ING GROEP NV
Form 20-F
March 18, 2010

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

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2009

OR

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

OR

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

Commission file number 1-14642

ING GROEP N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

ING Groep N.V.
Amstelveenseweg 500
1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands

(Address of principal executive offices)

Hans van Barneveld
Telephone: +31 20 541 8510
E-mail: Hans.van.Barneveld@ing.com
Amstelveenseweg 500
1081KL Amsterdam
The Netherlands

(Name; Telephone, Email and Address of Company Contact Person)

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

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

7.20% ING Perpetual Debt Securities	New York Stock Exchange
6.20% ING Perpetual Debt Securities	New York Stock Exchange
6.125% ING Perpetual Debt Securities	New York Stock Exchange
5.775% ING Perpetual Debt Securities	New York Stock Exchange
6.375% ING Perpetual Debt Securities	New York Stock Exchange
7.375% ING Perpetual Debt Securities	New York Stock Exchange
8.50% ING Perpetual Debt Securities	New York Stock Exchange

* Listed, not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission

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

None

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

None

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

Ordinary shares, nominal value EUR 0.24 per Ordinary share	3,831,560,513
Bearer Depositary receipts in respect of Ordinary shares	3,830,613,744

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

Yes þ o No

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

Yes o þ No

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

Yes þ o No

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP o

International Financial Reporting Standards as issued by the International Accounting Standards Board þ

Other o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

o Item 17 Item 18 o

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

Yes o þ No

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PRESENTATION OF INFORMATION

In this Annual Report, and unless otherwise stated or the context otherwise dictates, references to ING Groep N.V. , ING Groep and ING Group refer to ING Groep N.V. and references to ING , the Company , the Group , we an to ING Groep N.V. and its consolidated subsidiaries. ING Groep N.V. s primary insurance and banking subsidiaries are ING Verzekeringen N.V. (together with its consolidated subsidiaries, ING Insurance) and ING Bank N.V. (together with its consolidated subsidiaries, ING Bank), respectively. References to Executive Board or Supervisory Board refer to the Executive Board or Supervisory Board of ING Groep N.V.

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

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of euro 1.00 = $1.3516, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 1, 2010.

ING prepares financial information in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) for purposes of reporting with the U.S. Securities and Exchange Commission (SEC), including financial information contained in this Annual Report on Form 20-F. ING Group s accounting policies and its use of various options under IFRS-IASB are described under Principles of valuation and determination of results in the consolidated financial statements. In this document the term IFRS-IASB is used to refer to IFRS-IASB as applied by ING Group.

The published 2009 Annual Accounts of ING Group, however, are prepared in accordance with IFRS-EU.IFRS-EU refers to International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU. IFRS-EU differs from IFRS-IASB, in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk. Furthermore, IFRS 9 Financial Instruments (issued in 2009) is not yet endorsed by the EU and, therefore, is not yet part of IFRS-EU. However, IFRS 9 is only effective as of 2013 and ING has not early adopted IFRS 9 under IFRS-IASB.

Under IFRS-EU, ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU carve out version of IAS 39. Under the EU IAS 39 carve-out , hedge accounting may be applied, in respect of fair value macro hedges, to core deposits and hedge ineffectiveness is only recognized when the revised estimate of the amount of cash flows in scheduled time buckets falls below the original designated amount of that bucket and is not recognized when the revised amount of cash flows in scheduled time buckets is more than the original designated amount. Under IFRS-IASB, hedge accounting for fair value macro hedges can not be applied to core deposits and ineffectiveness arises whenever the revised estimate of the amount of cash flows in scheduled time buckets is either more or less than the original designated amount of that bucket.

This information is prepared by reversing the hedge accounting impacts that are applied under the EU carve out version of IAS 39. Financial information under IFRS-IASB accordingly does not take account of the possibility that had ING Group applied IFRS-IASB as its primary accounting framework it might have applied alternative hedge strategies where those alternative hedge strategies could have qualified for IFRS-IASB compliant hedge accounting. These decisions could have resulted in different shareholders equity and net result amounts compared to those indicated in this Annual Report on Form 20-F.

Other than for SEC reporting, ING Group intends to continue to prepare its Annual Accounts under IFRS-EU.

A reconciliation between IFRS-EU and IFRS-IASB is included in Note 2.1 to the consolidated financial statements entitled Basis of preparation.

Effective March 4, 2008, amendments to Form 20-F permit Foreign Private Issuers to include financial statements prepared in accordance with IFRS-IASB without reconciliation to US GAAP.

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

Although certain references are made to information available on ING s website, no materials from ING s website or any other source are incorporated by reference into this Annual Report, except as specifically stated herein.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

changes in general economic conditions, in particular economic conditions in ING s core markets,

changes in performance of financial markets, including developing markets,

the implementation of ING s restructuring plan to separate banking and insurance operations,

changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness,

the frequency and severity of insured loss events,

changes affecting mortality and morbidity levels and trends,

changes affecting persistency levels,

changes affecting interest rate levels,

changes affecting currency exchange rates,

changes in general competitive factors,

changes in laws and regulations,

changes in the policies of governments and/or regulatory authorities,

conclusions with regard to purchase accounting assumptions and methodologies,

changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards,

ING s ability to achieve projected operational synergies.

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

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PART I

Item 1. Identity Of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics And Expected Timetable

Not Applicable.

Item 3. Key Information

The selected consolidated financial information data is derived from the IFRS-IASB consolidated financial statements of ING Group.

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

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	Year ended December 31,					
	2009 USD(1)	**2009 EUR**	**2008(2) EUR**	**2007(2) EUR**	**2006(2) EUR**	**2005(2) EUR**
	(in millions, except amounts per share and ratios)					
IFRS-IASB Consolidated Income Statement Data						
Income from banking operations:						
Interest income	109,677	81,146	98,201	76,859	59,262	48,342
Interest expense	92,729	68,607	87,115	67,823	49,927	39,180
Net interest result	16,948	12,539	11,085	9,036	9,335	9,162
Investment income	(4,752)	(3,516)	(2,459)	1,969	849	937
Commission income	3,620	2,678	2,895	2,926	2,681	2,401
Other income	(61)	(45)	(3,500)	1,182	1,513	1,348
Total income from banking operations	15,753	11,655	8,022	15,113	14,378	13,848
Income from insurance operations:						
Gross premiums written:						
Life	38,818	28,720	38,868	40,732	40,501	39,144
Non-life	2,395	1,772	4,944	6,086	6,333	6,614
Total	41,213	30,492	43,812	46,818	46,834	45,758
Commission income	2,615	1,935	2,070	1,901	1,636	1,346
Investment and Other income	4,545	3,363	8,970	13,488	11,172	10,299
Total income from insurance operations	48,374	35,790	54,851	62,208	59,642	57,403
Total income (3)	**63,673**	**47,109**	**62,582**	**77,097**	**73,804**	**71,120**
Total expenditure from banking operations	17,757	13,138	11,583	10,092	9,190	8,932
Total expenditure from insurance operations:						
Life	46,876	34,682	51,622	49,526	49,106	47,156
Non-life	2,442	1,807	4,864	6,149	5,601	6,269
Total	49,319	36,489	56,486	55,675	54,707	53,425
Total expenditure (3), (4)	**66,622**	**49,291**	**67,778**	**65,543**	**63,681**	**62,226**
	(2,003)	(1,482)	(3,561)	5,021	5,188	4,916

Result before tax from banking operations						
Result before tax from insurance operations:						
Life	(1,212)	(897)	(2,146)	5,314	3,436	2,666
Non-life	268	198	511	1,219	1,499	1,312
Total	(945)	(699)	(1,635)	6,533	4,935	3,978
Result before tax	**(2,948)**	**(2,181)**	**(5,196)**	**11,554**	**10,123**	**8,894**
Taxation	(864)	(639)	(1,667)	1,665	1,961	1,379
Minority interests	(159)	(118)	(37)	267	341	305
Net result	**(1,925)**	**(1,424)**	**(3,492)**	**9,622**	**7,821**	**7,210**
Dividend on Ordinary shares			1,500	3,180	2,865	2,588
Addition to shareholders equity	(2,275)	(1,683)	(4,567)	6,442	4,956	4,622
Coupon payable on non-voting equity securities (7)					259	(425)
Net result attributable to equity holders of the Company	(1,264)	(935)	(729)	9,241	7,692	7,210
Basic earnings per share (5)	(1.03)	(0.76)	(1.31)	3.45	2.79	2.55
Diluted earnings per share (5)	(1.01)	(0.75)	(1.31)	3.43	2.76	2.55
Dividend per Ordinary share (5)			0.74	1.48	1.32	1.18
Interim Dividend			0.74	0.66	0.59	0.54
Final Dividend				0.82	0.73	0.64
Number of Ordinary shares outstanding (in millions)	3,831.6	3,831.6	2,063.1	2,226.4	2,205.1	2,204.9
Dividend pay-out ratio (6)			n.a.	34.3%	37.0%	35.5%

	Year ended December 31,					
	2009 USD(1)	2009 EUR	2008(2) EUR	2007(2) EUR	2006(2) EUR	2005(2) EUR
	(in billions, except amounts per share and ratios)					
IFRS-IASB Consolidated Balance Sheet Data						
Total assets	1,567.9	1,160.0	1,328,6	1,313,2	1,226.5	1,158.6
Investments:						
Banking	142.6	105.5	148.8	160.4	171.1	180.1
Insurance	144.1	106.6	109.5	132.3	140.5	144.5
Total	286.7	212.1	258.3	292.6	311.6	324.6
Loans and advances to customers	777.6	575.3	616.8	553.7	474.6	439.2
Insurance and investment contracts:						
Life	305.5	226.0	213.0	232.4	237.9	232.1
Non-life	4.7	3.5	6.8	9.6	10.1	12.8
Investment contracts	15.3	11.3	21.1	23.7	20.7	18.6
Total	325.6	240.9	240.8	265.7	268.7	263.5
Customer deposits and other funds on deposit:						
Savings accounts of the banking operations	411.0	304.1	274.3	275.1	283.1	269.4
Other deposits and bank funds	223.6	165.4	248.5	250.1	213.6	196.3
Total	634.6	469.5	522.8	525.2	496.7	465.7
Amounts due to banks	113.8	84.2	152.3	167.0	120.8	122.2
Share capital in number of shares (in millions)	3,831.6	3,831.6	2,063.1	2,242.4	2,268.1	2,292.0
Shareholders equity	42.0	31.1	15.1	37.7	38.4	36.7
Non-voting equity securities	6.8	5.0	10.0			
Shareholders equity per Ordinary share 5)	11.11	8.22	7.44	17.98	17.84	16.96

(1) Euro amounts have been translated into U.S. dollars at the exchange rate of $1.3516 to EUR 1.00, the noon buying rate in New York City on March 1, 2009

for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

(2) For the impact of divestments see Item 5. Operating and Financial Review and Prospects .

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

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

(5) Basic earnings per share

amounts have been calculated based on the weighted average number of Ordinary shares outstanding and Shareholders equity per share amounts have been calculated based on the number of Ordinary shares outstanding at the end of the respective periods. For purposes of this calculation ING Groep N.V. shares held by Group companies are deducted from the total number of Ordinary shares in issue. The rights issue, which was finalized on 15 December 2009 has an effect on the basic earnings per share and the diluted earnings per share, as defined in IFRS IASB. All weighted average number of shares outstanding before the rights issue are restated with an adjustment factor that reflects the fact that the exercise price of the rights issue was less than the fair value of the shares, see Note 49 of Note 2.1 to the consolidated financial statements. The effect of dilutive securities is adjusted as well.

(6) The dividend pay-out ratio is based on net result attributed to equity holders of the Company.

(7) For details of the agreements with the Dutch State, see Note 13 of Note 2.1 to the consolidated financial statements.

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EXCHANGE RATES

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

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

	U.S. dollars per euro			
Calendar Period	**Period End(1)**	**Average Rate(2)**	**High**	**Low**
2005	1.1842	1.2397	1.3476	1.1670
2006	1.3197	1.2661	1.3327	1.1860
2007	1.4603	1.3794	1.4862	1.2904
2008	1.3919	1.4695	1.6010	1.2446
2009	1.4332	1.3955	1.5100	1.2547

(1) The Noon Buying Rate at such dates differ from the rates used in the preparation of ING s consolidated financial statements as of such date. See Note 2.1 to the consolidated financial statements.

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

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

	High	**Low**
September 2009	1.4735	1.4235
October 2009	1.5029	1.4532
November 2009	1.5085	1.4658
December 2009	1.5100	1.4243

January 2010	1.4536	1.3870

The Noon Buying Rate for euros on December 31, 2009 was EUR 1.00 = $1.4332 and the Noon Buying Rate for euros on March 1, 2010 was EUR 1.00 = $1.3516.

RISK FACTORS

Any of the risks described below could have a material adverse effect on the business activities, financial condition, results of operations and prospects of ING. The market price of ING shares could decline due to any of these risks, and investors could lose all or part of their investments. Additional risks of which the Company is not presently aware could also affect the business operations of ING and have a material adverse effect on ING s business activities, financial condition, results of operations and prospects. In addition, the business of a multinational, broad-based financial services firm such as ING is inherently exposed to risks that only become apparent with the benefit of hindsight. The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences.

Risks Related to the Financial Services Industry

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

Factors such as interest rates, securities prices, credit (including liquidity) spreads, exchange rates, consumer spending, business investment, real estate and private equity valuations, government spending, inflation, the volatility and strength of the capital markets, and terrorism all impact the business and economic environment and, ultimately, the amount and profitability of business we conduct in a specific geographic region. For example, in an economic downturn, such as the one that has affected world economies since mid-2007, characterized by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investment and consumer spending, the demand for banking and insurance products is adversely affected and our reserves and provisions are likely to increase, resulting in lower earnings. Securities prices, real estate valuations and private equity valuations may be adversely impacted, and any such losses would be realized through profit and loss and shareholders equity. Some insurance products contain minimum return or accumulation guarantees. If returns do not meet or exceed the guarantee levels we may need to set up additional reserves to fund these future guaranteed benefits. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Similarly, a downturn in the equity markets causes a reduction in commission income we earn from managing portfolios for third parties, income generated from our own proprietary portfolios, asset-based fee income on certain insurance products, and our capital base. We also offer a number of insurance and financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. See also Risks Related to the Group Interest rate volatility may adversely affect our profitability below.

In case one or more of the factors mentioned above adversely affects the profitability of our business this might also result, among others, in the following:

- the unlocking of deferred acquisition costs impacting earnings; and/or

- reserve inadequacies which could ultimately be realized through profit and loss and shareholders equity; and/or

- the write down of tax assets impacting net results; and/or

- impairment expenses related to goodwill and other intangible assets, impacting net results.

In 2008 and 2009, shareholders equity and our net result were significantly impacted by the turmoil and the extreme volatility in the worldwide financial markets. Further negative developments in financial markets and/or economies may have a material adverse impact on shareholders equity and net result in future periods, including as a result of the potential consequences listed above. We are currently recalibrating our economic capital models to reflect the extreme market conditions experienced over recent quarters in order to align them more closely with regulatory measures. This may have a material impact on our economic capital for credit risk. See Risks Related to the Group Ongoing turbulence and volatility in the financial markets have adversely affected us, and may continue to do so .

Adverse capital and credit market conditions may impact our ability to access liquidity and capital, as well as the cost of credit and capital.

The capital and credit markets have been experiencing extreme volatility and disruption for more than two years. In the second half of 2008, the volatility and disruption reached unprecedented levels. In some cases, market developments have resulted in restrictions on the availability of liquidity and credit capacity for certain issuers.

We need liquidity in our day-to-day business activities to pay our operating expenses, interest on our debt and dividends on our capital stock; maintain our securities lending activities; and replace certain maturing liabilities. The principal sources of our liquidity are deposit funds, insurance premiums, annuity considerations, cash flow from our investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. Sources of liquidity in normal markets also include a variety of short- and long-term instruments, including repurchase agreements, commercial paper, medium-and long-term debt, junior subordinated debt securities, capital securities and stockholders equity.

In the event current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects. Similarly, our access to funds may be limited if regulatory authorities or rating agencies take negative actions against us. If our internal sources of liquidity prove to be insufficient, there is a risk that external funding sources might not be available, or available at unfavorable terms.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital required to operate our business. Such market conditions may limit our ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements. This could force us to (1) delay raising capital, (2) reduce, cancel or postpone payment of dividends on our shares, (3) reduce, cancel or postpone interest payments on other securities, (4) issue capital of different types or under different terms than we would otherwise, or (5) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility. Our results of operations, financial condition, cash flows and regulatory capital position could be materially adversely affected by disruptions in the financial markets.

In the course of 2008 and 2009, governments around the world, including the Dutch government, implemented unprecedented measures to provide assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. In certain cases governments nationalized companies or parts thereof. The measures adopted in the Netherlands include both liquidity provision and capital reinforcement, and a Dutch Credit Guarantee Scheme. The liquidity and capital reinforcement measures expired on October 10, 2009, while the Credit Guarantee Scheme of the Netherlands is scheduled to run through June 30, 2010. To date, we have been able to benefit from these measures, but our participation in these measures has resulted in certain material restrictions on us, including those agreed to with the European Commission (EC) as part of our Restructuring Plan. See Risks Related to the Group Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions , Risks Related to the Group The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group . The Restructuring Plan as well as any potential future transactions with the Dutch State or any other government, if any, or actions by such government regarding ING could adversely impact the position or rights of shareholders, bondholders, customers or creditors and our results, operations, solvency, liquidity and governance.

In addition, we have built our liquidity risk framework on the premise that our liquidity is most efficiently and effectively managed by a centralized Group function. However, we are subject to the jurisdiction of a variety of banking and insurance regulatory bodies, some of which have proposed regulatory changes that, if implemented, would hinder our ability to manage our liquidity in such a centralized manner. Furthermore, regulatory liquidity requirements in certain jurisdictions in which we operate are generally becoming more stringent, undermining our efforts to maintain this centralized management of our liquidity. These developments may cause trapped pools of liquidity, resulting in inefficiencies in the cost of managing our liquidity, and hinder our efforts to integrate our balance sheet, which is an essential element of our Back to Basics program and our Restructuring Plan.

The default of a major market participant could disrupt the markets.

Within the financial services industry the default of any one institution could lead to defaults by other institutions. The failure of a sufficiently large and influential institution could disrupt securities markets or clearance and settlement systems in our markets. This could cause market declines or volatility. Such a failure could lead to a chain of defaults that could adversely affect us and our contract counterparties. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, as was the case after the bankruptcy of Lehman Brothers, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis. Systemic risk could have a material adverse effect on our ability to raise new funding and on its business, financial condition, results of operations, liquidity and/or prospects. In addition, such a failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

Management believes that despite increased attention recently, systemic risk to the markets in which we operate continues to exist, and dislocations caused by the interdependency of financial market participants continues to be a potential source of material adverse changes to our business, results of operations and financial condition.

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

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods, earthquakes and epidemics, as well as events such as terrorist attacks.

The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and cannot always be adequately reserved for. Furthermore, we are subject to actuarial and underwriting risks such as, for instance, mortality, longevity, morbidity, and adverse home claims development which result from the pricing and acceptance of insurance contracts. In accordance with industry practices, modelling of natural catastrophes is performed and risk mitigation measures are made. In case claims occur, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established and includes updates when more information becomes available. Although we continually review the adequacy of the established claim reserves, there can be no assurances that our actual claims experience will not exceed our estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, our earnings may be reduced and our net results may be adversely affected. In addition, because unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, our banking and insurance operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions, insurance and pension benefits to employees and also to key personnel. If our business continuity plans are not able to be put into action or do not take such events into account, losses may further increase.

We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business.

We are subject to detailed banking, insurance, asset management and other financial services laws and government regulation in each of the jurisdictions in which we conduct business. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices. Banking, insurance and other financial services laws, regulations and policies currently governing us and our subsidiaries may also change at any time in ways which have an adverse effect on our business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, bank regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. Regulation is becoming increasingly more extensive and complex and regulators are focusing increased scrutiny on the industries in which we operate, often requiring additional Company resources. These regulations can serve to limit our activities, including through our net capital, customer protection and market conduct requirements, and restrictions on businesses in which we can operate or invest. If we fail to address, or appear to fail to address, appropriately any of these matters, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties.

In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. Most of the principal markets where we conduct our business have adopted, or are currently considering, major legislative and/or regulatory initiatives in response to the financial crisis. In particular, governmental and regulatory authorities in the Netherlands, the United Kingdom, the United States and elsewhere are implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including in the areas of prudential rules, capital requirements, executive compensation and financial reporting, among others. For example, the EC is conducting a full scale review of solvency margins and provisions for insurance companies known as Solvency II . Each member state of the EEA, including the Netherlands, is required to implement Solvency II by October 31, 2012. On December 17, 2009 the Basel Committee issued two consultative documents proposing reforms to bank capital and liquidity regulation and the EC is also considering increasing the capital requirements for banks. In addition, the International Accounting Standards Board (IASB) is considering changes to several IFRS standards, including significant changes to the standard on financial instruments (IAS 39) and to the standard on pensions (IAS 19). These changes could have a material impact on our reported results and financial condition.

Governments in the Netherlands and abroad have also intervened on an unprecedented scale, responding to stresses experienced in the global financial markets. Some of the measures adopted subject us and other institutions for which they were designed to additional restrictions, oversight or costs. For restrictions related to the Core Tier 1 Securities and the IABF, as further described in Item 4. Information on the Company Recent Developments (together, the Dutch State Transactions), see Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions . As a result of having received state aid through the Dutch State Transactions, we were required to submit our Restructuring Plan to the EC in connection with obtaining final approval for the Dutch State Transactions. See Risks Related to the Group The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group . We cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on our business, results of operations and financial condition.

Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretation or under development or may conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, or we fail to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, amongst other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition.

RISKS RELATED TO THE GROUP

Ongoing turbulence and volatility in the financial markets have adversely affected us, and may continue to do so.

Our results of operations are materially impacted by conditions in the global capital markets and the economy generally. The stress experienced in the global capital markets that started in the second half of 2007 continued and substantially increased throughout 2008 and, although market conditions have improved, volatility continued in 2009, particularly the early part of the year. The crisis in the mortgage market in the United States, triggered by a serious deterioration of credit quality, led to a revaluation of credit risks. These conditions have resulted in greater volatility, widening of credit spreads and overall shortage of liquidity and tightening of financial markets throughout the world. In addition, prices for many types of asset-backed securities (ABS) and other structured products have significantly deteriorated. These concerns have since expanded to include a broad range of fixed income securities, including those rated investment grade, the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result, the market for fixed income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also been experiencing heightened volatility and turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including extreme levels of volatility, have had and may continue to have an adverse effect on our revenues and results of operations, in part because we have a large investment portfolio and extensive real estate activities around the world. In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to our or our competitors failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on our revenues and results of operations, including through an increase of lapses or surrenders of policies and withdrawal of deposits. Because a significant percentage of our customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

As a result of the ongoing and unprecedented volatility in the global financial markets in 2007 and 2008, we have incurred substantial negative revaluations on our investment portfolio, which have impacted our shareholders equity and earnings. During 2009, the revaluation reserve position improved substantially, positively impacting shareholders equity. Although we believe that reserves for insurance liabilities are generally adequate at the Group, inadequacies in certain product areas have developed.

Such impacts have arisen primarily as a result of valuation issues arising in connection with our investments in real estate (both in and outside the US) and private equity, exposures to US mortgage-related structured investment products, including sub-prime and Alt-A Residential and Commercial Mortgage-Backed Securities (RMBS and CMBS , respectively), Collateralized Debt Obligations (CDOs) and Collateralized Loan Obligations (CLOs), monoline insurer guarantees and other investments. In many cases, the markets for such investments and instruments have been and remain highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgment and other factors, and is also impacted by external factors such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. While we continue to monitor our exposures in this area, in light of the ongoing market environment and the resulting uncertainties concerning valuations, there can be no assurances that we will not experience further negative impacts to our shareholders equity or profit and loss accounts from such assets in future periods.

The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group.

In November 2008 the Dutch State purchased the Core Tier 1 Securities, and in the first quarter of 2009 we entered into the IABF with the Dutch State as further described on page 30.

As a result of having received state aid through the Dutch State Transactions, we were required to submit a restructuring plan (the Restructuring Plan) to the EC in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules. On October 26, 2009, we announced our Restructuring Plan, pursuant to which we are required to divest by the end of 2013 all of our insurance business, including the investment management business, as well as ING Direct US, which operates our direct banking business in the United States, and certain portions of our retail banking business in the Netherlands. The EC s approval of the Restructuring Plan was issued on November 18, 2009. On January 28, 2010 ING lodged an appeal with the General Court of the European Union (the General Court) against specific elements of the EC s decision regarding the Restructuring Plan. Notwithstanding this appeal, we are committed executing the Restructuring Plan as announced on October 26, 2009.

In addition, in order to obtain approval of the Restructuring Plan, we committed to make a series of additional payments to the Dutch State, corresponding to adjustments to the net fees payable under the IABF. These payments have significantly increased the cost of the IABF to us and has resulted in a one-time, pre-tax charge of EUR 1.3 billion recorded in the fourth quarter of 2009 which has adversely affected our results of operations and financial condition. See Item 4. Information on the Company recent Developments .

Although we believe in the merit of our appeal lodged with the General Court of the European Union, there can be no assurance as to its success or as to any consequences resulting from its rejection.

In connection with the Restructuring Plan, we have also agreed to not be a price leader in certain EU markets with respect to certain retail, private and direct banking products and to refrain from acquisitions of financial institutions and of businesses that would delay our repurchase of the Core Tier 1 Securities not purchased with the proceeds of the Offering. Those limitations may last until November 18, 2012 and could adversely affect our ability to maintain or grow market share in key markets as well as our results of operations. See Risks

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Related to the Group The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group .
We have announced that we will consider making our required divestments by means of initial public offerings, sales, spin-offs, combinations of the foregoing or other means. There can be no assurance that we will be able to implement the Restructuring Plan successfully or complete the announced divestments on favorable terms or at all, particularly in light of both the plan s 2013 deadline and expected challenging market conditions in which other financial institutions may place similar assets for sale during the same time period and may seek to dispose of assets in the same manner. Any failure to successfully implement the Restructuring Plan may result in EC enforcement actions and may have a material adverse impact on the assets, profitability, capital adequacy and business operations of the Group. Moreover, in connection with the implementation of the Restructuring Plan, including any proposed divestments, we or potential buyers may need to obtain various approvals, including of shareholders, works councils and regulatory and competition authorities, and we and potential buyers may face difficulties in obtaining these approvals in a timely manner or at all. In addition, the implementation of the Restructuring Plan may strain relations with our employees, and specific proposals in connection with the implementation may be opposed by labor unions or works councils. Furthermore, following the announcement of the Restructuring Plan, several of our subsidiaries have been downgraded or put on credit watch by rating agencies. See Risks Related to the Group Ratings are important to our business for a number of reasons. Among these are the issuance of debt, the sale of certain products and the risk weighting of bank and insurance assets. Downgrades could have an adverse impact on our operations and net results .
Other factors that may impede our ability to implement the Restructuring Plan successfully include an inability of prospective purchasers to obtain funding due to the deterioration of the credit markets, insufficient access to equity capital markets, a general unwillingness of prospective purchasers to commit capital in the current market environment, antitrust concerns, any adverse changes in market interest rates or other borrowing costs and any declines in the value of the assets to be divested. Although equity capital markets have improved over the past few months, it may also be difficult to divest all or part of our insurance or investment management business through one or more initial public offerings. There can also be no assurance that we could obtain favorable pricing for a sale of all or part of our insurance or investment management business in the public markets or succeed in turning the relevant subsidiaries into viable standalone businesses. A divestment may also release less regulatory capital than we would otherwise expect. Any failure to complete the divestments on favorable terms, whether by sale, through an initial public offering, a spin-off or otherwise, could have a material adverse impact on our assets, profitability, capital adequacy and business operations. If we are unable to complete the announced divestments in a timely manner, we would be required to find alternative ways to reduce our leverage, and we could be subject to enforcement actions or proceedings by the EC. In particular, if we do not succeed in completing divestitures contemplated by the Restructuring Plan within the timelines set out therein, the EC may request the Dutch State to appoint a divestiture trustee with a mandate to complete the relevant divestiture with no minimum price.
In addition, it is possible that a third party will challenge the EC decision to approve the Restructuring Plan in the European Courts. ING does not believe that any such challenge would be likely to succeed, but if it were to succeed the EC would need to reconsider its decision which may have an adverse impact on our results of operations and financial condition.
The implementation of the divestments announced in connection with the Restructuring Plan, including the separation of the insurance and most of the investment management operations from the banking operations, will also give rise to additional costs related to the legal and financial assessment of potential transactions. The implementation may also result in increased operating and administrative costs. The process of completing the steps contemplated by the Restructuring Plan may be disruptive to our business and the businesses we are trying to sell and may cause an interruption or reduction of our business and the businesses to be sold as a result of, among other factors, the loss of key employees or customers and the diversion of management s attention from our day-to-day business as a result of the need to manage the divestment process as well as any disruptions or difficulties that arise during the course of the divestment process. We may face other difficulties in implementing the Restructuring Plan and completing the planned divestments. For instance, the divestments, individually or in the aggregate, may trigger provisions in various contractual obligations, including debt instruments, which could require us to modify, restructure or refinance the

related obligations. We may not be able to effect any such restructuring or refinancing on similar terms as the current contractual obligations or at all. In addition, the announced divestments could be the subject of challenges or litigation, and a court could delay any of the divestment transactions or prohibit them from occurring on their proposed terms, or from occurring at all, which could adversely affect our ability to use the funds of the divestments to repurchase the Core Tier 1 Securities, reduce or eliminate our double leverage and strengthen our capital ratios as anticipated and eliminate the constraints on competition imposed by the EC.

The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group.

As part of our Restructuring Plan, we have undertaken with the EC to accept certain limitations on our ability to compete in certain retail, private and direct banking markets in the European Union and on our ability to acquire financial institutions and businesses that would delay our repurchase of the Core Tier 1 Securities held by the Dutch State. These restrictions apply until the earlier of: (1) November 18, 2012, and (2) the date upon which we repurchase all remaining Core Tier 1 Securities held by the Dutch State. We have also agreed to limitations on our ability to call Tier-2 capital and Tier 1 hybrid debt instruments. If the EC does not approve the calling of Tier-2 capital and Tier 1 hybrid debt instruments in the future, this may have adverse consequences for us, result in additional payments on these instruments and limit our ability to seek refinancing on more favorable terms. The limitations described above will impose significant restrictions on our banking business operations and on our ability to take advantage of market conditions and growth opportunities. Such restrictions could adversely affect our ability to maintain or grow market share in key markets, as well as our results of operations.

Upon the implementation of the Restructuring Plan, we will be less diversified and may experience competitive and other disadvantages.

Following completion of the planned divestments under the Restructuring Plan, we expect to become a significantly smaller, regional financial institution focused on retail, direct and commercial banking in the Benelux region and certain other parts of Europe, as well as selected markets outside Europe. Although we will remain focused on banking operations, we may become a smaller bank than that represented by our current banking operations. In the highly competitive Benelux market and the other markets in which we operate, our competitors may be larger, more diversified and better capitalized and have greater geographical reach than us, which could have a material adverse effect on our ability to compete, as well as on our profitability. The divested businesses may also compete with the retained businesses, on their own or as part of the purchasers enlarged businesses. In addition, the restrictions on our ability to be a price leader and make acquisitions and on our compensation policies could further hinder our capacity to compete with competitors not burdened with such restrictions, which could have a material adverse effect on our results of operations. There can be no assurance that the implementation of the Restructuring Plan will not have a material adverse effect on the market share, business and growth opportunities and results of operations for our remaining core banking businesses.

Our Restructuring Programs may not yield intended reductions in costs, risk and leverage.

In April 2009, we announced our Back to Basics program to reduce our costs, risk and leverage. In addition to restructuring our banking and insurance businesses so that they are operated separately under the ING umbrella, the Back to Basics program includes cost-reduction measures, as well as plans for divestments. On October 26, 2009, we announced that we had reached an agreement with the EC on our Restructuring Plan, pursuant to which we announced further divestments. Projected cost savings and impact on our risk profile and capital associated with these initiatives are subject to a variety of risks, including:

- contemplated costs to effect these initiatives may exceed estimates;
- divestments planned in connection with the Restructuring Plan may not yield the level of net proceeds expected, as described under Risks Related to the Group The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group ;
- initiatives we are contemplating may require consultation with various regulators as well as employees and labor representatives, and such consultations may influence the timing, costs and extent of expected savings;
- the loss of skilled employees in connection with the initiatives; and
- projected savings may fall short of targets.

While we have begun and expect to continue to implement these strategies, there can be no assurance that we will be able to do so successfully or that we will realize the projected benefits of these and other restructuring and cost saving initiatives. If we are unable to realize these anticipated cost reductions, our business may be adversely affected.

Moreover, our continued implementation of restructuring and cost saving initiatives may have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

There is substantial competition in the Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking, asset management and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If we are not able to match or compete with the products and services offered by our competitors, it could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the Rest of Western Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors. The Netherlands and the United States are our largest markets for both our banking and insurance operations. Our main competitors in the banking sector in the Netherlands are ABN AMRO Bank/Fortis and Rabobank. Our main competitors in the insurance sector in the Netherlands are Achmea, ASR and Aegon. Our main competitors in the United States are insurance companies such as Lincoln National, Hartford, Aegon Americas, AXA, Met Life, Prudential, Nationwide and Principal Financial. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. In 2008 and 2009, this trend accelerated considerably, as several major financial institutions consolidated, were forced to merge or received substantial government assistance, and this trend may continue in light of the EC s scrutiny of state aid transactions. These developments could result in our competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. We may experience pricing pressures as a result of these factors in the event that some of our competitors seek to increase market share by reducing prices. In addition, under the Restructuring Plan we have agreed to certain restrictions imposed by the EC, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions and other businesses. See The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group .

Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions.

For so long as the Dutch State holds at least 25% of the Core Tier 1 Securities, issued by us on November 12, 2008, for so long as the IABF is in place, or for so long as any of the government guaranteed senior unsecured bonds issued by ING Bank N.V. on January 30, 2009, February 20, 2009 and March 12, 2009 under the Credit Guarantee Scheme of the Netherlands (the Government Guaranteed Bonds) are outstanding, we are prohibited from issuing or repurchasing any of our own shares (other than as part of regular hedging operations and the issuance of shares according to employment schemes) without the consent of the Dutch State s nominees on the Supervisory Board. In addition, under the terms of the Core Tier 1 Securities and IABF, we have agreed to institute certain restrictions on the compensation of the members of the Executive Board and senior management, including incentives or performance-based compensation. These restrictions could hinder or prevent us from attracting or retaining the most qualified management with the talent and experience to manage our business effectively. In connection with these transactions, the Dutch State was granted the right to nominate two candidates for appointment to the Supervisory Board. The Dutch State s nominees have veto rights over certain material transactions. Our agreements with the Dutch State have also led to certain restrictions imposed by the EC as part of the Restructuring Plan, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions and other businesses. See Risks Related to the Group The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group .

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

General

Third-parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers whose securities we hold, borrowers under loans originated, customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, etc., or even rumours about potential defaults by one or more of these parties or regarding the financial services industry generally, could lead to losses for us, and defaults by other institutions. In light of the significant constraints on liquidity and high cost of funds in the interbank lending market, which arose in 2008 and early 2009, particularly following the collapse of Lehman Brothers in September 2008, and given the high level of interdependence between financial institutions, we are and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. This is particularly relevant to our franchise as an important and large counterparty in equity, fixed-income and foreign exchange markets, including related derivatives, which exposes it to concentration risk.

We routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, insurance companies and other institutional clients, resulting in large daily settlement amounts and significant credit exposure. As a result, we face concentration risk with respect to specific counterparties and customers. We are exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more financial services institutions could therefore lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions.

With respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized, or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. We also have exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. For example, we hold certain hybrid regulatory capital instruments issued by financial institutions which permit the issuer to defer coupon payments on the occurrence of certain events or at their option. The EC has indicated that, in certain circumstances, it may require these financial institutions to defer payment. If this were to happen, we expect that such instruments may experience ratings downgrades and/or a drop in value and we may have to treat them as impaired, which could result in significant losses. There is no assurance that losses on, or impairments to the carrying value of, these assets would not materially and adversely affect our business or results of operations.

In addition, we are subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our income and risk weighting, leading to increased capital requirements. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. Our credit risk may also be exacerbated when the collateral we hold cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to us, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those currently experienced. The termination of contracts and the foreclosure on collateral may subject us to claims for the improper exercise of its rights. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

Any of these developments or losses could materially and adversely affect our business, financial condition, results of operations, liquidity and/or prospects.

Reinsurers

Our insurance operations have bought protection for risks that exceed certain risk tolerance levels set for both our life and non-life businesses. This protection is bought through reinsurance arrangements in order to reduce possible losses. Because in most cases we must pay the policyholders first, and then collect from the reinsurer, we are subject to credit risk with respect to each reinsurer for all such amounts. As a percentage of our (potential) reinsurance as of

December 31, 2009, the greatest exposure after collateral to an individual external reinsurer was approximately 27%, approximately 45% related to four other external reinsurers and the remainder of the reinsurance exposure related to various other reinsurers. The inability or unwillingness of any one of these reinsurers to meet its financial obligations to us, or the insolvency of our reinsurers, could have a material adverse effect on our net results and our financial results.

Current market conditions have increased the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending.

We are exposed to the risk that our borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. We may continue to see adverse changes in the credit quality of our borrowers and counterparties, for example as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors. This trend has led and may lead to further impairment charges on loans and other assets, higher costs and additions to loan loss provisions. The volume of impaired loans may continue if unfavorable economic conditions persist.

Furthermore, a significant increase in the size of our provision for loan losses could have a material adverse effect on our financial position and results of operations. Due to worsening economic conditions in the past two years, we have experienced an increase of impaired loans.

The fall of commercial and residential real estate prices and lack of market liquidity during the past two years has had an adverse effect on the value of the collateral we hold. Economic and other factors could lead to further contraction in the residential mortgage and commercial lending market and to further decreases in residential and commercial property prices which could generate substantial increases in impairment losses.

Interest rate volatility may adversely affect our profitability.

Changes in prevailing interest rates may negatively affect our business including the level of net interest revenue we earn, and for our banking business the levels of deposits and the demand for loans. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Changes in the interest rates may negatively affect the value of our assets and our ability to realize gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings. In addition, an increase in interest rates may decrease the demand for loans.

In addition, during periods of declining interest rates, life insurance and annuity products may be relatively more attractive to consumers, resulting in increased premium payments on products with flexible premium features, and a higher percentage of insurance policies remaining in force from year-to-year, creating asset liability duration mismatches. A decrease in interest rates may also require an addition to provisions for guarantees included in life policies, as the guarantees become more valuable to policy holders. During a low interest rate period, our investment earnings may be lower because the interest earnings on our fixed income investments will likely have declined in parallel with market interest rates on our assets recorded at fair value. Declining interest rates may also affect the results of our reserve adequacy testing which may in turn result in reserve strengthening. In addition, mortgages and fixed maturity securities in our investment portfolios will be more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates. Consequently, we may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, during periods of declining interest rates, our profitability may suffer as the result of a decrease in the spread between interest rates charged to policyholders and returns on our investment portfolios.

Conversely, in periods of rapidly increasing interest rates, policy loans, and withdrawals and surrenders of life insurance policies and fixed annuity contracts may increase as policyholders choose to forego insurance protection and seek higher investment returns. Obtaining cash to satisfy these obligations may require us to liquidate fixed maturity investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realized investment losses. Regardless of whether we realize an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease our net income. Premature withdrawals may also cause us to accelerate amortization of deferred policy acquisition costs, which would also reduce our net income.

We may incur losses due to failures of banks falling under the scope of state compensation schemes.

In the Netherlands and other jurisdictions deposit guarantee schemes and similar funds (Compensation Schemes) have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which we operate, these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. As a result of the increased number of bank failures, in particular since the fall of 2008, we expect that levies in the industry will continue to rise as a result of the Compensation Schemes. In particular, we are a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of

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the number of accounts held). The costs involved with making compensation payments under the Dutch Deposit Guarantee Scheme are allocated among the participating banks by the Dutch Central Bank, *De Nederlandsche Bank N.V.* (the DNB), based on an allocation key related to their market shares with respect to the deposits protected by the Dutch Deposit Guarantee Schemes. Given our size we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which we may be unable to recover from the bankrupt estate. The ultimate costs to the industry of payments which may become due under the Compensation Schemes, remains uncertain although they may be significant and these and the associated costs to us may have a material adverse effect on our results of operations and financial condition.

We may be unable to manage our risks successfully through derivatives.

We employ various economic hedging strategies with the objective of mitigating the market risks that are inherent in our business and operations. These risks include currency fluctuations, changes in the fair value of our investments, the impact of interest rate, equity markets and credit spread changes and changes in mortality and longevity. We seek to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts including from time to time macro hedges for parts of our business.

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from risks associated with those fluctuations. Our hedging strategies also rely on assumptions and projections regarding our assets, general market factors and the credit worthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase our risks and losses. If we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which we have incurred or may incur losses on transactions, perhaps significant, after taking into account our hedging strategies. Further, the nature and timing of our hedging transactions could actually increase our risk and losses. In addition, hedging strategies involve transaction costs and other costs. Our hedging strategies and the derivatives that we use and may use may not adequately mitigate or offset the risk of interest rate volatility, and our hedging transactions may result in losses.

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

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

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

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

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

Our risk management policies and guidelines may prove inadequate for the risks we face.

The methods we use to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than what is suggested by historic experience. For instance, these methods did not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to the government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to us. Such information may not always be correct, updated or correctly evaluated.

We may incur further liabilities in respect of our defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations.

ING Group companies operate various defined benefit retirement plans covering a significant number of our employees. The liability recognized in our consolidated balance sheet in respect of our defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan s assets, together with adjustments for unrecognized actuarial gains and losses and unrecognized past service costs. We determine our defined benefit plan obligations based on internal and external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index, and the expected return on plan assets. These assumptions are based on available market data and the historical performance of plan assets, and are updated annually. Nevertheless, the actuarial assumptions may differ significantly from actual results due to changes in market conditions, economic and mortality trends and other assumptions. Any changes in these assumptions could have a significant impact on our present and future liabilities to and costs associated with our defined benefit retirement plans.

We are subject to a variety of regulatory risks as a result of our operations in less developed markets.

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

In addition, as a result of our operations in less developed markets, we are subject to risks of possible nationalization, expropriation, price controls, exchange controls and other restrictive government actions, as well as the outbreak of hostilities, in these markets. In addition, the current economic environment in certain of the less developed countries in which we operate may increase the likelihood for regulatory initiatives to protect homeowners from foreclosures. Any such regulatory initiative could have an adverse impact on our ability to protect our economic interest in the event of defaults on residential mortgages.

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

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

Ratings are important to our business for a number of reasons. Among these are the issuance of debt, the sale of certain products and the risk weighting of bank and insurance assets. Downgrades could have an adverse impact on our operations and net results.

We have credit ratings from Standard & Poor s Ratings Service (Standard & Poor s), a division of the McGraw Hill Companies, Moody s Investor Service (Moody s) and Fitch Ratings. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. In the event of a downgrade the cost of issuing debt will increase, having an adverse effect on net results. Certain institutional investors may also be obliged to withdraw their deposits from ING following a downgrade, which could have an adverse effect on our liquidity. Following the announcement of the Restructuring Plan, several of our subsidiaries have been downgraded or put on credit watch by rating agencies.

Claims paying ability, at the Group or subsidiary level, and financial strength ratings are factors in establishing the competitive position of insurers. A rating downgrade could elevate lapses or surrenders of policies requiring cash payments, which might force us to sell assets at a price that may result in realized investment losses. Among others, total invested assets decreases and deferred acquisition costs might need to be accelerated, adversely impacting earnings. A downgrade may adversely impact relationships with distributors of our products and services and customers, which may affect new sales and our competitive position.

Furthermore, ING Bank s assets are risk weighted. Downgrades of these assets could result in a higher risk weighting which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on our competitive position.

Capital requirements for ING s insurance businesses in a number of jurisdictions, such as the US and the EU, are based on a risk-based capital model. A downgrade of assets in these markets could result in a higher risk weighting which may lead to higher capital requirements.

Our business may be negatively affected by a sustained increase in inflation.

A sustained increase in the inflation rate in our principal markets would have multiple impacts on us and may negatively affect our business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates which may (1) decrease the value of certain fixed income securities we hold in our investment portfolios resulting in reduced levels of unrealized capital gains available to us which could negatively impact our solvency position and net income, (2) result in increased surrenders of certain life & savings products, particularly, those with fixed rates below market rates, and (3) require us, as an issuer of securities, to pay higher interest rates on debt securities we issue in the financial markets from time to time to finance our operations which would increase our interest expenses and reduce our results of operations. A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may (1) result in impairment charges to equity securities that we hold in our investment portfolios and reduced levels of unrealized capital gains available to us which would reduce our net income and negatively impact our solvency position, (2) negatively impact performance, future sales and surrenders of our unit-linked products where underlying investments are often allocated to equity funds, and (3) negatively impact the ability of our asset management subsidiaries to retain and attract assets under management, as well as the value of assets they do manage, which may negatively impact their results of operations. In addition, in the context of certain property & casualty risks underwritten by our insurance subsidiaries (particularly long-tail risks), a sustained increase in inflation with a resulting increase in market interest rates may result in (1) claims inflation (i.e., an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim), coupled with (2) an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders, and, consequently, (3) actual claims payments significantly exceeding associated insurance reserves which would negatively impact our results of operations. In addition, a failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in a systemic mispricing of our products resulting in underwriting losses which would negatively impact our results of operations.

Operational risks are inherent in our business.

Our businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate personnel, IT failures, inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct including fraud, or from external events that interrupt normal business operations. We depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The equipment and software used in our computer systems and networks may be at or near the end of their useful lives or may not be capable of processing, storing or transmitting information as expected. Certain of our computer systems and networks may also have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, such systems and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other external attacks or internal breaches that could have a security impact and jeopardize our confidential information or that of our clients or our counterparts. These events can potentially result in financial loss, harm to our reputation and hinder our operational effectiveness. We also face the risk that the design of our controls and procedures prove to be inadequate or are circumvented. We have suffered losses from operational risk in the past and there can be no assurance that we will not suffer material losses from operational risk in the future. Furthermore, while recent widespread outbreaks of communicable diseases, such as the outbreak of the H1N1 influenza virus, also known as swine flu, experienced world-wide in 2009, have not adversely affected us thus far, a worsening of this outbreak, or the occurrence of another outbreak of a different communicable disease, may impact the health of our employees, increasing absenteeism, or may cause a significant increase in the utilization of health benefits offered to our employees, either or both of which could adversely impact our business.

Reinsurance may not be available, affordable or adequate to protect us against losses. We may also decide to reduce, eliminate or decline primary insurance or reinsurance coverage.

As part of our overall risk and capacity management strategy we purchase reinsurance for certain risks underwritten by our various insurance business segments. Market conditions beyond our control determine the availability and cost of the reinsurance protection we purchase. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future business.

In addition, we determine the appropriate level of primary insurance and reinsurance coverage based on a number of factors and from time to time decide to reduce, eliminate or decline coverage based on our assessment of the costs and benefits involved. In such cases, the uninsured risk remains with us.

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

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

Because we are a Dutch company and because the Stichting ING Aandelen holds more than 99.9% of our ordinary shares, the rights of our shareholders may differ from the rights of shareholders in other jurisdictions or companies that do not use a similar trust structure, which could affect your rights as a shareholder.

While holders of our bearer depositary receipts are entitled to attend and speak at our General Meeting of Shareholders (General Meeting), voting rights are not attached to the bearer depositary receipts. The Trust holds more than 99.9% of our ordinary shares, and exercises the voting rights attached to the ordinary shares (for which bearer depositary receipts have been issued). Holders of bearer depositary receipts who attend in person or by proxy the General Meeting must obtain voting rights by proxy from the Trust. Holders of bearer depositary receipts and holders of the ADSs (American depositary shares) representing the bearer depositary receipts who do not attend the General Meeting may give binding voting instructions to the Trust. The Trust is entitled to vote on any ordinary shares underlying the bearer depositary receipts for which the Trust has not granted voting proxies, or voting instructions have not been given to the Trust. In exercising its voting discretion, the Trust is required to make use of the voting rights attached to the ordinary shares in the interest of the holders of bearer depositary receipts, while taking into account:

§ our interests,

§ the interests of our affiliates, and

§ the interests of our other stakeholders

so as to ensure that all the interests are given as much consideration and protection as possible. The Trust may, but has no obligation to, consult with the holders of bearer depositary receipts in exercising its voting rights in respect of any ordinary shares for which it is entitled to vote. These arrangements differ from practices in other jurisdictions, and accordingly may affect the rights of the holders of bearer depositary receipts and their power to affect ING s business and operations.

The share price of ING shares has been, and may continue to be, volatile which may impact the value of ING shares.

The share price of our bearer depositary receipts has been volatile in the past, in particular over the past year. During and after the Offering, the share price and trading volume of our bearer depositary receipts may continue to be subject to significant fluctuations due, in part, to changes in our actual or forecast operating results and the inability to fulfil the profit expectations of securities analysts, as well as to the high volatility in the securities markets generally and more particularly in shares of financial institutions. Other factors, besides our financial results, that may impact our share price include, but are not limited to:

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- § market expectations of the performance and capital adequacy of financial institutions in general;
- § investor perception of the success and impact of our strategies;
- § a downgrade or review of our credit ratings;
- § the implementation and outcome of our Restructuring Plan;
- § potential litigation or regulatory action involving ING or sectors we have exposure to through our insurance and banking activities;
- § announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and
- § general market circumstances.

There can be no assurance that we will pay dividends on our ordinary shares in the future.

It is ING s policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends can only be declared by shareholders when the Executive Board considers such dividends appropriate, taking into consideration the financial conditions then prevailing and the longer-term outlook. See Item 8. Financial Information Dividends . Given the uncertain financial environment, ING will not pay a dividend over 2009 and there can be no assurance that we will pay dividends in the future.

Certain transactions have resulted in the cumulative change in ownership of our U.S. subsidiaries of approximately 43% for U.S. tax purposes as of December 21, 2009. Future increases of capital or other changes in ownership may adversely affect our net result and equity.

Sections 382 and 383 of the U.S. Internal Revenue Code contain loss limitation rules, the general purpose of which is to prevent trafficking in tax losses (i.e. they are anti-abuse rules). The rules are triggered when the ownership of a corporation changes by more than 50% (measured by value) on a cumulative basis in any three-year period. If triggered, restrictions may be imposed on the future use of realized tax losses as well as certain losses that are built into the assets of the corporation at the time of the ownership change and that are realized within the next five years. As of December 21, 2009, the cumulative change in ownership of our U.S. subsidiaries was approximately 43% for purposes of Sections 382 and 383 (taking into account the issuance of the Core Tier 1 Securities to the Dutch State on November 12, 2008, the repurchase of some of the Core Tier 1 Securities on December 21, 2009, and the issuance of Ordinary shares on December 21, 2009). However, the calculation is subject to uncertainties and is based on various assumptions. Future increases of capital or other changes in ownership may adversely affect our net result and equity.

The remaining Core Tier 1 Securities issued to the Dutch State may be converted into ordinary shares or bearer depositary receipts and dilute existing shareholders.

In November 2008, we issued EUR 10 billion Core Tier 1 Securities to the Dutch State. EUR 5 billion of the Core Tier 1 Securities were repurchased after the rights issue. Both the repayment and the rights issue were finalized on 21 December 2009. As a result only EUR 5 billion Core Tier 1 Securities is currently outstanding. The terms of the Core Tier 1 Securities permit us, on or after November 12, 2011, to convert any or all of the remaining Core Tier 1 Securities into ordinary shares or bearer depositary receipts on a one-for-one basis. Any such conversion would dilute existing shareholders. If we exercise our conversion right, the Dutch State may opt to require us to redeem the Core Tier 1 Securities on the conversion date.

Certain holders of ING shares may not be able to participate in future equity offerings with subscription rights.

We may undertake future equity offerings with subscription rights. Holders of ING shares in certain jurisdictions, however, may not be entitled to exercise such rights unless the rights and the related shares are registered or qualified for sale under the relevant legislation or regulatory framework. Holders of ING shares in these jurisdictions may suffer dilution of their shareholding should they not be permitted to participate in future equity offerings with subscription rights.

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Item 4. Information on the Company

GENERAL

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

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

Our mission

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

Our profile

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

Our strategy

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

We will focus on earning our customers trust through transparent products, value for money and superior service. We aim to deliver financial products and services in the way that our customers want them delivered: with exemplary service and maximum convenience at competitive prices. This reflects our universal customer ideal: saving and investing for the future should be easier.

Our stakeholders

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

Our corporate responsibility

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

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CHANGES IN THE COMPOSITION OF THE GROUP

Disposals effective in 2009

In October 2008 ING reached agreement to sell its entire Taiwanese life insurance business, ING Life Taiwan, to Fubon Financial Holding Co. Ltd. The sale was completed in February 2009 at a final sales price of approximately EUR 466 million (USD 600 million). This differs from the proceeds reported in 2008 of EUR 447 million due to movements in the dollar/euro exchange rate between date of signing the sales agreement and the date of closing. ING was paid in a fixed number of shares with the difference between the fair value of those shares at the closing date and the sale price being paid in subordinated debt securities of the acquirer. This transaction resulted in a loss of EUR 292 million. This loss includes EUR 214 million loss on disposal (recognised in 2008 in Net result on disposal of group companies in the profit and loss account) and EUR 78 million operating loss in the period that ING Life Taiwan was held for sale. ING Life Taiwan was previously included in the segment Insurance Asia/Pacific.

In February 2009, ING announced the sale of its 70% stake in ING Canada for net proceeds of approximately EUR 1,316 million. This differs from the proceeds presented in the annual accounts of 2008 of EUR 1,265 million due to movements in the Canadian dollar/euro exchange rate between date of signing the sales agreement and the date of closing. The sale was effected through a private placement and a concurrent bought deal public offering in Canada. This transaction resulted in a gain/ loss of EUR 38 million. ING Canada was previously included in the segment Insurance Americas.

In July 2009 ING reached an agreement to sell its non-core Annuity and Mortgage businesses in Chile to Corp Group Vida Chile, S.A for EUR 217 million. This sale does not impact ING s Pension, Life Insurance, and Investment Management businesses in Chile where ING remains committed to developing leadership positions. This sale was completed in November 2009 and resulted in a loss of EUR 23 million. These non-core Annuity and Mortgages businesses were previously included in the segment Insurance Americas.

In September 2009 ING reached an agreement to sell its life insurance and wealth management venture in Australia and New Zealand to ANZ, its joint venture partner. Under the terms of the agreement, ING will sell its 51% equity stakes in ING Australia and ING New Zealand to ANZ for EUR 1,106 million cash proceeds. The transaction is part of ING s Back to Basics strategy. The sale was complete in November 2009 and resulted in a profit for ING of EUR 337 million. The joint venture was previously included in the segment Insurance Asia/Pacific.

Disposals announced and occurring or expected to occur in 2010

In October 2009 ING reached an agreement to sell its Swiss Private Banking business to Julius Baer for a consideration of EUR 344 million (CHF 520 million) in cash. The transaction generates a profit for ING of approximately EUR 70 million. In October 2009 ING reached an agreement to sell its Swiss Private Banking business to Julius Baer for a consideration of EUR 344 million (CHF 520 million) in cash. The transaction generates a profit for ING of approximately EUR 70 million which will be recognised upon completion in 2010. A tax benefit of EUR 83 million related to Private Banking Switzerland was recognised in 2009. At the closing date of the sale of Private Banking Switzerland, ING announced a total gain of approximately EUR 150 million. The sale was completed in January 2010. The Swiss Private Banking business is included in the segment Retail Banking. The sale was completed in January 2010. The Swiss Private Banking business is included in the segment Retail Banking.

In October 2009 ING reached an agreement to sell its Asian Private Banking business for a consideration of EUR 1,000 million (USD 1,463 million). The Asia franchise offers private banking services in 11 markets, including Hong Kong, the Philippines and Singapore. The transaction generates a profit for ING of approximately EUR 300 million. The sale was completed in January 2010. The Asian Private Banking business is included in the segment Retail Banking.

In November 2009 ING reached an agreement to sell three of its U.S. independent retail broker-dealer units, which comprise three-quarters of ING Advisors Network, to Lightyear Capital LLC. The transaction concerns Financial Network Investment Corporation, based in El Segundo, California., Multi-Financial Securities Corporation, based in Denver, Colorado., PrimeVest Financial Services, Inc., based in St. Cloud, Minnesota, and ING Brokers Network LLC, the holding company and back-office shared services supporting those broker dealers, which collectively do business as ING Advisors Network. The sale was completed in February 2010. The three U.S. independent retail broker-dealer units are included in the segment Insurance Americas.

In December 2009 ING announced it will sell its entire stake in China s Pacific Antai Life Insurance Company Ltd. (PALIC) to China Construction Bank. This is the outcome of a strategic review announced in April 2009 as part of ING s Back to Basics program. The stake in PALIC is included in the segment Insurance Asia/Pacific. The transaction is expected to be closed in the second half of 2010.

All the above described disposals will be deconsolidated in 2010 when ING loses control. They qualify as disposal groups held for sale at 31 December 2009 as ING expects to recover the carrying amount principally through the sale transactions. They are available for sale in their immediate condition subject to terms that are usual and customary for sales of such assets and the sales are highly probable.

For the years 2008 and 2007, see Note 30 of Note 2.1 to the consolidated financial statements.

RECENT DEVELOPMENTS

ING entering into transactions with the Dutch State

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

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

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

Back to Basics first phases

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

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

Over the course of 2009 we completed this first phase of its Back to Basics programme, exceeding each of the targets set. Operating expenses were reduced by EUR 1.5 billion, exceeding both the original target of EUR 1.1 billion as well as the increased target of EUR 1.3 billion on a comparable basis, of which approximately EUR 1.2 billion represent sustainable savings and EUR 0.3 million were one-off items. The expense figures have been adjusted for acquisitions and divestments, as well as impairments on real estate development projects and the charge for the Dutch deposit guarantee scheme related to DSB Bank. Headcount reductions totaled 11,331, including from divestments, surpassing the expected reduction of 7,000 FTEs. Derisking measures progressed well and continued in the fourth quarter. ING Direct sold EUR 0.8 billion of its US prime RMBS portfolio, realising a loss of EUR 83 million, but releasing EUR 7 billion of risk weighted assets. Deleveraging of the bank s balance sheet also exceeded the original target, reaching EUR 194 billion, or 18.0%, compared with the end of September 2008 when the balance sheet reductions began.

Secondly, we announced a strategic review of our portfolio with the objective of identifying measures to simplify the Group, increase our strategic focus and create a more coherent set of activities. In order to simplify the organization, we decided to operationally separate the management of our businesses, into one Bank aiming for an integrated balance sheet and one Insurer/ Investment Manager under the umbrella of the Group. In addition, the portfolio review made clear that a group of smaller businesses within ING Group consumed a

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disproportionate amount of capital, given the fact that they did not have a clear outlook for market leadership. To address this over-extension, we made a number of portfolio choices based on market leadership, capital intensity, return on capital, funding needs, earnings contribution and the overall coherence of the Group.

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

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

Meanwhile, we managed to turn around our commercial performance. While implementing the first phases of the Back to Basics programme and redefining the strategic direction of the company, we also worked closely with the Dutch authorities and the European Commission (EC) to identify steps which would enable ING to get the EC s approval for the support received from the Dutch State. This process was finalized in the second half of 2009 and is further explained below.

Restructuring plan submitted to the European Commission

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

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

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

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

Also as part of the Restructuring Plan, a new company will be created in the Dutch retail market out of part of our current operations, by combining the Interadvies banking division (including WestlandUtrecht Hypotheekbank and the mortgage activities of Nationale-Nederlanden) and the existing consumer lending portfolio of ING Retail. This business, once separated, will be divested. The combined business will be the number 5 financial institution in the

Netherlands. It is profitable and currently has a balance sheet of EUR 37 billion, with around 200,000 mortgage contracts, 320,000 consumer lending accounts, 500,000 savings accounts and 76,000 securities contracts. The business has a mortgage portfolio amounting to approximately EUR 34 billion, which equates to a market share of around 6%.

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

ING had submitted the restructuring plan on the condition that the EC guarantees equal treatment of all state-supported financial institutions and safeguards the level playing field in the EU internal market. In January 2010, ING lodged an appeal with the General Court of the European Union against specific elements of the EC s decision of November 18, 2009. The first element involves ING and the Dutch State s agreement upon a reduction of the repayment premium for the first EUR 5 billion tranche of Core Tier 1 securities. This agreement provided the Dutch State with an early repayment and at an attractive return. The Commission views this reduction as additional state aid of approximately EUR 2 billion. Both ING and the Dutch State contest this element of the decision, as it could hamper discussions between ING and the Dutch State on repayment terms of the remaining Core Tier 1 securities. ING also seeks a ruling on the price leadership restrictions and the proportionality of the restructuring requirements demanded by the EC. ING believes it is in the interest of all its stakeholders to use the opportunities provided by law to let the General Court review these elements of the EC s decision. The appeal does not alter ING s commitment to execute its restructuring plan as announced on October 26, 2009. ING stands firmly behind its strategic decision to separate Banking and Insurance operations and divest the latter. These processes are on track and will continue as planned.

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

Rights issue and additional agreements with the Dutch State

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

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

In order to finance the repayment of the Core Tier 1 securities and to mitigate the EUR 1.3 billion pre-tax capital impact of the additional payments for the IABF, ING launched a EUR 7.5 billion rights issue. ING aims to finance any further repayments of core Tier 1 securities from internal resources, including proceeds from the divestment of the insurance operations. For more information see Note 33 of Note 2.1 to the consolidated financial statements.

GROUP STRATEGY

A clear course for the future

Key points:

§ Full separation of Banking and Insurance; to be completed by the end of 2013

§ Build future on sustainable profit based on our sound business ethics, good corporate citizenship and customer trust

- § Create a leading international retail, direct and commercial bank
- § Insurance activities very well positioned to capitalize on socio-economic trends

2009 marked the beginning of a new era for ING. After initiating our Back to Basics programme, we set a clear course for the future by moving towards a full separation of our banking and insurance / investment management operations. This decisive step will turn us into a simpler and more agile organization and enabled us to meet the restructuring requirements of the European Commission. This was needed due to the transactions with the Dutch State in October 2008 and January 2009. In addition, in December 2009, we have started repaying the Dutch State. Our ambition is to become a leading international retail, direct and commercial bank, while creating a bright future for our insurance operations. We will focus on superior customer satisfaction, a strong financial performance, leading operating efficiency and a solid capital position. We want to build our future on sustainable profit based on sound business ethics and respect for our stakeholders. We aim to be a good corporate citizen and earn our customers trust by delivering financial products and services in the way they want them delivered: with exemplary service and convenience provided at attractive prices. This reflects our universal customer ideal: saving and investing for the future should be easier.

Separating Banking and Insurance

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

- Due to our rapid growth in recent years, managing the Group was becoming increasingly complex, as Banking and Insurance (including investment management) not only have different drivers in their business models, but they also face different challenges in managing and pricing risk as well as in managing balance sheet exposures and capital needs.

- In the past, especially in a benign economic environment, we have enjoyed a material capital benefit, as our diversification allowed us to utilize double leverage at our holding company. However, under less favourable market circumstances, this element of ING s capital structure has appeared to be less beneficial.

- There is insufficient geographic overlap of insurance manufacturing capabilities with bank distribution capabilities. Hence, banks today do not need to manufacture in house, the insurance products they distribute.

- Finally, we are seeing an increased demand for greater simplicity, reliability and transparency.

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

Repaying the Dutch State

In October 2008 and January 2009 we entered into transactions with the Dutch State: the first time to strengthen our capital position and the second time to mitigate risk. In the fourth quarter of 2009 we took action to start repaying this support. Through our rights issue we have successfully raised EUR 7.5 billion of new capital, which enabled us to repay EUR 5 billion of the Core Tier 1 Securities, representing half of the Core Tier 1 Securities, plus accrued coupon from May 12, 2009 to December 20, 2009 of EUR 259 million and a repayment premium of EUR 346 million. In addition, the capital raised provided us with sufficient buffer to offset the negative capital impact of the additional payments to be made for the IABF.

Shaping our future

Over the coming years ING will focus on its position as a leading international retail, direct and commercial bank, while ensuring a bright future for our insurance businesses. We will focus on superior customer satisfaction, a strong financial performance, leading operating efficiency and a solid capital position. The entire restructuring process, including the divestments, is scheduled to be completed by the end of 2013. 2010 will be a year of transition, and it will not be without challenges, as we work towards the operational separation of the banking and insurance businesses. We will approach this process with the utmost care and diligence to ensure an orderly and equitable separation. At the same time we will continue to work to improve the performance of both parts of the business for our customers and shareholders, by rationalizing our product offering, simplifying our processes and investing in further improvements in customer service. Through this process we will create strong and independent companies that can go forward to forge their own futures.

While implementing the strategic changes, we will do our utmost to maintain the confidence of our stakeholders and be a good corporate citizen. Only by acting with professionalism and integrity will we be able to maintain our stakeholders trust and preserve our company s reputation. Our Business Principles play an important role

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in this respect, as they clearly prescribe the corporate values we pursue in both Banking and Insurance and the responsibilities we have towards society and the environment: we act with integrity, we are open and clear, we respect each other and we are socially and environmentally responsible. Throughout our entire organization, we will promote people-oriented leadership and drive for excellence, as we are extremely proud of our highly skilled and engaged employees.

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

A leader in international Retail, Direct and Commercial banking

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

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

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

Retail Banking: The transformation programmes in The Netherlands and Belgium will be continued to enhance customer centricity, streamline the business, reduce costs in our branch networks, expand our distribution capabilities and enhance cross-selling of different products to retail customers. Accordingly, ING will further simplify its product lines in the rest of Europe and Asia and use its experience in direct banking to expand its innovative distribution platforms.

ING Direct: We will continue to serve the needs of our customers by delivering simple and transparent retail banking products at very low cost and further strengthen our competitive advantage through excellent service and cutting edge distribution capabilities ensuring maximum convenience. We will further deepen customer relationships and offer an even more complete range of products and services.

Commercial Banking: We will serve large corporations in the Benelux and Central Europe by offering a full range of products, from cash management to corporate finance. Across our international network, we will pursue a more selective approach. We will concentrate on creating cost advantages by leveraging local scale and reducing costs through IT and process improvement. Cross-selling efforts will be increased and we will capitalize on our expertise in fixed income products in emerging markets to further strengthen our financial markets business.

As a consequence of EC requirements, ING also plans to divest certain banking activities before the end of 2013. This particularly involves ING Direct US and a combination of activities from ING s Dutch retail operations.

Creating an optimal base for a bright future for Insurance

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

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

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

The Netherlands: We plan to migrate to a single brand by combining all our activities under the revitalized Nationale- Nederlanden (NN) name. This will help increase our customer focus, streamline our distribution and reduce expenses.

United States: Operations are being refocused on three core businesses: retirement services, rollover annuity and individual life insurance.

Latin America: We plan to continue growth by leveraging our strong presence in the life insurance and pensions markets (mandatory and voluntary). We will focus on operating efficiency, product diversification, and innovation.

Asia: We will focus on fewer, coherent and strong businesses. During 2009 we have already put the SPVA business in Japan on run-off and sold our insurance business in Australia and New Zealand.

Central and Eastern Europe: Our main priority will be to further improve efficiency We will establish one integrated regional platform and reduce the administrative costs.

Investment Management: We will capitalize on the strong investment performance in 2009 to strengthen our asset base and attract new customers. Further, we are reviewing synergies by creating a globally-coordinated Investment Manager.

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

Conclusions and ambitions

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

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

CORPORATE GOVERNANCE

Legislative and regulatory developments

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

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

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

Transactions with the Dutch State

On November 12, 2008, ING Group issued 1 billion Core Tier 1 securities (Core Tier 1 Securities) to the Dutch State against payment of EUR 10 per Security resulting in an increase of ING Group s core Tier 1 capital of EUR 10 billion. The Core Tier 1 Securities do not form part of ING Group s share capital; accordingly they do not carry voting rights in the general meeting. The financial entitlements of the Securities are described in Note 13 of Note 2.1 to the consolidated financial statements.

On January 26, 2009, ING Group reached an agreement with the Dutch State regarding the IABF covering 80% of ING s Alt-A residential mortgage-backed securities (Back-up Facility). During 2009, ING Bank N.V. issued various series of debt instruments under the 2008 Credit Guarantee Scheme of the State of the Netherlands (Bonds), for the first time on January 30, 2009.

As part of these transactions, certain arrangements with respect to corporate governance and executive remuneration were agreed with the Dutch State which will remain in place as long as the Dutch State owns at least 250 million Core Tier 1 Securities, as long as the IABF continues or any of the Bonds is outstanding (whichever expires last).

These arrangements entail that:

- the Dutch State may recommend two candidates (State Nominees) for appointment to the Supervisory Board. Certain decisions of the Supervisory Board require approval of the State Nominees (see Item 6. Directors, Senior Management and Employees);

- ING Group will develop a sustainable remuneration policy for the Executive Board and Senior Management that is aligned to new international standards and submit this to its General Meeting for adoption. This remuneration policy shall include incentive schemes which are linked to long-term value creation, thereby taking account of risk and restricting the potential for rewards for failure . The new remuneration policy will include objectives relating to corporate and social responsibility;

- members of the Executive Board will not receive any performance-related payment either in cash, options, shares or depositary receipts for shares for the years 2008, 2009 and subsequent years until the adoption of the new remuneration policy mentioned above;

- severance payments to members of the Executive Board will be limited to a maximum of one year s fixed salary, in line with the Corporate Governance Code; and

- appointment of the chief executive officer of the Executive Board requires approval of the State Nominees.

For more information on the State Nominees and for more information on the other arrangements, reference is made to Item 6. Directors, Senior Management and Employees .

The issue of the Core Tier 1 Securities and the IABF were temporarily approved by the European Commission on November 12, 2008 and March 31, 2009 respectively. In order to obtain definitive approval, ING Group presented a plan on October 26, 2009 (Restructuring Plan) that will enable it to pay back the Dutch State, address the requirements of the European Commission for viability and fair competition and return its focus to the business and what matters most to customers. The Restructuring Plan includes a separation of the banking and insurance operations (including ING Investment Management), divestment of ING Direct USA and the creation of a new company in the Dutch retail market out of its current operations by combining the Interadvies banking division (including WestlandUtrecht and the mortgage activities of Nationale-Nederlanden) and the existing consumer credit portfolio of ING Retail Banking. This business, once separated, will be divested. The Restructuring Plan also provides in a reduction by ING Group of the outstanding Core Tier 1 Securities by EUR 5 billion (nominal amount), the conditions of which were adjusted in mutual agreement between ING Group and the Dutch State. On November 18, 2009, the European Commission approved the Restructuring Plan and gave final clearance for the issue of the Core Tier 1 Securities and the IABF.

On November 25, 2009, the General Meeting approved the strategic decision of the Executive Board to divest all insurance operations (including investment management) and authorised the Executive Board to issue ordinary shares of such number as would be necessary to raise an amount of capital up to EUR 7.5 billion, to enable ING Group to repurchase half of the outstanding Core Tier 1 Securities from the Dutch State and to strengthen ING Group s capital base. To that effect, on November 27, 2009 ING Group launched a public offering of ordinary shares which was successfully settled and on December 21, 2009.

Shareholder participation and position of ING Trust Office

ING Group indicated earlier that the Executive Board and the Supervisory Board would consider the position of Stichting ING Aandelen (ING Trust Office) and depositary receipts once the number of votes cast on ordinary shares and depositary receipts for ordinary shares at a general meeting, including proxies and excluding the votes which are at the discretion of ING Trust Office, was at least 35% of the total votes that may be cast for three consecutive years. In 2006, 28% of the total votes were thus cast, in 2007, the figure was 36.7%, in 2008, the figure was 38.7% and in 2009, the figures were 35.6% (annual General Meeting) and 31.1% (extraordinary General Meeting), so that in the 2009 annual General Meeting, the 35% threshold was exceeded for the third time in succession.

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

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

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

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

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

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

The depositary receipts structure thus provides the Executive Board and the Supervisory Board the room which is necessary to do justice to the long-term interests and the interests of the other stakeholders. In view of the importance of the balance between the long-term interests and the short-term interests and between the interests of shareholders and other stakeholders, as well as the importance of consistency in ING Group s decision making, within the current legal framework the depositary receipts structure, in the opinion of the Executive Board and the Supervisory Board, is still the most appropriate means to achieve this.

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

Risk committee, Remuneration Committee and Nomination Committee

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

CORPORATE GOVERNANCE CODES

Compliance with the Corporate Governance Code

For its corporate governance structure and practices, ING Group uses the Corporate Governance Code as reference. During 2009 ING Group considerd the Corporate Governance Code and to what extent it could be implemented. ING Groep N.V. s implementation of the Corporate Governance Code will be submitted for approval at the 2010 General Meeting. The Corporate Governance Code can be downloaded from the website of the Monitoring Commission Dutch

Corporate Governance Code

(www.commissiecorporategovernance.nl/Corporate_Governance_Code). Any deviations from the Corporate Governance Code which are to be reported for 2009 are addressed in this annual report. However, deviations from the Corporate Governance Code with respect to the remuneration of the Executive Board and the Supervisory Board are addressed in Item 6. Directors, Senior Management and Employees , whereas any deviations from the Corporate Governance Code by the Trust are reported in the Trust s own report and can be found on www.ingtrustoffice.com
ING Group also considers the principles of the Banking Code with respect to remuneration as a reference and will, in accordance with the Banking Code, report on their application as of the financial year 2010. The remaining principles of the Banking Code are not considered as a reference for ING Group s own corporate governance, although the application thereof by ING Group s banking subsidiaries will be reflected to a certain extent in ING Group s own corporate governance structure and practices.

NYSE Requirements

For 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, see Item 16G. Corporate Governance. The summary of such significant differences is also available on the website of ING Group (www.ing.com).

CORPORATE ORGANIZATION

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

Business Lines

Each business line formulates the strategic, commercial and financial policies in conformity with the group strategy and performance targets set by the Executive Board. Each business line is also responsible for the preparation of its annual budget, which is then approved and monitored by the Executive Board. In addition, each business line approves the strategy, commercial policy and the annual budgets of the business units in its business line and monitors the realization of the policies and budgets of that business line and its business units.
The following chart shows the breakdown by business line of ING s total income for the year 2009. Please see Item 5. Operating and Financial Review and Prospects , Segment Reporting for the total income and result before tax by business line for the years ended 2009, 2008 and 2007.

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RETAIL BANKING

The retail banking business focuses on retail banking services to individuals, and to small- and medium-sized businesses and on private banking. These businesses are supported by a multi-product, multi-channel distribution approach. We serve two types of retail markets, each reflecting our different market positions and therefore each requiring a slightly different approach with regard to the retail strategy. In the mature markets of the Netherlands and Belgium, our strategy is to assist our clients in areas such as wealth accumulation, savings and mortgages. We seek to distribute these different products through an efficient mix of channels appropriate to the client segments and products. In a number of selected developing markets with the right demographics, economic growth potential and stable institutional environment, our strategy is to become a prominent player in the local retail banking markets, providing our clients with simple but quality products.

The Netherlands

ING combined ING Bank and Postbank under the ING brand in the first quarter of 2009. As of October 2009, it had over 8 million retail clients and 600,000 SME clients. The new bank has improved customer service by combining the direct banking model of Postbank with the professional advice capabilities of ING Bank.

Retail banking reaches its individual customers through home banking, telephone, call centers, internet banking, mailings and post offices. Using direct marketing methods, it leverages its position as a leading provider of current account services and payments systems to provide other financial services such as savings accounts, mortgage loans, consumer loans, credit card services, investment and insurance products. Mortgages are offered through a tied agents sale force and direct and intermediary channels.

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

Belgium

ING Belgium provides banking, insurance (life, non-life) and asset management products and services to meet the needs of individuals, families, companies and institutions through a network of local head offices, 800 branches and direct banking channels (fully automated branches, home banking services and call centres). ING Belgium also operates a second network, Record Bank, which provides a full range of banking products through independent banking agents and credit products through a multitude of channels (agents, brokers, vendors).

Central Europe

In Poland, ING Bank Slaski provides a full range of banking services to business and individual customers through a network of 430 branches, supported by ATMs and telephone, internet and electronic banking. Since 2004 we have opened 200 fully automated outlets in Romania that provide selected banking products to individual clients. On December 24, 2007 the acquisition of Oyak Bank was completed and in July 2008 Oyak Bank was successfully rebranded into ING Bank. ING Bank is a leading bank in the Turkish market offering a full range of banking services with a focus on retail banking.

Asia

In India, ING Vysya Bank has a network of 460 branches supported by a sales force of tied agents, who provide a full range of banking services to 2 million business and individual clients. In China, ING acquired a 19.9% participation in Bank of Beijing in 2005, reduced by the IPO of the Bank of Beijing to 16.1%. In Thailand ING has a 30% stake (on a fully diluted basis) in TMB Bank, a universal banking platform with a nationwide network.

Private Banking

Private Banking provides wealth management services to high net worth individuals throughout the world. We have continued to raise the visibility of the Private Banking activities in the Benelux to penetrate ING s existing client base in these markets. As discussed in Item 4 Information on the company Changes in the composition of the Group , ING has recently sold its Swiss Private Banking business and reached an agreement for the sale of its Asian Private Banking business to OCBC Bank.

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ING DIRECT

ING Direct is a direct banking business, which is an important part of ING s international retail strategy. The strategy of ING Direct is to be a low-cost provider of financial services in large, mature markets by offering clients simple and transparent products and excellent service via call-centres, direct mail and the internet. The main products offered by ING Direct are saving accounts and mortgages. ING Direct also sells a focused range of financial products such as mutual funds, e-brokerage, payment accounts and pensions.

ING Direct s direct banking business is active in nine countries: Canada, Spain, Australia, France, the United States, Italy, Germany, Austria and the United Kingdom and as of the end of 2009, provides services to almost 23 million customers.

ING Direct showed in 2009 resilient commercial growth bringing the total client retail balance (includes funds entrusted, off balance sheet funds and retail lending) to EUR 370 billion at the end of December. ING Direct is focusing on maintaining an attractive customer offering in savings and term deposits while continuing to balance its mortgage portfolio. In 2009 ING Direct further expanded its product range through the launch of payment accounts in several countries. At year-end 2009 total funds entrusted to ING Direct worldwide amounted to EUR 217 billion and total retail lending amounted to EUR 131 billion.

On October 26, 2009, ING announced its Restructuring Plan pursuant to which it intends to divest ING Direct United States by the end of 2013.

Until the completion of the divestment, ING intends to continue to manage its US direct banking business as though it will be the long-term owner, investing in growth opportunities when they are attractive and can be supported by the capital and management of the business. The divestment is expected to take several years and is not anticipated before the end of 2013. ING remains committed to the ING Direct franchise, which ING expects to be an important contributor to ING s growth going forward.

COMMERCIAL BANKING

Commercial Banking conducts operations for corporate clients from large companies to major multinationals as well as for governments and financial institutions. The primary focus is on the Netherlands, Belgium, Poland and Romania, where it offers a full range of products, from cash management to corporate finance. Elsewhere, it takes a more selective approach to clients and products. Commercial Banking is comprised of the following product groups: Lending, Payments and Cash Management (PCM), Structured Finance, Leasing & Commercial Finance, Financial Markets and ING Real Estate.

In 2009, Commercial Banking continued executing its own Fitter, Focused, Further strategy for 2008-2010, with the aim of becoming a leader in several key markets and products by the end of 2010. The strategy includes becoming the market leader in the Benelux, a top 5 wholesale bank in Central and Eastern Europe (selected markets), and a global or regional leader in a number of key product areas, including Structured Finance, Financial Markets, PCM and Leasing.

Throughout 2009, Commercial Banking worked hard to manage its capital, reduce risks and contain costs in line with the Back to Basics programme. Operating expenses decreased in 2009 compared with 2008 due to cost-containment programmes and reduced headcount. Commercial Banking significantly reduced risk in its Financial Market books, reflected by a lower Value at Risk measure. It also significantly reduced exposure to high-risk industries. In addition, the Financial Markets Emerging Markets initiative was put on hold, which also contributed to the Group s overall balance sheet reduction.

Volumes decreased at Lending over the course of the year; however, income increased due to repricing of the portfolio and widening lending margins in the first quarters of the year.

Income at PCM has been under pressure due to lower interest rates and competition for liabilities, especially in The Netherlands and Central & Eastern Europe, where volumes in transactions increased and fees were under pressure. Commercial Banking won the coveted TMI European Cash Management Award for 2009.

Structured Finance, ING s specialised finance arm, achieved solid income growth and a decease in costs during 2009. However, these were more than offset by an increase in risk costs.

Leasing & Commercial Finance saw a decline in earnings due to weak economic conditions that resulted in a lower result on sale of leased assets and increased residual value provisioning, as well as an increase in risk

costs. However, ING Lease moved up to the 4th position in the ranking of Top European Leasing Companies by Leaseurope.

Financial Markets enjoyed a strong year due to the steep yield curve, increased spreads and favourable trading conditions. Margins on standardised flow products remained at elevated levels, as counterparty and credit risks were increasingly priced in. Financial Markets has sought cross-selling opportunities across product areas and client groups. Going forward, the Financial Markets Emerging Markets initiative will be relaunched to leverage the existing strong brand, reputation, skills and products in Central & Eastern Europe and Asia.

In 2009, the Finance and Development businesses of ING Real Estate were transferred to the Commercial Banking business. Although Real Estate Finance remained globally active, the difficult market circumstances resulted in lower transaction volumes and required a strong focus on portfolio management. Real Estate Development undertook several actions to counter the impact of the crisis and repositioned the business to take advantage of future market recovery.

Throughout 2009, ING completed high-profile deals that showcased its commitment to cross-selling and offering clients solutions across regions. These transactions included underwriting EUR 2.05 billion in a EUR 19 billion Jumbo Syndicated Loan to finance Gas Natural s acquisition of Union Fenosa in May. ING played a leading role in the balance sheet restructuring of the Vandemoortele Group in Belgium in June. ING also acted as sole financial advisor for Vopak in a EUR 110 million preference shares transaction, marking the first large corporate preference shares issuance for a listed company in the Netherlands since 2004.

In 2009, Commercial Banking achieved strong results, despite negative impairments and fair value changes in Real Estate and higher risks costs. Going forward, it will continue to secure important mandates and transactions and leverage on its expertise and international network to meet client needs globally. Risk and expenses will be managed carefully and the strategic focus will continue on key markets and product areas where it has a competitive advantage.

INSURANCE EUROPE

ING Insurance Europe operates in the Netherlands, Belgium, Luxembourg, Italy, Spain, Greece, Poland, Hungary, the Czech Republic, Slovakia, Romania, Bulgaria and Turkey. The Russian life greenfield was discontinued in the third quarter of 2009. The operating companies in these countries have tailored their insurance products, investment and pension fund services for certain target markets and distribution channels. Insurance Europe will focus on customer centricity, simplifying its operating process, stable investment performance, managing capital efficiently and reducing its cost base .

ING Insurance Europe has three key strategic priorities. First, in the mature markets of the Benelux, ING focuses on improving efficiency and client focus and optimizing the balance sheet. Second, in the growing markets of Central Europe, the focus is on returning to growth in key geographies. Third, across all regions, ING leverages on the opportunities created by the ageing of the European population by reinforcing its position as a specialist provider of life insurance, investments and retirement services for retail customers and achieving on long term market leadership.

In the Netherlands, ING executes on the strategy to integrate the Dutch insurance businesses. With this new strategy, ING responds to the customer need for convenience, personal advice, transparency and security. By utilizing all current distribution channels, customers will be able to choose for themselves how and where they want to purchase products. The network of independent brokers will continue to play an important part as will both banking channels and the own advisors of ING in the Netherlands. In Belgium and Luxembourg ING distributes its products via banks. In Central Europe, tied agents are the main distribution channel. In this region too, ING continues to strive towards a multi-distribution approach, especially with banks and brokers as additional channels. ING considers the client s need for personal service and specialized advice as an important factor in determining how to distribute its products and services within Europe.

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

ING s life insurance products in Europe consist of a broad range of traditional, unit-linked and variable annuity policies written for both individual and group customers. In some countries, Group policies are designed to fund

private pension benefits offered by a wide range of businesses and institutions as a supplement to government provided benefits. ING is also a prominent provider of mandatory and voluntary pension funds in several countries in Central Europe. ING also has a dedicated team to develop and grow its variable annuity business across Europe. So far the variable annuity product has been rolled out in Luxembourg, Spain, Hungary, the Netherlands, Italy and Belgium.

ING s non-life products, mainly in the Netherlands, include coverage for both individual and commercial/group clients for fire, motor, disability, transport insurance, third party liability insurance and indirect premiums (incoming reinsurance premiums). Nationale-Nederlanden has also developed a central product manufacturing service for property & casualty insurance, which has developed products for ING Bank in Belgium and ING in the Netherlands. ING offers a broad range of disability insurance products and complementary services for employers and self-employed professionals (such as dentists, general practitioners and lawyers).

INSURANCE AMERICAS

ING Insurance Americas (ING Americas) operates in the United States and Latin America. ING Americas offers life insurance, retirement services (primarily defined contribution plans), annuities, mutual funds, broker-dealer services and institutional products, including institutional asset management products and services. The company is well positioned to take advantage of the long-term demographic opportunities that arise from a combined market of 700 million people in the seven countries in which ING operates. In the US, ING operates three core businesses: Retirement Services, Individual Life and Rollover Annuities. In Latin America, the core business is Mandatory Pension Funds, however, insurance, mortgage, leasing and mutual fund products are also offered.

Since ING Group s Back to Basics strategy was announced in April, Insurance Americas has made strong progress towards creating a simpler, less complex organisation. During the year, Insurance Americas divested non-core businesses including annuities and mortgages in Chile, ING s 70% shareholding in ING Canada and the Argentine annuity business. In addition, it reached agreement to sell its US group reinsurance business to Reinsurance Group of America (RGA) and to sell the majority of its US ING Advisors Network to Lightyear Capital. Both of these transactions closed in the first quarter of 2010.

ING continued to build on its strong market positions in retirement services in the US, despite challenging markets. The ageing of the US population creates significant long term growth opportunities. Those aged 45 or older (baby boomers) control the majority of financial assets in the US and the impending retirement of baby boomers is increasing their focus on retirement. The acquisition of the CitiStreet business in July 2008, with its advanced, streamlined technology platform, has provided scale and capacity to better serve the retirement needs of both plan participants and the companies or organisations that sponsor plans. ING now serves the full spectrum of the retirement services market from providing full service retirement savings plans to offering only recordkeeping services and is uniquely positioned to serve all sizes (from individual to hundreds of thousands of participants) and segments of the market including plans sponsored by corporate, education, government, healthcare and non-for-profit employers.

The US annuity business was restructured in 2009 to enable ING to better meet the needs of retiring baby boomers. The business was divided into two separate businesses: ING Financial Solutions and Legacy Annuity. Beginning in the first quarter of 2010, ING Financial Solutions will offer a number of lower cost rollover annuity products designed primarily for those individuals who are retiring from companies which currently have ING-provided retirement plans. These rollover annuity products will be part of a broad suite of simpler, lower cost, lower risk investment vehicles. Their development is in line with ING s strategy of providing customers with more transparent, less risky and easier to understand products. Rollover, or IRA, products, which are essentially products that provide sources of retirement income, are expected to be the fastest growing segment of the US retirement market.

ING operates the second largest pension mandatory business in Latin America. As of December 31, 2009, ING is the largest pension administrator with a 31% market share in Peru, and the second largest in Uruguay; in Mexico and Chile the third largest; and ING ranks in Colombia among the top-five providers. The five businesses together have 9.7 million customers and EUR 35 billion in assets under management. Despite challenging conditions, ING held its market share in all countries. ING s leading brand in life and pension businesses across the region enabled the company to continue to post solid top- and bottom-line growth in 2009.

A new wealth management platform was successfully established in Chile as a means of attracting a larger share of affluent customers. As a result of its success, ING rolled out the platform in other countries in the region (Colombia, Mexico and Peru), as part of Latin America s strategy to target affluent markets.

The Asset Management organization includes ING Investment Management Americas (ING IM Americas), Mutual Funds and Financial Products. ING IM Americas manages proprietary assets for ING Americas insurance entities, investing in a diverse mix of public fixed income, private placements, commercial mortgages and alternative assets. ING IM Americas also manages third party assets in select business units (mainly in the U.S.), including mutual funds and mutual fund sub-advisory, institutional assets, alternative assets and managed accounts; their products are distributed through internal, affiliated and outside distribution channels.

INSURANCE ASIA/PACIFIC

ING Insurance Asia/Pacific (IAP) is a leading provider of life insurance products and services. It is the third-largest international life insurer, based on 2009 annual premium equivalent (APE), with nine life operations in seven markets. In 2009, IAP completed the sale of its life insurance business in Taiwan on February 11, 2009 and the sale of its insurance / wealth management businesses in Australia and New Zealand on November 30, 2009. IAP has flagship operations in the mature and larger markets Japan and South Korea, operates a dominant business in Malaysia, and is well positioned to secure an increasing share of future growth in the large and emerging markets of China, Hong Kong, India and Thailand, which are also among the fastest growing in Asia.

An IAP regional office in Hong Kong leads, controls and supports all IAP business units in the region, ensures implementation of strategy and standards and facilitates regional and global synergies.

The business units of IAP offer select types of life insurance, wealth management, and retail products and services. These include annuities, endowment, disability/morbidity insurance, unit linked/ universal life, whole life, participating life, group life, accident and health, term life and employee benefits. In Hong Kong non-life insurance products (including medical, motor, fire, marine, personal accident and general liability) are also offered.

The core traditional distribution network of tied agents, career agents and financial advisors is increasingly complemented by alternative distribution channels including bancassurance, brokers, worksite and direct marketing as well as online distribution.

PRINCIPAL GROUP COMPANIES

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

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REGULATION AND SUPERVISION

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

The Dutch regulatory system for financial supervision consists of prudential supervision monitoring the soundness of financial institutions and the financial sector, and conduct-of-business supervision regulating institutions conduct in the markets. Prudential supervision is exercised by De Nederlandsche Bank (DNB), while conduct-of-business supervision is performed by the Netherlands Authority for the Financial Markets, Autoriteit Financiële Markten (AFM).

A large number of national, regional and global bodies have presented in 2009 views and proposals of possible legislative and regulatory changes for the banking, insurance and investment industry. In February 2009 the High-Level Group on Financial Supervision in the EU chaired by Mr Jacques de Larosière submitted, in line with its October 2008 mandate, a report with recommendations to the European Commission on the need for stronger coordinated supervision and effective crisis management procedures in the EU. This report has resulted in various far reaching proposals by the European Commission to amend current legislation vis-à-vis the European supervisory architecture, but also on items such as capital, liquidity, securitization and remuneration. On the issue of supervisory architecture we have seen the intended establishment of European supervisory agencies. Increased capital and liquidity standards and changes to the rules governing securitization and remuneration may also have significant impact on the financial industry. We have seen many other bodies, including national legislators and supervisory authorities, presenting possible new legislation or guidelines on the abovementioned topics, these include for example the Dutch Government vision document on the future of the Dutch financial sector, the Turner and Walker Reviews in the UK, and various proposals by the Obama administration in the US. On a global level, in particular the Financials Stability Board and the Basel Committee on Banking Supervision have laid down proposals that may have a significant impact on the way financial institutions will operate going forward. The aggregated impact and possible interaction of all the proposals is hard to determine making it a necessity to align these proposals where possible. The financial industry has not stood silent and has also taken initiatives by means of guidelines and forms of self regulation. A prime example of the latter is the Banking Code as established by the Dutch Bankers Association, which entails a set of principles on corporate governance, risk management, audit and remuneration that Dutch banks will have to apply on a comply or explain basis. Another landmark regulatory development is the establishment of the Solvency II directive for insurance companies. Solvency II will bring a new and enhanced supervisory framework for insurance companies, whereby solvency, capital and risk management standards are brought to an elevated level compared to the framework currently in existence. Work has also been done on many other topics including deposit guarantee schemes and cross border crisis and resolution management.

As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives ING continues to believe that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba. ING Bank N.V. has in 2009 liquidated the Netherlands Caribbean Bank, which had been a 100% owned subsidiary since 2007.

ING Bank N.V. has continued discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the US and other authorities and its earlier review of transactions involving sanctioned parties. In connection with that review and related discussions ING Bank has undertaken to complete the global implementation of enhanced compliance and risk management procedures, and to monitor the implementation of such procedures on an ongoing basis, as instructed by DNB. ING Bank also remains in discussions with authorities in the US and in other jurisdictions concerning these matters, including with respect to ongoing information requests and it is not possible to predict at this time the outcome thereof. Financial institutions continue to experience close scrutiny by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws, regulations, standards and expectations. Bank and insurance regulators and other supervisory authorities in Europe, the US and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and conduct business in an efficient, orderly and transparent manner. ING seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinizing account holder information, payment processing and other transactions to support compliance with regulations governing money-laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or perceived failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING s licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING s reputation and financial condition, and accordingly ING s primary focus is to support good business practice through its Business Principles and group policies.

As discussed under Item 3. Key Information Risk Factors , as a large multinational financial institution we are subject to reputational and other risks in connection with regulatory and compliance matters involving such countries.

INSURANCE

Europe

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

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

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

The European Commission, jointly with Member States, is carrying out a fundamental review of the regulatory capital regime of the insurance industry (the Solvency II project). Its objective is to establish a solvency system that is better matched to the true risks of insurers enabling supervisors to protect policyholders interests as effectively as possible and in accordance with common principles across the EU. The European Parliament adopted and approved the Solvency II directive (level 1 text) on April 22, 2009. As regards the level 2 text (interpretations by CEIOPS) and level 3 text (interpretations by local regulators/guidance), the work is steadily advancing.

Americas

United States

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

ING Insurance s U.S. operations are subject to Risk Based Capital (RBC) guidelines which provide a method to measure the adjusted capital (statutory capital and surplus plus other adjustments) that insurance companies should maintain, taking into account the risk characteristics of the company s investments and products. The RBC guidelines are used by state insurance regulators as an early warning regulatory tool to identify possibly inadequately capitalized insurers which may need additional regulatory oversight. Each of the companies comprising ING Insurance s U.S. operations was above its target and statutory minimum RBC ratios at year-end 2009. Insurance holding company statutes and regulations of each insurer s state of domicile require periodic disclosure concerning the ultimate controlling person (i.e. the corporation or individual that controls the insurer). Such statutes also impose various limitations on investments in, or transactions with, affiliates and may require prior approval of the payment of certain dividends by the domestic insurer to its immediate parent company. ING is subject, by virtue of its ownership of U.S. insurance companies, to certain of these statutes and regulations.

Although the U.S. federal government generally does not directly regulate the insurance business, many federal laws affect the insurance business in a variety of ways, including federal privacy legislation which requires safeguarding and confidentiality of customer information, federal tax laws relating to insurance and annuity product taxation, and the USA PATRIOT Act of 2001 requiring, among other things, the establishment of anti-money laundering monitoring programs. In addition, a number of the products issued by ING Group s U.S. insurance companies are regulated as securities under state and federal law. Finally, a variety of U.S. retirement savings products and services may be subject to Department of Labor regulation under the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Canada

In February 2009, ING sold its 70% stake in ING Canada through a private placement and concurrent public offering and thus no longer owns any interest in ING Canada, the largest provider of property and casualty insurance products and services in Canada. Our U.S. insurance businesses that are licensed in Canada are subject to regulation by the Office of the Superintendent of Financial Institutions (OSFI).

Mexico

The insurance annuities and pension businesses in Mexico are subject to general rules and detailed regulation of their operations under federal law. ING s annuities and pension subsidiaries in Mexico are supervised by the Ministry of Finance, in the case of annuities through the Ministry s National Insurance and Bonding Commission (CNSF), and in the case of pensions through the Ministry s National Retirement Savings System Commission (CONSAR). The main legal framework applicable to insurance companies in Mexico includes the Insurance Companies Law, the Insurance Contract Law, and regulations issued by the CNSF. In the case of pension companies, the main legal framework includes the Retirement Savings Systems Law and regulations issued by the CONSAR. The Commerce Code, the Mercantile Companies Law, the Foreign Investment Law, Income Tax Laws and regulations issued by the Ministry of Finance are also applicable to both insurance and pension companies.

The Ministry of Finance has authority to grant or revoke licenses to conduct insurance and pension businesses in Mexico, and to prescribe rules on anti-money laundering. The CNSF and the CONSAR, respectively regulate insurance and pension companies activities through inspection and ongoing supervision, and have issued regulations that provide specific rules for its operations, including capital requirements and reserves, financial information standards and reporting, corporate governance guidelines, investment rules, risk management and related party transactions. In addition, the CNSF has issued rules concerning issuance of new insurance products and reinsurance. Insurance and pension companies are also subject to a mandatory annual audit of their financial statements and tax reports by independent auditors.

Argentina

In May 2009, ING sold 100% of its stake in the insurance annuities business in Argentina.

ING is in the process of liquidating Nationale-Nederlanden Cía de Seguros de Vida (INGIA) a legacy company which is a branch of the Nationale Nederlanden Life in Holland. In late 2004, ING sold the insurance portfolio of this company. Currently INGIA is winding down the entire business which is in the final stage of liquidation process.

Private pension fund businesses in Argentina were nationalized on December 9, 2008, pursuant to law 26.425. This law ordered all Private Pension Fund Managers (AFJP) to transfer the pension funds they then held to the ANSES (Administración Nacional de la Seguridad Social), the Argentine State social security system. As a result of the nationalization of the Argentine pension fund system, ANSES has taken over control of the private pension funds and ING s Argentine AFJP will ultimately be liquidated. During this liquidation process, the AFJP is regulated by the General Inspection of Justice (Inspección General de Justicia).

Peru

ING s mutual fund and pension businesses in Peru are subject to supervision at the federal level by the National Supervisory Commission of Entities and Securities (Comisión Nacional Supervisora de Empresas y Valores) and Superintendent of Banking, Insurance and Private Pension Fund Administrators (Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones*)*, respectively. Various laws and regulations including those related to capital maintenance, disclosure to clients with respect to client funds under administration, minimum investment yield, marketing activities and investment trading, safeguarding of confidential information, proper complaint handling, risk management, supervision of sales force activities, and anti-money laundering standards and procedures also apply.

Chile

ING s insurance business in Chile is subject to supervision by the Chilean Securities and Insurance Commission (SVS), the rules and directives issued by the SVS and the Insurance Law (Decree Law No. 251). The SVS is the authority that licenses and regulates insurers in Chile. Only Chilean corporations may operate an insurance business in Chile. The Insurance Law establishes requirements and regulations regarding the conduct of operations by insurance businesses, including rules regarding technical reserves, permitted investments and legal solvency requirements such as minimum solvency margins and limits on indebtedness.

ING s pension business in Chile is subject to supervision by the Chilean Superintendent of Pension (SP) (SP), regulations issued by the SP, Decree Law No. 3.500 of 1980 (DL 3.500) and by its regulation (Supreme Decree No. 57). The SP is the authority that licenses and regulates pension funds in Chile. According to DL 3.500, pension funds must be managed by corporations that are pension funds administrators (AFPs). The DL 3.500 regulates the structure of funds, investment limits, transactions with related parties, the transfer of pension members participations between AFPs, and other pension fund administrator rights and obligations. AFPs are incorporated as stock corporations and ING s pension businesses are also subject to supervision by the Chilean Securities and Insurance Commission (SVS),

ING s mutual fund business in Chile is subject to supervision by the Chilean Securities and Insurance Commission (SVS), the rules and directives issued by the SVS, the Securities Exchange Law (Law No. 18.045), the Corporation Law (Law No. 18.046), the Mutual Funds Law (Decree Law No. 1325), the Mutual Funds Regulations (Supreme Decree No. 249) and the rules established in the relevant internal regulations, approved by SVS. The SVS is the authority that licenses and regulates mutual funds in Chile. Mutual Fund Companies are incorporated as stock corporations. The abovementioned regulation establishes requirements and regulations regarding the conduct of operations by mutual fund businesses, including rules regarding permitted investments and legal solvency requirements and restriction regarding funds ownership by the company.

Colombia

ING s pension business in Colombia is subject to Law 100 of 1993, Decree 656 of 1994, Law 797 of 2003, Law 860 of 2003 and Decree 3995 of 2008 which regulate the general regime of social security, including corporate requirements for incorporating a Pension and Severance Funds Administrator (PFA); Financial System Statute Decree 663 of 1993, which regulates the authorized activities, liabilities, obligations and minimum profitability of funds administered by PFAs; and External Circular No. 007 of 1996 of the Finance Superintendency. The Finance Superintendency is the authority that licenses and regulates PFAs. The Superintendency has the power to examine PFAs and request financial and operational information and to apply sanctions for failure to comply with applicable regulations.

Law 1328 of 2009 created Multifund for mandatory pensions fund and multi-portfolio for Severance pay fund. Multi-portfolio for Severance pay fund started applying on January 2010, and in December 2009 the Government issued the regulation regarding the administration commission, investment regimen and profitability limits. On the other hand, Multifunds for Mandatory Pensions will become effective starting September 2010. No regulation on this matter has been issued.

PFAs are required to have specialized personnel and technical capacity to properly manage pension funds. The requirements vary based on the nature and size of the pension funds managed. PFAs are also required to invest pension funds in accordance with rules established by the Finance Superintendency. PFAs must guarantee pension fund minimum returns, based on a methodology adopted by the Finance Superintendency. All institutions under

Finance Superintendency supervision must also adopt anti-money laundering mechanisms.

Uruguay

ING Group s pension business in Uruguay is subject to the regulation of the Uruguay Central Bank (Banco Central del Uruguay) pursuant to Law 16.713, a Federal law which sets forth the creation of the private pension system (sistema previsional), requirements for incorporation of Administradora de Fondos de Ahorro Provisional (AFAP), capital, eligible investment and resources. Specific regulations such as decrees and official letters (circulares) issued by the Central Bank also deal with bank secrecy, anti-money laundering, sales and marketing training and supervision.

Asia/Pacific

While the insurance regulations in Asia Pacific vary from country to country, these regulations are designed to protect the interests of policyholders. Most jurisdictions in which ING operate have regulations governing solvency standards, capital and reserves level, permitted investments, business conduct, sales intermediaries licensing and sales practices, policy forms and, for certain lines of insurance, approval or filing of rates. In certain jurisdictions, regulations limit sales commissions and certain marketing expenses. In general, insurers are required to file detailed financial statements with their regulators. Regulators have power to conduct regular or specific examinations of the insurers operations and accounts and request for information from the insurers.

Japan

ING Group s life insurance subsidiary in Japan is subject to the supervision of the Financial Services Agency (FSA), the chief regulator in Japan, the rules and regulations as stipulated by the Commercial Code (to be replaced by Insurance Law from as of April 1, 2010), Insurance Business Law and ordinances of the Cabinet Office. The affairs handled by the FSA include, among others, planning and policymaking concerning financial systems and the inspection and supervision of private sector financial institutions including insurance companies.

New products, revision of existing products, etc. require approval by the FSA. The Cabinet Office ordinances stipulate the types and proportions of assets in which an insurance company can invest. The Insurance Business Law further requires that an insurance company set aside a liability reserve to provide for the fulfillment of the level of expected mortality and other assumptions that are applied in calculating liability reserves for long-term contracts. In addition to the required audit by external auditors, insurance companies are required to appoint a corporate actuary and have such corporate actuary be involved in the method of calculating premiums and other actuarial, accounting and compliance matters.

South Korea

ING Group s South Korean insurance companies are subject to supervision by the Financial Services Commission (FSC) and its executive arm, the Financial Supervisory Service (FSS). A second body, the Korean Insurance Development Institute (KIDI) advises the FSC, FSS and the Ministry of Strategy and Finance on policies and systems related to life insurance and may calculate net insurance premium rates that insurance companies can apply and report such premium rates to the FSC. The KIDI must approve all new products and revisions of existing products. Since 2006 the FSS has sharpened its supervisory policies based on the Risk Assessment and Application System.

Malaysia

ING Group s Malaysian insurance subsidiary is subject to the supervision of the Central Bank of Malaysia (BNM). Regulation of the Malaysian insurance industry covers licensing, policy development, administration and enforcement of the industry, actuarial function and consumer education and complaints handling. In addition, BNM introduced the Risk-Based Capital Framework for insurers with effect from January 1, 2009 to better align the regulatory capital requirements with the underlying risk exposure of each individual insurer.

BANKING

Wholesale Banking, Retail Banking and ING Direct

Basel II and European Union Standards as currently applied by ING Bank

DNB, the Dutch Central Bank and home supervisor, has given ING permission to use the most sophisticated approaches for solvency reporting under the Financial Supervision Act, the Dutch legislation reflecting the Basel II Accord. DNB has shared information with host regulators of relevant jurisdictions to come to a joint decision. In all jurisdictions where the bank operates through a separate legal entity, ING must meet local Basel requirements as well.

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ING uses the Advanced IRB Approach for credit risk, an internal VaR model for its trading book exposures and the Advanced Measurement Approach for operational risk. During 2008 and 2009 a Basel I regulatory floor of 90% and 80%, respectively, still applied. A small number of portfolios are still reported under the Standardized Approach.
ING Bank files consolidated quarterly and annual reports of its financial position and results with DNB in the Netherlands. ING Bank s independent auditors audit these reports on an annual basis.

Payment Services Directive

The Payment Services Directive (PSD) is a harmonized legal framework for the market for payment services in the European Union, and a direct result of the so-called Lisbon Agenda to make the EU the most dynamic and competitive knowledge-based economy in the world by 2010. The PSD had to be implemented in the national laws of all EU Member States at the latest by November 1, 2009, but not all Member States were able to meet this deadline.
The PSD pursues a threefold objective, being the enhancement of competition by removing payment market entry barriers, the enlargement of market transparency for all payment service users and the standardization of rights and obligations of both providers and users of payment services in the European Union.
The PSD affects current as well as future payment products, including SEPA products. As a consequence, ING businesses offering payment services in no less than 17 Member States of the European Union are impacted. An extensive programme covering all these countries has been set up by ING enabling ING to face the challenges of the new post-PSD market for payment services and strengthen its position as a major European player in the payments arena.

Americas

United States

ING Bank has a limited direct presence in the United States through the facility of the ING Bank Representative Office in New York. Although the office s activities are strictly limited to essentially that of a marketing agent of bank products and services and a facilitator (i.e. the office may not take deposits or execute any transactions), the office is subject to the regulation of the State of New York Banking Department and the Federal Reserve. ING Bank also has a subsidiary in the United States, ING Financial Holdings Corp, which through several operating subsidiaries offers various financial products, including lending, and financial markets products. These entities do not accept deposits in the United States on their own behalf or on behalf of ING Bank NV.
A major part of our banking activities in the United States, ING Direct USA, is regulated by the Office of Thrift Supervision (OTS), a division of the United States Department of the Treasury and, to a lesser extent, by the Federal Deposit Insurance Corporation, an independent agency of the Federal government that operates under the auspices of the Federal Deposit Insurance Act, a US federal law. Because ING Direct USA is a federally chartered savings bank, ING Group is a savings and loan holding company and consequently its U.S. activities are subject to the consolidated supervision of the OTS under the Home Owners Loan Act.
Within the legislative and executive branches, there are growing discussions regarding the need to reform the financial supervision framework and regulatory structure in the U.S. The results and impact of this review and any likely changes are unclear, but any changes could have a material impact on the whole of the financial industry and banking institutions in particular.

Anti-Money Laundering Initiatives and countries subject to sanctions

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

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As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives ING continues to believe that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba. ING Bank N.V. has in 2009 liquidated the Netherlands Caribbean Bank, which had been a 100% owned subsidiary since 2007.

ING Bank N.V. has continued discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the US and other authorities and its earlier review of transactions involving sanctioned parties. In connection with that review and related discussions ING Bank has undertaken to complete the global implementation of enhanced compliance and risk management procedures, and to monitor the implementation of such procedures on an ongoing basis, as instructed by DNB. ING Bank also remains in discussions with authorities in the US and in other jurisdictions concerning these matters, including with respect to ongoing information requests, and it is not possible to predict at this time the outcome thereof. Financial institutions continue to experience close scrutiny by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws, regulations, standards and expectations. Bank and insurance regulators and other supervisory authorities in Europe, the US and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and conduct business in an efficient, orderly and transparent manner. ING seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinizing account holder information, payment processing and other transactions to support compliance with regulations governing money-laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or perceived failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING s licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING s reputation and financial condition, and accordingly ING s primary focus is to support good business practice through its Business Principles and group policies.

Canada

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

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

Asia/Pacific

Australia

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

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BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES

Americas

United States

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

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

Other federal laws affect ING s US financial services businesses in a variety of ways, including federal and state privacy legislation which requires safeguarding and confidentiality of customer information, federal tax laws, and the USA PATRIOT Act of 2001 requiring, among other things, the establishment of anti-money laundering monitoring programs. Certain sales and solicitation practices are also subject to US Department of Labor and state regulation and disclosure obligations as well.

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

Canada

ING Investment Management, Inc. (ING IM), a federally incorporated, wholly-owned subsidiary of ING Canada Inc., is registered in the provinces of Ontario and Quebec as an adviser with specific investment authorities. While substantially all of ING IM s current business consists of providing investment management services to ING Canada Inc. and its insurance subsidiaries, ING IM is seeking to expand its business by providing asset management services to third party institutional investors across Canada.

ING IM is subject to regulation by securities regulatory authorities of the provinces in which it is registered and conducts business. Regulation issued by provincial securities regulatory authorities imposes requirements (among others) regarding registration of investment management entities and their employees, governance, ongoing disclosure to clients and regulatory authorities, marketing activities, transactions with affiliates and derivatives transactions. Additionally, ING IM is subject to applicable federal laws, including those related to privacy and anti-money laundering.

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COMPETITION

ING is involved in insurance, retail and wholesale banking, and other products and services across more than 40 countries. The mature markets of the Netherlands, Belgium, the Rest of Europe, North America and Australia are characterised by a high degree of competition. As financial institutions from mature markets have increasingly established themselves in developing markets, competition in these markets has increased too. In some cases ING and its competitors have sought to form alliances, mergers or strategic relationships with local institutions, which are rapidly becoming more sophisticated and competitive.

During the financial crisis, governments around the globe have undertaken exceptional measures to support financial institutions. ING s management feels that these measures were important and necessary steps to restore confidence and bring stability and certainty to the financial system. ING itself entered into two transactions with the Dutch State: the issuance of EUR 10 billion Core Tier 1 Securities to the Dutch State in October 2008 and the IABF.

Under European state-aid rules, all state-supported financial institutions need to demonstrate their long-term viability and take actions to prevent undue distortions of competition. As a result, and in parallel to the introduction and implementation of the first phases of the Back to Basics programme, ING was also required to develop and submit a restructuring plan to the EC. We had to devise a plan that would not only enable us to pay back the Dutch State and address the EC s requirements, but also return our focus to the business and our customers.

Our negotiations with the EC were finalized in October 2009. On November 18, 2009 the EC formally approved the restructuring plan, which ING had submitted on the condition that the EC guarantee equal treatment of all state-supported financial institutions and safeguard the level playing field in the EU internal market. With this decision the EC also gave final clearance for the issuance of the Core Tier 1 securities to the Dutch State and for the IABF. On November 25, 2009, an extraordinary General Meeting of ING shareholders approved the resulting strategic shift of the company, as well as the proposed rights issue of EUR 7.5 billion to facilitate an early repayment for the first EUR 5 billion tranche of Core Tier 1 Securities to the Dutch State. The restructuring plan s strategic implications for ING s competitive profile are explained below.

As discussed under Item 4. Information on the Company Recent Developments , a key goal of the Back to Basics programme was to reduce ING s complexity by operating the Bank and Insurer separately under one Group umbrella. The negotiations with the EC on the Restructuring Plan have thus acted as a catalyst to accelerate this process, by which banking and insurance operations, will be separated and double leverage eliminated. In addition, ING has had to accept a number of commitments to obtain the EC s approval for the transactions with the Dutch State. One of these involves the divestment of ING Direct US. It is anticipated that this divestment will take several years and be completed before the end of 2013. In the meantime, ING intends to grow the value of the business and invest in a superior customer experience. We regard ING Direct US as a strong franchise and the US market as offering potential for growth. The divestiture of ING Direct US has no impact on ING Direct in other countries. We remain committed to the ING Direct franchise globally as a strong contributor to our growth

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

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

In January 2010, ING lodged an appeal with the General Court of the European Union (the General Court) against two specific elements of the EC s decision of November 18, 2009. First, the EC has

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treated the reduction in repayment premium for the first EUR 5 billion tranche of Core Tier 1 securities which provided the Dutch State with an early repayment at an attractive return, as constituting additional state aid of approximately EUR 2.

Second, ING also seeks a ruling on the price leadership restrictions and the proportionality of the restructuring requirements demanded by the EC. ING believes it is in the interest of all its stakeholders to use the opportunities provided by law to let the General Court review these elements of the EC s decision. For more information on the Restructuring Plan and the appeal see Item 4. Information on the Company Recent developments

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

In the long run, competition in the financial services industry in both mature and developing markets will continue to be based on factors like brand recognition, scope of distribution systems, customer service, products offered, financial strength, price and, in the case of investment-linked insurance products and asset management services, investment performance. Management believes that over the coming years (i.e. throughout the entire restructuring process) ING s major competitors will be the leading global European, American and Asian commercial banks, insurance companies, asset management and other financial-services companies.

RATINGS

ING Groep N.V. s long-term senior debt is rated A (with a stable outlook) by Standard & Poor s Ratings Service (Standard & Poor s), a division of the McGraw-Hill Companies, Inc. ING Groep N.V. s long-term senior debt is rated A1 (with a stable outlook) by Moody s Investors Service (Moody s). ING Groep N.V. s long term senior debt is rated (with a stable outlook) by Fitch Ratings (Fitch).

ING Verzekeringen N.V. s long-term senior debt is rated A- (with a negative outlook) by Standard & Poor s and Baa1 (with a developing outlook) by Moody s. Fitch rated ING Verzekeringen N.V. s long-term senior debt A- (with a negative outlook).

ING Bank N.V. s long-term senior debt held a A+ (with a stable outlook) rating by Standard & Poor s. Moody s rated ING Bank N.V. s long-term senior debt at Aa3 (with a stable outlook). Finally, ING Bank N.V. s long-term senior debt was rated A+ (with a stable outlook) by Fitch Ratings, Ltd.

ING Verzekeringen N.V. s short-term senior debt is rated A-2 by Standard & Poor s and Prime-2 (P-2) by Moody s. ING Verzekeringen held a F2 rating by Fitch.

ING Bank N.V. s short-term senior debt held a rating of A-1 by Standard & Poor s and Prime-1 (P-1) by Moody s. Fitch rated ING Bank N.V. s short-term senior debt F1+ .

All ratings are provided as of March 15, 2010, and are still current at date of filing.

DESCRIPTION OF PROPERTY

ING predominantly leases the land and buildings used in the normal course of its business. In addition, ING has part of its investment portfolio invested in land and buildings. Management believes that ING s facilities are adequate for its present needs in all material respects.

Item 5. Operating and financial review and prospects

The following review and prospects should be read in conjunction with the consolidated financial statements and the related Notes thereto included elsewhere herein. The consolidated financial statements have been prepared in accordance with IFRS-IASB. Unless otherwise indicated, financial information for ING Group included herein is presented on a consolidated basis under IFRS-IASB.

FACTORS AFFECTING RESULTS OF OPERATIONS

ING Group s results of operations are affected by demographics (particularly with respect to life insurance) and by a variety of market conditions, including economic cycles, insurance industry cycles (particularly with respect to non-life insurance), banking industry cycles and fluctuations in stock markets, interest and foreign exchange rates. See Item 3. Risk Factors for more factors that can impact ING Group s results of operations.

General market conditions

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

Fluctuations in equity markets

Our insurance and asset management operations are exposed to fluctuations in equity markets. Our overall investment return and fee income from equity-linked products are influenced by equity markets. The fees we charge for managing portfolios are often based on performance and value of the portfolio. In addition, fluctuations in equity markets may affect sales of life and pension products, unit-linked products, including variable business and may increase the amount of withdrawals which will reduce related management fees. In addition, our direct shareholdings that are classified as investments are exposed to fluctuations in equity markets. The securities we hold may become impaired in the case of a significant or prolonged decline in the fair value of the security below its cost. Our banking operations are also exposed to fluctuations in equity markets. ING Bank maintains an internationally diversified and mainly client-related trading portfolio. Accordingly, market downturns are likely to lead to declines in securities trading and brokerage activities which we execute for customers and therefore to a decline in related commissions and trading results. In addition to this, ING Bank also maintains equity investments in its own non-trading books. Fluctuations in equity markets may affect the value of these investments.

Fluctuations in interest rates

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

interest rates on the one hand and on the other hand to changes in both net interest income and the results of our trading activities for our own account. Both the composition of our banking assets and liabilities and the fact that interest rate changes may affect client behavior in a different way than assumed in our internal models result in a mismatch which causes the banking operations net interest income and trading results to be affected by changes in interest rates

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Fluctuations in exchange rates

ING Group is exposed to fluctuations in exchange rates. Our management of exchange rate sensitivity affects the results of our operations both through the trading activities for our own account and because of the fact that we publish our consolidated financial statements in euros. Because a substantial portion of our income and expenses are denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. dollar, the Australian dollar, the Canadian dollar, the Turkish lira, the Japanese yen, the Korean won, the Pound sterling and the Polish zloty into euros will impact our reported results of operations and cash flows from year to year. This exposure is mitigated by the fact that realized results in non-Euro currencies are translated into euro by monthly hedging. See Note 24 of Note 2.1 to the consolidated financial statements for a description of our hedging activities with respect to foreign currencies. Fluctuations in exchange rates will also impact the value (denominated in euro) of our investments in our non-Euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of our non-euro reporting subsidiaries are generally denominated in the same currencies. For the main foreign currencies, in which ING s income and expenses are denominated namely the U.S. dollar, Pound sterling, Canadian dollar, Australian dollar, Turkish lira 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 Value-at-Risk limit.

The weakening of most currencies against the euro during 2009 had a positive impact of EUR 184 million on (underlying) net result. In 2008 and 2007 exchange rates influenced net result, respectively, by EUR 163 million and EUR 159 million negatively.

For the years 2009, 2008 and 2007, the year-end exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for balance sheet items not denominated in euros) and the average quarterly exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for income statement items and cash flows not denominated in euros) were as follows for the currencies specified below:

			Average[1)]		
	4Q 2008	**3Q 2008**	**2Q 2008**	**1Q 2008**	**2007**
U.S. dollar	1.345	1.511	1.566	1.514	1.375
Australian dollar	1.922	1.694	1.664	1.674	1.639
Canadian dollar	1.590	1.559	1.579	1.509	1.470
Pound sterling	0.844	0.796	0.792	0.761	0.686
Japanese yen	130.787	161.518	162.530	159.662	161.685
South Korean won	1,748.405	1,640.581	1,589.017	1,438.373	1,275.559
Turkish lira	1.995	1.825	1.973	1.838	1.786
Polish zloty	3.741	3.327	3.425	3.566	3.781

	4Q 2009	**3Q 2009**	**2Q 2009**	**1Q 2009**
U.S. dollar	1.473	1.431	1.371	1.319
Australian dollar	1.634	1.702	1.810	1.985
Canadian dollar	1.567	1.575	1.608	1.641
Pound sterling	0.902	0.874	0.888	0.919
Japanese yen	132.199	133.816	133.099	124.067
South Korean won	1,723.971	1,761.229	1,775.507	1,829.427
Turkish lira	2.210	2.144	2.169	2.160
Polish zloty	4.179	4.235	4.506	4.509

1) Average exchange rates are calculated

on a quarterly
basis as from
2008 and on an
annual basis
before 2008.

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	Year-end		
	2009	2008	2007
U.S. dollar	1.440	1.396	1.472
Australian dollar	1.602	2.026	1.676
Canadian dollar	1.514	1.710	1.444
Pound sterling	0.889	0.956	0.734
Japanese yen	133.057	126.354	164.819
South Korean won	1,679.614	1,758.273	1,378.094
Turkish lira	2.157	2.143	1.718
Polish zloty	4.106	4.175	3.586

Impact of financial crisis

ING continued to take risk mitigating measures, but was still negatively impacted by markets that remain illiquid, even though some markets improved during 2009. Primarily markets for real estate, and assets with underlying real estate, remain impacted by continued turmoil. 2009 was also the year of proposed changes of regulations, many of which may impact risk management, risk measurement and the financial condition of ING. For details regarding the impact of the credit and liquidity crisis on ING s assets and results, see section Risk Management in Note 2.1 to the consolidated financial statements.

Critical Accounting Policies

See Note 2.1. to the consolidated financial statements.

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CONSOLIDATED RESULTS OF OPERATIONS

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

While these excluded items are significant components in understanding and assessing the Group s consolidated financial performance, ING Group believes that the presentation of underlying result before tax enhances the understanding and comparability of its segment performance by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. For example, we believe that trends in the underlying profitability of our segments can be more clearly identified without the effects of the realized gains/losses on divestitures as the timing is largely subject to the Company s discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Underlying result before tax is not a substitute for result before tax as determined in accordance with IFRS-IASB. ING Group s definition of underlying result before tax may differ from those used by other companies and may change over time. For further information on underlying result before tax as well as the reconciliation of our segment underlying result before tax to our result before taxation see Item 5. Operating and Financial Review and Prospects Segment Reporting and Note 51 of Note 2.1 to the consolidated financial statements.

The following table sets forth the consolidated results of the operations of ING Group and its banking and insurance operations for the years ended December 31, 2009 and 2008:

	Banking		**Insurance**		**Eliminations[3)]**		**Total**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
				(EUR millions)				
Premium income			30,492	43,812			30,492	43,812
Interest result banking operations	12,539	11,085			167	43	12,372	11,042
Commission income	2,678	2,895	1,935	2,070			4,613	4,965
Investment and Other income	(3,561)	(5,959)	3,363	8,970	169	248	(367)	2,763
Total income	**11,655**	**8,022**	**35,790**	**54,851**	**336**	**291**	**47,109**	**62,582**
Underwriting expenditure			30,984	49,485			30,984	49,485
Other interest expenses			1,052	1,269	336	291	716	978
Operating expenses	10,164	10,303	4,381	5,422			14,545	15,725
Impairments/additions to the provision for loan losses	2,973	1,280	72	310			3,045	1,590
Total expenditure	**13,138**	**11,583**	**36,489**	**56,486**	**336**	**291**	**49,291**	**67,778**
Result before tax	**(1,482)**	**(3,561)**	**(699)**	**(1,635)**			**(2,181)**	**(5,196)**
Taxation	(553)	(1,184)	(86)	(483)			(639)	(1,667)
Minority interests	(141)	(69)	23	31			(118)	(38)
Net result	**(788)**	**(2,309)**	**(636)**	**(1,183)**			**(1,424)**	**(3,492)**

Result before tax	**(1,482)**	**(3,561)**	**(699)**	**(1,635)**	**(2,181)**	**(5,196)**
Gains/losses on divestments(1)			(63)	(8)	(63)	(8)
Result/loss divested units			(23)	172	(23)	172
Special items (2)	1,726	301	594	93	2,320	394
Underlying result before tax	**244**	**(3,260)**	**(191)**	**(1,381)**	**53**	**(4,641)**

(1) Divestments Insurance: sale Industry Pension Funds (EUR 160 million, 2009), sale Greece Non-life (EUR 6 million, 2009), sale of Canada (EUR 38 million, 2009), sale of Argentina (EUR 7 million, 2009), sale of Australia (EUR (337) million, 2009), sale US (EUR 42 million, 2009), sale of Russia (EUR 2 million, 2009), sale of Chile Health/Annuities (EUR 23 million, 2009, EUR 55 million, 2008), sale of Mexico (EUR (2) million, 2009, EUR 182 million, 2008), sale NRG (EUR (15) million, 2008), sale Taiwan (EUR (1) million, 2009, EUR (214) million, 2008) ;

(2) Special items Bank: Retail Netherlands

strategy (EUR 222 million, 2009, EUR 270 million, 2008), not launching ING Direct Japan (EUR 39 million, 2009, EUR 30 million, 2008), transaction result on Alt-A portfolio (EUR (69) million, 2009), additional IABF payments (EUR 1,104 million, 2009), restructuring provisions (EUR 430 million, 2009) Special items Insurance: restructuring provisions (EUR 331 million, 2009, EUR 93 million, 2008), transaction result on Alt-A portfolio (EUR 118 million, 2009), additional IABF payments (EUR 146 million, 2009).

(3) After elimination of certain intercompany transactions between the banking operations and the insurance operations

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The following table sets forth the consolidated results of the operations of ING Group and its banking and insurance operations for the years ended December 31, 2008 and 2007:

	Banking		**Insurance**		**Eliminations[3)]**		**Total**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Premium income			43,812	46,818			43,812	46,818
Interest result banking operations	11,085	9,036			43	60	11,042	8,976
Commission income	2,895	2,926	2,070	1,901			4,965	4,827
Investment and Other income	(5,959)	3,151	8,970	13,488	248	163	2,763	16,476
Total income	**8,022**	**15,113**	**54,851**	**62,208**	**291**	**223**	**62,582**	**77,097**
Underwriting expenditure			49,485	48,833			49,485	48,833
Other interest expenses			1,269	1,326	291	223	978	1,103
Operating expenses	10,303	9,967	5,422	5,515			15,725	15,481
Impairments/additions to the provision for loan losses	1,280	125	310	1			1,590	126
Total expenditure	**11,583**	**10,092**	**56,486**	**55,675**	**291**	**223**	**67,778**	**65,544**
Result before tax	**(3,561)**	**5,021**	**(1,635)**	**6,533**			**(5,196)**	**11,553**
Taxation	(1,184)	889	(483)	775			(1,667)	1,665
Minority interests	(69)	112	31	155			(38)	267
Net result	**(2,309)**	**4,019**	**(1,183)**	**5,603**			**(3,492)**	**9,622**
Result before tax	**(3,561)**	**5,021**	**(1,635)**	**6,533**			**(5,196)**	**11,553**
Gains/losses on divestments[(1)]		(32)	(8)	(891)			(8)	(923)
Result divested units			172	(183)			172	(183)
Special items	301	489	93				394	489
Underlying result before tax	**(3,260)**	**5,478**	**(1,381)**	**5,460**			**(4,641)**	**10,938**

(1) Divestments Banking : sale of RegioBank (EUR

32 million, 2007). Divestments Insurance: sale of Chile Health (EUR 55 million, 2008), sale of Mexico (EUR 182 million, 2008), sale NRG (EUR (15) million, 2008, EUR 129 million, 2007), sale Taiwan (EUR (214) million, 2008), sale of Belgian broker business (EUR (459) million, 2007), sale of Canada (EUR (470) million, 2007), IPO SulAmerica in Brazil (EUR 93 million, 2007), sale Argentina (EUR 2 million, 2007).

(2) Special items Banking: not launching ING Direct Japan (EUR (30) million, 2008), provision for combining ING Bank and Postbank (EUR (271) million, 2008 and EUR 299 million, 2007) and restructuring provisions and hedge on purchase price Oyak Bank acquisition (EUR(190 million, 2007). Special items Insurance: restructuring provisions (EUR 93 million, 2009)).

(3) After elimination of certain intercompany transactions between the banking operations and the insurance operations

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GROUP OVERVIEW

Year ended December 31, 2009 compared to year ended December 31, 2008

Total result before tax increased by EUR 3,015 million from a loss of EUR (5,196) million in 2008 to a loss of EUR (2,181) million in 2009 and total underlying result before tax increased by EUR 4,694 million from EUR (4,641) million in 2008 to a profit of EUR 53 million in 2009. Throughout the year, market conditions remained challenging, but the second half of 2009 also brought the first signs of recovery leading to reduced losses in the banking operations as well a the insurance operations, although both still showed negative results but improved considerably compared to last year. The increase in total result before tax is also impacted by divestments which resulted in a gain of EUR 63 million and EUR 8 million for 2009 and 2008, respectively, and special items in 2009 and 2008 influenced result before tax negatively by EUR 2,320 million and EUR 394 million, respectively.

Net result increased by EUR 2,068 million from a loss of EUR (3,492) million in 2008 to a loss of EUR (1,424) million in 2009. This lower loss compared with the increase in result before tax was due to reduced taxation caused by lesser losses , which resulted in a change in taxation from EUR (1,667) million in 2008 to EUR (639) million in 2009. Basic earnings per share increased to EUR (0.76) in 2009 from EUR (1.31) in 2008.

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital (see the discussion under Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources ING Group Consolidated Cash Flows), which differs from total equity attributable to equity holders of the Company in that it excludes unrealized gains and losses on debt securities, the cash flow hedge reserve and goodwill and includes hybrid capital. Adjusted equity also excludes the difference between IFRS-EU and IFRS-IASB, as capital ratios are based on IFRS-EU as primary accounting basis, which is also the basis for statutory and regulatory reporting. On this basis, the debt/equity ratio of ING Group decreased to 12.4% in 2009 compared with 13.5% in 2008, benefiting from the EUR 7.5 billion rights issue and improving revaluation reserves, partly offset by the repayment of half of the core Tier 1 securities. The capital coverage ratio of ING Verzekeringen N.V. increased to 270% of E.U. regulatory requirements at the end of 2009, compared with 256% at the end of 2008, as the required capital decreased more than the available capital ((9%) vs. (4%)). The Tier 1 ratio of ING Bank N.V. stood at 10.2% at the end of 2009, up from 9.3% (both based on Basel II risk weighted assets) at the end of 2008, well above the 9% target. Tier 1 capital increased from EUR 32 billion to EUR 34 billion. Roughly half of this was due to profits and a positive exchange rate impact and roughly half to an increase of hybrid capital from ING Group originally on-lent to ING Insurance, but since December on-lent to ING Bank. Risk weighted assets dropped from EUR 343.4 billion on December 31, 2008 to EUR 332.4 billion on December 31, 2009

BANKING OPERATIONS

Income

Total income from banking increased 45.3%, or EUR 3,633 million, to EUR 11,655 million in 2009 from EUR 8,022 million in 2008. This increase was largely attributable to the strong improvement in valuation results from non-trading derivatives and net trading income as well as higher interest results. These developments were partly offset by lower investment income and commission income.

The net interest result increased by EUR 1,454 million, or 13.1%, to EUR 12,539 million in 2009 from EUR 11,085 million in 2008, driven by higher interest results in all business lines, but especially in Commercial Banking and ING Direct. The interest margin in 2009 was 1.32%, an increase from 1.07% in 2008, supported by the de-leveraging of the balance sheet and due to higher margins in Commercial Banking (especially General Lending) and ING Direct (particularly influenced by lower central bank rates across the globe).

Commission income decreased 7.5%, or EUR 218 million, to EUR 2,678 million in 2009 from EUR 2,895 million in 2008. The decrease in commission income was primarily driven by EUR 205 million lower management fees (especially at ING Belgium and ING Real Estate). Fees from funds transfer decreased by EUR 45 million, but brokerage and advisory fees and insurance broking fees increased by EUR 22 million and EUR 9 million, respectively.

Investment income decreased by EUR 401 million to a loss of EUR 2,860 million in 2009 from a loss of EUR

2,459 million in 2008. Realized results on debt securities (including impairments) decreased from EUR (2,087) million in 2008 to EUR (2,436) million in 2009, which included a one-time charge of EUR 1,104 million before tax related to an accrual of additional payments for the IABFas part of the overall agreement with the European Commission announced in October 2009. Fair value changes on real estate investments were EUR (589) million in 2009 compared with EUR (350) million in 2008. Realized results on equity securities (including impairments) improved by EUR 277 million to a loss of EUR 25 million in 2009 from a loss of EUR 302 million in 2008. Next to this, rental income decreased by EUR 38 million and dividend income dropped EUR 30 million.

Other income improved by EUR 2,798 million to EUR (701) million in 2009 from EUR (3,500) million in 2008. Net trading income increased EUR 1,208 million from a loss of EUR 405 million in 2008 to a profit of EUR 803 million in 2009. Valuation results from non-trading derivatives, for which hedge accounting is not applied under IFRS-IASB, improved by EUR 1,805 million to EUR (1,572) million in 2009. This was partly offset by a decrease of EUR 177 million of the share of profit from associates, mainly due to associates at ING Real Estate, and a decrease of EUR 37 million in other revenues, including lower income from operating lease.

Expenses

Total operating expenses decreased by EUR 139 million, or 1.3%, to EUR 10,164 million in 2009 from EUR 10,303 million in 2008. In 2009, special items amounted to EUR 725 million, including EUR 222 million in provisions and costs related to the Retail Netherlands strategy (combining ING Bank and Postbank), EUR 272 million in provisions and costs for restructurings at Commercial Banking, EUR 166 million at Retail Banking, EUR 58 million at ING Direct (including EUR 31 million for not launching ING Direct Japan) and EUR 7 million on the Corporate Line. In 2008, special items were EUR 271 million in provisions and costs related to the Retail Netherlands Strategy and EUR 30 million impairment costs of not launching ING Direct Japan. Excluding these special items, total operating expenses decreased by EUR 562 million, or 5.6%, driven by the cost containment initiatives as part of the Back to Basics program and despite higher impairments on real estate development projects, increased deposit insurance premiums at ING Direct and the provision taken for the deposits guarantee scheme in the Netherlands following the bankruptcy of DSB Bank.

The addition to the provision for loan losses

The total addition to the provision for loan losses in 2009 was EUR 2,973 million compared to EUR 1,280 million in 2008, an increase of 132% or EUR 1,694 million. Commercial Banking showed an increase by EUR 614 million, from EUR 596 million in 2008 to EUR 1,210 million in 2009, Retail Banking showed an increase by EUR 597 million, from EUR 401 million in 2008 to EUR 998 million in 2009, and ING Direct showed an increase by EUR 482 million, from EUR 283 million in 2008 to EUR 765 million in 2009. As a percentage of average credit-risk weighted assets, the addition to the provision for loan losses in 2009 was 102 basis points compared with 48 basis points in 2008.

Result before tax and net result

Total result before tax improved by EUR 2,078 million, to EUR (1,482) million in 2009 from EUR (3,561) million in 2008. Special items (amongst others the accrual of additional payments for the IABF-deal, the provisions and costs related to the Retail Netherlands Strategy and several restructuring provisions) had in 2009 a negative impact of EUR 1,726 million on result before tax. In 2008, special items had a negative impact of EUR 301 million on result before tax.

Net result from banking improved by EUR 1,521 million from EUR (2,309) million in 2008 to EUR (788) million in 2009. The effective tax rate for ING s banking operations increased from 33.2% in 2008 to 37.3% in 2009. The net result also included EUR (141) million of minority interests, mainly related to ING Real Estate, compared with EUR (69) million in 2008.

Underlying result before tax

Excluding special items, ING s banking operations showed an increase in underlying result before tax of EUR 3,504 million from a loss of EUR 3,260 million in 2008 to a profit of EUR 244 million in 2009.

INSURANCE OPERATIONS

Income

Total premium income decreased 30.4%, or EUR 13,320 million from EUR 43,812 million in 2008 to EUR 30,492 million in 2009. Underlying life premiums decreased 21.1%, or EUR 7,612 million from EUR 36,019 million in 2008 to EUR 28,407 million in 2009. The decline reflects the lower sales of investment-oriented products in the US, Japan and Central Europe. Underlying non-life premiums increased 1.8%, or EUR 31 million from EUR 1,741 million in 2008 to EUR 1,772 million in 2009.

Investment and Other income decreased 62.5%, or EUR 5,607 million from EUR 8,970 million in 2008 to EUR 3,363 million in 2009. Commission income decreased 6.5%, or EUR 135 million from EUR 2,070 million in 2008 to EUR 1,935 million in 2009, primarily due to Asia/Pacific and Latin America.

Underwriting Expenditure

Underwriting expenditure decreased by EUR 18,501 million, or 37.4% from EUR 49,485 million in 2008 to EUR 30,984 million in 2009. The underwriting expenditure of the life insurance operations decreased by EUR 16,097 million, or 35.2%. The underwriting expenditure of the non-life insurance operations decreased by EUR 2,404 million, or 64.3%.

Expenses

Operating expenses from the insurance operations decreased 19.2%, or EUR 1,041 million to EUR 4,381 million in 2009, from EUR 5,422 million in 2008. The underlying operating expenses decreased 9.9%, or EUR 424 million to EUR 3,849 million in 2009, from EUR 4,273 million in 2008. All business lines contributed to this decrease through cost-containment measures. Also, sales-related expenses were down on lower production.

Result before tax and net result

Total result before tax from Insurance increased EUR 936 million, to a loss of EUR 699 million in 2009 from a loss of EUR 1,635 million in 2008. The increase reflects, the improved financial market conditions, the de-risking efforts, and the lower expense. The impact of divestments amounted to EUR 63 million in 2009 and EUR 8 million in 2008. Divested units contributed a profit of EUR 23 million before tax in 2009 and a loss of EUR 170 million to result before tax in 2008. Special items had a negative impact of EUR 594 million in 2009 (a.o. the IABF with the Dutch state) compared to a loss of EUR 93 million in 2008. The net result from insurance improved EUR 547 million to a loss of EUR 636 million in 2009 from a loss of EUR 1,183 million in 2008.

Underlying result before tax

The underlying result before tax (excluding the impact of divestments and special items) improved EUR 1,189 million to a loss of EUR 191 million in 2009 from a loss of EUR 1,380 in 2008. The increase in results was mainly due to the improvement of the financial markets, the de-risking efforts, and the lower expenses. The underlying result from life insurance increased EUR 1,356 million to a loss of EUR 458 million from a loss of EUR 1,814 in 2008. Underlying profit before tax from non-life insurance declined 38.5% to EUR 267 million from EUR 434 million in 2008.

GROUP OVERVIEW

Year ended December 31, 2008 compared to year ended December 31, 2007

Total result before tax decreased by EUR 16,749 million, or 145.0%, from EUR 11,553 million in 2007 to EUR (5,196) million in 2008 and total underlying result before tax decreased by EUR 15,579 million or 142.4% from EUR 10,938 million in 2007 to EUR (4,641) million in 2008. The worldwide financial crisis led to extreme market volatility and sharp declines in asset prices, especially in the third and fourth quarters of 2008 which led to losses in the insurance operations and a decline in result of the banking operations in 2008. The decrease in total result before tax is also impacted by divestments which resulted in a gain of EUR 8 million and EUR 923 million for 2008 and 2007, respectively, and special items in 2008 and 2007 influenced result before tax negatively by EUR 394 million and EUR 489 million, respectively.

Net result decreased by EUR 13,114 million, or 136.3%, from EUR 9,622 million in 2007 to EUR (3,492) million in 2008. This lower loss compared with the decrease in result before tax was due to a conversion from a large profit into a loss, which resulted in a change in taxation from EUR 1,665 million in 2007 to EUR (1,667) million in 2008. Basic earnings per share decreased to EUR (1.31) in 2008 from EUR 3.45 in 2007.

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital (see the discussion under Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources ING Group Consolidated Cash Flows), which differs from total equity attributable to equity holders of the Company in that it excludes unrealized gains and losses on debt securities, the cash flow hedge reserve and goodwill and includes hybrid capital. Adjusted equity also excludes the difference between IFRS-EU and IFRS-IASB, as capital ratios are based on IFRS-EU as primary accounting basis, which is also the basis for statutory and regulatory reporting.

On this basis, the debt/equity ratio of ING Group increased to 13.5% in 2008 compared with 9.5% in 2007, partly due to the buyback of ING s own shares, dividend payments and the recorded loss, partly offset by the issuance of Core Tier 1 Securities. The capital coverage ratio of ING Verzekeringen N.V. increased to 256% of E.U. regulatory requirements at the end of December 2008, compared with 244% at the end of December 2007, as the decrease in available capital was more than offset by the decline in required capital. The Tier 1 ratio of ING Bank N.V. stood at 9.32% (based on Basel II risk weighted assets) at the end of 2008, up from 7.39% (based on Basel I risk weighted assets) at the end of 2007, well above the 7.20% target. Tier 1 capital increased from EUR 29.8 billion to EUR 32.0 billion, mainly thanks to net capital injections of EUR 3.0 billion by ING Group. Following the introduction of Basel II in 2008, risk weighted assets dropped from EUR 402.7 billion on December 31, 2007 to EUR 293.0 billion on January 1, 2008. During the year risk weighted assets increased to EUR 343.4 billion at year-end 2008.

BANKING OPERATIONS

Income

Total income from banking decreased 46.9%, or EUR 7,091 million, to EUR 8,022 million in 2008 from EUR 15,113 million in 2007. This decrease was experienced despite an increase in the interest result, which was primarily attributable to a sharp increase in margins. The sharp increase in margins was more than offset, however, by decreases in investment income and other income.

The net interest result increased by EUR 2,049 million, or 22.7%, to EUR 11,085 million in 2008 from EUR 9,036 million in 2007, driven by higher interest results in all business lines, but especially in Commercial Banking. The interest margin in 2008 was 1.07%, an increase from 0.94% in 2007, due to higher margins in Commercial Banking (especially Financial Markets and General Lending) and in ING Direct (particularly influenced by the more favorable interest rate environment in the US).

Commission income decreased 1.1%, or EUR 31 million to EUR 2,895 million in 2008 from EUR 2,926 million in 2007. The decrease in commission income was primarily due to the strong decline of management fees by EUR 145 million (especially ING Belgium, ING Real Estate and Retail Netherlands). Fees from securities business decreased by EUR 56 million (especially ING Belgium and Retail Netherlands), but funds transfer fees increased by EUR 102 million (mainly Commercial Banking and Retail Central Europe) and brokerage and advisory fees increased by EUR 23 million.

Investment income decreased by EUR 3,405 million to a loss of EUR 2,459 million in 2008 from a profit of EUR 946 million in 2007. The decrease was almost entirely due to results on securities (including impairments) and fair value changes on real estate investments, changing from a profit of EUR 487 million in 2007 to a loss of EUR 2,739 million in 2008. Of this loss, EUR 2,087 million relates to debt securities (mainly impairments on the Alt-A portfolio at ING Direct), EUR 302 million relates to equity securities and EUR 350 million is attributable to real estate investments. Furthermore, rental income decreased by EUR 46 million and other investment income decreased by EUR 78 million.

Other income decreased by EUR 5,704 million to a loss of EUR 3,500 million in 2008 from a profit of EUR 2,204 million in 2007. Net trading income declined EUR 1,154 million from a profit of EUR 749 million in 2007 to a loss of EUR 405 million in 2008. The share of profit from associates decreased by EUR 448 million from EUR 238 million in 2007 to a loss of EUR 210 million in 2008, mainly due to the downward valuation of listed funds at ING Real Estate. Other revenues, including income from operating lease, were EUR 88 million lower. These developments were enhanced by a decrease of EUR 4,013 million in valuation results from non-trading derivatives, for which hedge accounting is not applied under IFRS-IASB.

Expenses

Total operating expenses increased by EUR 336 million, or 3.4%, to EUR 10,303 million in 2008 from EUR 9,967 million in 2007. In 2008, special items were EUR 271 million in provisions and costs related to the Retail Netherlands strategy (combining ING Bank and Postbank) and EUR 30 million impairment costs of not launching ING Direct Japan. In 2007, special items were EUR 295 million in provisions and costs related to the Retail Netherlands Strategy, EUR 94 million in restructuring provision for Commercial Banking and EUR 56 million in restructuring provision for Retail Banking. Excluding these special items, total operating expenses increased by EUR 480 million, or 5.0%, mainly at Retail Banking, due to the inclusion of ING Bank Turkey and investments to support activities in developing markets, and at ING Direct to support the growth of the business.

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The addition to the provision for loan losses

The total addition to the provision for loan losses in 2008 was EUR 1,280 million compared to EUR 125 million in 2007, an increase of EUR 1,155 million reflecting the worsening of economic conditions. Retail Banking showed an increase by EUR 203 million, from EUR 198 million in 2007 to EUR 401 million in 2008 and ING Direct showed an increase by EUR 215 million, from EUR 68 million in 2007 to EUR 283 million in 2008. The net release in Commercial Banking of EUR 142 million in 2007 turned into an addition to the loan loss provision of EUR 596 million in 2008. As a percentage of average credit-risk weighted assets (based on Basel II), the addition to the provision for loan losses in 2008 was 48 basis points.

Result before tax and net result

Total result before tax decreased 170.9%, or EUR 8,582 million, to EUR (3,561) million in 2008 from EUR 5,021 million in 2007. Special items (mostly provision for the merger of Postbank and ING Bank Netherlands) had a negative impact of EUR 301 million on result before tax in 2008. In 2007, divestments and special items had a negative impact of EUR 458 million on result before tax, including EUR 489 million in special items, partly offset by EUR 32 million realized gains on divestments.

Net result from banking declined 157.5%, or EUR 6,328 million, from EUR 4,019 million in 2007 to EUR (2,309) million in 2008. The decrease in net result is smaller than the decrease in result before tax due to the tax rebate of EUR 1,184 million for 2008, which was supported by the revision of tax returns from previous years, compared with the taxation of EUR 889 million for 2007 (effective tax rate 17.7%).

Underlying result before tax

Excluding the effects of divestments and excluding special items, ING s banking operations showed a decrease in underlying result before tax of EUR 8,738 million, or 159.5%, from EUR 5,478 million in 2007 to EUR (3,260) million in 2008.

INSURANCE OPERATIONS

Income

Total premium income decreased 6.4%, or EUR 3,006 million from EUR 46,818 million in 2007 to EUR 43,812 million in 2008. Underlying life premiums decreased 2.1%, or EUR 787 million from EUR 36,787 million in 2007 to EUR 36,020 million in 2008. Underlying non-life premiums decreased 13.6%, or EUR 275 million from EUR 2,016 million in 2007 to EUR 1,741 million in 2008.

Investment and Other income decreased 33.5%, or EUR 4,518 million from EUR 13,488 million in 2007 to EUR 8,970 million in 2008, reflecting the market turmoil in the second half of 2008. Moreover, in 2007 capital gains on ABN AMRO and Numico shares of EUR 2,087 million were recorded. Commission income increased 8.9%, or EUR 169 million from EUR 1,901 million in 2007 to EUR 2,070 million in 2008, driven by the US and Latin America.

Underwriting Expenditure

Underwriting expenditure increased by EUR 652 million, or 1.3% from EUR 48,833 million in 2007 to EUR 49,485 million in 2008. The underwriting expenditure of the life insurance operations increased by EUR 1,657 million, or 3.8%. The underwriting expenditure of the non-life insurance operations decreased by EUR 1,005 million, or 21.2%.

Expenses

Operating expenses from the insurance operations decreased 1.7%, or EUR 93 million to EUR 5,422 million in 2008, from EUR 5,515 million in 2007, as ongoing cost reduction helped to offset most of the costs to support growth of the business in Asia/Pacific and Central and Rest of Europe.

Result before tax and net result

Total result before tax from Insurance decreased 125.0%, or EUR 8,168 million, to a loss of EUR 1,635 million in 2008 from a profit of EUR 6,533 million in 2007, mainly due to the deterioration of the financial markets in the second half of 2008, as well as EUR 2,087 million gains on the sale of ING s stakes in ABN AMRO and Numico in 2007. The impact of divestments amounted to EUR 8 million in 2008 and EUR 891 million in 2007. Divested units contributed a loss of EUR 170 million before tax in 2008 and a profit of EUR 183 million to result before tax in 2007. Special items had a negative impact of EUR 93 million in 2008 compared to no impact in 2007. The net result from insurance deteriorated by 121.1%, or EUR 6,786 million to a loss of EUR 1,183 million in 2008 from a profit of EUR

5,603 million in 2007.

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Underlying result before tax

The underlying result before tax (excluding the impact of divestments and special items) decreased to a loss of EUR 1,380 million in 2008 from a profit of EUR 5,460 in 2007. The sharp decline in results was mainly due to the deterioration of the financial markets in the second half of 2008, as well as EUR 2,087 million gains on the sale of ING s stakes in ABN AMRO and Numico in 2007. The underlying result from life insurance decreased by EUR 6,462 million to a loss of EUR 1,814 million from a profit of EUR 4,648 in 2007. Underlying profit before tax from non-life insurance declined 46.4% to EUR 435 million from EUR 812 million in 2007.

CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s consolidated assets and liabilities for the years ended December 31, 2009, 2008 and 2007:

	2009	2008	2007
	(EUR billions, except amounts per share)		
Investments	212.1	258.3	292.6
Financial assets at fair value through the profit and loss account	233.2	280.5	327.1
Loans and advances to customers	575.3	616.8	553.7
Total assets	1,160.0	1,328.6	1,313.2
Insurance and investment contracts:			
Life	226.0	213.0	232.4
Non-life	3.5	6.8	9.6
Investment contracts	11.3	21.1	23.7
Total insurance and investment contracts	240.9	240.8	265.7
Customer deposits and other funds on deposits (1)	469.5	522.8	525.2
Debt securities in issue/other borrowed funds	143.1	127.7	94.1
Total liabilities (including minority interests)	1,122.9	1,301.9	1,273.2
Non-voting equity securities	5.0	10.0	
Shareholders equity	31.1	15.1	37.7
Shareholders equity per Ordinary share (in EUR)	8.22	7.44	17.98

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

Year ended December 31, 2009 compared to year ended December 31, 2008

Total assets decreased in 2009 by 12.7%, or EUR 168.6 billion, to EUR 1,160.0 billion, mainly due a EUR 46.2 billion decrease of investments, decreased financial assets at fair value through the profit and loss account of EUR 47.3 billion and loans and advances to customers which fell by EUR 41.5 billion. The decrease in Investments was almost totally caused by the banking operations, which fell by EUR 42.2 billion. The financial assets at fair value through the profit and loss account banking operations were reduced by EUR 52.2 billion, slightly compensated by EUR 5.1 billion increase at the insurance operations. The decrease in loans and advances to customers was caused by the banking operations which decreased by EUR 46.6 billion almost entirely due to the Netherlands, slightly offset by an increase of EUR 4.6 billion at the insurance operations. During 2009, certain product features and internal procedures for current accounts were amended. As a result thereof the balances on these current accounts meet the criteria under IFRS for netting of positive and negative balances per client in the balance sheet. This additional netting resulted in a decrease in Loans and advances to customers (banking operations) and a similar decrease in Customer deposits and other funds on deposit of approximately EUR 73.9 billion.

Shareholders equity increased by 106.3% or EUR 16,041 million to EUR 31,121 million at December 31, 2009 compared to EUR 15,080 million at December 31, 2008. The increase is due to proceeds from the rights issue (EUR 7,276 million), revaluations of debt securities (EUR 9,563 million) and revaluations of equities (EUR 2,782 million), offset by the net result (EUR (1,424) million and the deferred interest crediting to life policyholders (EUR (2,079) million).

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Year ended December 31, 2008 compared to year ended December 31, 2007

Total assets increased by 1.2% in 2008 to EUR 1,328.6 billion, mainly due to increased loans and advances to customers, partly offset by decreased investments and financial assets at fair value through the profit and loss account. Investments decreased by EUR 34.4 billion, or 11.7%, to EUR 258.3 billion in 2008 from EUR 292.7 billion in 2007, representing a decrease of EUR 22.8 billion in insurance investments and a decrease of EUR 11.6 billion in banking investments. Loans and advances to customers increased by EUR 63.1 billion, or 11.4%, rising to EUR 616.8 billion at the end of December 2008 from EUR 553.7 billion at the end of December 2007. Loans and advances to customers of the insurance operations decreased EUR 1.9 billion. Loans and advances of the banking operations increased by EUR 70.1 billion. The Netherlands operations increased by EUR 34.9 billion and the international operations by EUR 33.3 billion.

Shareholders equity decreased by 60.0% or EUR 22,638 million to EUR 15,080 million at December 31, 2008 compared to EUR 37,718 million at December 31, 2007. The decrease is mainly due to the negative net result from the year 2008 (EUR (3,492) million), unrealized revaluation equity and debt securities (EUR (18,971) million), changes in treasury shares (EUR (2,030) million) and the cash dividend to shareholders/coupon on the Core Tier 1 Securities (EUR (3,600) million), partially offset by realized gains equity securities released to profit and loss (EUR 2,596 million) and the change in cash flow hedge reserve (EUR 746 million).

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SEGMENT REPORTING

ING Group s segments are based on the management structure of the Group, which is different from its legal structure. The following table sets forth the contribution of our six business lines to our underlying result before tax for each of the years 2009, 2008 and 2007. See Note 51 of Note 2.1 to the consolidated financial statements for further disclosure of our segment reporting.

2009	Retail		Commercial	Insurance	Insurance	Insurance		Total
		ING						
(EUR millions)	Banking(3)	Direct	Banking(3)	Europe	Americas	Asia/Pacific	Other(1)	Group
Total income	**7,258**	**1,845**	**4,031**	**12,627**	**16,253**	**8,350**	**(3,255)**	**47,109**
Total expenditure	**6,094**	**2,487**	**4,265**	**12,355**	**16,499**	**7,806**	**(215)**	**49,291**
Result before tax	**1,164**	**(641)**	**(234)**	**273**	**(246)**	**543**	**(3,040)**	**(2,181)**
Gains/losses on divestments				168	111	(337)	(4)	(63)
Result before tax from divested units					1	(26)		(23)
Special items	369	(25)	272	210	196	40	1,258	2,320
Underlying result before tax	**1,534**	**(666)**	**38**	**650**	**61**	**220**	**(1,784)**	**53**

2008	Retail		Commercial	Insurance	Insurance	Insurance		Total
		ING						
(EUR millions)	Banking(3)	Direct	Banking	Europe	Americas	Asia/Pacific	Other(1)	Group
Total income	**7,399**	**878**	**398**	**14,489**	**27,738**	**14,159**	**(2,479)**	**62,582**
Total expenditure	**5,979**	**2,033**	**3,498**	**13,838**	**28,327**	**14,372**	**(269)**	**67,778**
Result before tax	**1,420**	**(1,155)**	**(3,100)**	**651**	**(589)**	**(213)**	**(2,210)**	**(5,196)**
Gains/losses on divestments					(237)	214	15	(8)
Result before tax from divested units					(224)	(2)	398	172
Special items	271	30			93			394
Underlying result before tax	**1,691**	**(1,125)**	**(3,100)**	**651**	**(958)**	**(1)**	**(1,797)**	**(4,641)**

2007	Retail		Commercial	Insurance	Insurance	Insurance		Total
		ING					Other1)	
(EUR millions)	Banking	Direct	Banking	Europe	Americas	Asia/Pacific	2)	Group
Total income	**7,483**	**2,196**	**5,312**	**16,262**	**29,681**	**14,383**	**1,781**	**77,097**
Total expenditure	**5,405**	**1,667**	**2,836**	**13,962**	**27,529**	**13,807**	**338**	**65,544**
Result before tax	**2,079**	**530**	**2,476**	**2,300**	**2,152**	**576**	**1,443**	**11,553**

Gains/losses on divestments	(32)			(460)	(560)		129	(923)
Result before tax from divested units					(35)	(148)		(183)
Special items	355		94				40	489
Underlying result before tax	**2,402**	**530**	**2,570**	**1,840**	**1,556**	**428**	**1,611**	**10,938**

(1) Other mainly includes items not directly attributable to the business lines, intercompany relations and in 2009 restructuring provisions booked as special items. See Note 51 of Note 2.1 to the consolidated financial statements for further disclosure of our segment reporting.

(2) Includes the gains on the sale of stakes in ABN AMRO and Numico

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The business lines are analyzed on a total basis for Income, Expenses and Result before tax, the geographical analyses are based on underlying figures.

RETAIL BANKING

		Retail Banking	
(EUR millions)	**2009**	**2008**	**2007**
Interest result	5,738	5,556	5,354
Commission income	1,331	1,535	1,591
Investment income	56	66	122
Other income	133	242	417
Total income	**7,258**	**7,399**	**7,483**
Operating expenses	5,096	5,578	5,206
Additions to the provision for loan losses	998	401	198
Total expenditure	**6,094**	**5,979**	**5,405**
Result before tax	**1,164**	**1,420**	**2,079**
Gains/losses on divestments			(32)
Special items	369	271	355
Underlying result before tax	**1,534**	**1,691**	**2,402**

Year ended December 31, 2009 compared to year ended December 31, 2008

Income

Total income decreased by 1.9%, or EUR 141 million, to EUR 7,258 million in 2009 from EUR 7,399 million in 2008. The interest result increased EUR 182 million or 3.3%, mainly driven by higher margins and volumes in Belgium, largely offset by the impact of lower margins in the Netherlands. Commission income decreased EUR 204 million or 13.3%, mainly due to lower fees on asset management related products. Investment and Other income decreased EUR 119 million or 38.5%, among other due to lower financial markets products related income in the mid-corporate segment and lower dividend income from the Asian equity investments.

Expenses

Operating expenses decreased by 8.6%, or EUR 482 million, to EUR 5,096 million in 2009 from EUR 5,578 million in 2008. In 2009, EUR 388 million of special items is included in operating expenses, mainly related to the Retail Netherlands Strategy (combining ING Bank and Postbank), and restructuring costs and provisions related to the Group initiative to reduce operating expenses. In 2008, EUR 271 million of special items is included related to the Retail Netherlands Strategy. Excluding these special items, operating expenses declined EUR 599 million or 11.3%, driven by the cost containment measures, the benefits from the transformation programmes in the Benelux and favourable currency impacts. The cost/income ratio increased to 70.2% in 2009 from 75.4% in 2008. Excluding special items, the underlying cost/income ratio improved to 65.0% from 71.7%.

The addition to the provision for loan losses increased by 149%, or EUR 597 million, to EUR 998 million in 2009 from EUR 401 million in 2008, mainly due to higher additions in the mid-corporate and SME segments and at Private Banking. All regions contributed to the increase. The total addition equalled 121 basis points of average credit-risk-weighted assets in 2009, compared to 53 basis points in 2008.

Result before tax and underlying result before tax

Result before tax decreased by 18.0%, or EUR 256 million, to EUR 1,164 million in 2009 from EUR 1,420 million in 2008. Special items, mainly the aforementioned provision and costs related to the Retail Netherlands Strategy and several other restructuring provisions, had a negative effect of EUR 98 million on result before tax compared with 2008. Excluding these special items, underlying result before tax decreased by EUR 157 million or 9.3%.

Netherlands

In the Netherlands, underlying result before tax declined by 30.2%, or EUR 383 million, to EUR 886 million in 2009 from EUR 1,269 million in 2008. Income declined by 10.6% to EUR 3,885 million in 2009 from EUR 4,346 million in 2008 as margins declined due to the continued competition for savings combined with lower fee income. Underlying operating expenses decreased by 12.6% to EUR 2,470 million, driven by cost containment measures and the benefits of the merger of ING Bank and Postbank. The addition to the loan loss provisions increased by EUR 277 million to EUR 529 million in 2009 mainly due to higher risk costs in the mid-corporate and SME segment.

Belgium

In Belgium, underlying result before tax increased 76.6%, or EUR 272 million, to EUR 627 million in 2009 from EUR 355 million in 2008, due to 18.6% higher income and 6.7% lower expenses. The increase in income was driven by higher margins and volumes on savings and deposits. Operating expenses decreased 6.7% as a result of the cost containment initiatives and the benefits of the transformation programme. The net addition to the loan loss provisions increased from EUR 32 million in 2008 to EUR 199 million in 2009, mainly in the mid-corporate and SME segment.

Central Europe

In Central Europe, underlying result before tax increased EUR 71 million, or 418%, driven by lower expenses. Operating expenses decreased 17.0% or EUR 135 million, reflecting both cost containment measures and favorable currency movements, while income declined 1.6%. The addition to the loan loss provisions in 2009 was EUR 116 million compared with a net addition of EUR 65 million in 2008. In Poland, result before tax declined to EUR 19 million from EUR 75 million in 2008, driven by lower income and higher additions to the loan loss provisions. ING Bank Turkey reported a profit before tax of EUR 87 million, compared with a loss of EUR 17 million in 2008.

Asia

Asia turned into a underlying loss before tax of EUR 67 million in 2009 versus a profit of EUR 50 million in 2008, driven by higher additions to the provision for loan losses and lower income. Income declined by 8.1% to EUR 306 million in 2009 from EUR 333 million in 2008, due to lower commissions and dividend income from equity investments. The addition to the provision for loan losses rose to EUR 153 million from EUR 52 million in 2008, mainly due to Private Banking as prices of assets that served as underlying collateral for loans decreased.

Year ended December 31, 2008 compared to year ended December 31, 2007

Income

Total income decreased by 1.1%, or EUR 84 million, to EUR 7,399 million in 2008 from EUR 7,483 million in 2007 as lower interest margins driven by the intensified competition for savings and a decline in asset management fees due to deterioration of equity markets offset the impact of the inclusion of ING Bank Turkey. Excluding the EUR 32 million gain on the divestment of RegioBank in 2007 , underlying income declined 0.8%.

Expenses

Operating expenses increased by 7.1%, or EUR 372 million, to EUR 5,578 million in 2008 from EUR 5,206 million in 2007. In 2008, EUR 271 million of special items is included related to the Retail Netherlands Strategy (combining ING Bank and Postbank). In 2007, special items amounted to EUR 351 million, of which EUR 295 million results from a provision and costs related to the Retail Netherlands Strategy and EUR 45 million to streamline the lending process in General Lending. Excluding these special items, operating expenses rose EUR 452 million or 9.3%, of which 6.3%-point can be attributed to the inclusion of ING Bank Turkey. The cost/income ratio increased to 75.4% in 2008 from 69.6% in 2007. Excluding divestments and special items, the underlying cost/income ratio rose to 71.7% from 65.1%.

The addition to the provision for loan losses increased by EUR 203 million, to EUR 401 million in 2008 from EUR 198 million in 2007, mainly caused by higher risk costs in the mid-corporate segment and at Private Banking (as underlying collateral for loans decreased significantly), and by the inclusion of ING Bank Turkey. The total addition equalled 53 basis points of average credit-risk-weighted assets in 2008.

Result before tax and underlying result before tax

Result before tax decreased by 31.7%, or EUR 659 million, to EUR 1,420 million in 2008 from EUR 2,079 million in 2007. Excluding divestments and special items, underlying result before tax decreased by EUR 711 million, or 29.6% to EUR 1,691 million.

Netherlands

In the Netherlands, underlying result before tax declined by 25.4%, or EUR 431 million, to EUR 1,269 million in 2008 from EUR 1,700 million in 2007. Income declined by 7.6% to EUR 4,346 million in 2008 from EUR

4,705 million in 2007 as margins declined due to the continued competition for savings combined with lower fee income. Average retail balances were up 5%. Underlying operating expenses increased by 0.2% to EUR 2,826

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million. The addition to the loan loss provisions increased by EUR 66 million to EUR 251 million in 2008 due to higher risk costs in the mid-corporate segment, small business lending and the residential mortgage portfolio.

Belgium

In Belgium, underlying result before tax declined by 24.8%, or EUR 117 million, to EUR 355 million in 2008 from EUR 472 million in 2007. Income decreased by 3.6% to EUR 1,842 million. The 7% growth in average retail balances could not compensate for lower management and securities fees and the margin pressure on savings products. Operating expenses increased by 3.3% to EUR 1,455 million due to the inflation effect on salaries and investments in the branch network. The net addition to the loan loss provisions remained flat at EUR 32 million.

Central Europe

In Central Europe, underlying result before tax decreased by 86.3% to EUR 17 million in 2008 from EUR 124 million in 2007. Total income rose by 77.4% to EUR 878 million, largely due to the inclusion of ING Bank Turkey. Excluding ING Bank Turkey, income was up 9.5% to EUR 542 million. Operating expenses doubled to EUR 795 million in 2008, but excluding ING Bank Turkey they were 23.8% higher due to investments in distribution channels and advertisement campaigns. The addition to the loan loss provisions in 2008 was EUR 65 million compared with a net release of EUR 24 million in 2007. In Poland, result before tax declined to EUR 75 million from EUR 146 million in 2007, driven by higher expenses and risk costs as a net release of EUR 27 million in 2007 turned into a EUR 5 million net addition in 2008. ING Bank Turkey reported a loss before tax of EUR 17 million.

Asia

In Asia, underlying result before tax decreased by 53.3% to EUR 50 million in 2008 from EUR 107 million in 2007 driven by a higher addition to the provision for loan losses and lower fee income. Income declined by 3.2% to EUR 333 million in 2008 as the financial crisis affected asset management and securities fees at Private Banking Asia. The addition to the provision for loan losses rose to EUR 52 million from EUR 5 million in 2007. The increase was mainly due to Private Banking Asia as prices of assets that served as underlying collateral for loans decreased significantly in the last quarter of 2008.

ING DIRECT

		ING Direct	
(EUR millions)	**2009**	**2008**	**2007**
Interest result	3,136	2,517	1,932
Commission income	167	150	98
Investment income	(1,276)	(1,853)	53
Other income	(182)	63	113
Total income	**1,845**	**878**	**2,196**
Operating expenses	1,722	1,750	1,598
Additions to the provision for loan losses	765	283	68
Total expenditure	**2,487**	**2,033**	**1,667**
Result before tax	**(641)**	**(1,155)**	**530**
Gains/losses on divestments			
Special items	(25)	30	
Underlying result before tax	**(666)**	**(1,125)**	**530**

Year ended December 31, 2009 compared to year ended December 31, 2008

Income

Total income increased by 110%, or EUR 967 million, to EUR 1,845 million in 2009 from EUR 878 million in 2008, mainly due to the EUR 619 million higher interest result and EUR 577 million improvement of investment income, partly offset by the EUR 245 million lower other income. The increase in the interest result was mainly driven by the improvement of the interest margin to 1.10% from 0.94% in 2008 supported by lower central bank rates across the globe and higher volumes. In 2009, total client balances grew by EUR 45.5 billion, or 14.8%, to EUR 353.8 billion at year-end. Commission income increased by 11.3% to EUR 167 million. Investment and other income was up EUR 332 million. This improvement was driven by EUR 497 million lower impairments on debt securities (mainly on the Alt-A RMBS portfolio in the US), EUR 82 million higher realized gains on the sale of bonds (including the results on the Illiquid Assets Back-up Facility transaction with the Dutch State) and higher net trading income, partly offset by lower valuation results non-trading derivatives.

Expenses

Operating expenses decreased by 1.6%, or EUR 28 million, to EUR 1,722 million in 2009 from EUR 1,750 million in 2008 despite a sharp increase in deposit insurance premiums in the US and Germany. The decline reflects strong cost containment, reduced marketing expenses and the cancellation of the Japan start up at the end of 2008. Excluding special items and impairments on debt securities, the underlying cost/income ratio decreased to 52.7% in 2009 from 62.1% in 2008. The number of full-time staff decreased by 5.3% to 9,448 at the end of 2009 from 9,980 a year earlier. The addition to the provision for loan losses increased by 170%, or EUR 482 million, to EUR 765 million in 2009 from EUR 283 million in 2008 mainly driven by a higher rate of delinquencies in the US mortgage market. The addition in 2009 equalled 124 basis points of average credit-risk-weighted assets, up from 63 basis points in 2008.

Result before tax

ING Direct s result before tax improved by EUR 514 million, to EUR (641) million in 2009 from EUR (1,155) million in 2008, primarily driven by higher interest results and lower impairments on debt securities, in part offset by higher additions to the loan loss provisions.

Underlying result before tax

In 2008, result before tax included a charge of EUR 30 million in special items related to the decision not to launch ING Direct Japan. In 2009, special items resulted in a profit of EUR 25 million, as additional expenses for not launching ING Direct Japan and other restructuring costs were more than offset by the result on the IABF transaction. Excluding special items, underlying result before tax from ING Direct in 2009 improved by EUR 459 million, to a loss of EUR 666 million in 2009 from a loss of EUR 1,125 million in 2008.

Country developments

Excluding impairments on debt securities, ING Direct s underlying result before tax decreased by EUR 37 million, or 4.8%, to EUR 729 million. Higher results in the UK (+ EUR 138 million), Australia (+ EUR 102 million), Canada (+ EUR 70 million), Spain (+EUR 32 million) and France (+ EUR 23 million) were more than offset by the development in the US and Germany (including Austria). In the US, ING Direct posted a pre-tax loss of EUR 7 million compared to a pre-tax profit of EUR 343 million in 2008, driven by higher additions to the provision for loan losses reflecting higher delinquencies and loss severities in the residential mortgages market. In Germany, result before tax declined EUR 80 million to EUR 217 million in 2009, mainly due to interest margin pressure in a highly competitive savings market.

Year ended December 31, 2008 compared to year ended December 31, 2007

Income

Total income decreased by 60.0%, or EUR 1,318 million, to EUR 878 million in 2008 from EUR 2,196 million in 2007. The decline was mainly due to EUR 1,906 million lower investment income related to large impairments on the asset-backed portfolio which could only be partly offset by a EUR 585 million higher interest result. The increase in the interest result is mainly driven by the widening of the interest margin to 0.94% from 0.75% in 2007 as a result of significant rate cuts by central banks worldwide and despite the intensified competition for retail funds as a result of the global liquidity crisis. The total client retail balances in 2008 grew EUR 12.6 billion or 4.1%, to EUR 322.7 billion at year-end, including the acquired deposits from Kaupthing Edge and Heritable Bank in October 2008. At comparable exchange rates, total client balances were up EUR 24.4 billion. Commission income increased supported by the acquisition of Sharebuilder Corporation in the US in the fourth quarter of 2007 and Interhyp in Germany in the third quarter of 2008. Investment income was down EUR 1,906 million, due to lower realised gains on the sale of bonds and a sharp increase in impairments on the investment portfolio mainly driven by a strong deterioration in the US housing market. Total impairments rose from EUR 29 million in 2007 to EUR 1,891 million in 2008. The impairments in 2008 consist of EUR 1,776 million for the Alt-A RMBS portfolio, EUR 30 million on subprime RMBS, EUR 81 million on Washington Mutual and EUR 4 million on asset-backed commercial paper in Canada.

Expenses

Operating expenses rose by 9.5%, or EUR 152 million, to EUR 1,750 million in 2008 from EUR 1,598 million in 2007. Excluding EUR 30 million in special items in 2008, related to impairment costs following the Group s decision not to launch ING Direct in Japan, operating expenses rose by EUR 122 million, or 7.6%, to EUR 1,720 million. This increase is driven by higher expenses related in part to retention and win-back campaigns and the acquisitions of Sharebuilder and Interhyp. Excluding impairments, the underlying cost/income ratio improved to 62.1% in 2008 from 71.8% in 2007. The operational cost to client retail balance ratio, which excludes marketing expenses, rose to 0.40% compared with 0.37% in 2007. The number of full-time staff increased to 9,980 at the end of 2008 from 8,883 a year earlier, of which 479 came from Interhyp.

The addition to the provision for loan losses increased to EUR 283 million in 2008 from EUR 68 million in 2007, driven by an increase in the US reflecting higher rate of delinquencies in the mortgages market and lower recovery.

Result before tax

Result before tax from ING Direct declined by EUR 1,685 million to a loss of EUR 1,155 million in 2008 from a profit of EUR 530 million in 2007. The decrease is fully caused by high impairments on the asset-backed portfolio, mainly driven by the deterioration of the US housing market.

Underlying result before tax

The loss before tax from ING Direct in 2008 included EUR 30 million in special items related to the decision not to launch ING Direct Japan. Excluding special items, the underlying loss before tax was EUR 1,125 million compared with a profit of EUR 530 million in 2007.

Country developments

Excluding impairments, ING Direct s underlying result before tax rose by EUR 207 million, or 37.0%, to EUR 766 million in 2008 from EUR 559 million in 2007. In the US, result before tax (excluding impairments) increased to EUR 343 million from EUR 78 million in 2007, driven by the improved interest environment. In Canada (also excluding impairments), result before tax almost doubled to EUR 59 million from EUR 30 million in 2007. The UK showed good progress by reducing its loss (excluding impairments) to EUR 72 million in 2008 from a loss of EUR 120 million in 2007. All other countries reported lower results due to the intensified competition for retail funds and an increase in risk costs.

COMMERCIAL BANKING

	Commercial Banking		
(EUR millions)	**2009**	**2008**	**2007**
Interest result	3,821	3,240	1,748
Commission income	1,185	1,213	1,235
Investment income	(531)	(314)	780
Other income	(443)	(3,741)	1,549
Total income	**4,031**	**398**	**5,312**
Operating expenses	3,055	2,902	2,978
Additions to the provision for loan losses	1,210	596	(142)
Total expenditure	**4,265**	**3,498**	**2,836**
Result before tax	**(234)**	**(3,100)**	**2,476**
Gains/losses on divestments			
Result before tax from divested units			
Special items	272		94
Underlying result before tax	**38**	**(3,100)**	**2,570**

Year ended December 31, 2009 compared to year ended December 31, 2008

Income

Total income increased EUR 3,633 million to EUR 4,031 million in 2009 from EUR 398 million in 2008. The interest result increased 17.9%, or EUR 581 million, to EUR 3,821 million in 2009 from EUR 3,240 million in 2008, driven by higher margins in Structured Finance, General Lending and Real Estate Finance. Commission income declined 2.3%, or EUR 28 million, to EUR 1,185 million in 2009 from EUR 1,213 million in 2008.

Investment and other income improved by EUR 3,081 million, to EUR (974) million in 2009 from EUR (4,055) million in 2008. This strong improvement was due to Financial Markets, driven by EUR 3,614 million higher fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB. Investment and other income at ING Real Estate decreased by EUR 771 million to EUR (1,018) million, of which EUR 228 million lower fair value changes on direct real estate investments, EUR 172 million lower result from associates and EUR 129 million lower valuation results from non-trading derivatives.

Expenses

Operating expenses increased by EUR 153 million, or 5.3%, to EUR 3,055 million in 2009 from EUR 2,902 million in 2008. Excluding EUR 272 million restructuring expenses booked as special items in 2009, operating expenses remained under control and decreased by EUR 119 million or 4.1% to EUR 2,783 million, despite EUR 385 million higher impairments on real estate development projects (in 2009 EUR 451 million, in 2008 EUR 66 million). Including the EU IAS 39 hedge accounting carve-out, the cost/income ratio improved to 65.2% in 2009 compared with 70.7% in 2008. Also adjusted for the impact of special items, the underling cost/income ratio improved to 59.4% from 70.7% in 2008.

The addition to the provision for loan losses was EUR 1,210 million in 2009, an increase by EUR 614 million or 103% compared with 2008, reflecting the worsening of the economic conditions. The addition in 2009 equalled 85 basis points of average credit-risk-weighted assets (in 2008 41 basis points).

Result before tax

Result before tax increased EUR 2,866 million to EUR (234) million in 2009 from EUR (3,100) million in 2008. Special items in 2009 (restructuring costs and provisions) had a negative impact of EUR 272 million. Excluding these special items, underlying result before tax increased by EUR 3,138 million.

Underlying result before tax

Underlying result before tax from Commercial Banking increased EUR 3,138 million, to EUR 38 million in 2009 from EUR (3,100) million in 2008. Higher underlying results before tax were recorded in Financial Markets (largely due to higher fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB), General Lending & PCM and Other Products. Underlying results from Structured Finance and Leasing & Factoring both declined, fully attributable to the higher addition to the provision for loan losses. ING Real Estate result declined from EUR (297) million to EUR (1,389) million, driven by negative revaluations on real estate investments and impairments on development projects.

General Lending & PCM

In General Lending & Payments and Cash Management (PCM), underlying result before tax increased 40.6%, or EUR 123 million, to EUR 426 million in 2009 from EUR 303 million in 2008, as the higher addition to the loan loss provision was more than offset by higher income and lower operating expenses. Total income increased by 14.0%, or EUR 152 million, to EUR 1,235 million in 2009 from EUR 1,083 million in 2008, driven by an increase in interest margins and higher commission income. Operating expenses decreased by 11.9%, or EUR 70 million, to EUR 520 million in 2009 from EUR 590 million in 2008. The addition to the provision for loan losses rose to EUR 289 million in 2009 from EUR 190 million in 2008.

Structured Finance

In Structured Finance, underlying result before tax declined by 11.1%, or EUR 36 million, to EUR 287 million in 2009 from EUR 323 million in 2008. Income increased by 17.2% or EUR 165 million, to EUR 1,122 million in 2009 from EUR 957 million in 2008, driven by higher interest margins. Operating expenses decreased by 18.8%, or EUR 67 million, to EUR 290 million in 2009 from EUR 357 million in 2008. The addition to the loan loss provision rose by 96.8% from EUR 277 million in 2008 to EUR 545 million in 2009; excluding the addition to the loan loss provision the underlying result before tax was up 38.7%.

Leasing & Factoring

In Leasing & Factoring, underlying result before tax decreased by 43.7%, or EUR 52 million, to EUR 67 million in 2009 from EUR 119 million in 2008. Total income dropped slightly by 0.7%, or EUR 3 million, to EUR 403 million in 2009 from EUR 406 million in 2008. Operating expenses decreased by 15.9%, or EUR 38 million, to EUR 201 million in 2009 from EUR 239 million in 2008, as a result of the cost containment initiatives and the reorganisation of general lease activities in Germany and France as well as car leasing in Spain. The addition to the loan loss provisions increased from EUR 48 million in 2008 to EUR 135 million in 2009, mainly related to general leasing.

Financial Markets

Underlying result before tax from Financial Markets increased by EUR 3,987 million, from a loss of EUR 3,354 million in 2008 to a profit of EUR 633 million in 2009. Total income increased by EUR 3,911 million, to EUR

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1,267 million in 2009 from EUR (2,644) million in 2008, largely due to EUR 3,614 million higher fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB. Furthermore interest result increased by 4.7% or EUR 66 million, investment income improved by EUR 143 million, commission income improved by EUR 98 million and operating expenses decreased by 10.7%, or EUR 76 million.

Other Products

Underlying result before tax from the Other Products turned into a profit of EUR 14 million in 2009 from a loss of EUR 195 million in 2008. Income increased by EUR 86 million supported by positive revaluations on participations in ING Investment Management in the US and on equity swap positions. Operating expenses declined by EUR 116 million due to cost containment initiatives and EUR 30 million of restructuring costs taken in 2008.

ING Real Estate

Underlying result before tax of ING Real Estate decreased by EUR 1,092 million, to a loss of EUR 1,389 million in 2009 from a loss of EUR 297 million in 2008, mainly due to higher negative revaluations and impairments. Total income declined by 160%, or EUR 678 million, to EUR (253) million in 2009 from EUR 425 million in 2008, mainly due to negative revaluations caused by declining property values. Operating expenses increased by 39.7%, or EUR 255 million, to EUR 897 million from EUR 642 million in 2008, mainly driven by higher impairments on development projects. Result before tax of the Investment Management activities decreased by 8.8%, or EUR 7 million to EUR 73 million in 2009, due to lower fee income. The Investment Portfolio posted a loss of EUR 1,173 million in 2009 compared to a loss of EUR 695 million in 2008, reflecting higher negative revaluations. Result before tax at the Finance activities decreased by 24.6% to EUR 181 million in 2009, as higher margins could not compensate for the drop in volumes and higher additions to the loan loss provision. Result from Development turned from a profit of EUR 78 million in 2008 to a loss of EUR 470 million in 2009, mainly attributable to impairments on real estate projects.

Year ended December 31, 2008 compared to year ended December 31, 2007

Income

Total income decreased by 92.5%, or EUR 4,914 million, to EUR 398 million in 2008 from EUR 5,312 million in 2007. The total interest result increased by 85.4%, or EUR 1,492 million, to EUR 3,240 million in 2008 from EUR 1,748 million in 2007, due to both higher margins and increased volumes. Commission income declined 1.8%, or EUR 22 million, to EUR 1,213 million in 2008 from EUR 1,235 million in 2007. Investment and other income declined by EUR 6,384 million, to a loss of EUR 4,055 million in 2008 from a profit of EUR 2,329 million in 2007. ING Real Estate contributed EUR 947 million to this decrease, of which EUR 450 million lower fair value changes in the direct real estate investments and EUR 415 million lower result from associates. Investment and other income at Financial Markets was EUR 5,016 million lower, driven by EUR 4,940 million lower fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB; net trading income was EUR 259 million higher, but investment income EUR 298 million lower. The interest result of Financial Markets increased by EUR 901 million to EUR 1,396 million.

Expenses

Operating expenses decreased by EUR 76 million, or 2.6%, to EUR 2,902 million in 2008 from EUR 2,978 million in 2007. Excluding EUR 94 million in special items in 2007, operating expenses rose by EUR 18 million or 0.6% from EUR 2,884 million in 2007. This increase can be attributed to ING Real Estate whose expenses increased by EUR 72 million, or 12.6%, driven by impairments on development projects. The EUR 94 million in special items related to provisions for initiatives started in 2007 to stimulate growth and reduce operating expenses, including EUR 45 million for the reduction of 300 full-time functions across Commercial Banking and EUR 49 million to reinforce its Financial Markets business in selected developing markets. Including the EU IAS 39 hedge accounting carve-out, the cost/income ratio deteriorated to 70.7% in 2008 compared with 62.0% in 2007. Also excluding the impact of special items, the underlying cost/income ratio deteriorated from 60.1% in 2007 to 70.7% in 2008.

The net addition to the provision for loan losses was EUR 596 million in 2008 compared with a net release of EUR 142 million in 2007, reflecting the worsening of the economic conditions. The net addition in 2008 equalled 41 basis points of average credit-risk-weighted assets.

Result before tax

Result before tax decreased by EUR 5,576 million, or 225.2%, to EUR (3,100) million in 2008 from EUR 2,476 million in 2007. Special items in 2007 (provisions for initiatives to stimulate growth and reduce operating expenses) had a negative impact of EUR 94 million.

Underlying result before tax

Underlying result before tax from Commercial Banking declined by 220.6%, or EUR 5,670 million, to EUR (3,100) million in 2008 from EUR 2,570 million in 2007. Lower underlying results before tax were recorded in all product lines, especially in Financial Markets (fully due to lower fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB). The results of General Lending & PCM and Structured Finance declined despite strong income growth due to higher additions to the provision for loan losses. Leasing & Factoring was down due to lower results in car leasing and higher risk costs in general leasing. ING Real Estate turned into a loss driven by negative revaluations on real estate investments and impairments on development projects.

General Lending & PCM

In General Lending & Payments and Cash Management (PCM), underlying result before tax declined 39.9%, or EUR 201 million, to EUR 303 million in 2008 from EUR 504 million in 2007, fully due to higher additions to the provision for loan losses. Total income increased by 24.5%, or EUR 214 million, to EUR 1,083 million in 2008 from EUR 870 million in 2007, driven by an increase in interest margins and growth in volumes. Operating expenses increased by 7.5%, or EUR 41 million, to EUR 590 million in 2008 from EUR 549 million in 2007. The addition to the provision for loan losses rose to EUR 190 million in 2008 from a net release of EUR 183 million in 2007.

Structured Finance

In Structured Finance, underlying result before tax declined by 18.2%, or EUR 72 million, to EUR 323 million in 2008 from EUR 395 million in 2007. Income increased by 30.2%, or EUR 222 million, to EUR 957 million in 2008 from EUR 735 million in 2007, mainly in the product lines Natural Resources and International Trade & Export Finance. Operating expenses increased by 5.6%, or EUR 19 million, to EUR 357 million in 2008 from EUR 338 million in 2007. The addition to the loan loss provision rose from EUR 2 million in 2007 to EUR 277 million in 2008, largely attributable to Leveraged Finance and Trade & Commodity Finance.

Leasing & Factoring

In Leasing & Factoring, underlying result before tax decreased by 22.2%, or EUR 34 million, to EUR 119 million in 2008 from EUR 153 million in 2007. Total income rose by 2.0%, or EUR 8 million, to EUR 406 million in 2008 from EUR 398 million in 2007, driven by growth in general leasing and factoring, partly offset by lower income in car leasing due to deterioration in the used vehicle market. Operating expenses increased by 8.6%, or EUR 19 million, to EUR 239 million in 2008 from EUR 220 million in 2007, due to investments to grow the business, including the impact of the acquisition of Citileasing in Hungary. The addition to the loan loss provisions increased from EUR 25 million in 2007 to EUR 48 million in 2008, mainly related to general leasing.

Financial Markets

Underlying result before tax from Financial Markets decreased by EUR 4,164 million, to EUR (3,354) million in 2008 from EUR 811 million in 2007. Total income decreased by EUR 4,138 million, to EUR (2,644) million in 2008 from EUR 1,494 million in 2007, largely due to EUR 4,940 million lower fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB. Interest result increased by 82% or EUR 901 million, especially at Asset & Liability Management and the client-related business within Financial Markets. This was partially offset by EUR 400 million of impairments and credit-related markdowns in 2008 compared with EUR 118 million in 2007. Operating expenses increased by 4.1%, or EUR 28 million, to EUR 707 million in 2008 from EUR 679 million in 2007. The addition to the loan loss provisions in 2008 was only EUR 2 million.

Other Products

Underlying result before tax from the Other Products turned into a loss of EUR 195 million in 2008 from a profit of EUR 43 million in 2007. The decrease is mainly caused by lower results from the Asset Management and Equity Markets business as well as lower capital gains not allocated to the product groups.

ING Real Estate

Underlying result before tax of ING Real Estate decreased by EUR 961 million, to a loss of EUR 297 million in 2008 from a profit of EUR 664 million in 2007. Total income declined by 65.6%, or EUR 810 million, to EUR 425 million in 2008 from EUR 1,235 million in 2007, mainly due to negative revaluations caused by declining property values. Operating expenses increased by 12.6%, or EUR 72 million, to EUR 642 million from EUR 570 million in 2007, driven by impairments on development projects and EUR 18 million one-off restructuring costs. Result before tax of the Investment Management activities decreased by 48.7%, or EUR 76 million to EUR 80 million in 2008, due to lower fee income and restructuring costs. The result of the Investment Portfolio turned into a loss of EUR 695 million in 2008 reflecting negative revaluations on investments. Result at the Finance activities increased by 12.1% to EUR 240 million in 2008, driven by growth in the lending portfolio. Result from Development increased to EUR 78 million in 2008 from EUR 33 million in 2007, supported by EUR 60 million of positive fair value changes from a reclassification of some land positions in Spain from projects under construction to available for sale and higher gains on the sale of completed projects, which more than offset the impairments on development projects.

INSURANCE EUROPE

		Insurance Europe	
	2009	**2008**	**2007**
		(EUR millions)	
Premium income	9,750	10,194	10,616
Commission income	494	491	477
Investment and Other income	2,383	3,804	5,169
Total income	**12,627**	**14,489**	**16,262**
Underwriting expenditure	10,324	11,559	11,595
Other interest expenses	318	513	591
Operating expenses	1,713	1,764	1,774
Other impairments		2	1
Total expenditure	**12,355**	**13,838**	**13,962**
Result before tax	**272**	**651**	**2,300**
Gains/losses on divestments	168		(460)
Result before tax from divested units			
Special items	210		
Underlying result before tax	**650**	**651**	**1,840**

Year ended December 31, 2009 compared to year ended December 31, 2008

Income

Total premium income decreased by EUR 444 million to EUR 9,750 million from EUR 10,194 million in 2008. Life premiums decreased EUR 480 million to EUR 8,025 million and non-life premiums increased by EUR 36 million to EUR 1,725 million, in line with moderate inflation. The decrease in life premiums was caused by the Netherlands (EUR 247 million) and Central Europe (EUR 451 million), whereas Belgium and Luxembourg showed a growth in life premiums (EUR 217 million). In the Netherlands, premiums declined despite the one-time favourable impact of EUR 127 million from a change in group pension premium recognition, due to lower salary indexation on group contracts and fierce competition on the market for retail immediate annuities. The decrease in Central Europe was mainly concentrated in Spain, Hungary and Poland and was partly explained by the lower exchange rates of Central European currencies (EUR 147 million) as well as a large group contract signed in Spain in 2008 (EUR 70 million). Premium income in Belgium and Luxembourg showed an increase due to the sales of the recently introduced VA products.

Expenses

Operating expenses decreased by EUR 51 million to EUR 1,713 million in 2009 from EUR 1,764 million in 2008. In 2009, significant expenses related to restructuring initiatives were made (EUR 210 million) to bring the cost structure more in line with the new economic circumstances. Excluding these restructuring expenses, operating expenses decreased EUR 261 million partly helped by the depreciation from Central European currencies against the euro (EUR 25 million) as well as changes in the allocation of group overhead expenses. In 2009, an internal staff reduction of 1,429 full-time equivalents was achieved.

Result before tax

The result before tax decreased by EUR 379 million to EUR 272 million in 2009 from EUR 651 million in 2008. In 2009, the result before tax was impacted by the divestment of the so-called industry pension fund portfolio of Nationale-Nederlanden (EUR 160 million loss). In line with ING s Back to Basics strategy, ING sold the life pension business in Russia as well as the non-life operations in Greece (EUR 8 million loss). Also the life business in Russia was put into liquidation.

Underlying result before tax

Insurance Europe s underlying profit before tax in 2009 slightly decreased to EUR 650 million from EUR 651 million in 2008, despite the recovery of the financial markets in the course of the year. Positive 2009 result items were EUR 444 million higher private equity revaluations, a EUR 190 million improvement in the change in the provision for guarantees on separate account pension contracts (net of hedging) and EUR 250 million lower underlying operating expenses. These positive elements were offset by EUR 499 million lower public equity income due to lower corporate profits as well as ING s de-risking policy through equity securities divestments. Also profit sharing for policyholders increased by EUR 102 million, the result on equity index options that hedge equity investments fell by EUR 68 million, negative currency impact (EUR 35 million) and the non-life underwriting result decreased EUR 97 million.

The Netherlands

Underlying result before tax in the Netherlands increased to EUR 304 million from 242 million in 2008. Positive 2009 result items were EUR 420 million higher private equity revaluations, a EUR 190 million improvement in the change in the provision for guarantees on separate account pension contracts (net of hedging) and lower underlying operating expenses (EUR 217 million). These positive elements were offset by EUR 479 million lower public equity income due to lower corporate profits as well as ING s de-risking policy through equity securities divestments. Also, the profit sharing for policyholders in the Netherlands increased by EUR 99 million, the result on equity index options that hedge equity investments fell by EUR 68 million, and the non-life underwriting result decreased EUR 93 million.

The underlying result before tax for life insurance increased to EUR 97 million from EUR -50 million last year. Income from private equity increased with EUR 362 million. Also there was a EUR 190 million improvement in the change in the provision for guarantees on separate account pension contracts (net of hedging) and lower operating expenses (EUR 128 million). These positive elements were offset by EUR 357 million lower public equity income due to lower corporate profits as well as ING s de-risking policy through equity securities divestments. Also, the profit sharing for policyholders in the Netherlands increased by EUR 99 million and the result on equity index options that hedge equity investments fell by EUR 68 million.

The underlying result before tax for non-life insurance decreased to EUR 207 million from EUR 292 million last year. This is mainly due to the non-life underwriting result which decreased by EUR 93 million.

Belgium

Underlying result before tax in Belgium increased to EUR 1 million in 2009 from EUR 78 million in 2008 mainly due to EUR 70 million capital losses and impairments on debt securities. Premium income increased EUR 73 million due to the newly introduced variable annuity product.

Central and Rest of Europe

Central Europe s underlying profit before tax declined to EUR 319 million from EUR 329 million in 2008, as EUR 63 million lower underlying operating expenses were more than offset by EUR 25 million higher losses and impairments on fixed income securities and EUR 50 million lower revaluations of non-trading derivatives.

Year ended December 31, 2008 compared to year ended December 31, 2007

Income

Total premium income decreased by EUR 422 million to EUR 10,194 million in 2008 from EUR 10,616 million in 2007, primarily due to the impact from the divestment of the Belgian broker and employee benefits business in September 2007 (EUR 363 million). Excluding this impact, premium income decreased EUR 59 million as sales from investment products suffered across Europe due to volatile equity markets and increased competition from bank deposits. Non-life premium income was flat despite fierce competition as market share was maintained. In Central and Rest of Europe, premium income increased to EUR 2,486 million from EUR 2,436 million, mainly due to growth in Poland as a result of higher sales of traditional products.

Expenses

Operating expenses decreased by EUR 10 million to EUR 1,764 million in 2008 from EUR 1,774 million in 2007. Excluding the divestment of the Belgian broker and employee benefits business, operating expenses increased by EUR 38 million, of which EUR 23 million came from Belgium and Luxembourg and EUR 29 million came from Central and Rest of Europe, offset by the Netherlands where operating expenses decreased by EUR 15 million due to lower reorganization expenses. In Belgium and Luxembourg, the expense increase was partly related to the legal transfer of ING s investment management operations in Brussels from ING Bank to ING Insurance. The increase in operating expenses in Central and Rest of Europe reflected business growth as well as investments for a multi-year operational efficiency program that started in 2008.

Result before tax

Result before tax decreased by EUR 1,649 million to EUR 651 million in 2008 from EUR 2,300 million in 2007, primarily due to lower investment income across most asset classes. There were no material divestments in 2008. However, the sale of the of Belgian broker and employee benefits business led to a gain of EUR 418 million in 2007.

Underlying result before tax

Underlying result before tax for Insurance Europe declined by EUR 1,189 million to EUR 651 million in 2008 from EUR 1,840 million in 2007 due to lower investment income across most asset classes. Income from real estate of EUR (278) million decreased from EUR 371 million a year ago due to negative revaluations of properties in the United Kingdom and continental Europe. Income from private equity of EUR (296) million compares to EUR 160 million in 2007. Financial market distress also led to EUR 80 million impairment on fixed income funds. In Central and Rest of Europe, underlying profit declined marginally to EUR 329 million in 2008 from EUR 332 million in 2007. Despite market turmoil, Poland, which accounts for about half the region s result, was able to increase its profit by EUR 23 million. However, this was offset by lower profit contributions by Spain (EUR (10) million) and Hungary (EUR (11) million).

The Netherlands

Underlying result before tax in the Netherlands decreased to EUR 242 million in 2008 from EUR 1,444 million in 2007 due to investment losses across most asset classes. Income from real estate dropped to EUR (278) million from EUR 371 million in 2007 due to negative revaluations of properties in the United Kingdom and continental Europe. Negative revaluations and impairments on private equity investments resulted in income of EUR (296) million in 2008, down from EUR 160 million in 2007. Furthermore, the capital upstream of EUR 5.0 billion to the Corporate Line Insurance in 2007 contributed to lower investment income in 2008.

The underlying result before tax for life insurance decreased to EUR (49) million in 2008 from EUR 1,029 million in 2007. Income from real estate dropped to EUR (258) million from EUR 345 million in 2007 due to negative revaluations of properties in the United Kingdom and continental Europe. In November, ING s Dutch insurance subsidiaries reached an agreement in principle with consumer organizations regarding individual unit-linked life policies that were sold in the Netherlands. This agreement is non-binding for individual policyholders. There was no material P&L impact as adequate provisions had already been established. Capital gains on debt securities and fixed income funds decreased to EUR (79) million in 2008 compared to EUR 20 million in 2007. Life premium income stayed flat at EUR 1,590 in 2008 versus EUR 1,587 million in 2007 despite the weak investment climate. Termination of low-return group contracts and cessation of the sale of traditional unit-linked products were offset by higher sales of group life products through indexation, as well as higher sales due to single premium fixed annuities in the Netherlands.

Underlying result before tax for non-life insurance decreased to EUR 292 million in 2008 from EUR 415 million in 2007 primarily due to negative revaluations of real estate and private equity investments. The combined investment income from real estate and private equity declined EUR 111 million year over year. Furthermore, higher releases of technical provisions in 2007 than in 2008 contributed to lower results in 2008. Non-life premium income was flat at EUR 1,590 million in 2008 versus EUR 1,587 million in 2007 as market share was maintained despite fierce competition due to new entrants and an increasing number of insurers offering their services through the internet.

Belgium

Underlying result before tax in Belgium increased to EUR 77 million in 2008 from EUR 54 million in 2007 due to lower profit-sharing for the Optima product which added EUR 10 million to the underlying result, as well as a higher release of EUR 10 million in technical provisions in 2008. Premium income from life insurance decreased to EUR 1,064 million in 2008 from EUR 1,160 million in 2007 due to the weak investment climate and competition from banks for retail savings.

Central and Rest of Europe

Underlying result before tax declined marginally to EUR 329 million in 2008 from EUR 332 million in 2007. Underlying pre-tax profit was down in Spain to EUR 35 million from EUR 44 million in 2007, and in Hungary to EUR 68 million from EUR 79 million in 2007, which was offset by Poland where pre-tax profit increased to EUR 158 million in 2008 from EUR 135 million in 2007. Results in Hungary and Spain were impacted by impairments on fixed income securities and equity hedge losses. Life premium income increased to EUR 2,446 million from EUR 2,394 as higher premiums in Poland were partially offset by lower premiums in Hungary and Spain. Premium income in Spain and Hungary was impacted by lower sales of unit linked products and variable annuities amidst unfavorable market conditions. The successful introduction of a single premium investment product in Poland generated EUR

542 million in sales, which were not reflected in gross premiums.

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INSURANCE AMERICAS

	2009	Insurance Americas 2008 (EUR millions)	2007
Premium income	14,056	22,549	23,537
Commission	1,193	1,254	1,036
Investment and Other income	1,004	3,935	5,108
Total income	**16,253**	**27,738**	**29,681**
Underwriting expenditure	14,503	25,319	24,682
Other interest expenses	225	222	328
Operating expenses	1,771	2,574	2,519
Other impairments		212	
Total expenditure	**16,499**	**28,327**	**27,529**
Result before tax	**(246)**	**(589)**	**2,152**
Gains/losses on divestments	111	(237)	(560)
Result before tax from divested units	1	(224)	(35)
Special items	196	93	
Underlying result before tax	**61**	**(958)**	**1,556**

Year ended December 31, 2009 compared to year ended December 31, 2008.

Income

Total premium income decreased by 37.7%, or EUR 8,493 million, to EUR 14,056 million in 2009. Underlying premium income decreased 26.2%, or 30.6% excluding currency impacts, to EUR 13,973 million, primarily due to a decline in variable annuity sales in the US. Underlying investment and other income decreased 62.2%, or EUR 1,807 million to EUR 1,096 million in 2008 due to a combination of lower investment yields from de-risking actions and unfavourable results from non-trading derivatives, including the funding capital hedge entered into in late 2008. Lower impairments and favourable revaluations on alternative asset investments partially offset the decline.

Expenses

Operating expenses declined 31.2%, or EUR 803 million, to EUR 1,771 million in 2009. Underlying expenses declined 8.1%, or 7.6% excluding currency impacts, to EUR 1,611 million in 2009. In the US, expenses declined due to lower staff cost and lower sales-related expenses.

Result before tax

Results before tax includes total losses on divestments of EUR 111 million, which includes losses associated with the divestment of Canada s non-life business, Chile s annuity, mortgage and consumer credit businesses and the US independent retail broker dealer units. In addition, the special items in 2009 mainly reflect restructuring charges in the US, integration expenses for CitiStreet in the US and cost related to the Alt-A transaction with the Dutch state.

Underlying results before tax

Insurance Americas returned to profitability in 2009, posting underlying results before tax of EUR 61 million, up EUR 1,019 million from the loss reported in 2008. Underlying loss before tax in the US improved EUR 898 million to a loss of EUR 219 million in 2009, mainly due to lower negative DAC unlocking, lower investment losses and impairments, and lower operating expenses. Losses on the capital hedge, lower fee income and lower investment margins partially offset the improvement. In Latin America, underlying profit before tax improved 75.8% to EUR 280 million, led by strong results in the pension businesses.

At year-end 2009, IFRS reserve adequacy for Insurance Americas deteriorated compared with year-end 2008. The net liability provisions for Insurance Americas became insufficient by EUR 1.6 billion at the 90% confidence level, which is significantly more conservative than using the best estimate reserve adequacy approach commonly employed, particularly among US companies. The net liability provisions remain sufficient by EUR 1.8 billion at the 50% confidence level.

United States

Premium income decreased 26.3% to EUR 13,812 million in 2009. The decrease was mainly due to lower variable annuity sales, where sales were intentionally reduced by increasing charges and reducing benefit guarantees. Operating expenses declined 7.0%, or 7.4% excluding currency impacts, due to lower staff cost, reflecting 12% reduction in FTEs since year-end 2008, and lower sales-related expenses. Underlying loss before tax was EUR 219 million in 2009, representing a substantial improvement from the EUR 1,117 million loss reported in 2008. Lower negative DAC unlocking, lower investment losses and impairments, and lower operating expenses led the recovery. Losses on the capital hedge, a decline in AUM-based fee income and lower investment margins from de-risking actions partially offset the improvement.

Latin America

Premium income decreased 19.2% to EUR 161 million as Chile exited the disability and survivorship market during 2009 due to regulatory change. Operating expenses declined 16.3%, or 10.1% excluding currency impacts, mainly due to lower staff-related costs, including incentive compensation, and professional fees. Underlying profit before tax improved EUR 121 million to EUR 280 million, as recovery of equity markets through the region led to an improvement on the legally-required investment in the pension business. Additionally, higher pension fee income and lower operating expenses also contributed to the profit improvement.

Year ended December 31, 2008 compared to year ended December 31, 2007

Income

Total premium income decreased by 4.2%, or EUR 988 million, from EUR 23,537 million in 2007 to EUR 22,549 million in 2008. Underlying premiums decreased by 1.2% to EUR 18,935 million. The decline was concentrated in Latin America, due to the sale of the health business in Chile in the first quarter of 2008. Commission income increased by 21.0%, or EUR 218 million to EUR 1,254 million in 2008 from EUR 1,036 million in 2007, primarily due to the acquisitions of the annuity and pension business from Santander in Latin America at the end of 2007. Investment and Other income decreased 23.0% or EUR 1,173 million from EUR 5,108 million in 2007 to EUR 3,935 million in 2008 due to credit related losses and impairments, unfavorable results on non-trading derivatives and losses from limited partnerships.

Expenses

Operating expenses increased by 2.2%, or EUR 55 million from EUR 2,519 million in 2007 to EUR 2,574 million in 2008. Underlying expenses increased 2.8%, mainly due to integration and operating expenses triggered by the acquisition of CitiStreet in the US and the acquisition of pension business from Santander in Latin America.

Result before tax

Result before tax in 2008 included a gain of EUR 55 million, which resulted from the divestment of Chile health business in the first quarter of 2008 and a gain of EUR 182 million which resulted from the divestment of Mexico insurance business in the third quarter of 2008. In addition, the result before tax in 2008 included the results from the divested business in Mexico, Argentina (nationalization of the pension business), Chile, and Canada. The special items in 2008 related to integration expenses for CitiStreet in the US (EUR 90 million before tax), and restructuring charges in several countries in Latin America (EUR 3 million before tax).

Underlying result before tax

Underlying result before tax from Insurance Americas decreased to a loss of EUR 958 million in 2008 from a profit of EUR 1,556 million in 2007. Underlying result before tax in the US decreased by EUR 2,473 million from a profit of EUR 1,356 million in 2007 to a loss of EUR 1,117 in 2008, primarily due to net investment losses and negative impact from deferred acquisition costs unlocking. In Latin America underlying profit before tax decreased by 20.5%, or EUR 41 million to EUR 159 million in 2008 from EUR 200 million in 2007.

United States

Underlying premium income increased by 0.3%, or 8.4% excluding currency impact to EUR 18,736 million in 2008 from EUR 18,677 million in 2007. This increase was mainly due to higher sales of retirement services, variable annuities and fixed annuities. Operating expenses increased 2.3%, or 10.1% excluding currency impact to EUR 1,531 million due to the acquisition of CitiStreet in the second quarter of 2008, partly offset by lower personnel-related expenses. Underlying result before tax decreased to a loss of EUR 1,117 million from a profit of EUR 1,356 million in 2007. The negative result before tax in 2008 included investment losses (pre-DAC) of EUR 965 million. In addition, deferred acquisition costs unlocking had a negative impact of EUR 1,180 million in 2008, compared with a positive impact of EUR 14 million in 2007. The further decrease of underlying result was due to lower fee income in 2008 from lower assets under management in retirement services, higher cost of guaranteed benefits in 2008 in variable annuities, negative limited partnerships result in 2008, and lower result from private equity investments.

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Latin America

Premium income decreased EUR 280 million to EUR 199 million primarily due to the sale of the health business in Chile in the first quarter of 2008. Operating expenses increased 7.2%, mainly due the acquisition of pension business from Santander. Underlying profit before tax declined EUR 41 million to EUR 159 million due to lower investment gains (especially in Mexico), lower investment results on the legally-required capital in the pension businesses (especially in Chile and Peru), and higher non-life results in Brazil, including a tax reserve release of EUR 24 million.

INSURANCE ASIA/PACIFIC

		Insurance Asia/Pacific	
	2009	**2008**	**2007**
		(EUR millions)	
Premium income	6,653	11,040	12,632
Commission	242	319	382
Investment and Other income	1,455	2,800	1,369
Total income	**8,350**	**14,159**	**14,383**
Underwriting expenditure	6,124	12,611	12,517
Other interest expenses	926	720	175
Operating expenses	756	1,040	1,115
Other impairments	1	0	0
Total expenditure	**7,806**	**14,372**	**13,807**
Result before tax	**543**	**(213)**	**576**
Gains/losses on divestments	(337)	214	
Result before tax from divested units	(26)	(2)	(148)
Special items	40		
Underlying result before tax	**220**	**(1)**	**428**

Year ended December 31, 2009 compared to year ended December 31, 2008

Total underlying income

Gross premium income declined 39.7% or EUR 4,387 million to EUR 6,653 million in 2009 from EUR 11,040 million in 2008. The decrease was mainly due to the 40.8% lower premium income in Japan, as a result of the cessation of the SPVA business as of July 31, 2009. Excluding the discontinued SPVA business in Japan, premium income fell 32.2%, due to the drop in new sales in South Korea on an overall weaker demand for investment-linked products in 2009, partly offset by higher premium income from robust new business growth in Malaysia, Hong Kong and Thailand. Total underlying income was down by 41.0% from EUR 14,159 Million to EUR 8,350 million, primarily due to the SPVA business in Japan, where fair value changes on derivatives used to hedge Japan s guaranteed variable annuity benefits are reflected in Total investment and other income, offset by a reduced increase in benefit reserves reflected in the underwriting expenditure.

Operating expenses

Operating expenses were down 27.3% or EUR 284 million to EUR 756 million from a year earlier driven by ongoing regional and business unit cost containment initiatives and efforts. In particular, operating expenses in South Korea and Japan declined 25.3% and 19.2%, respectively, as structural, i.e. administrative expenses, shrank, on lower fixed personnel costs due to ongoing staff rationalization and business and organizational restructuring. Operating expenses excluding divested units in Australia, New Zealand (2009) and Taiwan (2008) and currency effects decreased 15.9% to EUR 599 million.

Result before tax

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

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Underlying result before tax

The underlying result before tax was EUR 220 million in 2009 compared with EUR (1) million in 2008. Excluding the discontinued SPVA business In Japan, the underlying result before tax was EUR 374 million in 2009 compared with EUR 237 million in 2008 on improved investment income as the drag on earnings due to volatile market conditions subsided, coupled with cost containment efforts throughout the year.

South Korea

In South Korea, underlying result before tax increased by 40.5%, or 54.7% excluding currency effects, to EUR 229 million in 2009 from EUR 163 million in 2008 on recovering markets across the region. 2008 results were mainly affected by market related impacts, comprising negative revaluations on an equity derivative fund and credit linked securities and impairments on fixed income securities. Premium income decreased by 17.0% to EUR 2,731 million in 2009 from EUR 3,291 million in 2008 due to a decline in new sales that was partly offset by favorable in-force persistency. Operating expenses decreased by 25.3%, on restructuring and other cost containment measures implemented throughout the year.

Japan

In Japan, the underlying loss before tax was EUR 46 million in 2009 from a loss of EUR 167 million in 2008. SPVA business posted a loss of EUR 154 million in 2009 compared to a loss of EUR 238 million in 2008. The current year result was negatively impacted by an EUR 191.3 million adjustment on technical reserves in the fourth quarter due to changes in variable annuity lapse assumptions. Excluding the SPVA business, the underlying profit before tax for Corporate Owned Life Insurance (COLI) business rose 52.1% to EUR 108 million from EUR 71 million in 2008 on higher premium income, up 5.3% from a year ago, as well as improved investment results. Operating expenses fell 19.2% on a 28% decline in operating expenses for SPVA business. Operating expenses for COLI business declined by 9.6% compared with a year ago.

Malaysia

In Malaysia, the underlying result before tax rose 10.3%, or 14.3% excluding currency effects, to EUR 64 million in 2009 compared with EUR 58 million in 2008. The increase in profits was driven by improvement of investment results, up 115.2%, as well as higher premium income, which rose 6.5% to EUR 586 million in 2009 compared with EUR 550 in 2008 on continued new business growth, particularly through its bank distribution partner Public Bank. Operating expenses declined 2.0% despite strong new sales growth, on strict cost control.

Rest of Asia

In Rest of Asia, the underlying loss before tax was EUR 27 million in 2009 compared with a loss of EUR 54 million in 2008. All major business units contributed to this growth. In 2009, Thailand broke even with an underlying result before tax of EUR 1 million, compared with a loss of EUR 12 million in 2008 on strong new business growth which led to 26.2% higher premium income coupled with strict expense control. In China and India and Hong Kong, the underlying results before tax rose on improved investment results and lower expenses.

Year ended December 31, 2008 compared to year ended December 31, 2007

Income

Premium income decreased by 12.6%, or EUR 1,592 million to EUR 11,040 million in 2008 from EUR 12,632 million in 2007. Excluding Taiwan, premiums fell 7.7%. Double digit growth was recorded in local terms in Australia, Korea and Rest of Asia. However, this was more than offset by a sharp decline in single premium variable annuity premiums in Japan. Commission income decreased by 16.5%, or EUR 63 million to EUR 319 million in 2008 from EUR 382 million in 2007, mainly due to negative market performance and currency impact in Australia.

Expenses

Operating expenses decreased by 6.7%, or EUR 75 million to EUR 1,040 million in 2008 from EUR 1,115 million in 2007. Excluding Taiwan and currency effects, operating expenses increased 7.0% as cost containment helped to offset most of the increased expenses from a higher in-force base in some countries and continued investment in greenfield operations, to support the growth in premium income in these markets.

Result before tax

On October 20, 2008, ING reached an agreement with Fubon Financial Holding Co. Ltd. to sell ING Life Taiwan for a consideration of USD 600 million (EUR 447 million). The transaction closed on February 11, 2009, and the total loss before tax of the transaction, comprising of the loss on divestment (EUR 214 million) and negative results from the divested unit related to impairments (EUR 115 million), was EUR 329 million (EUR 292 million after tax). As a consequence of the sale, Taiwan was separately reported from Insurance Asia/Pacific s results beginning with the fourth quarter of 2008. Including the loss on the divestments and the result from the divested units, result before tax decreased by 137.0%, or EUR 789 million to a loss of EUR 213 million in 2008 from a profit of EUR 576 million in 2007.

Underlying result before tax

Underlying result before tax decreased by 100.2% or EUR 429 million to a loss of EUR 1 million in 2008 from a profit of EUR 428 million in 2007. Japan recorded a loss of EUR 167 million in 2008 compared to a profit of EUR 24 million in 2007, driven by losses on the variable annuity business as a consequence of extreme market volatility. Turmoil in the global financial markets led to negative revaluations on credit and equity linked securities, and impairments on fixed income investments, which further contributed to the decrease in the underlying result. The underlying result in 2008 and 2007 is adjusted for the result for divested units in Australia and New Zealand.

Australia and New Zealand

The 2008 and 2007 the underlying result before tax was adjusted for the result from divested units in Australia and New Zealand (divestments date from 4Q 2009) by EUR 117 million and EUR 148 million respectively.

South Korea

In South Korea, underlying result before tax decreased by 45.7%, or 33.3% excluding currency effects, to EUR 163 million in 2008 from EUR 300 million in 2007. The decline was mainly due to market related impacts, comprising negative revaluations on an equity derivative fund and credit linked securities and impairments on fixed income securities. Results in 2007 had also been supported by the one-off recognition of EUR 10 million in dividend income from the consolidation of equity funds. Premium income decreased by 8.8%, but was up 13.8% excluding currency effects, to EUR 3,291 million in 2008 from EUR 3,607 million in 2007 due to favorable retention and stable new sales. Operating expenses decreased by 9.5%, but were up 13.6% excluding currency effects, to EUR 229 million in 2008 from EUR 253 million in 2007 to support business growth.

Taiwan

ING Life Taiwan was sold to Fubon Financial Holding Co. Ltd in February 2009. ING recorded zero underlying result before tax for Taiwan in 2008, as in 2007, due to strengthening of reserves in a low interest rate environment.

Japan

In Japan, underlying result before tax decreased by EUR 191 million to a loss of EUR 167 million in 2008 from a profit of EUR 24 million in 2007. The swing was primarily driven by adverse hedge results on the variable annuities business due to extraordinary market volatility, especially in the month of October. This was partially offset by an increase in profits on the Corporate Owned Life Insurance (COLI) business on an increased premium base and improved investment results. The turbulent financial market environment severely impacted single premium variable annuity (SPVA) sales. As a result, premium income declined 14.2% to EUR 4,026 million from EUR 4,693 million in 2007. Despite this decrease, ING is a top 3 player in the COLI segment and a top 4 player in the SPVA segment.

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LIQUIDITY AND CAPITAL RESOURCES

ING Groep N.V. is a holding company whose principal assets are its investments in the capital stock of its primary insurance and banking subsidiaries. The liquidity and capital resource considerations for ING Groep N.V., ING Insurance and ING Bank vary in light of the business conducted by each, as well as the insurance and bank regulatory requirements applicable to the Group in the Netherlands and the other countries in which it does business. ING Groep N.V. has no employees and substantially all of ING Groep N.V. s operating expenses are allocated to and paid by its operating companies.

As a holding company, ING Groep N.V. s principal sources of funds are funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends received from its subsidiaries. ING Groep N.V. s total debt and capital securities outstanding to third parties at December 31, 2009 was EUR 17,684 million, at December 31, 2008, EUR 18,841 million and at December 31, 2007, EUR 14,709. The EUR 17,684 million of debt and capital securities outstanding at December 31, 2009, consisted of subordinated loans of EUR 11,139 million and debenture loans of EUR 6,545 million, both specified below :

Interest rate (%)	Year of issue	Due date	Balance sheet value
		(EUR millions)	
9.000	2008	Perpetual	10
8.500	2008	Perpetual	1,357
8.000	2008	Perpetual	1,479
7.375	2007	Perpetual	1,022
6.375	2007	Perpetual	713
5.140	2006	Perpetual	670
5.775	2005	Perpetual	690
6.125	2005	Perpetual	472
4.176	2005	Perpetual	498
Variable	2004	Perpetual	999
6.200	2003	Perpetual	337
Variable	2003	Perpetual	731
7.200	2002	Perpetual	656
7.050	2002	Perpetual	465
8.439	2000	December 31, 2030	1,040
			11,139

Interest rate (%)	Year of issue	Due date	Balance sheet value
		(EUR millions)	
5.625	2008	September 3, 2013	1,073
4.699	2007	June 1, 2035	117
4.75	2007	May 31, 2017	1,864
Variable	2006	June 28, 2011	749
Variable	2006	April 11, 2016	997
4.125	2006	April 11, 2016	745
6.125	2000	January 4, 2011	1,000
			6,545

At December 31, 2009, 2008 and 2007, ING Groep N.V. also owed EUR 800 million, EUR 1,319 million and EUR 174 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. Of the EUR 800 million owed by ING Groep N.V. to ING Group companies at December 31, 2009, EUR 7 million was owed to ING Insurance companies, EUR 793 million was owed to ING Bank companies and EUR 0 million was owed to direct subsidiaries of ING Group companies, as a result of normal intercompany transactions.

In October 2008 ING issued Core Tier 1 Securities to the Dutch State for a total consideration of EUR 10,000 million. This capital injection qualifies as Core Tier 1 capital for regulatory purposes. Such securities were not issued in the years before. In December 2009 ING repurchased EUR 5,000 million of the non-voting equity securities to the Dutch State.

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At December 31, 2009, 2008 and 2007, ING Groep N.V. had EUR 183 million, EUR 33 million and EUR 162 million of cash, respectively. Dividends paid to the Company by its subsidiaries amounted to EUR 350 million, EUR 7,050 million and EUR 5,900 million in 2009, 2008 and 2007, respectively, in each case representing dividends declared and paid with respect to the reporting calendar year and the prior calendar year. Of the amounts paid to the Company, EUR 350 million, EUR 2,800 million and EUR 4,600 million were received from ING Insurance in 2009, 2008 and 2007, respectively; EUR 0 million, EUR 4,250 million and EUR 1,300 million were received from ING Bank in 2009, 2008 and 2007, respectively. On the other hand, the Company injected EUR 700 million, EUR 12,720 million and EUR 2,200 million into its direct subsidiaries during the reporting year 2009, 2008 and 2007, respectively. Of the amounts injected by the Company, EUR 550 million, EUR 5,450 million and EUR 0 million were injected into ING Insurance in 2009, 2008 and 2007, respectively; EUR 150 million, EUR 7,200 million and EUR 2,200 million were injected into ING Bank in 2009, 2008 and 2007, respectively. ING and its Dutch subsidiaries are subject to legal restrictions on the amount of dividends they can pay to their shareholders. The Dutch Civil Code provides that dividends can only be paid by Dutch companies up to an amount equal to the excess of a company s shareholders equity over the sum of (1) paid-up capital and (2) shareholders reserves required by law. Further, certain of the Group companies are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to ING Groep N.V.

In addition to the restrictions in respect of minimum capital and capital base requirements that are imposed by insurance, banking and other regulators in the countries in which the Group s subsidiaries operate, other limitations exist in certain countries. For example, the operations of the Group s insurance company subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws. Dividends paid in excess of these limitations generally require prior approval of the Insurance Commissioner of the state of domicile.

ING Group Consolidated Cash Flows

ING s Risk Management, including liquidity, is discussed in Risk Management of Note 2.1 to the consolidated financial statements.

Year ended December 31, 2009 compared to year ended December 31, 2008

Net cash flow from operating activities amounted to EUR (27,400) million for the year ended December 31, 2009, a decrease of 314% compared with EUR 12,823 million for the year ended December 31, 2008. This decrease was mainly due trading assets/trading liabilities and banks, loans and funds entrusted. The cash flow generated through the customer deposits and other funds on deposit and loans and advances was EUR 21,073 million and EUR 11,552 million respectively, offset by lower banks (amounts due from/to banks not available on demand). The cash flow employed in lending increased from a cash outflow of EUR 76,215 million in 2008 to a cash inflow of EUR 11,552 million in 2009.

Net cash flow from investment activities in 2009 was EUR 3,239 million, compared to EUR (10,003) million in 2008. The increase was mainly caused by higher disposals and redemptions of group companies, available-for-sale investments and investments for risk of policyholders.

Net cash flow from financing activities was EUR 13,853 million in 2009, compared to EUR 45,726 million in 2008. The decrease of EUR 31,873 million in net cash flow from financing activities is mainly due to lower repayments/proceeds of borrowed funds and debt securities and the issuance/repayment of non-voting equity securities.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2009 of EUR 20,959 million, compared with EUR 31,271 million at year-end 2008, a decrease of EUR 10,312 million from 2008 levels

	2009	**2008**
	(EUR millions)	
Treasury bills and other eligible bills	3,182	7,009
Amounts due from/to banks	2,387	2,217
Cash and balances with central banks	15,390	22,045

Cash and cash equivalents at end of year	**20,959**	**31,271**

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Year ended December 31, 2008 compared to year ended December 31, 2007

Net cash provided by operating activities amounted to EUR 12,823 million for the year ended December 31, 2008, an increase of 9.5% compared to EUR 11,708 million for the year ended December 31, 2007. This increase was mainly due to trading assets/trading liabilities and offset by a lower cash flow from customer deposits and other funds on deposit. The cash flow generated through the customer deposits and other funds on deposit of the banking operations was EUR 6,831 million, offset by other financial liabilities/assets at fair value through profit and loss. The cash outflow employed in lending increased from a cash flow of EUR 75,501 million in 2007 to a cash outflow of EUR 76,215 million in 2008.

Net cash used in investment activities in 2008 was EUR (10,003) million, compared to EUR (13,933) million in 2007. The increase was mainly caused by higher disposals and redemptions of available-for-sale investments.

Net cash flow from financing activities was EUR 45,726 million in 2008, compared to EUR (12,831) million in 2007. The increase of EUR 58,557 million in net cash flow from financing activities is mainly due to higher repayments/proceeds of borrowed funds and debt securities.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2008 of EUR 31,271 million, compared to EUR (16,811) million at year-end 2007, an increase of EUR 48,082 million from 2007 levels

	2008	**2007**
	(EUR millions)	
Treasury bills and other eligible bills	7,009	4,130
Amounts due from/to banks	2,217	(33,347)
Cash and balances with central banks	22,045	12,406
Cash and cash equivalents at end of year	**31,271**	**(16,811)**

ING Bank Cash Flows

The principal sources of funds for ING Bank s operations are growth of the retail funding, which mainly consists of current accounts, savings and retail deposits, repayments of loans, disposals and redemptions of investment securities (mainly bonds), sales of trading portfolio securities, interest income and commission income. The major uses of funds are advances of loans and other credits, investments, purchases of investment securities, funding of trading portfolios, interest expense and administrative expenses (see Item 11, Quantitative and Qualitative Disclosure of Market Risk).

Year ended December 31, 2009 compared to year ended December 31, 2008

At December 31, 2009 and 2008, ING Bank had EUR 18,170 million and EUR 27,395 million, respectively, of cash and cash equivalents. The decrease in Cash and Cash Equivalents is mainly attributable to the current account position with Central and Short dated Government paper.

Specification of cash position (EUR millions):

	2009	**2008**
	(EUR millions)	
Cash	12,602	18,169
Short dated government paper	3,181	7,009
Banks on demand	2,387	2,217
Cash balance and cash equivalents	**18,170**	**27,395**

The EUR 47,975 million decrease in ING Bank s operating activities, consist of EUR 35,720 million cash outflow for the year ended December 31, 2009, compared to EUR 12,255 million cash inflow for the year ended December 31, 2008.

The cash flow from operating activities was largely affected by cash flows from Trading (cash outflow in 2009 of EUR 6,473 million compared to cash inflow in 2008 of EUR 36,836 million), from Amounts due to and from Banks (cash outflow of EUR 58,799 million compared to a cash inflow in 2008 of EUR 20,372 million) and offset by a cash inflow of loans and advances to customers of EUR 9,489 million (cash outflow in 2008 of EUR 76,154).

Net cash flow for investment activities was EUR 4,819 cash inflow and EUR 4,101 million cash outflow in 2009 and 2008, respectively. Investment in interest-earning securities was EUR 58,424 million and EUR 95,036 million in 2009 and 2008, respectively. Dispositions and redemptions of interest-earning securities was EUR 62,669 million and EUR 94,976 million in 2009 and 2008, respectively.

Net cash inflow from financing activities in 2009 amounted to EUR 21,681 compared to a cash inflow in 2008 amounted to EUR 39,048 million and is mainly attributable to less on balance cash inflow from debt securities in issue.

The operating, investment and financing activities described above resulted in a negative cash flow of EUR 9,220 in 2009 compared to a positive net cash flow of EUR 47,202 million in 2008.

Year ended December 31, 2008 compared to year ended December 31, 2007

At December 31, 2008 and 2007, ING Bank had EUR 27,395 million and EUR (19,389) million, respectively, of cash and cash equivalents. The increase in Cash and Cash Equivalents is mainly attributable to the overnight deposit and current account position with Central and Commercial Banks.

The EUR 21,462 million increase in ING Bank s cash flow from operating activities, consist of EUR 12,255 million cash inflow for the year ended December 31, 2008, compared to EUR 9,207 million cash outflow for the year ended December 31, 2007. The improved cash flow from operating activities was largely due to improved cash flow from Trading (cash inflow in 2008 of EUR 36,836 million compared to cash inflow in 2007 of EUR 22,673 million), from Amounts due to and from Banks (cash inflow in 2008 of EUR 20,372 million compared to cash inflow in 2007 of EUR 6,724 million) and offset by a decrease in cash inflow from Customer deposits (cash inflow in 2008 of EUR 18,750 compared to cash inflow in 2007 of EUR 32,748 million).

Specification of cash position (EUR millions):

	2008	**2007**
	(EUR millions)	
Cash	18,169	9,829
Short dated government paper	7,009	4,130
Banks on demand	2,217	(33,348)
Cash balance and cash equivalents	**27,395**	**(19,389)**

Net cash flow for investment activities was EUR 4,101 million cash outflow and EUR 1,526 million cash inflow in 2008 and 2007, respectively. Investment in interest-earning securities was EUR 95,036 million and EUR 95,546 million in 2008 and 2007, respectively. Dispositions and redemptions of interest-earning securities was EUR 94,976 million and EUR 100,297 million in 2008 and 2007, respectively.

Net cash inflow from financing activities in 2008 amounted to EUR 39,048 million compared to a cash outflow of EUR 7,403 million in 2007, as ING started the Commercial Paper Funding Facility program in October 2008. The cash outflow of 2007 was related to the buy back program of the own issued debt securities of Mane, Mont Blanc and Simba Funding Corporation, which was due to the financial crisis and the implementation of Basel 2 in 2007.

The operating, investment and financing activities described above resulted in a positive net cash flow of EUR 47,202 million in 2008 and a negative net cash flow of EUR 15,084 million in 2007.

Capital Adequacy

Capital adequacy and the use of capital are monitored by ING Bank and its subsidiaries, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision and implemented by the EU and the Dutch Central Bank for supervisory purposes. See Item 4, Information on the Company . Qualifying capital is based on IFRS-EU, as primary accounting basis, which is also the basis for statutory and regulatory reporting.

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The following table sets forth the capital position of ING Bank N.V. as of December 31, 2009, 2008 and 2007.

Capital position of ING Bank

	2009	2008	2007
		In EUR millions	
Shareholders equity (parent)	27,480	20,635	26,021
Difference IFRS-IASB and IFRS-EU	2,742	2,254	(510)
Minority interests	960	1,198	1,168
Subordinated loans qualifying as Tier 1 capital (1)	8,057	7,085	6,397
Goodwill and intangibles deductible from Tier 1	(1,636)	(1,636)	(1,428)
Deductions Tier 1	(1,073)	(1,040)	(93)
Revaluation reserve (2)	(2,516)	3,523	(2,283)
Available capital Tier 1	**34,015**	**32,019**	**29,722**
Supplementary capital Tier-2 (3)	11,789	12,910	14,199
Available Tier-3 funds			
Deductions	(1,073)	(1,040)	(2,407)
BIS capital	**44,731**	**43,889**	**41,564**
Risk-weighted assets	332,375	343,388	293,013
Tier 1 ratio	10.23%	9.32%	7.39%
BIS ratio	13.46%	12.78%	10.32%
Required capital based on Basel I floor (4)	28,709	34,369	32,218
BIS ratio based on Basel I floor (4)	12.46%	10.22%	10.32%

(1) Subordinated loans qualifying as Tier 1 capital have been placed by ING Groep N.V. with ING Bank N.V.

(2) Includes revaluation debt securities, revaluation reserve cash flow hedge and revaluation reserves equity and real estate

(3) Includes eligible lower Tier-2 loans and revaluation reserves equity and real estate revaluations removed from Tier 1 capital.

(4) Using 80% and 90% of Basel I Risk Weighted Assets in 2009 and 2008 respectively.

(5) Capital measures exclude the difference between IFRS-EU and IFRS-IASB as capital measures are based on IFRS-EU as primary accounting basis for statutory and regulatory reporting.

ING Group s management believes that working capital is sufficient to meet the current and reasonably foreseeable needs of the Company.

ING Insurance Cash Flows

The principal sources of funds for ING Insurance are premiums, net investment income and proceeds from sales or maturity of investments, while the major uses of these funds are to provide life policy benefits, pay surrenders and profit sharing for life policyholders, pay non-life claims and related claims expenses, and pay other operating costs. ING Insurance generates a substantial cash flow from operations as a result of most premiums being received in advance of the time when claim payments or policy benefits are required. These positive operating cash flows, along with that portion of the investment portfolio that is held in cash and highly liquid securities, have historically met the liquidity requirements of ING Insurance s operations, as evidenced by the growth in investments. See Risk Management of Note 2.1 to the consolidated financial statements.

Year ended December 31, 2009 compared to year ended December 31, 2008

Premium income and Investment and Other income totaled EUR 30,492 million and EUR 3,363 million in 2009, and EUR 43,812 million and EUR 8,970 million in 2008. Uses of funds by ING Insurance include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims and profit sharing by life policyholders) and employee and other operating expenses, as well as interest expense on outstanding borrowings. Underwriting expenditures, employee and other operating expenses and interest expense for ING Insurance totaled EUR 30,984 million, EUR 4,381 million and EUR 1,052 million in 2009 and EUR 49,485 million, EUR 5,422 million and

EUR 1,269 million in 2008.

ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 9,425 million at December 31, 2009 and EUR 14,440 million at December 31, 2008.

	2009	2008
	(EUR millions)	
Cash and bank balances	3,752	4,389
Short term deposits	5,673	10,051
Total	**9,425**	**14,440**

Net cash provided by operating activities was EUR 3,876 million in 2009 and EUR 13,129 million in 2008.
Net cash used by ING Insurance in investment activities was EUR (1,589) million in 2009 and EUR (8,034) million in 2008.
Cash provided by ING Insurance s financing activities amounted to EUR (7,303) million and EUR 6,275 million in 2009 and 2008, respectively.

Year ended December 31, 2008 compared to year ended December 31, 2007

Premium income and Investment and Other income totaled EUR 43,812 million and EUR 8,970 million in 2008, and EUR 46,818 million and EUR 13,488 million in 2007. Uses of funds by ING Insurance include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims and profit sharing by life policyholders) and employee and other operating expenses, as well as interest expense on outstanding borrowings. Underwriting expenditures, employee and other operating expenses and interest expense for ING Insurance totaled EUR 49,485 million, EUR 5,422 million and EUR 1,269 million in 2008 and EUR 48,833 million, EUR 5,515 million and EUR 1,326 million in 2007.
ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 14,440 million at December 31, 2008 and EUR 3,115 million at December 31, 2007.

	2008	2007
	(EUR millions)	
Cash and bank balances	4,389	2,648
Short term deposits	10,051	467
Total	**14,440**	**3,115**

Net cash provided by operating activities was EUR 13,129 million in 2008 and EUR 23,118 million in 2007.
Net cash used by ING Insurance in investment activities was EUR (8,034) million in 2008 and EUR (15,072) million in 2007.
Cash provided by ING Insurance s financing activities amounted to EUR 6,275 million and EUR (7,941) million in 2008 and 2007, respectively.

Capital Base Margins and Capital Requirements

In the United States, since 1993, insurers, including the companies comprising ING Insurance U.S. operations, have been subject to risk-based capital (RBC) guidelines. (See Item 4, Information on the Company Regulation and Supervision Insurance Americas.)

Adjusted Equity

ING calculates certain capital ratios on the basis of adjusted equity . Adjusted equity differs from Shareholders equity in the consolidated balance sheet. The main differences are that adjusted equity excludes unrealized gains and losses on debt securities, goodwill and the cash flow hedge reserve and includes hybrid capital and the Core Tier 1 Securities. Adjusted equity also excludes the difference between IFRS-EU and IFRS-IASB, as capital ratios are based on IFRS-EU as primary accounting basis, which is also the basis for statutory and regulatory reporting. Adjusted equity for 2009 and 2008 is reconciled to shareholders equity as follows:

	2009	2008
	(EUR millions)	
Shareholders equity	31,121	15,080
Difference between IFRS-IASB and IFRS-EU	2,742	2,254
Core Tier 1 Securities	5,000	10,000
Group hybrid capital	11,478	11,655
Revaluation reserves debt securities and other	(1,291)	6,769
Adjusted equity	**49,050**	**45,758**

Group hybrid capital comprises subordinated loans and preference shares issued by ING Group, which qualify as (Tier 1) capital for regulatory purposes, but are classified as liabilities in the consolidated balance sheet.

Revaluation reserves debt securities and other includes unrealized gains and losses on available-for-sale debt securities and revaluation reserve crediting to policyholders of EUR 2,325 million in 2009, EUR 11,221 million in 2008 and EUR 1,895 million in 2007, the cash flow hedge reserve of EUR (372) million in 2009, EUR (1,177) million in 2008 and EUR (431) million in 2007 and capitalized goodwill of EUR (3,244) million in 2009, EUR (3,275) million in 2008 and EUR (2,420) million in 2007.

ING uses adjusted equity in calculating its debt/equity ratio, which is a key measure in ING s capital management process. The debt/equity ratio based on adjusted equity is used to measure the leverage of ING Group and ING Insurance. The target and actual debt/equity ratio based on adjusted equity are communicated internally to key management and externally to investors, analysts and rating agencies on a quarterly basis. ING uses adjusted equity for these purposes instead of Shareholders equity presented in the balance sheet principally for the following reasons:

- adjusted equity is calculated using criteria that are similar to the capital model that is used by Standard and Poor s to measure, compare and analyze capital adequacy and leverage for insurance groups, and the level of our adjusted equity may thus have an impact on the S&P ratings for the Company and its operating insurance subsidiaries;
- ING believes its Standard and Poor s financial strength and other ratings are one of the most significant factors looked at by our clients and brokers, and accordingly are important to the operations and prospects of our insurance operating subsidiaries, and a major distinguishing factor vis-à-vis our competitors and peers.

To the extent our debt/equity ratio (based on adjusted equity) increases or the components thereof change significantly period over period, we believe that rating agencies and regulators would all view this as material information relevant to our financial health and solvency. On the basis of adjusted equity, the debt/equity ratio of ING increased to 12.4% in 2009 from 13.5% in 2008. The debt/equity ratio of ING Group between December 31, 2002 and December 31, 2007 has been in the range of 19.9% to 9.0% and has declined consistently during this period as a result of capital management action and favorable equity markets. Although rating agencies take many factors into account in the ratings process and any of those factors alone or together with other factors may affect our rating, we believe that an increase of our debt/equity ratio in a significant way, and for an extended period of time, could result in actions from rating agencies including a possible downgrade of the financial strength ratings of our operating subsidiaries. Similarly, although regulatory authorities do not currently set any explicit leverage requirements for ING Group, such an increase of our debt/equity ratio could also likely result in greater scrutiny by regulatory authorities. Over the last year, ING has targeted a 15% debt/equity ratio for ING Group currently, but management aims to reduce the Group debt/equity ratio to 10% in the near term. In addition ING stated in its Restructuring Plan as presented on 26 October 2009 that in the coming years, as insurance units are divested, ING wants to reduce its Core Debt to zero, thereby eliminating the double leverage. These targets are reviewed at least once a year and approved by the Executive Board. During the yearly review many factors are taken into account to establish this target, such as rating agency guidance, regulatory guidance, peer review, risk profile and strategic objectives. During the year, the ratio is managed by regular reporting, forecasting and capital management actions. Management has full discretion to change the target ratio if circumstances change.

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Off-Balance-Sheet-Arrangements
See Note 27 of Note 2.1 to the consolidated financial statements.

	Total 2009	Less than one year	More than one year	Total 2008	Less than one year	More than one year
			(EUR millions)			
Insurance operations						
Commitments concerning investments in land and buildings	17	17		10	10	
Commitments concerning fixed-interest securities	634	609	25	2,724	2,673	51
Guarantees	3,463	1,784	1,679	2,460		2,460
Other	995	726	269	1,486	945	541
Banking operations						
Contingent liabilities in respect of:						
- discounted bills	1	1		1	1	
- guarantees	21,545	15,912	5,633	22,391	13,344	9,047
- irrevocable letters of credit	12,352	11,063	1,289	10,458	8,019	2,439
- other	202	190	12	453	406	47
Irrevocable facilities	85,835	62,174	23,661	89,081	38,568	50,513
Total	**125,044**	**92,476**	**32,568**	**129,064**	**63,966**	**65,098**

Contractual obligations
The table below shows the cash payment requirements from specified contractual obligations outstanding as of December 31, 2009:

		Payment due by period			
2009	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(EUR millions)		
Operating lease obligations	1,079	209	350	388	132
Subordinated loans of Group companies	14,430	1,107	5,241	762	7,320
Preference shares of Group companies	1,040				1,040
Debenture loans	119,981	74,443	16,900	17,228	11,410
Loans contracted	4,695	2,985		74	1,636
Loans from credit institutions	2,986	2,046	233	53	654

Insurance provisions [1]	148,901	11,808	15,906	17,164	104,023
Total	**293,112**	**92,598**	**38,630**	**35,669**	**126,215**

(1) Amounts included in the table reflect best estimates of cash payments to be made to policyholders. Such best estimate cash outflows reflect mortality, retirement, and other appropriate factors, but are undiscounted with respect to interest. As a result, the sum of the cash outflows shown for all years in the table differs from the corresponding liability included in our consolidated financial statements at December 31, 2009. Furthermore, the table does not include insurance or investment contracts for risk of policyholders, as these are products where the policyholder bears the investment risk. Reference is

made to Note 21 Other liabilities in Note 2.1 for information about future payments in relation to pension benefit liabilities.

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Item 6. Directors, Senior Management and Employees

SUPERVISORY BOARD

Appointment and dismissal

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

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

In connection with the issue of the Core Tier 1 Securities to the Dutch State, ING Group and the Dutch State agreed that the Dutch State may recommend candidates for appointment to the Supervisory Board in such a way that upon appointment of all recommended candidates by the General Meeting, the Supervisory Board would comprise two State Nominees among its members. The Dutch State may recommend a Supervisory Board member already in office. The recommendation right of the Dutch State is subject to applicable law and to corporate governance practices, generally accepted under stock listing regimes applicable to ING Group and continues as long as the Dutch State holds at least 250 million Core Tier 1 Securities, as long as the IABF continues or any of the Bonds is outstanding. Should the holding of the Dutch State decrease below 250 million Core Tier 1 Securities, and both the IABF and the Bonds have expired, the State Nominees will remain in office and complete their term of appointment.

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

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

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

Function of the Supervisory Board

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

As part of its supervisory role, certain resolutions of the Executive Board specified in the Articles of Association of ING Group and in the Supervisory Board Charter are subject to the approval of the Supervisory Board.
Pursuant to the agreements concerning the transactions with the Dutch State mentioned above, certain resolutions of the Supervisory Board are subject to the condition that no State Nominee voted against the proposal. These

rights have become effective as from the 2009 annual General Meeting. These resolutions relate to the following matters:

a. the issue or acquisition of its own shares by ING Group (other than related to or in connection with the Core Tier 1 Securities issue including, for the avoidance of doubt, for the purpose of conversion or financing of a repurchase of Core Tier 1 Securities and other than as part of regular hedging operations and the issuing of shares according to employment schemes);

b. the cooperation by ING Group in the issue of depositary receipts for shares;

c. the application for listing on or removal from the price list of any stock exchange of the securities referred to in a. or b.;

d. the entry into or termination of lasting cooperation between ING Group or a dependent company and another legal entity or partnership or as general partner in a limited partnership or general partnership where such cooperation or termination thereof has material significance for ING Group, i.e. amounting to one-quarter or more of ING s issued capital and reserves as disclosed in its balance sheet and notes thereto;

e. the acquisition by ING Group or a dependent company of a participating interest in the capital of another company amounting to one-quarter or more of ING Group s issued capital and reserves as disclosed in its balance sheet and notes thereto or a material increase or decrease in the magnitude of such a participating interest;

f. investments involving an amount equal to one-quarter or more of ING Group s issued capital and reserves as disclosed in its balance sheet and notes thereto;

g. a proposal to wind up ING Group;

h. filing of a petition for bankruptcy or moratorium of ING Group;

i. a proposal to reduce the issued capital of ING Group (other than related to the Core Tier 1 Securities issue);

j. a proposal for merger, split-off or dissolution of ING Group;

k. a proposal to the General Meeting to change ING Group s remuneration policy; and

l. appointment of the chief executive officer of the Executive Board.

Profile of members of the Supervisory Board

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

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

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

Term of appointment of members of the Supervisory Board

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

Ancillary positions/Conflicting interests

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

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

Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions with members of the Supervisory Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation of the Corporate Governance Code however, this does however not apply if (i) disclosure would be against the law, (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents disclosure and/or (iii) the information is so competition-sensitive that disclosure could damage the competitive position of ING Group. Significant conflicting interests are considered to be absent in case of a relationship that a member of the Supervisory Board may have with ING Group subsidiaries as an ordinary, private individual, with the exception of any loans that may have been granted

Independence

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

Company secretary

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

Committees of the Supervisory Board

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

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

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, ING Verzekeringen N.V. and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements and in monitoring the independence and performance of ING s internal and external auditors. On December 31, 2009, the members of the Audit Committee were: Jackson Tai (chairman), Tineke Bahlmann, Henk Breukink, Piet Hoogendoorn, Godfried van der Lugt and Jeroen van der Veer. The Supervisory Board has determined that the following members of the Audit Committee are financial experts as referred to in the Corporate Governance Code: Piet Hoogendoorn, Godfried van der Lugt and Jackson Tai. Piet Hoogendoorn has gathered his expertise in the auditing profession, whereas Godfried van der Lugt and Jackson Tai have gathered their experience by serving as executive officers and on the boards of international conglomerates: Piet Hoogendoorn serving as chairman of the Board of Directors of Deloitte Touche Tohmatsu, Godfried van der Lugt serving as CEO of ING Group and Jackson Tai serving as CEO of DSB Bank (Development Bank of Singapore) and managing director in the Investment Banking Division of JP Morgan.

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

The Remuneration Committee advises the Supervisory Board, among other things, on the terms and conditions of employment (including remuneration) of the members of the Executive Board and on the policies and general

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

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

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

Remuneration and share ownership

The remuneration of the members of the Supervisory Board is determined by the General Meeting and is not dependent on the results of ING Group. Members of the Supervisory Board are permitted to hold shares and depositary receipts for shares in ING Group for long-term investment purposes. Transactions by members of the Supervisory Board in ING Group shares and depositary receipts for shares are subject to the ING regulations for insiders. These regulations are available on the website of ING Group (www.ing.com).

MEMBERS OF THE SUPERVISORY BOARD OF ING GROEP N.V.

Peter A.F.W. Elverding (chairman from April 27, 2009)

(Born 1948, Dutch nationality, male; appointed in 2007, term expires in 2011)

Former chairman of the Managing Board of Directors of Koninklijke DSM N.V. Former vice-chairman of the Supervisory Board of De Nederlandsche Bank N.V. (Dutch Central Bank). Other business activities: chairman of the Supervisory Board of Océ N.V. (listed company). Member of the Supervisory Board of SHV Holdings N.V. Vice-chairman of the Supervisory Board of Q-Park N.V. Member of the Supervisory Board of Koninklijke FrieslandCampina N.V. Chairman of the Supervisory Board of Oostwegel Holding BV. Member of the Board of Stichting Instituut GAK.

Jeroen van der Veer (vice-chairman from October 1, 2009)

(Born 1947, Dutch nationality, male; appointed in 2009, term expires in 2013)

Former chief executive officer of Royal Dutch Shell plc. Other business activities: vice-chairman and senior independent director of Unilever N.V., non-executive director of Royal Dutch Shell plc and member of the Supervisory Board of Koninklijke Philips Electronics N.V. (listed companies). Vice- chairman of a NATO Expert Group to work on NATO s new strategic concept. Member of the Supervisory Board of Het Concertgebouw N.V.

Tineke (J.) P. Bahlmann

(Born 1950, Dutch nationality, female; appointed in 2009, term expires in 2013)

Professor in Business Economics, University of Utrecht. Chairman of the Dutch Media Authority. Other business activities: vice-chairman of the Supervisory Board of N.V. Nederlandsche Apparatenfabriek Nedap (listed company). Member of the Board of Maatschappelijk Verantwoord Ondernemen Nederland (CSR). Chairman of Stichting Max Havelaar. Member of the Board of De Baak Management Centre VNO-NCW. Member of the Board of Trustees of Canisius-Wilhelmina Ziekenhuis (hospital). Member of the Board of Toneelgroep Amsterdam (theatre).

Henk W. Breukink

(Born 1950, Dutch nationality, male; appointed in 2007, term expires in 2011)

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

Claus Dieter Hoffmann

(Born 1942, German nationality, male; appointed in 2003, term expires in 2011)

Former chief financial officer of Robert Bosch GmbH. Managing partner of H+H Senior Advisors, Stuttgart. Other business activities: chairman of the Supervisory Board of EnBW AG (listed company). Member of the Supervisory Board of de Boer Structures Holding B.V. Member of the Supervisory Board of C.A. Leuze GmbH & Co. KG. Chairman of the Charlottenklinik Foundation (hospital). Chairman of the Board of Trustees (Vereinigung der Freunde) of Stuttgart University.

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Piet Hoogendoorn (until 27 April 2010)
(Born 1945, Dutch nationality, male; appointed in 2007, retirement in 2010)
Former chairman of the Board of Directors of Deloitte Touche Tohmatsu and former chief executive officer of Deloitte in the Netherlands. Former chairman of Koninklijke NIVRA (Netherlands Institute of Chartered Accountants). Other business activities: member of the Supervisory Board of Conquaestor Holding B.V. Member of the Supervisory Board of Bodegraven B.V. Chairman of the Supervisory Board of De Zevenster (nursing and care). Member of the Supervisory Board of Groene Hart Ziekenhuis Gouda (hospital).
Piet C. Klaver
(Born 1945, Dutch nationality, male; appointed in 2006, term expires in 2010)
Former chairman of the Executive Board of SHV Holdings N.V. Other business activities: chairman of the Supervisory Board of TNT N.V. (listed company). Chairman of the Supervisory Board of each of Dekker Hout Groep B.V., Jaarbeurs Holding B.V. and Credit Yard Financial Services B.V. Member of the Supervisory Board of SHV Holdings N.V. and of Dura Vermeer Groep N.V. Member of the African Parks Foundation. Chairman of the Supervisory Board of Utrecht School of the Arts.
Godfried J.A. van der Lugt
(Born 1940, Dutch nationality, male; appointed in 2001, term expires in 2012)
Former chairman of the Executive Board of ING Group (retired in May 2000). Other business activities: chairman of the Supervisory Board of Stadsherstel Amsterdam N.V. Chairman of the Advisory Board of Kasteel De Haar and R.C. Oude Armenkantoor. Member of Investment Advisory Committee of Stichting Instituut GAK.
Harish Manwani (until 27 April 2010)
(Born 1953, Indian nationality, male; appointed in 2008, retirement in 2010)
President Unilever Asia, Africa, Central & Eastern Europe. Other business activities: non-executive chairman of Hindustan Unilever Ltd. Member of the Executive Board of Indian School of Business.
Aman Mehta
(Born 1946, Indian nationality, male; appointed in 2008, term expires in 2012)
Former chief executive officer of Hong Kong & Shanghai Banking Corporation (HSBC) in Hong Kong. Other business activities: non-executive director of each of Tata Consultancy Services, Jet Airways Ltd., PCCW Ltd., Vedanta Resources Plc, Wockhardt Ltd., Godrej Consumer Products Ltd., Cairn India Ltd., Emaar MGF Land Ltd. and Max India Ltd. Member of the governing board of Indian School of Business. Member of the International Advisory Council of INSEAD.
Joan E. Spero
(*Born 1944, American nationality, female; appointed in 2008, term expires in 2012)*
Former executive vice-president Corporate Affairs and Communications of American Express Company. Former Under Secretary Economic Business & Agricultural Affairs, US State Department. Former president Doris Duke Charitable Foundation. Other business activities: non-executive director of IBM Corporation. Trustee of Columbia University, Council on Foreign Relations. Trustee of Wisconsin Alumni Research Foundation.
Jackson P. Tai
(Born 1950, American nationality, male; appointed in 2008, term expires in 2012)
Former vice-chairman and chief executive officer of DBS Group Holdings. Former managing director in the Investment Banking Division of JP Morgan. Other business activities: non-executive director of each of MasterCard Incorporated, CapitaLand and Cassis International. Non-executive chairman of the Board of Directors of Brookstone, Inc. Member of the Bloomberg Asia Pacific Advisory Board. Trustee of Rensselaer Polytechnic Institute.
Karel Vuursteen (until 27 April 2010)
(Born 1941, Dutch nationality, male; appointed in 2002, retirement in 2010)
Former chairman of the Executive Board of Heineken N.V. Other business activities: chairman of the Supervisory Board of Akzo Nobel N.V. and of TomTom N.V. and member of the Supervisory Board of Henkel KGaA (listed companies). Member of the Board of Directors of Heineken Holding N.V. Chairman of the Concertgebouw Fund Foundation. Member of the Supervisory Board of Nyenrode Foundation.
Lodewijk J. de Waal

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

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Changes in the composition

In April 2009 the General Meeting appointed Tineke Bahlmann, Jeroen van der Veer and Lodewijk de Waal to the Supervisory Board. Tineke Bahlmann and Lodewijk de Waal were recommended as State Nominees. Their appointments became effective on 27 April 2009. The appointment of Jeroen van der Veer became effective as of July 1, 2009. As a State Nominee, Tineke Bahlmann replaced Peter Elverding who succeeded Jan Hommen as chairman of the Supervisory Board. In addition, Eric Bourdais de Charbonnière and Wim Kok retired from the Supervisory Board, reaching or having reached the age of 70.

Piet Hoogendoorn, Harish Manwani and Karel Vuursteen have decided to retire from the Supervisory Board at the end of the 2010 annual General Meeting. At the same meeting, Piet Klaver is expected to be nominated for reappointment. More information can be found in the convocation for the 2010 annual General Meeting, available on the website of ING Group (www.ing.com).

EXECUTIVE BOARD

Appointment and dismissal

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

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

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

Function of the Executive Board

The Executive Board is charged with the management of ING Group, which means, among other things, that it is responsible for the setting and achieving of the company s objectives, strategy and policies, as well as the ensuing delivery of results. It also includes the day-to-day management of ING Group and its business lines (Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Commercial Banking, Retail Banking and ING Direct). The Executive Board is accountable for the performance of these duties to the Supervisory Board and the General Meeting. The responsibility for the management of ING Group is vested in the Executive Board collectively. The organisation, powers and modus operandi of the Executive Board are detailed in the Executive Board Charter, which was approved by the Supervisory Board. The Executive Board Charter is available on the website of ING Group (www.ing.com).

Profile of members of the Executive Board

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

Remuneration and share ownership

Members of the Executive Board are permitted to hold shares and depositary receipts for shares in the share capital of ING Group for long-term investment purposes. Transactions in these shares are subject to the ING regulations for insiders. These regulations are available on the website of ING Group (www.ing.com).

Ancillary positions/Conflicting interests

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

Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions with members of the Executive Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation of the Corporate

Governance Code, this does however not apply if (i) disclosure would conflict with the law, (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents disclosure and/or (iii) the information is so competition-sensitive that the disclosure could damage the competitive position of ING Group. Significant conflicting interests are considered to be absent and are not reported if a member of the Executive Board obtains financial products and services, other than loans, which are provided by ING Group subsidiaries in the ordinary course of their business on terms that apply to all employees. In connection with the foregoing, loans does not include financial products in which the granting of credit is of a subordinated nature, e.g. creditcards and overdrafts in current account, because of a lack of materiality.

MEMBERS OF THE EXECUTIVE BOARD OF ING GROEP N.V.

Jan H.M. Hommen, chairman (from April 27, 2009)

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

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

Patrick G. Flynn, chief financial officer

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

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

Koos (J.) V. Timmermans, chief risk officer

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

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

Changes in the composition

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

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

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

REMUNERATION REPORT

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

CURRENT GENERAL POLICY SENIOR-MANAGEMENT REMUNERATION

Background

The prime objective of the remuneration policy is to enable the company to recruit and retain qualified and expert leaders. The remuneration package supports a performance-driven culture for excellence that aligns ING s objectives with those of its stakeholders. ING rewards performance on the basis of previously determined, challenging, measurable and influenceable short-term and long-term targets. ING s remuneration policy is based on five key principles that apply throughout ING. These principles are:

§ Total compensation levels are benchmarked against relevant markets in which ING competes for talent.

§ ING aims for total compensation at the median level in the relevant market, allowing only for above-median compensation in the event of outstanding performance.

§ The remuneration package includes variable-pay components (short-term and long-term incentives) to ensure that executive remuneration is linked to ING s short-term and long-term business performance.

§ To enhance the effectiveness of the short-term incentive plan, clear, measurable and challenging targets are set at the beginning of each year.

§ Long-term incentives ensure a focus on longer-term strategic targets and create alignment of management with the interests of shareholders. A broad selection of ING s senior leaders participates in the plan to ensure a common focus on ING s overall performance.

Remuneration structure

Total compensation throughout ING consists of three basic components:

§ Fixed or base salary which represents the total guaranteed annual income.

§ Short-term incentive (STI) in cash, which compensates for past performance measured over one year.

§ Long-term incentive (LTI) in stock options and/or performance shares, which compensates for performance measured over multiple years and is forward-looking.

In addition to the base salary and incentive plan participation, senior management and Executive Board members enjoy benefits similar to most other comparable employees of ING Group. These include benefits such as the use of company cars, contributions to company savings plans and, if applicable, expatriate allowances.

REMUNERATION EXECUTIVE BOARD 2009

With regard to the remuneration for 2009, the Supervisory Board continued to build upon the remuneration policy initiated in 2003. In January 2009, ING and the Dutch State reached an agreement on the IABF. Under the terms of this agreement members of the Executive Board will not receive any bonuses until a review of the remuneration policy has been completed.

As a consequence of the Back to Basics strategy and the organizational simplification resulting from it, certain Board members no longer serve on the Executive Board of ING Groep N.V. as of June 1, 2009. However, their current employment contracts with ING Groep N.V. continued to remain in effect in 2009.

Executive Board base salary 2009

The base salary of all Executive Board members has been frozen for 2009.

Executive Board short-term incentive plan 2009

Under the terms of the agreement reached with the Dutch State on the IABF, the individual Executive Board members will not receive a 2009 STI payout.

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Executive Board long-term incentive plan 2009

Under the terms of the agreement reached with the Dutch State on the IABF, the individual Executive Board members will not receive a 2009 LTI grant.

Tom McInerney is entitled to receive a conditional share award on the same grant date as the other long-term incentive awards. The conditional share award would 100% vest four years after the grant date with the condition being an active employment contract at the date of vesting. This award is part of Tom McInerney s employment contract to align his total remuneration with the market practice of senior executives in the United States. Tom McInerney will not be awarded a conditional share award in 2010 for the 2009 performance year.

Patrick Flynn received a buyout for the loss of compensation which he would have received at his previous employer had he not resigned. This buyout consists of a conditional grant of restricted stock to a maximum of 100,000 shares. A number of 30,000 shares will vest at the annual General Meeting in 2010, another 30,000 shares will vest at the annual General Meeting in 2011 and the remaining 40,000 shares will vest at the annual General Meeting in 2012, subject to satisfactory performance. The cumulative value of the conditional share award is capped at EUR 1.3 million. ING has amended the number of shares to adjust for the effects of the rights issue, while maintaining the cumulative value cap at EUR 1.3 million. The first vesting in the amount of 39,069 shares (30,000 adjusted for the effects of the rights issue) will occur on April 27, 2010.

Long-term incentives awarded in previous years

The long-term incentive plan (LTIP) at ING includes both stock options and performance shares. The ING stock options have a total term of ten years and a vesting period of three years after which they can be exercised for the remaining seven years.

Performance shares are conditionally granted. The number of ING depositary receipts that is ultimately granted at the end of a three-year performance period depends on ING s Total Shareholder Return (TSR) performance over three years (return in the form of capital gains and reinvested dividends that shareholders receive in that period) relative to the TSR performance of a pre-defined peer group.

ING s TSR ranking within this group of companies determines the final number of performance shares that vest at the end of the three-year performance period. The performance shares granted in 2007 had a three-year performance period of 2007 2009 and will vest in 2010. The actual results of 43% are based upon ING s TSR ranking of fifteenth within the designated peer group. The results were determined by an independent third party. ING s external auditor has reviewed the calculations performed. For members of the Executive Board who received an award as an Executive Board member in 2007, such award will vest in the final number of performance shares in May 2010. For the other senior leaders who participated in the 2007 2009 performance share award, such award vested in March 2010.

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

Compensation in cash of the individual members of the Executive Board

	2009	**2008**	**2007**
		(EUR thousands)	
Jan Hommen			
Base salary (1)			
Short-term performance-related bonus	0		
Total cash compensation			
Patrick Flynn (2)			
Base salary	454		
Short-term performance-related bonus	0		

Total cash compensation	454		
Koos Timmermans [3]			
Base salary	665	665	423
Short-term performance-related bonus	0	0	637
Total cash compensation	665	665	1,060

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	2009	2008	2007
		(EUR thousands)	
Eric Boyer de la Giroday (4)			
Base salary	372	892	850
Short-term performance-related bonus	0	0	1,319
Total cash compensation	372	892	2,169
Dick Harryvan (4)			
Base salary	277	665	634
Short-term performance -related bonus	0	0	842
Total cash compensation	277	665	1,476
Eli Leenaars (4)			
Base salary	277	665	634
Short-term performance-related bonus	0	0	956
Total cash compensation	277	665	1,590
Tom McInerney (4) 5)			
Base salary	404	879	946
Short-term performance-related bonus	0	0	1,425
Total cash compensation	404	879	2,371
Hans van der Noordaa (4)			
Base salary	277	665	634
Short-term performance-related bonus	0	0	956
Total cash compensation	277	665	1,590
Jacques de Vaucleroy (4)			
Base salary	277	665	634
Short-term performance-related bonus	0	0	956
Total cash compensation	277	665	1,590
Michel Tilmant (6)			
Base salary	789	1,353	1,289
Short-term performance-related bonus	0	0	2,001
Total cash compensation	789	1,353	3,290
John Hele (3) 5) 7)			
Base salary	169	603	412
Short-term performance-related bonus	0	0	621

Total cash compensation	169	603	1,033

(1) Jan Hommen was appointed to the Executive Board on April 27, 2009. Jan Hommen shall be remunerated as of April 27, 2009 in accordance with the new remuneration policy to be adopted by the General Meeting in 2010. The annual fixed salary will be determined in accordance with this policy. An amount, based on an annual base salary of EUR 1,353,500, has been accrued in 2009 in anticipation of adoption of the new remuneration policy by the General Meeting. Jan Hommen will not receive a short-term cash bonus or long-term incentive for 2009.

(2) Patrick Flynn was appointed to the Executive Board on April 27, 2009.

The figure for this member reflects compensation earned in the capacity as Executive Board member. Thus, the figure for 2009 reflects the partial year as Executive Board member.

(3) Koos Timmermans and John Hele were appointed to the Executive Board on April 24, 2007. The figures for these members reflect compensation earned in their capacity as Executive Board members. Thus, the figures for 2007 reflect the partial year as Executive Board members.

(4) Eric Boyer de la Giroday, Dick Harryvan, Eli Leenaars, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy no longer serve on the Executive Board of ING Groep N.V. as of June 1, 2009. The figures for these members

reflect compensation earned in their capacity as Executive Board members. Thus, the figures for 2009 reflect the partial year as Executive Board members.

(5) Tom McInerney and John Hele receive their compensation in US dollars. For each year the compensation in US dollars was converted to euros at the average exchange rate for that year.

(6) Michel Tilmant stepped down from his position on the Executive Board on January 26, 2009 and retired on August 1, 2009. The figures for this member reflect compensation earned until August 1, 2009. In addition to his base salary, Michel Tilmant received early retirement benefits calculated on the basis of one year s base salary.

(7) John Hele stepped down from his position on the Executive Board on March 31, 2009. The figures for this member reflect compensation earned until the last day of employment. Thus, the figures for 2009 reflect the partial year.

Compensation in cash of former members of the Executive Board who are not included in the above table amounted to nil in 2009 and 2008, and to EUR 729,000 in 2007.

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The following tables reflect the number of options (and adjusted strike prices of these options) and the number of performance shares, adjusted for the effects of the rights issue.

Long-term incentives of the individual members of the Executive Board [1] [2]

fair market value at grant

	2009	2008	2007
		(EUR thousands)	
Jan Hommen			
Number of options	0		
Number of performance shares	0		
Fair market value of long term incentive [3]	0		
Patrick Flynn [4]			
Number of options	0		
Number of performance shares	0		
Fair market value of long term incentive [3]	0		
Koos Timmermans [5]			
Number of options	0	0	56,405
Number of performance shares	0	0	13,367
Fair market value of long term incentive [3]	0	0	499
Eric Boyer de la Giroday			
Number of options	0	0	113,385
Number of performance shares	0	0	26,869
Fair market value of long term incentive [3]	0	0	1,003
Dick Harryvan			
Number of options	0	0	84,606
Number of performance shares	0	0	20,050
Fair market value of long term incentive [3]	0	0	748
Eli Leenaars			
Number of options	0	0	84,606
Number of performance shares	0	0	20,050
Fair market value of long term incentive [3]	0	0	748
Tom McInerney [6]			
Number of options	0	0	126,159
Number of performance shares	0	0	29,897
Number of conditional shares	0	0	70,730
Fair market value of long term incentive [3]	0	0	2,571
Hans van der Noordaa			
Number of options	0	0	84,606
Number of performance shares	0	0	20,050
Fair market value of long term incentive [3]	0	0	748
Jacques de Vaucleroy			

Number of options	0	0	84,606
Number of performance shares	0	0	20,050
Fair market value of long term incentive [3)]	0	0	748
Michel Tilmant			
Number of options	0	0	171,973
Number of performance shares	0	0	40,753
Fair market value of long term incentive [3)]	0	0	1,521
John Hele [5)]			
Number of options	0	0	54,993
Number of performance shares	0	0	13,032
Fair market value of long term incentive [3)]	0	0	486

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(1) Long-term incentives are granted in the year following the reporting year. The long-term incentive plan provides for a combination of share options and provisional performance shares based on a 50/50 split in value. The ratio of options to performance shares varies each year as a result of the fair value calculation and the 50/50 split in value. The fair value calculation for the performance year 2009 resulted in a ratio of options to performance shares of 2.55:1 (2008: 2.36 : 1, 2007: 4.22 : 1).

(2) The number of options and performance shares awarded reflect adjustments for the effects of the rights issue of December 2009.

(3) The fair market value of a long-term

incentive award reflects the estimated fair market value of the long-term incentive award based on a fair value calculation. The valuation is calculated on the last trading day of the year for grants made to the Executive Board members for performance over the specified year and is not updated for current market values.

(4) Patrick Flynn received a buyout for the loss of compensation which he would have received at his previous employer had he not resigned. This buyout consists of a conditional grant of restricted stock to a maximum of 100,000 shares. A number of 30,000 shares will vest at the annual General Meeting in 2010, another 30,000 shares will vest at the annual General Meeting in 2011 and the

remaining 40,000 shares will vest at the annual General Meeting in 2012, subject to satisfactory performance. The cumulative value of the conditional share award is capped at EUR 1.3 million. ING has amended the number of shares to adjust for the effects of the rights offering, while maintaining the cumulative value cap at EUR 1.3 million.

(5) Koos Timmermans and John Hele were appointed to the Executive Board on April 24, 2007. The figures for these members reflect compensation earned in their capacity as Executive Board members.

(6) Tom McInerney is entitled to receive conditional shares on the same grant date as the other long-term incentive awards. The

conditional shares will be 100% vested four years after the grant date with the condition being an active employment contract. The conditional shares are provided to align Tom McInerney s total remuneration with US market practice. Tom McInerney will not receive his conditional share award for the 2009 performance year.

The fair market value of long-term incentive awards of former members of the Executive Board who are not included in the above table amounted to nil in 2009, 2008 and 2007.

Information on the options outstanding and the movements during the financial year of options held by the members of the Executive Board as at December 31, 2009 1)

number of options	Outstanding as at 31 December 2008	**Granted in 2009**	**Exercised in 2009**	**Waived or expired in 2009 (1)**	Outstanding as at 31 December 2009	Exercise price in euros	Exercise price in US dollars	Expiry date
Jan Hommen		0	0	0(2)	0			
Patrick Flynn		0	0	0	0			
Koos Timmermans	13,674	0	0	0	13,674	22.57		Mar 11, 2012
	7,814	0	0	0	7,814	14.37		Mar 15, 2014
	11,460	0	0	0	11,460	17.88		Mar 30, 2015
	8,504	0	0	0	8,504	25.16		Mar 23, 2016
	46,157	0	0	0	46,157	24.72		

							Mar 22, 2017
	56,405	0	0	0	56,405	19.53	May 15, 2018
	20,675	0	0	0	20,675	14.36	Sept. 17, 2018

(1) The number of options and the strike prices of these options reflect the number and strike prices adjusted for the effects of the rights issue of December 2009.

(2) Waived at vesting date or expired at expiry date.

Pension costs

Pension costs of the individual members of the Executive Board [1)]

	2009	2008	2007
		(EUR thousands)	
Jan Hommen [2)]	0		
Patrick Flynn [3)]	78		
Koos Timmermans [4)]	115	247	166
Eric Boyer de la Giroday [5)]	100	639	566
Dick Harryvan [5)]	74	374	324
Eli Leenaars [5)]	48	313	348
Tom McInerney [5) 6)]	193	285	286
Hans van der Noordaa [5)]	48	313	267
Jacques de Vaucleroy [5)]	48	313	267
Michel Tilmant [7)]	213	971	874
John Hele [4) 6) 8)]	18	125	72

(1) For reasons of comparison, the company pension expenses are recalculated under IAS 19 with general assumption setting for 2007 to 2009.

(2) Jan Hommen does not participate in the pension plan.

(3) Patrick Flynn was appointed to the Executive Board on April 27, 2009. The 2009 pension costs for this member reflect the partial year as Executive Board member.

(4) Koos Timmermans and John Hele were appointed to the Executive Board on April 24, 2007. The figures for these members reflect pension costs in their capacity as Executive Board members. Thus, the figures for 2007 reflect the partial year as

Executive Board members.

(5) Eric Boyer de la Giroday, Dick Harryvan, Eli Leenaars, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy no longer serve on the Executive Board of ING Groep N.V. as of June 1, 2009. The figures for these members reflect pension costs in their capacity as Executive Board members. Thus, the figures for 2009 reflect the partial year as Executive Board members.

(6) Tom McInerney s and John Hele s pension costs have been translated from US dollars to euros at the average exchange rate for that year.

(7) Michel Tilmant stepped down from his position on the Executive Board on January 26, 2009 and retired on August 1, 2009. The figure

for this member reflects pension costs until July 31, 2009.

(8) John Hele stepped down from his position on the Executive Board on March 31, 2009. The figure for this member reflects pension costs until the last day of employment. Thus, the figure for 2009 reflects the partial year.

Pension costs of former members of the Executive Board who are not included in the above table amounted to nil in 2009 and 2008, and to EUR 1,386,000 2007.

Loans and advances to Executive Board members

The table below presents the loans and advances provided to Executive Board members and outstanding on December 31, 2009, 2008 and 2007. These loans were concluded in the normal course of business and on terms generally applicable to Company personnel as a whole and were approved by the Supervisory Board.

	Amount outstanding	Average Interest rate	Repayments	Amount outstanding	Average Interest rate	Repayments	Amount outstanding	Average Interest rate	Repayments
	(EUR thousands)								
	December 31, 2009			**December 31, 2008**			**December 31, 2007**		
Koos Timmermans	380	4.6%		380	4.6%		380	4.6%	

ING depositary receipts for shares held by Executive Board members

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

	Number of (depositary receipts for) shares		
	2009	**2008**	**2007**
Jan Hommen	46,426		
Patrick Flynn			
Koos Timmermans	14,457	2,546	2,000

REMUNERATION SUPERVISORY BOARD

Remuneration

The annual remuneration of the Supervisory Board members amounts to: chairman EUR 75,000, vice-chairman EUR 65,000, other members EUR 45,000. In addition to the remuneration each member receives an expense allowance. For the chairman and vice-chairman the annual amount is EUR 6,810. For the other members the amount is EUR 2,270. The remuneration for the membership of committees is as follows: chairman of the Audit Committee EUR 8,000, members of the Audit Committee EUR 6,000, chairmen of other Supervisory Board committees EUR 7,500 and members of other Supervisory Board committees EUR 5,000. In addition to the fixed remuneration, committee members receive a fee for each meeting they attend. For the Audit Committee chairman this fee is EUR 2,000 per meeting and for its members EUR 1,500. For the chairman and members of other committees the attendance fee amounts to EUR 450 per meeting. The remuneration and the attendance fee for the membership of a committee are not applicable to the chairman and vice-chairman of the Supervisory Board if they are on one of the committees.

Supervisory Board members receive an additional fee of EUR 2,000 per attended Supervisory Board or Committee meeting in the event the meeting is held outside the country of residence of the Supervisory Board member, or an additional amount of EUR 7,500 per attended Supervisory Board or Committee meeting if intercontinental travel is required for attending the meeting.

The table below shows the remuneration, expense allowances and attendance fees per Supervisory Board member for 2009 and previous years.

Compensation of the members of the Supervisory Board

	2009	**2008**	**2007**
		(EUR thousands)	
Peter Elverding [1]	79	68	20
Jeroen van der Veer [2]	35		
Tineke Bahlmann [3]	46		
Henk Breukink [4]	61	61	35
Claus Dieter Hoffmann	78	67	62
Piet Hoogendoorn [5]	64	70	28
Piet Klaver	65	62	47
Godfried van der Lugt	67	70	62
Harish Manwani [6]	69	51	
Aman Mehta [6]	113	62	
Joan Spero [6]	105	55	
Jackson Tai [6]	152	89	
Karel Vuursteen	61	62	56
Lodewijk de Waal [7]	50		
Jan Hommen [8]	27	89	67
Eric Bourdais de Charbonnière [9]	30	89	72
Wim Kok [10]	26	75	62

(1) Peter Elverding is a member of the Supervisory Board as of August 2007. The compensation figure for 2007 reflects the partial year as member of the Supervisory Board. Peter Elverding has been chairman of the Supervisory Board since April 2009.

(2) Jeroen van der Veer is a

member of the Supervisory Board as of July 2009. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board. Jeroen van der Veer has been vice-chairman of the Supervisory Board since October 2009.

(3) Tineke Bahlmann is a member of the Supervisory Board as of April 2009. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board.

(4) Henk Breukink is a member of the Supervisory Board as of April 2007. The compensation figure for 2007 reflects the partial year as member of the Supervisory Board.

(5) Piet Hoogendoorn is a member of the Supervisory Board as of June 2007. The

compensation figure for 2007 reflects the partial year as member of the Supervisory Board.

(6) Harish Manwani, Aman Mehta, Joan Spero and Jackson Tai are members of the Supervisory Board as of April 2008. The compensation figures for 2008 reflect the partial year as members of the Supervisory Board.

(7) Lodewijk de Waal is a member of the Supervisory Board as of April 2009. He has been acting as an observer in the Supervisory Board as of November 2008. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board. Up to the appointment date Lodewijk de Waal has received remuneration, expense allowances and attendance fees

in line with the Remuneration policy of the Supervisory Board.

(8) Jan Hommen was a member of the Supervisory Board as of June 2005 and chairman as of January 2008. He stepped down from the Supervisory Board as of April 2009. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board.

(9) Eric Bourdais de Charbonnière retired in April 2009. He was vice-chairman as of February 2005. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board.

(10) Wim Kok retired in April 2009. The compensation figure for 2009 reflects the partial year as member of the

Supervisory
Board.

Compensation of former members of the Supervisory Board who are not included in the above table amounted to nil in 2009, EUR 16,000 in 2008, and to EUR 162,000 in 2007.

Loans and advances to Supervisory Board members

Supervisory Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that are customary in the sector. The table below presents the loans and advances provided to Supervisory Board members and outstanding on December 31, 2009, 2008 and 2007.

	Amount outstanding	Average Interest rate	Repayments	Amount outstanding	Average Interest rate	Repayments	Amount outstanding	Average Interest rate	Repayments
	(EUR thousands)								
	December 31, 2009			**December 31, 2008**			**December 31, 2007**		
Jeroen van der Veer (1)	282	8.6%							

(1) The amount reflects a housing mortgage loan granted in 1992, well before Jeroen van der Veer s appointment to the Supervisory Board (effectiveas of July 1, 2009).

ING depositary receipts for shares and options held by Supervisory Board members 1)

Supervisory Board members are permitted to hold ING depositary receipts for shares as a long-term investment. The table below shows the holdings by members of the Supervisory Board. Supervisory Board members did not hold ING options at year-end 2009.

	ING depositary receipts for shares held by members of the Supervisory Board(1)		
	2009	**2008**	**2007**
Piet Klaver	13,796	7,430	7,430
Godfried van der Lugt	24,142		
Jeroen van der Veer 2)	99,469		
Karel Vuursteen	2,800	1,510	1,510

1) The numbers of depositary receipts for shares reflect the shares held by the member of the Supervisory Board and their

partners.

2) Jeroen van der Veer is a member of the Supervisory Board as of July 2009.

PROPOSED NEW REMUNERATION

In the public debate on the causes of the financial crisis, a lot of attention is given to remuneration practices in the financial sector. Regulators and financial authorities worldwide responded by issuing a significant number of guidelines on remuneration. In the Netherlands, the banking sector itself, including ING, played a proactive role in this respect by developing the new Dutch Banking Code. The Dutch Banking Code contains, amongst other things, principles on remuneration. It is of utmost importance that the remuneration policy of ING strikes a balance between interests of its customers, employees, shareholders and society at large, and supports the long-term objectives of the company. This is all the more true in the present day environment, as the financial crisis has shifted the focus on these interests, drawing even more focus to the public utility function of financial institutions and their responsibilities towards their stakeholders. ING is well aware of the pivotal role that banks and insurance companies play in society. The globally changing views on remuneration policies have amplified the call upon financial institutions to develop more moderate remuneration policies with an increased emphasis on long-term value creation and performance measurement based on non-financial indicators. Against this backdrop, we considered it our responsibility to evaluate our remuneration policy. Based on this evaluation and taking into account the principles of the Dutch Banking Code, we have developed a new remuneration policy for the Executive Board and senior management. Along this process, both national and international standards with respect to remuneration were taken into account and various relevant stakeholders, including the Central Works Council, Dutch trade unions and the Dutch government, were consulted. The new remuneration policy for the Executive Board will be put forward for adoption at the 2010 annual General Meeting. If adopted, it will become effective as of compensation year 2010. The general principles underlying the adjustments to the remuneration policy for the Executive Board will also be applied in the remuneration of members of the Management Boards and other senior managers throughout the organization.

A comparison of the (application of the) current Executive Board remuneration policy versus the (application of the) proposed new Executive Board remuneration policy is further described on pages 108 and 109.

General principles of new remuneration structure

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

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

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

PROPOSED NEW REMUNERATION POLICY FOR THE EXECUTIVE BOARD

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

Total direct compensation: moderation and reduced emphasis on variable remuneration

Total direct compensation levels will be based on market data that include peers both inside and outside the financial sector in the international context in which ING operates. Total direct compensation will be benchmarked against a peer group of companies that, in the opinion of the Supervisory Board, are comparable with ING in terms of size and scope. In line with the foregoing, the Supervisory Board has determined that the peer group consists of the companies in the Dow Jones EURO STOXX 50 index. These are 50 companies, in a range of financial and nonfinancial industries, that are based in countries within the economic and monetary union of the European Union. In accordance with the Dutch Banking Code, ING s new remuneration policy for the Executive Board now aims for total direct compensation levels slightly below market median levels for comparable positions in the relevant markets. In addition, the new remuneration policy provides for a more balanced mix between fixed and variable compensation. Variable compensation will not exceed 100% of fixed salary at the time of allocation. Fixed compensation (i.e. the base salary levels) will be determined in line with the relevant market environment as an integral part of total direct compensation, and will be reviewed from time to time by the Supervisory Board. The new policy provides for an at target variable compensation of 40% in cash and 40% in stock (in total 80%) of base salary if performance criteria are met. If performance criteria (as pre-determined by the Supervisory Board) are exceeded, the variable component can be increased from target to maximum not exceeding 100% of base salary at the time of allocation.

Increased emphasis on long-term value creation

The new remuneration policy for the Executive Board simplifies the variable compensation element by combining the short and long-term variable components into one structure. This structure intends to support both long-term value creation and short-term company objectives. The emphasis on long-term performance indicators within the variable component of the compensation package will be increased by means of deferral, a reasonableness test and claw back mechanisms. The allocation of variable compensation will be conditional on the achievement of a number of performance objectives. The short term component, at maximum 50% of total variable compensation, is paid in cash the year following the performance year. The other 50% of the total variable compensation will be deferred. This long-term component is allocated in stock in order to ensure alignment of the Executive Board s interests with the interests of shareholders. It also intends to serve the objective of retaining the members of the Executive Board for a longer period of time. The value of the stock award will be determined such that total variable compensation at the time of grant stays within the 100% limit. The stock awards will vest on the third anniversary of the grant date, subject to a reasonableness test by the

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

Increased focus on risk and non-financial performance

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

Pensions Executive Board members

As part of the new remuneration policy for Executive Board members two new pension plans will be offered: a new plan similar to the plan applicable to staff covered under the Dutch Collective Labour Agreement (N.B. this plan will only be introduced following a positive outcome of the pension study, which is currently taking place) and a new individual defined contribution plan. Both these pension plans provide for a lower contribution by ING than the existing Executive Board pension plan. Any person who will be appointed as a member of the Executive Board of ING after January 1, 2010 and who is working on a Dutch employment contract, will be given the choice to participate in one of the two new pension plans. Individual board members participating in the existing pension plan will be given the choice to keep their existing pension arrangement. The existing pension arrangement, approved by the 2006 General Meeting, is based on a defined contribution plan. Alternatively, they can also switch to one of the two new arrangements. Members of the Executive Board will be required to pay a contribution to their pension premium in line with the contributions under ING s Collective Labour Agreement in the Netherlands. Members of the Executive Board working on a non-Dutch employment contract, will be offered pensions in line with local practices.

Benefits

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

Employment contracts

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

Other items for Supervisory Board discretion

Claw back and adjustments

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

Special employment conditions

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

Supervisory Board discretion to review the policy and the remuneration paid

ING as a company is expected to undergo significant changes during the next two years. Moreover, the relevant international employment market is very much in flux. In order to ensure that ING can adapt to these two uncertain factors, the Supervisory Board will evaluate in 2012 whether the new remuneration policy (adopted in 2010) is in line with the long term objectives of the company, the relevant international context, as well as the societal perception of

ING as a company. Should it become clear, after such evaluation, that the new remuneration policy has led to an unintended or inequitable outcome, the Supervisory Board, including its state-nominated members, will have the discretion to correct the previously allocated variable remuneration. However, it is understood that any such correction could not lead to a deviation from the requirement that variable compensation cannot exceed 100% of base salary during any year, as required under the Dutch Banking Code. The proposed remuneration policy is leading in the international financial markets in terms of moderation of pay. The Supervisory Board and the Executive Board also have an obligation to safeguard the continuity of the company. The Supervisory Board will therefore evaluate from time to time how these two responsibilities relate to each other. If and when appropriate, it can make adjustments.

EXECUTIVE BOARD REMUNERATION STRUCTURE 2010

Executive Board base salary 2010

An important objective of the new remuneration policy is to design a more balanced and moderate compensation package for the future. Immediate implementation of some of the amendments proposed to achieve this would however lead to a conflicting outcome. The proposed change of the ratio between fixed and variable compensation would require a significant increase in the fixed component (of more than 50%) in 2010 in order for total compensation levels for the Executive Board to be slightly below market median, in line with the new policy. Under the current circumstances, the Supervisory Board does not deem such an increase of the base salary appropriate. It has thus determined that for the year 2010 the increase of base salary levels should be limited to 13% for the members of the Executive Board with the exception of the CEO position. This 13% increase is in accordance with the cumulative increases received by employees subject to ING s Collective Labour Agreement in the Netherlands over the last seven years minus the modest rate of increase that has applied to the base salaries of ING s Executive Board members over the same period (only 5%). For the CEO position it was decided not to increase the base salary at all. The 2010 base salary for members of the Executive Board amounts to EUR 750,000 and for the CEO EUR 1,353,500.

Executive Board variable compensation 2010

The target variable compensation is set at 80% of base salary. The actual payout may vary between 0% and 125% of the target level (i.e. between 0% and 100% of base salary). In connection herewith, the Supervisory Board performed an analysis of various scenarios which were considered relevant. Financial and non-financial performance indicators will be individually set for each Executive Board member and agreed by the Supervisory Board. There will be financial parameters for each Executive Board member to measure the performance at Group, Bank and Insurance levels. These financial parameters are underlying net result ING Group, ROE ING Group, Core Tier 1 for ING Bank, debt/ equity ratio ING Insurance, underlying cost/income ratio ING Bank and administration costs ING Insurance. The quantative elements of the targets are considered stock price sensitive and competition sensitive; accordingly these are not disclosed.

For 2010, at least 40% of total variable compensation will be based on pre-defined non-financial performance indicators. The incorporation of non-financial indicators in the overall assessment is particularly aimed at improving business performances within ING. These indicators depend on the specific responsibilities of the individual Executive Board member. For each Executive Board member a number of performance objectives are formulated relating to customer satisfaction, improve sustainable business practices, the diversity of the workforce, employee engagement and corporate responsibility. Variable compensation for members of the Executive Board and the CEO will only be awarded as long as ING Group has a positive net underlying profit in 2010. The Supervisory Board will review the remuneration paid over time, in line with the policy.

Comparison current and proposed 2010 compensation

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

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

in EUR		Current		New policy	Change
Base salary [1)]		1,353,500		1,353,500	0%
Variable remuneration at target	200%	2,707,000	80%	1,082,800	(60)%
Variable remuneration at maximum	350%	4,737,250	100%	1,353,500	(71)%
Total remuneration at target		4,060,500		2,436,300	(40)%
Total remuneration at maximum		6,090,750		2,707,000	(56)%
Type of variable compensation		cash + shares/options		cash + shares	
		no		yes	

Allows for discretionary adjustment of variable remuneration		
Allows for claw back of variable remuneration	no	yes
Maximum severance payment	one-year base salary	one-year base salary [2]

(1) The current base salary is listed as the previous CEO s last base salary before departure. Jan Hommen s base salary applies from his appointment date in 2009.

(2) Jan Hommen is not contractually entitled to a severance payment.

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Comparison of current and new 2010 remuneration other Executive Board members

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

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

Comparison of target 2010 remuneration with median of the peer group

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

Comparison of maximum 2010 remuneration with median of the peer group

in EUR	ING 2010	Market median	ING compared to market median
CEO			
Base salary	1,353,000	1,100,000	23%
Variable remuneration at maximum	1,353,500	4,455,000	(70)%
Total remuneration at maximum	**2,707,000**	**5,555,000**	**(51)%**