6-8% embedded in the life contracts sold by the business until 2001. Since 2002, ING has changed the design of its Taiwan life insurance products, strengthened reserves and increased the internal capital allocation for this business.

The net profit impact related to a 1% change in current interest rates is asymmetric due to the need to increase reserves for ING's business in Taiwan if interest rates were 1% lower, including a 1% shift of the long term interest rate assumption from 5.75% to 4.75%. The IFRS-EU profit impact on Taiwan of 1% lower interest rates at 31 December 2005 is EUR 1.7 billion. This is the amount necessary to bring reserves to a best estimate (50%) level in this sensitivity. There is not a corresponding benefit for rising interest rates in 2005 since the additional profit from a rising interest scenario is not recognised in profit through unlocking of reserves.

Shareholders equity impacts also relate directly to use of market values for available for sale securities offset by shadow accounting of reserves and DAC where possible.

ALM risk – equity risk
ING's insurance operations are exposed to changes of prices in equity markets on two levels: 1) business units that have direct equity holdings in their general accounts; and 2) products where the revenues of the insurance operations are linked to the value of underlying equity funds, since this has an impact on the level of charges deducted for unit-linked and variable business.

Through scenario analyses ING Insurance measured the potential changes in earnings of the insurance operations resulting from an instantaneous increase/decrease in equity markets of 10%. These changes to income can relate to fee income, unrealised or realised gains and losses, amortisation of DAC or any other net-income item that would be affected by a substantial change to equity markets. The effect of equity market changes is different by business line and by product. In addition, ING has estimated the impact to the 31 December 2005 shareholders equity of ING Insurance from such a change in equity markets.

EQUITY SENSITIVITY

	Effect on ING Insurance 2005 net profit	Effect on ING Insurance 2005 shareholders' equity
Increase of equity by 10%	59	1,072
Decrease of equity by 10%	-80	-1,094

The sensitivities represent an instantaneous increase/decrease in equity markets as of 31 December 2005. The net profit sensitivity reflects the related immediate effect on net income after-tax for the year 2005. Sensitivity disclosures include the effect of non-bifurcated embedded derivatives contained in insurance contracts.

ALM risk – foreign exchange risk
Foreign-exchange risk in the investments backing ING's insurance and investment contract liabilities is dealt with in the investment-management processes in each business unit. An immaterial portion of the investment portfolio backing insurance liabilities is invested in assets of a different currency than the liabilities.

Another type of foreign exchange risk exists as translation risk. Locally required capital levels are invested in local currencies in order to satisfy regulatory requirements and to support local insurance business regardless of currency movements. These capital levels may affect the consolidated balance sheet when translated to Euros. Depending on hedging costs and the capital exposure, ING may hedge the capital over locally required margins.

Through scenario analysis ING Insurance measured the potential changes in the reported earnings of the insurance operations resulting from an instantaneous increase/decrease on 31 December 2005 in foreign exchange markets of 10%. In addition, ING has estimated the impact to the 31 December 2005 shareholders equity of ING Insurance from such a change in foreign exchange markets.

FOREIGN CURRENCY SENSITIVITY

	Effect on ING Insurance 2005 net profit	Effect on ING Insurance 2005 shareholders' equity
10% Increase of Euro versus all other currencies	-81	-950
10% Decrease of Euro versus all other currencies	87	1,041

The sensitivities represent an instantaneous increase/decrease in the Euro on 31 December 2005. The net profit sensitivity reflects the related effect on net income after tax for the year 2005. Sensitivity disclosures include the effect of non-bifurcated embedded derivatives contained in insurance contracts.

The main foreign exchange risks of ING Insurance relate to the translation risk from net income and equity from business units in USA and Canada. For net income the impact is mitigated through the usage of average yearly exchange rates.

ALM risk – Real estate risk
Real Estate risk exists in some of the investment portfolios of ING Insurance, most significantly in the Netherlands. ING Insurance is exposed to the risk of decreasing real estate prices to the extent these cannot be shared with contract holders in participating insurance plans.

Through scenario analyses ING Insurance measured the potential changes in the earnings of the insurance operations resulting from an instantaneous increase/decrease in real estate markets of 10%. In addition, ING has estimated the impact to the 31 December 2005 shareholders equity of ING Insurance from such a change in real estate markets.

REAL ESTATE SENSITIVITY

	Effect on ING Insurance 2005 net profit	Effect on ING Insurance 2005 shareholders' equity
Increase of real estate of 10%	**509**	**525**
Decrease of real estate of 10%	**-513**	**-525**

The sensitivities represent an instantaneous increase/decrease in real estate markets as of 31 December 2005.
The net profit sensitivity reflects the related immediate effect on net income after tax for the year 2005.

The main real estate risk of ING Insurance exists within ING Real Estate investment portfolio in The Netherlands.

Liquidity risk
Liquidity problems arise if an insurance business does not have enough cash or liquid assets to meet its cash obligations. Demands for funds can usually be met through ongoing normal operations, premiums received, the sale of assets or borrowing. Unexpected demands for liquidity may be triggered by a credit-rating downgrade, negative publicity, deterioration of the economy, reports of problems of other companies in the same or similar lines of business, significant unanticipated policy claims, or other unexpected cash demands from policyholders.

Liquidity risk decreases as the time frame allowed for generating cash increases. Longer time frames increase the probability of finding a buyer for some of the company's non-maturing or less liquid assets or securing external financing. Expected liquidity demands within ING Insurance are managed through a combination of treasury, investment and asset-liability management guidelines, which are monitored on an ongoing basis. Unexpected liquidity demands are managed through a combination of product design, diversification limits on liabilities, investment strategy, systematic monitoring and advance contingency planning. CIRM has issued formal guidelines requiring all insurance businesses to regularly assess, monitor and report on their liquidity risk profile. The guidelines require an analysis of liabilities that increase liquidity risk, a review of the investment portfolio to ensure adequate liquidity, and analysis of the expected asset-and-liability cash flows in regards to the ability of the business to meet cash demands.

CREDIT RISK
General
ING Insurance is exposed to credit risk through the investment of insurance premiums into assets subject to credit risk. ALCO Insurance sets the constraints for the overall asset allocation of the insurance activities including credit risk. These issuer limits are set by rating class and average credit quality and are translated in economic capital terms. Credit risk is managed through the MVaR limit structure described above. Issuer limits are determined based on the obligor's rating. These limits are managed in the region where the parent company is domiciled. In addition each insurance company has one or more investment mandates that specify credit-risk appetite by issuer, type and quality.

Measurement
For the investment portfolios backing the insurance liabilities, ING's policy is to maintain a well diversified investment portfolio.

The credit exposure of ING Insurance is mainly related to investments in debt securities, private placements and traditional lending to private individuals. Loans to private individuals are mainly mortgage loans secured by residential property. Credit exposure also arises from derivatives, repurchase and reverse-repurchase transactions, securities lending/borrowing and reinsurance contracts used to hedge the portfolio.

The tables below are based on EUR 172 billion of general account fixed income assets on 31 December 2005 and exclude equities and real estate but include preferred shares.

In the table below a summary is shown of the outstandings in the general account fixed-income portfolios per credit rating expressed in Standard & Poor's ratings at 31 December 2005.

RISK CLASSES: ING INSURANCE PORTFOLIO BY S&P RATINGS, AS % OF TOTAL OUTSTANDINGS

in percentages	2005
AAA	26.3%
AA	23.0%
A	32.8%
BBB	14.3%
Other	3.6%
	100.0%

Rating classes are defined based upon the quality of the exposures in terms of credit worthiness, varying from investment grade to problem grade. Assets are generally rated based on issuer rating. Securitisations are rated based on issue rating The Dutch mortgage portfolio is included with an average credit rating of A in the table above. The category 'Other' contains assets rated BB and lower as well as assets that are not rated.

In the table below a summary is shown of the outstandings in the general account fixed-income portfolios per industry sector.

RISK CONCENTRATION: ING INSURANCE PORTFOLIO, BY ECONOMIC SECTOR AS % OF TOTAL OUTSTANDINGS

in percentages	2005
Sovereigns	24.0%
Financials	20.5%
Mortgages/retail	18.8%
Securitisations	15.8%
General industries	4.8%
Food, beverages and personal care	1.7%
Chemicals	1.5%
Automotive	1.1%
Media	1.0%
Other	10.8%
	100.0%

In the table below a summary is shown of the outstandings in the general account fixed-income portfolios per region of the issuer.

GEOGRAPHICAL SPREAD: ING INSURANCE PORTFOLIO, BY REGION AS % OF TOTAL OUTSTANDINGS

in percentages	2005
North America	42.8%
Western Europe	39.9%
Asia	10.2%
Latin America	5.1%
Central and Eastern Europe	1.8%
Other	0.2%
	100.0%

Debtor provisioning
For credit risks, a provision for loan losses is maintained that is considered adequate to absorb losses arising from the existing insurance investment portfolios. For 2005, ING Insurance added EUR 21 million to the provision for loan losses compared with a release of EUR 12 million in 2004.

Collateral, restructuring, past-due obligations and repossession policy
Policies regarding collateral, restructuring, past-due obligations and repossession are similar to those disclosed in the credit risk section relating to ING Bank.

OPERATIONAL RISK
The definition of operational risk within ING Insurance is identical to ING Bank. Details regarding operational risk are mentioned in the operational risk section relating to ING Bank.

ING Insurance has begun calculating economic capital for operational risk on a quarterly basis beginning 2005. Although not required for regulatory purposes ING has decided internally that ING Insurance will also adhere to the new Basel II regulations with respect to operational risk management.

PARENT COMPANY BALANCE SHEET OF ING GROUP BEFORE PROFIT APPROPRIATION

AMOUNTS IN MILLIONS OF EUROS

PARENT COMPANY BALANCE SHEET OF ING GROUP AS AT 31 DECEMBER

	2005	2004
ASSETS		
Investments in wholly owned subsidiaries 1	**41,488**	28,062
Other assets 2	**8,131**	7,340
Total assets	**49,619**	35,402
EQUITY 3		
Share capital	**530**	634
Share premium	**8,343**	8,525
Revaluation reserve	**13,535**	2,611
Reserve for associates	**608**	613
Exchange differences reserve	**-692**	-690
Other reserves	**7,202**	6,621
Net profit for the period	**7,210**	5,755
	36,736	24,069
LIABILITIES		
Preference shares 4	**296**	
Subordinated loans 5	**7,355**	5,392
Financial liabilities at fair value through profit or loss	**92**	
Other liabilities 6	**5,140**	5,941
Total	**49,619**	35,402

References relate to the notes starting on page 170 which form an integral part of the parent company annual accounts.

PARENT COMPANY PROFIT AND LOSS ACCOUNT

AMOUNTS IN MILLIONS OF EUROS

PARENT COMPANY PROFIT AND LOSS ACCOUNT OF ING GROUP FOR THE YEARS ENDED 31 DECEMBER

	2005	2004
Result of group companies after taxation	7,194	5,765
Other results after taxation	16	-10
Net profit for the period	7,210	5,755

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

amounts in millions of euros	Total	Share capital	Share premium	Revaluation reserve	Exchange differences reserve	Other reserves[1]
Balance as at 31 December 2004	24,069	634	8,525	2,611	-690	12,989
Implementation IAS 32/39 and IFRS 4	4,103	-104	-191	7,538	-556	-2,584
Unrealised revaluations after taxation						
– revaluations	2,514			2,269	489	-244
– transferred to profit and loss (realised)	-663			-663		
– unrealised revaluations transferred to deferred profit sharing liabilities and DAC	-89			-89		
Unrealised revaluations from cash flow hedges						
– revaluations	764			764		
Employee stock option and share plans	63					63
Exchange differences	1,217			1,105	65	47
Total amount recognised directly in equity	3,806			3,386	554	-134
Net profit for the period	7,210					7,210
	11,016			3,386	554	7,076
Dividend	-2,461					-2,461
Exercise of warrants and options	9		9			
Balance as at 31 December 2005	36,736	530	8,343	13,535	-692	15,020

[1] Other reserves includes the reserves for associates, other reserves and net profit for the period.

ACCOUNTING POLICIES FOR THE PARENT COMPANY BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING GROUP

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

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

Changes in balance sheet values due to changes in the revaluation reserve of the associates are reflected in the Revaluation reserve, which forms part of Shareholders' equity. Changes in balance sheet values due to the results of these associates, accounted for in accordance with ING Group accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these associates, other than those due to changes in share capital, are included in Other reserves, which forms part of Shareholders' equity.
A statutory reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Reserve for associates, which forms part of Shareholders' equity.

CHANGES IN ACCOUNTING PRINCIPLES

ING Group applies IFRS as adopted by the EU as of 2005 for the consolidated annual accounts. For the parent company accounts the principles of valuation and determination of results are similar as those applied to the consolidated annual accounts. The 2004 comparatives have been restated to comply with IFRS-EU. However, as permitted by IFRS 1, ING Group has not restated the 2004 comparatives for the impact of IAS 32, IAS 39 and IFRS 4. Accordingly, comparative information with respect to financial instruments and insurance contracts is prepared under ING Group's previous accounting policies (ING GAAP). The effects of implementing IFRS-EU are set out below under 'Impact of changes in accounting principles on net profit and equity'.
ING Group has implemented IFRS-EU retrospectively, using the following transitional provisions:
– Goodwill is only capitalised on acquisitions after 1 January 2004. Accounting for acquisitions before that date has not been restated; goodwill on those acquisitions was charged directly to shareholders' equity.
– Hedge accounting is applied to all hedge relationships that were accounted for as a hedge under ING GAAP and meet the IAS 39 criteria for hedge accounting as of 1 January 2005.
– Unrecognised actuarial results on employee benefit plans were recognised directly in equity at 1 January 2004.
– The cumulative translation differences reserve in equity was reset to nil at 1 January 2004.
– IFRS 2 (share-based payments) is applied for awards issued after 7 November 2002, that have not vested by 1 January 2005.

IMPACT OF CHANGES IN ACCOUNTING PRINCIPLES ON NET PROFIT AND EQUITY

The impact of implementing IFRS-EU on equity and net profit is summarised as follows:

IMPACT OF CHANGES IN ACCOUNTING PRINCIPLES

amounts in millions of euros	Net profit 2004	Equity 1 January 2004[1]	Equity 31 December 2004	**Impact IAS 32/39 and IFRS 4**	**Equity 1 January 2005[2]**
Amounts in accordance with ING GAAP	5,968	21,331	25,866		**25,866**
Goodwill	25		139		**139**
Property	-407	-74	-72		**-72**
Employee benefits	107	-3,169	-3,017		**-3,017**
Leases		-37	-37		**-37**
Available-for-sale debt securities				**9,922**	**9,922**
Insurance provisions		59	59	**-3,126**	**-3,067**
Derivatives/hedge accounting/fair value option				**-977**	**-977**
Loans and advances to customers				**465**	**465**
Loan loss provisions				**623**	**623**
Venture capital investments				**90**	**90**
Foreign currency translation	-20				
Result on sale of group companies	42				
Other	-23	82	49	**-35**	**14**
Taxation	63	1,148	1,082	**-2,460**	**-1,378**
Classification of equity instruments – shareholders' equity				**-399**	**-399**
IFRS-EU impact on net profit and shareholders' equity	-213	-1,991	-1,797	**4,103**	**2,306**
Amounts in accordance with IFRS-EU	5,755	19,340	24,069	**4,103**	**28,172**

[1] IFRS as adopted by the EU, excluding IAS 32, IAS 39 and IFRS 4.
[2] IFRS as adopted by the EU, including IAS 32, IAS 39 and IFRS 4.

For an explanation of the individual items reference is made to the section Changes in accounting principles in the Consolidated annual accounts.

NOTES TO THE PARENT COMPANY BALANCE SHEET OF ING GROUP

ASSETS

1 INVESTMENTS IN WHOLLY OWNED SUBSIDIARIES

INVESTMENTS IN WHOLLY OWNED SUBSIDIARIES

	Ownership (%)	**Balance sheet value 2005**	Ownership (%)	Balance sheet value 2004
Name of investee				
ING Bank N.V.	**100**	**20,490**	100	14,354
ING Verzekeringen N.V.	**100**	**20,607**	100	13,243
Other		**391**		465
		41,488		28,062

MOVEMENTS IN INVESTMENTS IN WHOLLY OWNED SUBSIDIARIES

	2005	2004
Opening balance	**28,062**	28,651
Change in accounting principles	**4,510**	-1,991
Repayments to group companies		-2,303
Divestures of group companies		152
Revaluations	**4,205**	-678
Result of the group companies	**7,194**	5,765
Dividend	**-2,296**	-1,446
	41,675	28,150
Changes in ING Groep N.V. shares held by group companies	**-187**	-88
Closing balance	**41,488**	28,062

2 OTHER ASSETS

OTHER ASSETS

	2005	2004
Receivables from group companies	**8,094**	7,202
Other receivables, prepayments and accruals	**37**	138
	8,131	7,340

3 EQUITY

The capital and reserves of Stichting Regio Bank, the revaluation reserve, share of associates reserve and currency translation reserve cannot be freely distributed. The reserve for cash flow hedging included in the revaluation reserve is included on a net basis.

See Note 12 to the consolidated annual accounts for additional information.

4 PREFERENCE SHARES

See Note 13 to the consolidated financial statements.

5 SUBORDINATED LOANS

See Note 14 to the consolidated financial statements.

SUBORDINATED LOANS

Interest rate	Year of issue	Due date	Balance sheet value 2005	Balance sheet value 2004
5.775%	2005	Unlimited	**837**	
6.125%	2005	Unlimited	**574**	
4.176%	2005	Unlimited	**496**	
Variable	2004	Unlimited	**934**	1,000
6.200%	2003	Unlimited	**410**	366
Variable	2003	Unlimited	**691**	750
7.200%	2002	Unlimited	**904**	807
7.050%	2002	Unlimited	**659**	586
6.500%	2001	Unlimited	**589**	600
8.439%	2000	31 December 2030	**1,261**	1,100
9.200%	2000	30 June 2030		183
			7,355	5,392

EUR 5,563 million (2004: EUR 5,026 million) of these loans has been subsequently provided as subordinated loans by ING Groep N.V. to ING Bank N.V. under the same conditions as the original bonds.

EUR 1,792 million (2004: EUR 366 million) has been subsequently provided as subordinated loan by ING Groep N.V. to ING Verzekeringen N.V. under the same conditions as the original bonds.

The number of debentures held by group companies as at 31 December 2005 was nil with a balance sheet value of nil (2004: 7,800 with a balance sheet value of EUR 1 million).

Unsecured subordinated loans from group companies to ING Groep N.V., which may be renewable at their due dates at the then prevailing market rates, are included in subordinated loans.

6 OTHER LIABILITIES

OTHER LIABILITIES BY TYPE

	2005	2004
Debenture loans	**3,740**	5,178
Amounts owed to group companies	**991**	606
Other amounts owed and accrued liabilities	**409**	157
	5,140	5,941

DEBENTURE LOANS

Interest rate	Year of issue	Due date	Balance sheet value 2005	Balance sheet value 2004
5.000%	2001	3 May 2006	**999**	1,000
6.125%	2000	4 January 2011	**996**	1,000
6.000%	2000	1 August 2007	**750**	750
5.500%	2000	11 May 2005		1,428
5.500%	1999	14 September 2009	**995**	1,000
			3,740	5,178

The number of debentures held by group companies as at 31 December 2005 was 2,519 with a balance sheet value of EUR 3 million (2004: 6,377 with a balance sheet value of EUR 6 million).

NOTES TO THE PARENT COMPANY BALANCE SHEET OF ING GROUP (CONTINUED)

AMOUNTS OWED TO GROUP COMPANIES BY REMAINING TERM

	2005	2004
– up to one year	**956**	600
– one year to five years	**35**	
– over five years		6
	991	606

REMUNERATION OF SENIOR MANAGEMENT, EXECUTIVE BOARD AND SUPERVISORY BOARD

The information on share based payment plans and remuneration of the members of the Executive Board and the Supervisory Board is included in the remuneration paragraph in the annual report (page 64 up to and including page 74). This information is considered to be an integral part of the audited annual accounts.

Amsterdam, 6 March 2006

THE SUPERVISORY BOARD

Cor A.J. Herkströter, *chairman*
Eric Bourdais de Charbonnière, *vice-chairman*
Luella Gross Goldberg
Paul F. van der Heijden
Claus Dieter Hoffman
Jan H.M. Hommen
Aad G. Jacobs
Wim Kok
Godfried J.A. van der Lugt
Paul J.A. Baron de Meester
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, *chairman*
Cees Maas, *vice-chairman and Chief Financial Officer*
Eric F. Boyer de la Giroday
Fred S. Hubbell
Eli P. Leenaars
Alexander H.G. Rinnooy Kan
Hans K. Verkoren

INTRODUCTION

We have audited the annual accounts of ING Groep N.V., Amsterdam, for the year 2005 (as set out on pages 76 to 172). These annual accounts consist of the consolidated annual accounts and the parent company annual accounts. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

SCOPE

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION WITH RESPECT TO THE CONSOLIDATED ANNUAL ACCOUNTS

In our opinion, the consolidated annual accounts give a true and fair view of the financial position of the company as at 31 December 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Furthermore we have established to the extent of our competence that the report of the executive board is consistent with the consolidated annual accounts.

OPINION WITH RESPECT TO THE PARENT COMPANY ANNUAL ACCOUNTS

In our opinion, the parent company annual accounts give a true and fair view of the financial position of the company as at 31 December 2005 and of the result for the year then ended in accordance with the accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the report of the executive board is consistent with the parent company annual accounts.

Amsterdam, 6 March 2006

for Ernst & Young Accountants

Rob J.W. Lelieveld

Jan J. Nooitgedagt

PROPOSED PROFIT APPROPRIATION

AMOUNTS IN MILLIONS OF EUROS, EXCEPT FOR AMOUNTS PER SHARE

PROPOSED PROFIT APPROPRIATION

The profit is appropriated pursuant to Article 38 of the Articles of Association of ING Groep N.V., the relevant stipulations of which state that the part of the profit remaining after the Executive Board, with the approval of the Supervisory Board, has determined the appropriation to reserves, shall be at the disposal of the General Meeting of Shareholders.

It is proposed to declare a dividend of EUR 1.18 per ordinary share of EUR 0.24.

On 18 August 2005, an interim dividend of EUR 0.54 per ordinary share of EUR 0.24 was made payable. This interim dividend was paid in cash. Therefore, a final dividend remains of EUR 0.64. The final dividend will be paid entirely in cash and will be made payable on 4 May 2006.

PROPOSED PROFIT APPROPRIATION

amounts in millions of euros	
Net profit	**7,210**
To reserves pursuant to Article 38 (5) of the Articles of Association	**4,593**
Non-distributable profit of Stichting Regio Bank	**29**
At the disposal of the General Meeting of Shareholders pursuant to Article 38 (6) of the Articles of Association	**2,588**
Dividend of EUR 1.18 per ordinary share	

PROVISIONS CONCERNING ISSUE OF SHARES

Pursuant to Article 13 of the Articles of Association, the authority to issue shares, grant the right to take up shares and restrict or exclude the preferential rights of shareholders has been conferred on the Executive Board, upon approval of the Supervisory Board.

This authority applies to the period ending on 26 October 2006 (subject to extension by the General Meeting of Shareholders):

1. i) for a total of 220,000,000 ordinary shares;
   plus
   ii) for a total of 220,000,000 ordinary shares, only if these shares are issued in connection with the take over of a business or company;
2. for 10,000,000 preference shares B.

SHAREHOLDERS' EQUITY AND NET PROFIT ON THE BASIS OF US GAAP

AMOUNTS IN MILLIONS OF EUROS, EXCEPT FOR AMOUNTS PER SHARE

The following statement provides a reconciliation of the shareholders' equity and net profit on the basis of IFRS-EU to US GAAP.

RECONCILIATION OF THE SHAREHOLDERS' EQUITY AND NET PROFIT ON THE BASIS OF IFRS-EU TO US GAAP

	Shareholders' equity		Net profit	
	2005	2004	**2005**	2004
Amounts in accordance with IFRS-EU	**36,736**	24,069	**7,210**	5,755
Adjustment in respect of				
Goodwill	**3,837**	4,046	**-445**	-189
Real Estate	**-1,899**	-2,538	**-76**	316
Debt securities	**397**	11,656	**-405**	206
Valuation of equity securities				148
Derivatives and hedge accounting	**590**	-101	**794**	425
Fair value option	**155**		**29**	
Deferred acquisition costs	**-687**	-418	**-329**	-79
Provision for life insurance liabilities	**277**	-431	**151**	282
Deferred profit sharing	**2,691**		**11**	
Employee benefits	**593**	2,041	**-120**	-64
Equity instruments	**296**		**14**	
Provision for restructuring	**119**	60	**60**	60
Associates and other equity instruments	**-1,115**	-138	**-424**	5
Loan loss provisioning			**623**	
Other		37	**-28**	1
	5,254	14,214	**-145**	1,111
Tax effect of the adjustments	**493**	3,521	**188**	204
Third-party interests in adjustments (after tax)	**122**	332	**99**	26
Total adjustments after tax	**4,883**	11,025	**-234**	933
Amounts in accordance with US GAAP (excluding effects of changes in accounting principles)	**41,619**	35,094	**6,976**	6,688
Cumulative effect of changes in accounting principles				-91
Amounts in accordance with US GAAP	**41,619**	35,094	**6,976**	6,597
Diluted per share (in euros) in accordance with US GAAP	**19.21**	16.00	**3.22**	3.10

GOODWILL (2005 AND 2004)
Under IFRS-EU, goodwill is capitalised on acquisitions after 1 January 2004; goodwill on acquisitions prior to 1 January 2004 was charged directly to equity. Under US GAAP, goodwill is recognised on all acquisitions. When a reporting unit or a business is to be disposed of, goodwill associated with that reporting unit or business is included in the carrying amount of the reporting unit or business in determining the gain or loss on disposal. The difference as at 1 January 2004 may therefore result in differences in results on disposal. In addition, the transition difference may result in differences in impairments in future years. The amount of transition difference changes due to foreign currency translation effect.

The timing of the recognition of goodwill may be different under IFRS-EU and US GAAP since IFRS-EU requires that contingent consideration be recorded at the date of acquisition, with subsequent adjustments to contingent consideration reflected in goodwill. Under US GAAP, contingent consideration is only recorded when the contingency is resolved and the consideration is issued or becomes issuable.

This item includes intangible assets and related amortisation related to acquisitions before 1 January 2004, which under IFRS-EU were charged directly to equity as part of goodwill.

REAL ESTATE (2005 AND 2004)
Investment property
Under IFRS-EU, investment property is measured at fair value, with changes in fair value recognised in the profit and loss account. No depreciation is recorded. Under US GAAP, investment property is measured at cost less depreciation and impairment. Depreciation is charged to the profit and loss account. Realised results on disposal are reported in the profit and loss account.

Property in own use
Under IFRS-EU, property in own use is measured at fair value with changes in fair value recognised in equity. Negative revaluation reserves on a property-by-property basis are charged to the profit and loss account. Subsequent recoveries are recognised as income up to the original cost. Depreciation over the fair value is charged to the profit and loss account. On disposal any revaluation reserve remains in equity and any difference between the carrying amount of the property and the sales price is reported in the profit and loss account. Under US GAAP, property in own use is measured at cost less depreciation and impairment. Depreciation over the cost basis is charged to the profit and loss account. Realised results on disposal are reported in the profit and loss account. Impairments are an adjustment to the cost basis and are not reversed on subsequent recovery.

Sale and leaseback
Under IFRS-EU the gains and losses arising from a sale and operating leaseback transaction are recognised immediately, provided the transaction has been concluded at fair value. Under US GAAP, gains on a sale and operating leaseback transaction are generally amortised over the future period of the lease.

DEBT SECURITIES (2005)
Held to maturity investments
Under IFRS-EU, assets designated as held-to-maturity at the date of implementing IFRS-EU (1 January 2005) were recorded at the amortised cost value as at that date. Under US GAAP, these assets were transferred to held-to-maturity from available-for-sale at the 1 January 2005 fair value. The difference between fair value and amortised cost at 1 January 2005 is amortised over the remaining life. For assets designated as held-to-maturity after 1 January 2005 there is no difference between IFRS-EU and US GAAP.

Effective interest on prepayment sensitive assets
Under IFRS-EU, in applying the effective yield method to determine amortised cost of prepayment sensitive assets, the original effective yield is maintained and any recognised adjustment, based on changes in future cash flow estimates, is made to the carrying amount of the asset (cumulative catch-up method). Under US GAAP, for beneficial interests in recognised assets that are not of high credit quality, a prospective method is used which requires changing the existing yield to a new yield based on actual cash flows to date and the latest expected future cash flow profile of the assets. For other prepayment sensitive assets a new yield and retrospective adjustment is required.

Foreign currency translation
Under IFRS-EU, foreign currency translation results on translating the amortised cost of available-for-sale debt securities is included in the profit and loss account. The difference between fair value and amortised cost as translated into the functional currency is included in the revaluation reserve in equity. Under US GAAP all foreign currency translation results on available-for-sale debt securities are recognised in equity attributable to equity holders of the company as part of the fair value adjustment (revaluation reserve).

NOTES TO THE DIFFERENCES BETWEEN IFRS-EU AND US GAAP (CONTINUED)

Reversals of impairments
Under IFRS-EU, prior impairments on debt securities may be reversed if there is an increase in fair value that can be objectively related to a new event. Under US GAAP, impairments on debt securities are not reversed.

DEBT SECURITIES (2004)
Valuation of fixed-interest securities
Under IFRS-EU excluding IAS 39 (2004), investments in fixed-interest securities are carried at redemption value. Differences between redemption value and cost are amortised to the profit and loss account over the remaining term of the investments concerned. Under US GAAP, securities which are available for sale are stated at fair value. Unrealised movements in the fair value are recognised in Equity attributable to equity holders of the company. Realised results on disposal are recognised immediately in the profit and loss account.

Realised gains/losses on disposal of investments in fixed-interest securities
Under IFRS-EU excluding IAS 39 (2004), the result on disposal of investments in fixed-interest securities, i.e. the difference between the proceeds from sale and the book value, is treated as a yield difference. These yield differences are taken to the profit and loss account over the remaining term of the investment portfolio. Under US GAAP, the result on disposal is immediately recognised in the profit and loss account.

VALUATION OF EQUITY SECURITIES (2004)
Under IFRS-EU excluding IAS 39 (2004) and US GAAP, unrealised losses on equity securities are recorded in the revaluation reserve, unless the securities are considered to be impaired. Impairments are charged to the profit and loss account. The determination of impairment involves various assumptions and factors, including the period of time and the extent to which the unrealised loss has existed and general market conditions, but is primarily based on the financial condition of the issuer in the long-term; ING has the intention and ability to hold securities with unrealised losses to full recovery. Under US GAAP, unrealised losses that are considered "other than temporary" are charged to the profit and loss account. The determination of "other than temporary" is primarily based on the duration and extent to which the market value has been below cost.

DERIVATIVES AND HEDGE ACCOUNTING (2005)
Under IFRS-EU, hedge accounting is applied where possible. Accordingly, under IFRS-EU gains and losses on derivatives are deferred in equity when hedging relationships are designated as cash flow hedges. Adjustments are made to hedged items when hedging relationships are designated as fair value hedges. Under US GAAP, the Group has opted to not apply hedge accounting subject to items specifically designated as a hedge under US GAAP (including certain hedges of net investments in foreign operations). Accordingly, under US GAAP all derivatives other than those designated as hedges are marked-to-market through the income statement and no adjustments to hedged items are recognised.

DERIVATIVES AND HEDGE ACCOUNTING (2004)
Under IFRS-EU excluding IAS 39 (2004), derivative financial instruments, primarily interest rate swap contracts, used to manage interest rate risk are accounted for as off-balance sheet transactions. The related interest income and expense is accounted for on a basis in conformity with the hedged position, primarily on an accrual basis. Transactions qualify as hedges if these transactions are identified as such and there is a negative correlation between the hedging results and the results of the position being hedged. Under US GAAP, derivatives are carried at fair value with changes in fair value recorded in income unless specified criteria are met to obtain hedge accounting treatment. Under US GAAP, the Group has opted to not applying hedge accounting subject to items specifically designated as a hedge under US GAAP (including certain hedges of net investments in foreign operations). Accordingly, under US GAAP all derivatives other than those designated as hedges are marked-to-market through the income statement and no adjustments to hedged items are recognised.

FAIR VALUE OPTION (2005)
Under IFRS-EU, certain financial instruments are designated as "at fair value through profit and loss". For US GAAP, these financial instruments are reported as either available-for-sale instruments with movements in fair value recognised in equity attributable to equity holders of the company or as loans and receivables which are carried at amortised cost.

DEFERRED ACQUISITION COSTS (2005 AND 2004)
Under IFRS-EU, acquisition costs of certain life insurance business involving the receipt of regular premiums are recognised and amortised to the profit and loss account in proportion to future premiums. Under US GAAP, deferred acquisition costs of traditional insurance contracts are likewise amortised in proportion to future premiums. For universal-life type contracts, investment contracts and for participating individual life insurance contracts, deferred acquisition costs are amortised at a constant rate based on the present value of the estimated gross profit margins expected to be realised over the life of the book of contracts. Changes in estimated gross profits result in a retroactive adjustment recorded in the period the estimate of future gross profits change. Both under IFRS-EU and US GAAP deferred acquisition costs are adjusted, where applicable, (through equity) to reflect changes that would have been necessary if unrealised investment gains and losses related to available-for-sale securities had been realised. However, the amounts may be different due to differences in underlying accounting principles.

PROVISION FOR INSURANCE LIABILITIES (2005 AND 2004)

Provision for life policyholders

Both under IFRS-EU and US GAAP, the provision for life policy liabilities is calculated on the basis of a prudent prospective actuarial method, having regard to the conditions of current insurance contracts. The difference between IFRS-EU and US GAAP primarily concerns the treatment of initial expenses and the assumptions which are made in calculating the provisions with regard to the yield on the investments. Adequacy testing of the provisions for life policy liabilities, net of unamortised policy acquisition costs and value of business acquired, is performed similarly under both IFRS-EU and US GAAP. A reserve inadequacy (under US GAAP: a "premium deficiency") exists if the life policy liabilities plus the present value of expected future gross premiums are insufficient to provide for expected future policy benefits and expenses and to recover any unamortised policy acquisition costs and value of business acquired. Reserve strengthening is recognised as an additional provision for insurance liabilities under IFRS-EU. Premium deficiencies are recognised under US GAAP as an adjustment to the current year's value of business acquired, or if the deficiency is greater than the value of business acquired, it is recognised as a decrease in deferred acquisition costs and then as an increase in the provision for life policy liabilities. Based on the differences in the life policy liabilities under IFRS-EU and US GAAP and the different confidence levels used in reserve adequacy testing, a premium deficiency may be recognised differently under US GAAP.

Furthermore, a shadow premium deficiency may arise under US GAAP when unrealised investment gains related to available-for-sale securities are included in the US GAAP adequacy testing as if the gains had been realised. This results in an adjustment to equity for any shadow premium deficiency calculated and an adjustment to the current year's value of business acquired, deferred acquisition costs, or provision for life policy liabilities as above. This adjustment is recorded under US GAAP but is not recorded for IFRS-EU purposes.

Investment contracts (2005)

Under IFRS-EU, certain contracts that do not contain significant insurance risk are measured and presented as financial instruments and not as insurance contracts. Under US GAAP, these contracts are measured and presented as insurance contracts.

DEFERRED PROFIT SHARING (2005)

Under IFRS-EU, a deferred policyholder profit sharing liability is established for the realised and unrealised investment results allocated to insurance contracts with discretionary participation or with a legal/constructive obligation to share investment results with policyholders. Under US GAAP, such deferred liability is only recognised for legal obligations.

EMPLOYEE BENEFITS (2005 AND 2004)

Unrecognised actuarial gains and losses

Under IFRS-EU, all previously unrecognised actuarial gains and losses were charged to equity at 1 January 2004. Under US GAAP, no reset of actuarial gains and losses was applied at 1 January 2004.

Accumulated benefit obligation in excess of the fair value of the plan assets

Under US GAAP, an additional liability is recognised immediately in a situation where the accumulated benefit obligation exceeds the fair value of the plan assets and that exceeds the amount of the recorded unfunded accrued pension cost. The accumulated benefit obligation differs from the projected benefit obligation in that it does not take into account future salary increases. Under IFRS-EU, such additional liability is not recognised.

EQUITY INSTRUMENTS (2005)

Under IFRS-EU, instruments with the legal form of equity but with fixed or determinable repayments or dividends are classified as 'liabilities'. Under US GAAP, these instruments are classified as 'equity'.

PROVISION FOR RESTRUCTURING (2005 AND 2004)

Under IFRS-EU, certain restructuring costs relating to employee terminations are recognised when a restructuring plan has been announced. Under US GAAP, liabilities related to termination benefits are recognised when incurred. Employee termination costs are generally considered to be incurred when certain criteria have been met and the plan has been communicated to employees (communication date). Liabilities are recognised on the communication date unless further service (beyond a minimum retention period) is required from the employee in which case costs are recognised as benefits are earned.

ASSOCIATES AND OTHER EQUITY INVESTMENTS (2005)

Differences arise between US GAAP and IFRS-EU for associates for which equity accounting is applied due to underlying differences between IFRS-EU and US GAAP in the associates' equity and profit and loss. These mainly relate to underlying differences in the accounting treatment for real estate.

ASSOCIATES AND OTHER EQUITY INVESTMENTS (2004)

Differences arise between US GAAP and IFRS-EU for associates for which equity accounting is applied due to underlying differences between IFRS-EU and US GAAP in the associates' equity and profit and loss. These mainly relate to underlying differences in the accounting treatment for real estate.

NOTES TO THE DIFFERENCES BETWEEN IFRS-EU AND US GAAP (CONTINUED)

Under IFRS-EU excluding IAS 39 (2004), equity participations are carried at either the lower of cost or market value or at net asset value. Dividends received and realised gains and losses on the sale of these shareholdings are charged to the profit and loss account. Under US GAAP, these shareholdings are accounted for at either fair value with changes in fair value recorded in equity attributable to equity holders of the company, or, in cases where significant influence can be exercised by ING, by the equity method.

The criteria for the recognition of gains and losses on the sale of certain equity investments are more stringent under US GAAP. As a result, profit on sale is not always recognised in the same accounting period.

LOAN LOSS PROVISIONING (2005)
Under IFRS-EU, loan loss provisions are determined under a revised methodology based on a narrow interpretation of an incurred loss model. The application of the IFRS-EU methodology has reduced the amount of the unallocated provision for loan losses that ING Group provided in prior years to adequately capture various subjective and judgmental aspects of credit risk assessment which were not considered on an individual basis. Accordingly, the alignment of US GAAP reporting with the change in estimation process on adoption of IFRS-EU in 2005 has resulted in a release of EUR 623 million (before tax) of the provision through the 2005 US GAAP profit.

OTHER (2005 AND 2004)
Other includes the effect of certain other differences between IFRS-EU and US GAAP, which both individually and in aggregate have no significant effect on equity attributable to equity holders of the company and net profit for the period.

ING Bank applies the Risk Adjusted Return on Capital framework (RAROC). This method consistently measures the performance of different activities and has a clear link to shareholder-value creation. The use of RAROC increases focus on risks versus return in the decision-making process, and consequently stimulates the use of scarce capital in the most efficient way. Risk-adjusted pricing tools are also used as a basis for the pricing of certain transactions and as an important determinant in the credit-approval procedures.

RAROC is calculated as the risk-adjusted return divided by economic capital. The risk-adjusted return is based on similar valuation principles as applied in the financial accounts, with two important exceptions. The actual credit-risk provisioning is replaced by expected losses reflecting statistically calculated average credit losses over the entire economic cycle. In addition the profit and loss account is adjusted for effects that relate to replacing actual book capital by economic capital.

Economic capital is defined as the amount of capital required to bear the economic risks created by the activities employed and at the company's desired level of comfort. The Economic capital is based on detailed calculations for credit, transfer, market, operational and business risk and includes diversification benefit within the bank. ING uses a one-sided confidence interval of 99.95% - consistent with our target debt rating (AA/Aa2 long term) – and a one year time horizon. ING Group continues to develop and refine the models supporting the RAROC calculations that may result in changes and restatements.

RAROC FOR BANKING OPERATIONS

	RAROC (Pre-tax)		Economic Capital (in billions of euros)	
	2005	2004	**2005**	2004
Netherlands	**27.7%**	25.5%	**2.5**	3.0
Belgium	**19.9%**	22.2%	**1.9**	2.5
Rest of the World	**17.5%**	-1.6%	**2.7**	3.1
Other Wholesale	**-28.8%**	-43.6%	**0.2**	0.2
Subtotal Wholesale Banking	**20.6%**	13.6%	**7.3**	8.8
Asset Management	**46.9%**	39.5%	**1.2**	0.8
Total Wholesale Banking	**24.4%**	16.0%	**8.5**	9.6
Netherlands	**70.4%**	58.5%	**2.0**	1.9
Belgium	**51.1%**	16.4%	**0.6**	0.5
Poland	**53.8%**	20.5%	**0.1**	0.0
Other Retail	**3.0%**	-3.1%	**0.7**	0.6
Total Retail Banking	**52.4%**	38.8%	**3.4**	3.0
Total ING Direct	**20.9%**	19.9%	**3.1**	2.4
Corporate Line	**-445.1%**	-134.1%		0.2
Total banking operations	**27.7%**	19.4%	**15.0**	15.2

Note: In 2004 retail RAROC figures have been restated for changes in market risk methodology.

The after-tax RAROC of ING's Total banking operations improved to 22.6% from 14.7% in 2004. Excluding the impact of divestments the after-tax RAROC increases to 18.8% compared to 16.4% last year. The overall RAROC target that has been set by the Executive Board is 12% after-tax. The RAROC performance of Wholesale Banking excluding the impact of divestments markedly improves from 14.9% in 2004 to 16.7%. RAROC Retail Banking improves its performance in all regions resulting in an after-tax RAROC – excluding divestments – of 34.1% (2004: 26.1%). ING Direct, with an after-tax RAROC of 14.9% compared to 11.3% last year, reaches the RAROC target for the first time.

INTERNAL CAPITAL REQUIREMENTS

ECONOMIC CAPITAL – ING BANK

ING assesses internal capital requirements by using its own risk-based methodologies. For ING Bank the economic capital model is used. Economic capital is defined as the amount of capital required to cover for the economic risks created by the activities of the company and at the company's desired level of comfort. ING Bank uses a one-sided confidence interval of 99.95% – consistent with our target debt rating (AA/Aa2 long term) – and a one year time horizon. The total amount of Economic capital can be regarded as the minimum level of capital that is required to absorb all future unexpected losses in times of severe stress.

Economic capital is calculated for credit, transfer, market, operational and business risk. Business risk is used to cover unexpected losses that may arise as a result of changes in volumes, margins and costs.

ING continuously develops and refines its internal capital models that may lead to changes and restatements. E.g. for 2005 (and 2004) market model risk has been included for retail banking. In 2006 credit risk capital calculation methods and data collection will be evaluated also in the light of the Basel II preparations.

ECONOMIC CAPITAL BREAK-DOWN BY RISK CATEGORY ING BANK

amounts in billions of euros	**2005**	2004
Credit risk (including Transfer risk)	**7.0**	7.3
Market risk	**3.9**	4.3
Operational risk	**1.8**	1.8
Business Risk	**2.3**	1.8
	15.0	15.2

Economic capital has been calculated for ING Bank Total banking operations. The figures shown by risk category reflect all diversification effects, including risk reduction between the risk categories. The diversification effects that arise as a result of combining bank and insurance activities are not taken into account.

All risks, except for business risk, are subject to an independent control process with a functional reporting line to the Corporate Risk Managers. Although business risk is factored into the planning and budgeting process, business risk is not subject to an independent control process, but is the responsibility of the relevant business units.

Each Corporate Risk Management Department is responsible for the consistency and correctness of the respective methodology, including the calculation of economic capital (and expected loss) and the diversification within the risk type.

CAPITAL – ING INSURANCE

GENERAL

ING assesses internal capital requirements by using its own risk based methodologies. The capital model is developed to measure the amount of capital ING believes is necessary to be considered a AA rated insurance business.

Measurement

ING believes that its new internal insurance capital model is considered an improvement over current EU capital requirements as more risk factors are considered. ING continues to refine economic capital models and allocation of capital to business units.

EMBEDDED VALUE

AMOUNTS IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE

Embedded Value is an indicator of the economic value creation as a consequence of selling and managing long-term contracts such as life insurance, annuities and pensions. Embedded value is defined as the capital invested in our insurance operations, adjusted net worth or total regulatory surplus, and the value of the in-force covered business. Adjusted net worth equals the free surplus and the required capital. The value of in-force covered business is defined as the present value of future after-tax statutory book profits expected to arise from the in-force business, including new business written in the reporting period, less the cost of capital. The value of new business is the embedded value added with sales during the year, and therefore provides insight into the expected profitability related to 2005 sales. Underlying assumptions (expenses, interest rates, mortality, lapse, etc.) reflect best estimates of future expected experience. Future earnings are discounted at a rate representing the cost of capital.

The European Embedded Value (EEV) Principles were published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of major European insurers. The Principles and associated guidance provide a framework for calculating and reporting supplementary embedded value information. The year-end 2005 results provided below are in accordance with the EEV Principles.

At the end of 2005, the total embedded value of ING's life insurance operations was EUR 27,586 million compared to EUR 22,451 million at year-end 2004. This is after EUR 474 million in capital injections/dividends to the Group. Before capital injections/dividends, the increase in embedded value was EUR 5,610 million. Both the 2004 and 2005 figures are before deduction for the life insurance pension deficit. In 2005, this deficit was EUR 1,273 million which is offset by EUR 132 million already included in the expense assumptions in the embedded value calculations.

The embedded value result reflects increases due to an increase in the value of new business, favourable variances and currency effects. Changes in economic assumptions, particularly in Asia/Pacific, had an adverse impact on embedded value. Dividend payment from the life operations also reduce the embedded value result.

NEW BUSINESS VALUE

	Annual	**Premiums single**	**IRR[1]**	**Value of new business**	**VNB/PV premiums[2] 2005**	Annual	Premiums single	IRR[1]	Value of new business	VNB/PV premiums[2] 2004
Netherlands	**168**	**1,413**	**13.2%**	**95**	**3.6%**	178	1,709	10.5%	58	1.9%
Belgium/Luxembourg	**49**	**1,361**	**16.9%**	**36**	**2.1%**	51	1,583	22.8%	42	2.2%
Central Europe & Spain	**260**	**370**	**15.6%**	**94**	**3.8%**	202	216	12.6%	38	2.3%
USFS	**1,379**	**15,659**	**11.0%**	**172**	**0.9%**	1,194	13,726	10.3%	138	0.9%
Latin America	**215**	**216**	**12.6%**	**34**	**6.0%**	215	191	14.7%	35	7.6%
Asia/Pacific	**1,687**	**6,527**	**15.0%**	**373**	**2.7%**	1,086	2,996	13.6%	321	4.8%
ING Group	**3,757**	**25,545**	**13.2%**	**805**	**2.0%**	2,926	20,421	12.1%	632	2.1%

[1] IRR = internal rate of return adjusted for expected currency movements relative to the euro.
[2] VNB/PV Premiums = value of new business divided by the present value of new business.

The value of new business written during 2005 was EUR 805 million, compared to the 2004 level of EUR 632 million. This 27.4% increase is primarily due to higher sales and improved pricing margins. During 2005 ING invested EUR 1,770 million to write new life insurance business. The overall rate of return expected on this investment is 13.2%. This compares to an overall return of 12.1% in 2004. The expected internal rate of return in developing markets is 17.4%.

The value of new business fully reflects acquisition expense overruns, which represent the excess of the costs of acquiring new business over the expense allowances provided in product pricing. Such overruns may exist while new operations are achieving scale, while several businesses are integrating into one, or during a year when sales are lower than anticipated. During 2005, after-tax acquisition expense and commission overruns were EUR 103 million, compared to EUR 73 million in 2004.

EMBEDDED VALUE (CONTINUED)

EMBEDDED VALUE OF THE LIFE OPERATIONS

	2005	2004
Free surplus	**2,274**	599
Required capital	**13,691**	11,509
Adjusted net worth	**15,964**	12,108
Present value of future (statutory) book profits	**16,431**	14,571
Cost of holding required capital	**-4,810**	-4,227
Value of in force covered business	**11,622**	10,344
Embedded value	**27,586**	22,451

EMBEDDED VALUE PER BUSINESS LINE – LIFE OPERATIONS

	2005	2004
Netherlands	**11,300**	9,223
Belgium/Luxembourg	**1,077**	871
Central Europe & Spain	**2,552**	2,163
Insurance Europe	**14,929**	12,258
United States	**9,911**	7,270
Latin America	**947**	847
Insurance Americas	**10,858**	8,118
Insurance Asia/Pacific	**1,799**	2,076
ING Group	**27,586**	22,451

CHANGE IN EMBEDDED VALUE OF THE LIFE OPERATIONS

	2005
Reported value 2004	**22,451**
Addition of business/(divested business)	**196**
Currency effects	**1,575**
Model changes	**338**
Revised starting embedded value	**24,560**
Value of new business	**805**
Financial variances	**1,105**
Operational variances	**294**
Operating assumption changes	**50**
Embedded value profit	**2,254**
Required return	**1,907**
Investment return on free surplus	**530**
Discount rate changes	**804**
Economic assumption changes	**-2,030**
Embedded value of business acquired	**36**
(Dividends and) capital injections	**-474**
Ending embedded value 2005	**27,586**

Major drivers of change in EV 2005 are:
- Favourable currency movements added EUR 1,575 million to embedded value (compared with a negative impact of EUR 529 million in 2004), primarily due to strengthening of the US dollar against the Euro;
- Experience variances, especially due to investment performance in Netherlands, increased Embedded Value by EUR 1,399 million;
- Operating assumption changes, particularly in Insurance Asia/Pacific, increased EV by EUR 50 million;
- Net impact of economic assumption changes (EUR 2,030 million negative) and corresponding discount rate adjustments (EUR 804 million) was EUR 1,226 million negative, primarily due to downward adjusted new money assumptions in Taiwan;
- Value of new business of EUR 805 million, an improvement of 27.4% compared to 2004; most businesses contributed to this increase, in particular South Korea, Central Europe, USFS, and Netherlands;
- Required return on beginning in-force (unwind of discount rate) of EUR 1,907 million;
- Other items primarily investment return on free surplus (due to higher equity performance) and net dividends/capital injections explain remaining differences from total EV 2004 (in total EUR 626 million).

Sensitivity embedded value to economic assumptions

The tables below show the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2005 to:
- One percentage point decrease and increase in new-money interest rates;
- One percentage point decrease and increase in the discount rates;
- New money rates based on implied market forward rates derived from the swap rates as at 31 October 2005. The discount rate is adjusted accordingly.
- 10bp lower short term rates for the period 2006-2015: assumes a parallel shift of the yield curve for this period. The discount rate is adjusted accordingly.
- One percentage point decrease in assumed investment returns for equity and real estate investments;
- Ten percent fall in market value of equity and real estate investments; and
- Local regulatory minimum capital requirement.

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

SENSITIVITY EMBEDDED VALUE TO ECONOMIC ASSUMPTIONS

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

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

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

EMBEDDED VALUE (CONTINUED)

NEW BUSINESS VALUE FROM DEVELOPING MARKETS[1]

	Premiums Annual	Premiums Single	IRR	Value 2005	Premiums Annual	Premiums Single	IRR	Value 2004
Central Europe	**191**	**178**	**16.6%**	**69**	140	82	14.2%	31
Americas	**216**	**216**	**12.6%**	**34**	215	191	14.7%	35
Asia/Pacific	**1,224**	**432**	**19.3%**	**272**	717	374	13.2%	201
ING Group	**1,631**	**826**	**17.4%**	**375**	1,072	647	13.5%	268

[1] Countries classified as developing markets are:
– Central Europe: Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Russia (note Russia was added for both 2004 and 2005);
– Americas: Chile, Mexico, Peru;
– Asia/Pacific: China, Hong Kong, India, Korea, Malaysia, Taiwan, Thailand.

Developing markets new business value of EUR 375 million, increased by 39.9% from 2004 primarily due to Central Europe and Asia/Pacific.

INDEPENDENT OPINION

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

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

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

Credit ratings are indicators for the likelihood of timely and complete repayment of interest and instalment of fixed-income securities as assigned by rating agencies.

MAIN CREDIT RATINGS OF ING[1]

	Standard & Poor's	Moody's
ING GROUP	**AA-**	**Aa3**
ING INSURANCE		
– short term	**A-1**	**P-1**
– long term	**AA-**	**Aa3**
ING BANK		
– short term	**A1+**	**P-1**
– long term	**AA**	**Aa2**
– financial strength		**B+**

[1] The Standard & Poor's ratings as well as the Moody's ratings all have a stable outlook.

INFORMATION FOR SHAREHOLDERS

Profit retention and distribution policy

ING Group's profit retention and distribution policy is dictated by its internal financing requirements and its growth opportunities on the one hand and the capital providers' dividend expectations on the other. ING Group's internal funding needs are determined partly by statutory solvency requirements and capital ratios, compliance with which is essential to its existence. No less important to ING Group are its credit ratings, which directly affect its financing costs and hence its profitability. For their part, the capital providers expect a dividend which reflects ING Group's financial results and is relatively predictable.

Each year, after publication of the financial results for the first six months of the year, an interim dividend is distributed by way of an advance against the final dividend, being in principle half of the total dividend over the preceding year.

In February 2005, ING defined its dividend policy: ING intends to pay dividends in relation to the longer term underlying development of cash earnings following the introduction of International Financial Reporting Standards (IFRS), which is expected to increase volatility in net profit. Furthermore it was decided to reduce the dilution of earnings per share even further and therefore ING decided in the beginning of 2005 to change its dividend policy to a full cash dividend starting with the 2004 final dividend (paid in May 2005). This change was very much welcomed by investors and analysts.

Ratings

Standard & Poor's upgraded its ratings of ING Groep N.V., ING Bank N.V. and ING Verzekeringen N.V. in August 2005. Moody's confirmed its ratings in May 2005. ING Groep N.V. and ING Verzekeringen N.V. now have an AA- rating from Standard & Poor's and an Aa3 rating from Moody's. ING Bank N.V. now has an AA rating from Standard & Poor's and an Aa2 rating from Moody's.

All these ratings, from both Standard & Poor's and Moody's, have a stable outlook. An overview of the ratings is given on page 187.

Corporate governance

The introduction of a new corporate governance structure in 2003 had a very visible effect on the annual General Meeting of Shareholders in April 2004 and even more so on the 2005 Shareholders' Meeting. Many ING shareholders and holders of depositary receipts exercised their voting rights by means of proxy voting. Proxy voting increased from 8% in 2003 to approximately 37% in 2005 (including votes from preference shareholders). One of the items discussed and agreed upon at the 2005 Shareholders' Meeting was the adaptation of the so-called Tabaksblat Code (the Dutch corporate governance code) and how ING would deal with it.

Listing

The (depositary receipts for) ordinary shares ING Group are listed on the exchanges of Amsterdam, Brussels, Frankfurt, Paris, New York (NYSE) and the Swiss exchanges. The (depositary receipts for) preference shares and warrants B are listed on the Euronext Amsterdam Stock Market. Warrants B are also listed on the exchange of Brussels. Options on (depositary receipts for) ordinary shares ING Group are traded at the Euronext Amsterdam Derivative Markets and the Chicago Board Options Exchange.

Shareholders with stakes of 5% or more

Under the Dutch Act on the Disclosure of Significant Interests, three holders of depositary receipts with an interest or potential interest of between 5% and 10% in ING Group were known as at 31 December 2005. They were ABN AMRO, Aegon and Fortis.

DIVIDEND HISTORY

in euros	2005	2004	2003	2002	2001
Interim dividend	**0.54**	0.49	0.48	0.48	0.47
Final dividend	**0.64***	0.58	0.49	0.49	0.50
Total	**1.18***	1.07	0.97	0.97	0.97

* Proposed

PRICES DEPOSITARY RECEIPTS FOR ORDINARY SHARES

Euronext Amsterdam Stock Exchange, in euros	2005	2004	2003	2002	2001
Price – high	**29.75**	22.28	19.06	31.20	43.97
Price – low	**20.99**	16.73	8.70	13.29	22.80
Price – year-end	**29.30**	22.26	18.49	16.14	28.64
Price/earnings ratio*	**8.8**	8.2	9.3	9.1	15.7

* Based on the share price at the end of December and operating/underlying net profit per ordinary share for the financial year. Price/earnings ratio 2005 and 2004 are IFRS-based.

SHARES AND WARRANTS IN ISSUE

in millions	Year-end 2005	Year-end 2004
(Depositary receipts for) ordinary shares of EUR 0.24 nominal value	**2,204.9**	2,204.7
(Depositary receipts for) preference shares of EUR 1.20 nominal value	**87.1**	87.1
Warrants B	**17.2**	17.2
(Depositary receipts for) own ordinary shares held by ING Group and its subsidiaries	**38.7**	29.5

AUTHORISED AND ISSUED CAPITAL

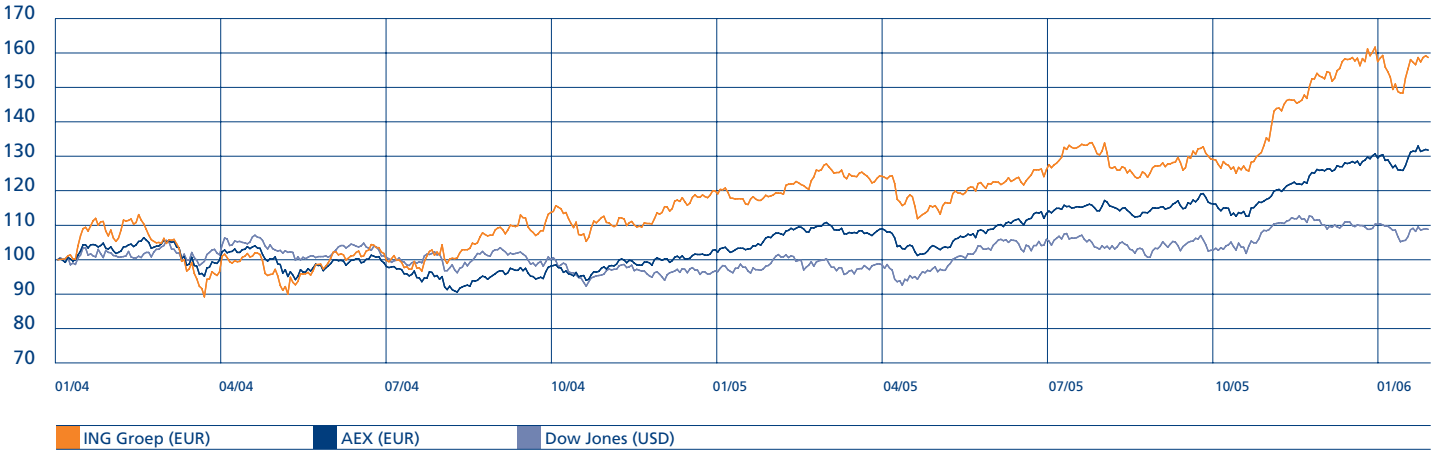
in EUR million	Year-end 2005	Year-end 2004
Ordinary shares		
– authorised	**720**	720
– issued	**530**	530
Preference shares		
– authorised	**360**	360
– issued	**104**	104
Cumulative preference shares		
– authorised	**1,080**	1,080
– issued	**–**	–

INFORMATION FOR SHAREHOLDERS (CONTINUED)

GEOGRAPHICAL DISTRIBUTION OF ING SHARES
in percentages

United Kingdom	28%
United States & Canada	21%
Netherlands	17%
Belgium	11%
Luxembourg	8%
France	6%
Switzerland	5%
Germany	2%
Other	2%

PRICES DEPOSITARY RECEIPTS FOR ORDINARY SHARES
index 1 January 2004 = 100



IMPORTANT DATES IN 2006 AND 2007*

Annual General Meeting of Shareholders
Tuesday, 25 April 2006
Muziekgebouw aan 't IJ, Amsterdam

ING share quotation ex final dividend 2005
Thursday, 27 April 2006

Payment date final dividend 2005
Wednesday, 3 May 2006

Publication results first three months 2006
Thursday, 11 May 2006

Publication results first six months 2006
Thursday, 10 August 2006

ING share quotation ex interim dividend 2006
Friday, 11 August 2006

Publication results first nine months 2006
Thursday, 9 November 2006

Publication of annual results 2006
Thursday, 15 February 2007

Annual General Meeting of Shareholders
Tuesday, 24 April 2007

ING share quotation ex final dividend 2006
Thursday, 26 April 2007

* All dates shown are provisional.

Investor relations
In addition to financial press releases, ING also publishes ShareholdersNews and ShareholdersBulletin. You can subscribe to both publications through the ING website, www.ing.com. To be kept informed of press releases and other ING news, you can subscribe to the email service on www.ing.com.

Investors and financial analysts may contact:
Investor Relations (IH 07.432)
P.O. Box 810
1000 AV Amsterdam
The Netherlands
Telephone: +31 20 5415571
Fax: +31 20 5418551
Email: investor.relations@ing.com
Internet: www.ing.com/group

FINANCIAL GLOSSARY

AMORTISED COST
The amount at which the financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

ASSOCIATE
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

AVAILABLE-FOR-SALE FINANCIAL ASSETS
Those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit and loss.

BIS
The Bank for International Settlements (BIS) is an international organisation which fosters international monetary and financial co-operation and serves as a bank for central banks. BIS has set a minimum for the solvency ratio reflecting the relationship between capital and risk weighted assets. The ratio should at least be 8%.

CERTIFICATES OF DEPOSIT
Short-term negotiable bearer debt instruments issued by banks.

CLAIM
A demand for payment of a policy benefit because of the occurrence of an insured event, such as the death or disability of the insured or the maturity of an endowment, the incurrence of hospital or medical bills, the destruction or damage of property and related deaths or injuries, defects in, liens on, or challenges to the title to real estate, or the occurrence of a surety loss.

CLAIMS RATIO
The claims ratio is the claims, including claims handling expenses, expressed as a percentage of net earned premiums.

COMBINED RATIO
The sum of the claims ratio and the cost ratio for a non-life insurance company or a reinsurance company. A combined ratio of more than 100% does not necessarily mean that there is a loss on non-life insurance policies, because the result also includes the allocated investment income.

CONCENTRATIONS
Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate exposure is material in relation to ING Group's total exposure.

CONTINGENT LIABILITIES
Contingent liabilities are commitments or risks, for which it is more likely than not that no outflow from ING Group of resources embodying economic benefits will occur. The underlying value of these liabilities is not recorded as liabilities in the balance sheet. For these products, the underlying value represents the maximum potential credit risk to which ING Group is exposed, i.e. assuming that all counterparties failed completely to perform in accordance with the terms of the contracts and that any existing collateral or security proves to be of no value.

CONVERTIBLE DEBENTURE
Convertible debentures are debentures with embedded options issued by corporations. The holder has the right to exchange a convertible debenture for equity in the issuing company at certain times in the future according to a certain exchange ratio. Very often, the conversion is callable. This means that it can be repurchased by the issuer at a certain price at certain times in the future. Once the debentures have been called, the holder can always choose to convert prior to repurchase.

COST RATIO
Underwriting costs expressed as a percentage of premiums written.

COUNTRY RISK
The risk that a foreign government will not fulfil its obligations or obstructs the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (political risk).

CREDIT INSTITUTIONS
Credit institutions are all institutions which are subject to banking supervision by public authorities, including mortgage banks, capital market institutions, multilateral development banks and the International Monetary Fund (IMF).

DEFERRED TAX ASSETS
The amounts of income tax recoverable in future periods in respect of:
– deductible temporary differences;
– the carry forward of unused tax losses; and
– the carry forward of unused tax credits.

DEFERRED TAX LIABILITIES
The amounts of income tax payable in future periods in respect of temporary valuation differences between carrying amounts of assets or liabilities in the balance sheet and tax base, based on tax rates that are expected to apply in the period when the assets are realised or the liabilities are settled.

DEFINED BENEFIT PLAN
Defined benefit plans are post-employment benefit plans other than defined contribution plans.

DEFINED CONTRIBUTION PLAN
Post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPOSITARY RECEIPT
Depositary receipt for ordinary and preference shares, issued by the Trust, in exchange for ordinary and preference shares issued by ING Group.

DERIVATIVES
Derivatives are financial instruments, which include forwards, futures, options and swaps, whose value is based on an underlying asset, index or reference rate.

DISCOUNTED BILLS
Bills that are sold under deduction of interest giving the owner the right to receive an amount of money on a given date.

ELIMINATION
Elimination is a process by which intercompany transactions are matched with each other and deducted, so that the assets, liabilities, income and expenses are not inflated.

EMPLOYEE BENEFITS
All forms of consideration given by a company in exchange for service rendered by (former) employees.

FAIR VALUE
The amount at which an asset or a liability could be traded on a fair basis at the balance sheet date, between knowledgeable, willing parties in arm's-length transactions.

FINANCE LEASE
A lease that transfers substantially all the risks and rewards associated with ownership of an asset to the lessee. Title may or may not eventually be transferred.

FINANCIAL ASSET
Any asset that is:
– a contractual right to receive cash or another financial asset from another company;
– a contractual right to exchange financial instruments with another company under conditions that are potentially favourable; or
– an equity instrument of another company.

FINANCIAL INSTRUMENTS
Financial instruments are contracts that give rise to both a financial asset for one company and a financial liability or equity instrument for another company.

FINANCIAL LIABILITY
Any liability that is a contractual obligation:
– to deliver cash or another financial asset to another company; or
– to exchange financial instruments with another company under conditions that are potentially unfavourable.

FORWARD CONTRACTS
Forward contracts are commitments to exchange currencies or to buy or sell other financial instruments at specified future dates.

FUTURE CONTRACTS
Future contracts are commitments to exchange currencies or to buy or sell other financial instruments at specified future dates. Exchanges act as intermediaries and require daily cash settlement and collateral deposits.

GROSS PREMIUMS WRITTEN
Total premiums (whether or not earned) for insurance contracts written or assumed (including deposits for investment contracts with limited or no life contingencies written) during a specific period, without deduction for premiums ceded.

HELD-TO-MATURITY INVESTMENTS
Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:
a. those that the entity upon initial recognition designates as at fair value through profit and loss;
b. those that the entity designates as available for sale; and
c. those that meet the definition of loans and receivables.

IMPAIRMENT
An impairment is a permanent diminution in value, i.e. the recoverable amount is less than the carrying amount of the asset. In such circumstances a write-down of the asset is necessary.

INTEREST BEARING INSTRUMENT
An interest bearing instrument is a financial asset or a liability for which a time-proportionate compensation is paid or received, in relation to a notional amount.

INTEREST-RATE REBATES
Profit sharing for group life insurance business. A rebate granted to policyholders based on the discounted value of the difference between the interest rate used for calculating the premiums and the expected yield on investment. The profit sharing is granted by means of a premium discount related to the yield on government bonds.

IN THE MONEY
A call option is said to be in the money if the exercise price is lower than the price of the underlying value; a put option is said to be in the money if the exercise price is higher than the price of the underlying value.

INVESTMENT PORTFOLIO
The investment portfolio comprises those assets which are intended for use on a continuing basis, and have been identified as such. These investments are held in order to cover the insurance provisions and to manage interest rate, capital and liquidity risks.

IRREVOCABLE FACILITY
Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients and commitments made to purchase securities to be issued by governments and private issuers.

IRREVOCABLE LETTERS OF CREDIT
An irrevocable letter of credit concerns an obligation on behalf of a client to, within certain conditions, pay an amount of money under submission of a specific document or to accept a bill of exchange.

FINANCIAL GLOSSARY (CONTINUED)

An irrevocable letter of credit cannot be cancelled or adjusted by the bank that has granted it during the duration of the agreement unless all those concerned agree.

JOINT VENTURE
A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

MONETARY ASSETS AND LIABILITIES
Monetary assets and liabilities are assets and liabilities whose amounts are fixed in terms of units of currency by contract or otherwise. Examples are cash, short or long-term accounts, notes receivable in cash and notes payable in cash.

NET ASSET VALUE
The net asset value is used in the equity method of accounting. The initial net asset value of the investment is determined by the fair value of the assets and liabilities of the investee. After the initial valuation of assets and liabilities of the investee at fair value, the assets and liabilities of the investee are valued in accordance with the accounting principles of the investor. The profit and loss account reflects the investor's share in the results of operations of the investee.

NET PREMIUMS WRITTEN
Gross premiums written for a given period less premiums ceded to retrocessionaires during such period.

NOTIONAL AMOUNTS
Notional amounts represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets. They do not reflect, however, the credit risks assumed by entering into derivative transactions.

OPERATING LEASE
A lease other than a finance lease.

OPTION CONTRACTS
Option contracts give the purchaser, for a premium, the right, but not the obligation, to buy or sell within a limited period of time a financial instrument or currency at a contracted price that may also be settled in cash. Written options are subject to market risk, but not to credit risk since the counterparties have already performed in accordance with the terms of the contract by paying a cash premium up front.

ORDINARY SHARE
An equity instrument that is subordinate to all other classes of equity instruments. Ordinary shares participate in the net profit for the financial year after other types of shares such as preference shares.

OUT OF THE MONEY
A call option is said to be out of the money if the exercise price is higher than the price of the underlying value; a put option is said to be out of the money if the exercise price is lower than the price of the underlying value.

OVER-THE-COUNTER INSTRUMENT
Non-standardised financial instrument not traded on a stock exchange but directly between market participants.

PLAN ASSETS
Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting enterprise) that:
- are held by an entity (a fund) that is legally separate from the reporting enterprise and exists solely to pay or fund employee benefits; and
- are available to be used only to pay or fund employee benefits, are not available to the reporting enterprise's own creditors (even in bankruptcy), and cannot be returned to the reporting enterprise, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting enterprise or the assets are returned to the reporting enterprise to reimburse it for employee benefits already paid.

  A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting enterprise, if the proceeds of the policy:
- can be used only to pay or fund employee benefits under a defined benefit plan; and
- are not available to the reporting enterprise's own creditors (even in bankruptcy) and cannot be paid to the reporting enterprise, unless either the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations or the proceeds are returned to the reporting enterprise to reimburse it for employee benefits already paid.

POST-EMPLOYMENT BENEFIT PLANS
Formal or informal arrangements under which a company provides post-employment benefits for one or more employees.
Post-employment benefits are employee benefits other than termination benefits and equity compensation benefits, which are payable after the completion of employment.

PREFERENCE SHARE
A preference (or preferred) share is similar to an ordinary share but carries certain preferential rights. These rights usually concern the guarantee of a fixed (cumulative) return to the shareholder or a guaranteed return on the investment.

PREMIUMS EARNED
That portion of net premiums written in current and past periods which applies to the expired portion of the policy period, calculated by subtracting movements in unearned premium reserves from net premiums.

PRIVATE LOAN
Private loans are loans to governments, other public bodies, public utilities, corporations, other institutions or individuals with a loan agreement as the only instrument of title.

PRIVATE PLACEMENT
A placement where newly issued shares or debentures come into possession of a limited group of subscribers who are prepared to buy the new securities.

PROJECTED UNIT CREDIT METHOD
An actuarial valuation method that considers each period of service as giving rise to an additional unit of benefit

entitlement and measures each unit separately to build up the final obligation.

QUALIFYING ASSET (WITHIN THE MEANING OF BORROWING COSTS)
A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

RECOGNITION
The process of incorporating in the balance sheet or profit and loss account an item that meets the definition of an element and satisfies the following criteria for recognition:
– it is probable that any future economic benefit associated with the item will flow to or from the enterprise; and
– the item has a cost or value that can be measured reliably.

REDEMPTION VALUE
With respect to investments in fixed-interest securities, the amount payable on the maturity date.

REINSURANCE
The practice whereby one party, called the reinsurer, in consideration for a premium paid to him, agrees to indemnify another party, called the reinsured or ceding company, for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued. The reinsured may also be referred to as the original or primary insurer, the direct writing company, or the ceding company.

SHARE PREMIUM (RESERVE)
Paid-in capital in addition to the nominal value and paid-up on issued share capital.

SUBSIDIARY
A corporation:
– in which, by agreement with other holders of voting rights or otherwise, more than half of the voting rights in a general meeting can be exercised by the company or one of its subsidiaries;
– of which the company or a subsidiary is a member or shareholder and can appoint or dismiss, by agreement with other holders of voting rights or otherwise, alone or together with others more than half of the executive board or the supervisory board.

SURRENDER
The termination of a life or retirement contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, on the contract.

SWAP CONTRACTS
Swap contracts are commitments to settle in cash at a specified future date, based on differentials between specified financial indices as applied to a notional principal amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party.

THIRD-PARTY INTERESTS
That part of the net results and of net assets of a subsidiary attributable to an interest which is not owned, directly or indirectly, by the parent.

TIER-1 CAPITAL
The tier-1 capital is also referred to as the core capital of ING Bank. It comprises paid up share capital, reserves excluding revaluation reserves, fund for general banking risks, retained earnings, third-party interests.

TIER-1 RATIO
The tier-1 ratio is reflecting the tier-1 capital of ING Bank as a percentage of its total risk weighted assets. The minimum set by the Dutch central bank is 4%.

TRADING PORTFOLIO
The trading portfolio comprises those financial instruments which are held to obtain short-term transaction results, to facilitate transactions on behalf of clients or to hedge other positions in the trading portfolio.

TREASURY BILLS
Generally short-term debt certificates issued by a central government. Dutch Treasury Certificates are regarded as Dutch Treasury bills.

WARRANT
A financial instrument that gives the holder the right to purchase ordinary shares.

ING Publications
– Annual Review, in Dutch and English;
– Annual Report, in Dutch and English;
– Corporate Responsibility Report, in Dutch and English;
– Annual Report on Form 20-F, in English
(in accordance with SEC guidelines).

These publications are available on www.ing.com.
The publications can be ordered on the internet:
www.ing.com/group, button ING Publications
by fax: +31 411 652 125 or
by mail: P.O. Box 258, 5280 AG Boxtel, the Netherlands.

ING Groep N.V.
Amstelveenseweg 500, 1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
Telephone +31 20 5415411
Fax +31 20 5415444
Commercial Register of Amsterdam, no. 33231073

TEXT AND PRODUCTION
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Corporate Communications,
Amsterdam

DESIGN AND PRODUCTION
Addison Corporate Marketing,
London

PRINTING
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