ING GROEP NV
Form 20-F
March 19, 2009

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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, 2008

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	2,063,147,969
Bearer Depositary receipts in respect of Ordinary shares	2,062,180,263

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

Yes þ o No

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

Yes o þ No

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

Yes þ o No

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

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

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

U.S. GAAPo

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).

Yeso 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 = $ 1.2674, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 6, 2009.

Except as otherwise noted, financial statement amounts set forth in this Annual Report are presented in accordance with International Financial Reporting Standards as adopted by the European Union (EU). In this document the term IFRS-EU is used to refer to International Financial Reporting Standards as adopted by the EU including the decisions ING Group made with regard to the options available under International Financial Reporting Standards as adopted by the EU. See Note 2.1 to the consolidated financial statements for further discussion of the basis of presentation.

IFRS-EU differs from International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement .

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 recognised 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.

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. The amendments also include a two-year transition provision to accommodate Issuers, such as ING Group that apply the EU IAS 39 hedge accounting carve-out and provide a reconciliation of result and equity under IFRS-EU to IFRS-IASB for the years ended 2008 and 2007. This reconciliation is included in Note 2.4 to the consolidated financial statements. A reconciliation of result under IFRS-EU to US GAAP for the year ending December 31, 2006, is provided in Note 2.5 to the consolidated financial statements.

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.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

- changes in general economic conditions, in particular economic conditions in ING s core markets,
- changes in performance of financial markets, including developing markets,
- 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,

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

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PART I

Item 1. Identity Of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics And Expected Timetable

Not Applicable.

Item 3. Key Information

The selected consolidated financial information data set forth below is derived from the consolidated financial statements of ING Group. ING Group adopted IFRS as adopted by the EU as of 2005.

IFRS-EU differs in certain respects from IFRS-IASB and U.S. GAAP. See Note 2.4 to the consolidated financial statements for a description of the differences between IFRS-EU and IFRS-IASB and a reconciliation of certain income statement and balance sheet items to IFRS-IASB. See Note 2.5. to the consolidated financial statements for a description of the differences between IFRS-EU and U.S. GAAP and a reconciliation of certain income statement and balance sheet items to U.S. GAAP.

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

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	2008 USD(1)	2008 EUR	2007(2) EUR	2006(2) EUR	2005(2) EUR	2004(2) EUR
	Year ended December 31, (in millions, except amounts per share and ratios)					
IFRS-EU Consolidated Income Statement Data						
Income from insurance operations:						
Gross premiums written:						
Life	49,261	38,868	40,732	40,501	39,144	36,975
Non-life	6,266	4,944	6,086	6,333	6,614	6,642
Total	55,527	43,812	46,818	46,834	45,758	43,617
Commission income	2,624	2,070	1,901	1,636	1,346	1,198
Investment and Other income	11,369	8,970	13,488	11,172	10,299	10,787
Total income from insurance operations	69,519	54,851	62,208	59,642	57,403	55,602
Income from banking operations:						
Interest income	124,460	98,201	76,859	59,262	48,342	25,471
Interest expense	110,410	87,115	67,823	49,927	39,180	16,772
Net interest result	14,050	11,085	9,036	9,335	9,162	8,699
Investment income	(3,117)	(2,459)	947	483	937	363
Commission income	3,669	2,895	2,926	2,681	2,401	2,581
Other income	265	209	1,693	1,696	1,348	1,035
Total income from banking operations	14,868	11,731	14,602	14,195	13,848	12,678
Total income (3)	**84,017**	**66,291**	**76,586**	**73,621**	**71,120**	**68,159**
Expenditure from insurance operations:						
Life	65,426	51,622	49,526	49,106	47,156	44,988
Non-life	6,165	4,864	6,149	5,601	6,269	6,292
Total expenditure from insurance operations	71,590	56,486	55,675	54,707	53,425	51,280
Total expenditure from banking operations	14,680	11,583	10,092	9,190	8,932	9,260
Total expenditure(3)(4)	**85,902**	**67,778**	**65,543**	**63,681**	**62,226**	**60,419**

Result before tax from insurance operations:						
Life	(2,720)	(2,146)	5,314	3,436	2,666	2,647
Non-life	648	511	1,219	1,499	1,312	1,675
Total	(2,072)	(1,635)	6,533	4,935	3,978	4,322
Result before tax from banking operations	188	148	4,510	5,005	4,916	3,418
Result before tax	**(1,885)**	**(1,487)**	**11,043**	**9,940**	**8,894**	**7,440**
Taxation	(914)	(721)	1,535	1,907	1,379	1,709
Minority interests	(47)	(37)	267	341	305	276
Net result	**(924)**	**(729)**	**9,241**	**7,692**	**7,210**	**5,755**
Dividend on Ordinary shares	1,901	1,500	3,180	2,865	2,588	2,359
Addition to shareholders equity	(3,364)	(2,654)	6,061	4,827	4,622	3,396
Payable on non-voting equity securities [7]					(539)	(425)
Net result attributable to equity holders of the Company	(924)	(729)	9,241	7,692	7,210	5,755
Basic earnings per share[5]	(0.46)	(0.36)	4.32	3.57	3.32	2.71
Diluted earnings per share[5]	(0.46)	(0.36)	4.28	3.54	3.32	2.71
Dividend per Ordinary share [5]	0.94	0.74	1.48	1.32	1.18	1.07
Interim Dividend	0.94	0.74	0.66	0.59	0.54	0.49
Final Dividend			0.82	0.73	0.64	0.58
Number of Ordinary shares outstanding (in millions)	2,063.1	2,063.1	2,226.4	2,205.1	2,204.9	2,204.7
Dividend pay-out ratio [6]	n.a.	n.a.	34.3%	37.0%	35.5%	39.5%

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	2006	2005	2004
	(EUR millions, except amounts per share)		
U.S. GAAP Consolidated Income Statement Data			
Total income	47,588	47,960	49,733
Net result U.S. GAAP, excluding cumulative effects	6,827	6,976	6,688
Cumulative effects of changes in accounting principles			(91)
Net result U.S. GAAP, including cumulative effects (8)	6,827	6,976	6,597
Net result per Ordinary share and Ordinary share equivalent(5)	3.17	3.21	3.10

	Year ended December 31,					
	2008 USD(2)	2008 EUR	2007(2) EUR	2006(2) EUR	2005(2) EUR	2004(2) EUR
	(in billions, except amounts per share and ratios)					
IFRS-EU Consolidated Balance Sheet Data						
Total assets	1,687.8	1,331.7	1,312.5	1,226.3	1,158.6	876.4
Investments:						
Insurance	138.8	109.5	132.3	140.5	144.5	112.1
Banking	188.6	148.8	160.4	171.1	180.1	164.2
Total	327.4	258.3	292.6	311.6	324.6	276.3
Loans and advances to customers	785.5	619.8	553.0	474.4	439.2	330.5
Insurance and investment contracts:						
Life	270.0	213.0	232.4	237.9	232.1	205.5
Non-life	8.6	6.8	9.6	10.1	12.8	11.4
Investment contracts	26.7	21.1	23.7	20.7	18.6	
Total	305.3	240.8	265.7	268.7	263.5	216.9
Customer deposits and other funds on deposit:						
Savings accounts of the banking operations	347.6	274.3	275.1	283.1	269.4	219.4
Other deposits and bank funds	314.9	248.5	250.1	213.6	196.3	129.8
Total	662.6	522.8	525.2	496.7	465.7	349.2
Amounts due to banks	193.0	152.3	167.0	120.8	122.2	95.9
Share capital (in millions)		2,063.1	2,242.4	2,268.1	2,292.0	2,291.8
Shareholders equity	21.9	17.3	37.2	38.3	36.7	24.1
Non-voting equity securities	12.8	10.0				
Shareholders equity per Ordinary share 5)	10.84	8.55	17.73	17.78	16.96	12.95

	2006	2005	2004
	(EUR billions, except amounts per share)		
U.S. GAAP Consolidated Balance Sheet Data			
Total assets	1,228.4	1,159.3	920.4
Shareholders equity	40.6	41.6	35.1
Shareholders equity per Ordinary share and Ordinary share equivalent(5)	18.88	19.21	16.00

(1) Euro amounts have been translated into U.S. dollars at the exchange rate of $ 1.2674 to EUR 1.00, the noon buying rate in New York City on March 6, 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.

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

outstanding at end of period. In 2008, amounts include coupon to Dutch State payable on the non-voting equity securities.

(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 12 of Note 2.1 to the consolidated financial statements.

(8) Upon adoption of SOP 03-1, Accounting and Reporting by Insurance Enterprises for certain Nontraditional long-duration contracts and for separate Accounts , and the related Technical Practice Aid (TPA) effective January 1, 2004, ING Group recognized a cumulative effect of change in accounting principle of

EUR 91 million.

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**
2004	1.3538	1.2478	1.3625	1.1801
2005	1.1842	1.2397	1.3476	1.1670
2006	1.3197	1.2661	1.3327	1.1860
2007	1.4603	1.3794	1.4862	1.2904
2008	1.3919	1.4695	1.6010	1.2446
2009 (through March 6, 2009) [(2)]	1.2674	1.2710	1.3718	1.2549

(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 2008	1.4737	1.3939
October 2008	1.4058	1.2446
November 2008	1.3039	1.2525
December 2008	1.4358	1.2634
January 2009	1.3718	1.2804

February 2009	1.3064	1.2547
March 2009 (through March 6, 2009)	1.2674	1.2549

The Noon Buying Rate for euros on December 31, 2008 was EUR 1.00 = $ 1.3919 and the Noon Buying Rate for euros on March 6, 2009 was EUR 1.00 = $ 1.2674.

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RISK FACTORS

Risks Related to the Financial Services Industry

Because we are an integrated financial services company conducting business on a global basis, our revenues and earnings are affected by the volatility and strength of the economic, business and capital markets environments specific to the geographic regions in which we conduct business. 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 currently taking place, 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 no 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, such as the one currently taking place, 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. For more details on the impact of interest rates and exchange rate fluctuations on our operations, see Item 5. Operating and financial review and prospects Factors affecting results of operations .

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. Management believes that if ongoing market volatility adversely impacts the performance of the reporting units Retail Banking Central Europe and Insurance Americas United States, compared with what was assumed in the year-end 2008 goodwill impairment test, the book value (including goodwill) of these reporting units may exceed the related fair values, which would result in impairments. See Note 9 of Note 2.1 to the consolidated financial statements.

Shareholders equity and net result of ING in 2008 were significantly impacted by the turmoil and the extreme volatility in the worldwide financial markets. The financial markets and worldwide economies have deteriorated further in the first months of 2009 in several areas, especially the equity markets. Current levels continuing or a further negative development in financial markets and/or economies in 2009 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. See Subsequent Events of Note 2.1 to the consolidated financial statements.

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 eighteen months. 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 delay raising capital, reduce or postpone payment of dividends on our shares or interest payments on other securities, issue capital of different types or under different terms than we would otherwise, or 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, governments around the world, including the Dutch government, have implemented measures providing assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. In certain cases governments have even nationalised companies or parts thereof. The measures adopted in the Netherlands consist in both liquidity provision and capital reinforcement, and a Dutch Capital Guarantee Scheme. The liquidity and capital reinforcement measures apply for a period of one year as of October 10, 2008, while the Credit Guarantee Scheme of the Netherlands is scheduled to run through December 31, 2009 (see Item 4. Recent Developments). So far we have been able to benefit from these measures. Going forward, the Dutch authorities will look at each application individually. Potential future transactions with the Dutch government or any other government or actions by such government regarding ING could adversely impact the position or rights of shareholders, bondholders, customers, creditors, our results, operations, solvency, liquidity and governance.

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 can not always be adequately reserved for. Furthermore, we are subject to actuarial and underwriting risks such as, for instance, mortality, 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, and based on current information, we believe our claim reserves are sufficient, 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.

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

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. Most recently, governments in the Netherlands and abroad have 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 agreements of ING with the Dutch State, see Risks related to the Company 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. 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 conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, or we fail to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, amongst other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition.

RISKS RELATED TO THE COMPANY

Ongoing turbulence and volatility in the financial markets have adversely affected us, and may continue to do so. We currently do not expect these conditions to improve in the short term.

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 continues in 2009. 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 the continuing 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. 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.
As a result of the ongoing and unprecedented volatility in the global financial markets in 2007 and 2008, we have incurred negative revaluations on our investment portfolio, which have impacted our earnings and shareholders equity. Furthermore, we have incurred impairments and other losses, which have impacted our profit and loss accounts. Reserves for insurance liabilities are overall adequate at the Group and Business Line level. Inadequacies in certain product areas have developed. Reference is made to Note 2.1 to the consolidated financial statements Risk Management Reserve Aquadecy .
Such impacts have arisen primarily as a result of valuation issues arising in connection with our investments in real estate and private equity, exposures to US mortgage-related structured investment products, including sub-prime and Alt-A Residential and Commercial Mortgage-Backed Securities (CMBS and RMBS), Collateralized Debt Obligations (CDOs) and Collateralized Loan Obligations (CLOs), monoline insurer guarantees, Structured Investment Vehicles (SIVs) and other investments. In many cases, the markets for such investments and instruments have become 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.
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 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, Fortis 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, this trend accelerated considerably, as several major financial institutions consolidated, were forced to merge or received substantial government assistance. 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.

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

General

Third-parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers whose securities we hold, borrowers under loans originated, customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing house and other financial intermediaries. 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 rumors 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 addition, 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. 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.

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 receivables as of December 31, 2008, the greatest exposure after collateral to an individual reinsurer was approximately 32%, approximately 68% related to four other reinsurers and the remainder of the reinsurance receivables balance 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.

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

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

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

Because we use assumptions to model client behavior 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 behavior 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 behavior could have material adverse effect on the calculated risk figures and ultimately future results.

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

In the less developed markets in which we operate, judiciary and dispute resolution systems may be less developed. As a result in case of a breach of contract we may have difficulties in making and enforcing claims against contractual counterparties and, if claims are made against us, we might encounter difficulties in mounting a 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.

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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 assets. Downgrades could have an adverse impact on our operations and net results.

We obtain credit ratings from Standard & Poor s, Moody s and Fitch. While we aim to maintain a senior unsecured rating of AA, 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.

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.

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

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 ING 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 (i) 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, (ii) result in increased surrenders of certain life & savings products, particularly, those with fixed rates below market rates, and (iii) 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 (i) 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, (ii) negatively impact performance, future sales and surrenders of our unit-linked products where underlying investments are often allocated to equity funds, and (iii) 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 (i) 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 (ii) 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, (iii) 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 mis-pricing 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, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. 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.

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

Adverse publicity and damage to ING s reputation arising from its failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well known companies, increasing regulatory and law enforcement scrutiny of know your customer anti-money laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the mutual fund, banking and insurance industries, and litigation that arises from the failure or perceived failure by ING to comply with legal, regulatory and compliance requirements, could result in adverse publicity and 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% of our Ordinary shares, the rights of our shareholders may differ from the rights of shareholders in other jurisdictions, which could affect your rights as a shareholder.

While holders of our bearer receipts are entitled to attend and speak at the General Meeting, voting rights are not attached to the bearer depositary receipts. Stichting ING Aandelen (the Trust) holds more than 99% of our Ordinary shares, and exercises the voting rights attached to the Ordinary shares (for which bearer receipts have been issued). Holders of bearer receipts who attend in person or by proxy the General Meeting must obtain voting rights by proxy from the Trust. Holders of bearer receipts and holders of the ADSs (American Depositary Shares) representing the bearer receipts, who do not attend the General Meeting, may give binding voting instructions to the Trust. See Item 7. Major Shareholders and Related Party Transactions Voting Instructions of holders of bearer receipts of Ordinary shares 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 receipts, while taking into account:

§ our interests,

§ the interests of our affiliates, and

§ the interests of our other stakeholders

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

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

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

§ market expectations of the performance and capital adequacy of financial institutions in general;

§ investor perception of the success and impact of our strategies;

- § a downgrade or review of our credit ratings;

- § potential litigation or regulatory action involving ING Group or sectors we have exposure to through our insurance and banking activities;
- § announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and
- § general market circumstances.

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-I Securities issued by us on November 12, 2008, for so long as the Illiquid Assets Back-up Facility between ourselves and the Dutch State agreed upon in the term sheet of January 26, 2009 is in place, or for so long as any of the government guaranteed senior unsecured bonds issued by ING Bank N.V. successively 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, whichever expires last, 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 (see below). In addition, under the terms of these agreements with the Dutch State, 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, as set forth in Item 6. Directors, Senior Management and Employees Supervisory Board .

The issuance of the Core Tier-I Securities to the Dutch State has increased the cumulative change of ownership for United States tax purposes to approximately 42% as per November 12, 2008. Future increases of capital or other ownership changes may bring ING over the 50% threshold, in which case limitations to the future use of tax loss carry forwards as well as certain so-called built-in-losses may adversely affect net result and equity.

Section 382 of the United States Internal Revenue Code contains a so-called loss limitation rule, the general purpose of which is to prevent trafficking in tax losses (i.e. it is an anti-abuse rule). The rule is triggered when the ownership of a company changes by more than 50% (measured by value) on a cumulative basis in any three year period. If triggered, restrictions may be imposed on the future use of realised tax losses as well as certain losses that are built into the assets of the company at the time of the ownership change and that are realised within the next five years. The issuance of EUR 10 billion of securities by ING to the Dutch State on November 12, 2008 brought ING s (cumulative) change of ownership as per that date to approximately 42%. As a result, future increases in capital or other changes of ownership may adversely affect the net result or equity of ING, unless relief from the loss limitation rules is obtained, which may or may not be possible.

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

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

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

ING aims to deliver its financial products and services in the way its 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 offering banking, investments, life insurance and retirement services. We serve more than 85 million private, corporate and institutional customers in Europe, North and Latin America, Asia and Australia. We draw on our experience and expertise, our commitment to excellent service and our global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

Our strategy

ING s overall ambition is to help customers manage their financial future. Capitalising on changing customer preferences and building on our solid business capabilities, ING s strategic focus is on banking, investments, life insurance and retirement services. We want to provide retail customers with the products they need during their lives to grow savings, manage investments and prepare for retirement with confidence. With our wide range of products, innovative distribution models and strong footprints in both mature and developing markets, we have the long-run economic, technological and demographic trends on our side. We align our business strategy around a universal customer ideal: saving and investing for the future should be easier. While steering the business through turbulent times, we will execute efforts across all our business lines to strengthen customer confidence and meet their needs, preserve a strong capital position, further mitigate risks and bring our costs in line with revenue expectations.

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, communities and shareholders. ING strives to be a good corporate citizen.

Our corporate responsibility

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

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CHANGES IN THE COMPOSITION OF THE GROUP

Acquisitions effective in 2008

In December 2008, ING acquired 100% of the voluntary pension fund Oyak Emeklilik for a total consideration of EUR 110 million. Goodwill of EUR 69 million was recognised on the acquisition and is mainly attributable to the operational synergies and the future business potential resulting from the acquisition.

In July 2008, ING acquired approximately 97% of Interhyp AG, Germany s largest independent residential mortgage distributor for a total consideration of EUR 418 million. Goodwill of EUR 371 million was recognised on the acquisition and is mainly attributable to the future potential for enhancing ING s distribution platforms in Europe resulting from the acquisition.

In July 2008, ING acquired 100% of CitiStreet, a leading retirement plan and benefit service and administration organisation in the US defined contribution marketplace for a total consideration of EUR 578 million. Goodwill of EUR 462 million was recognised on the acquisition and is mainly attributable to the operational synergies and the future business potential resulting from the acquisition, making ING one of the largest defined contribution businesses in the United States.

In January 2008, ING closed the final transaction to acquire 100% of Banco Santander s Latin American pension and annuity businesses through the acquisition of the pension business in Chile. See Note 29 of Note 2.1 to the consolidated financial statements Acquisitions effective in 2007 for full details of the entire deal.

Disposals effective in 2008

In December 2007, ING reached an agreement with Berkshire Hathaway Group to sell its reinsurance unit NRG N.V. for EUR 272 million The sale resulted in a net loss of EUR 144 million. As disclosed in Note 21 Other liabilities of Note 2.1 to the consolidated financial statements a loss on disposal of EUR 129 million was reported in 2007. In 2008, EUR 15 million additional losses, predominantly relating to currency exchange rate changes were recognised.

In July 2008, ING announced it had completed the sale of part of its Mexican business, Seguros ING SA de CV and subsidiaries, to AXA as announced in February 2008, for a total consideration of EUR 950 million (USD 1.5 billion). The sale resulted in a gain of EUR 182 million.

In January 2008 ING completed the sale of its health business in Chile, ING Salud, to Said Group and Linzor Capital Partners, resulting in a gain on disposal of EUR 55 million.

Disposals announced and occurring or expected to occur in 2009

In October 2008 ING announced that it had reached agreement to sell its entire Taiwanese life insurance business, ING Life Taiwan, to Fubon Financial Holding Co. Ltd. for approximately EUR 447 million. At December 31, 2008 ING Life Taiwan qualified as a disposal group held for sale. The sale was completed on February 13, 2009. Consequently ING Life Taiwan will be deconsolidated in the first quarter 2009. ING will be paid in a fixed number of shares with the difference between the fair value of those shares at the closing date and sale prices being paid in subordinated debt securities of the acquirer. ING Life Taiwan is included in the segment Insurance Asia/Pacific. This transaction is expected to result in a loss of EUR 292 million . A provision has been recognised for this loss in Other liabilities. The loss has been recognised in 2008 in Net gains/losses on disposal of group companies in the profit and loss account.

As mentioned in Acquisitions effective in 2007 in Note 29 of Note 2.1 to the consolidated financial statements, ING acquired the AFJP Pension (Origenes AFJP S.A.) company in Argentina as part of the Santander transaction. In November 2008 the Government of Argentina passed legislation to nationalise the private pension system (AFJPs). Under the law, all client balances held by the private pension system would be transferred to the Argentina Government and AFJP s pension business would be terminated. The law became effective in December 2008 when the Argentine Social Security Administration (ANSES) took ownership over the affiliate accounts. The nationalisation impacted the pension assets only, thus leaving ING responsible for the ongoing operating costs and liabilities including severance obligations. This resulted in a loss of EUR 188 million being recognised in 2008.

In February 2009, ING announced that it had agreed to sell its 70% stake in ING Canada for net proceeds of approximately EUR 1,265 million (CAD 2,163 million). The transaction was closed on February 19, 2009 and will be booked in 2009. This transaction will result in a decrease in Total assets of approximately EUR 5,471 million and a decrease of Total liabilities of approximately EUR 3,983 million.

For the years 2007 and 2006 as well as a description of on-going capital expenditures, see Note 29 of Note 2.1 to the consolidated financial statements.

RECENT DEVELOPMENTS

In October 2008, the Dutch State announced measures to protect the financial sector. The Dutch State has stated it is committed to make capital available to each financial enterprise in the Netherlands that is fundamentally sound and viable. The objective is to maintain these institutions own funds at the levels deemed necessary by the supervisor. The contribution of the government can take various forms, such as a participation via preferential shares, or otherwise if so required on account of the legal form, group structure or other considerations. Any financial enterprise meeting the above description is entitled to apply for this measure. If necessary, financial enterprises may consult with the authorities on specific balance-sheet problems. In any event, all these measures will be subject to conditions in order to limit market distortions and the financial risks for the government and to prevent misuse. The conditions will relate, among other things, to guarantees on returns, the financing of operational costs by the financial enterprises concerned, executive pay and representation in the executive bodies. The above applies for a period of one year as of October 10, 2008.

In addition the State of the Netherlands implemented a EUR 200 billion guarantee scheme for the issuance of medium term bank debt (the Credit Guarantee Scheme). The program is scheduled to run through December 31, 2009. The guarantee scheme targets non-complex senior unsecured loans plain vanilla commercial paper, certificates of deposit, and medium term notes, with maturities ranging from 3 to 36 months. Fees will depend on creditworthiness of the banks involved and will be based on historical credit default swap spreads (or an approximation if necessary), with an addition of 50 basis points. Maturities of less than a year will have a fixed fee of 50 basis points. The scheme will include loans denominated in euros, US Dollars and British Pounds. Both principal and interest will be covered. The Dutch State Treasury Agency will execute the scheme.

The ING Group benefited from the capital support facilities set up by the Dutch Sate as part of the measures adopted in response to the financial and economic crisis. In November 2008, ING Group issued EUR 10 billion of non-voting Core Tier-1 securities (the Core Tier-1 Securities) to the Dutch State. In January 2009, ING Group negotiated an Illiquid Assets Back-up Facility term sheet with the Dutch State (the Illiquid Assets Back-up Facility); this transaction is expected to close in the first quarter of 2009, subject to final documentation and regulatory approval. For more information see Item 4. Corporate Governance Transactions with the Dutch State . In January, February and March 2009 ING placed 3 government guaranteed senior unsecured bond issues (see list below).

On January 26, 2009, ING announced measures to reduce risks and expenses in order to adapt the Group to the current environment. In January 2009, ING entered into an Illiquid Assets Back-up Facility term sheet with the Dutch State covering ING s Alt-A RMBS portfolio. Through this transaction, which is expected to close in the first quarter of 2009, subject to final documentation and regulatory approval, risks are expected to be reduced with respect to 80% of ING s Alt-A RMBS portfolio. In addition, expenses are targeted to be cut by EUR 1 billion in 2009, including by means of a headcount reduction of 7,000 positions. Furthermore, selective divestments will be made outside the focus of the core franchise. For more information see Item 4. Corporate Governance Transactions with the Dutch State .

On January 26, 2009, ING announced that Michel Tilmant had stepped down from the Executive Board and that Jan Hommen will be nominated for appointment to the Executive Board at the 2009 annual General Meeting. Following his appointment he will act as chairman of the Executive Board. For recent changes in the Executive Board and Supervisory Board reference is made to Item 6. Directors, Senior Management and Employees .

On January 30, 2009, ING Bank announced that it has successfully placed 3 year USD denominated government guaranteed senior unsecured bonds. The issue of USD 6 billion was done under the Credit Guarantee Scheme of the Netherlands and is part of ING Group s regular medium-term funding operations.

On November 18, 2008, ING announced the voluntary delisting from the Frankfurt, Paris and Swiss stock exchanges. The delisting was completed in the first quarter of 2009. The listings of (depositary receipts for) shares on Euronext Amsterdam and Euronext Brussels and of ADRs on the New York Stock Exchange are not affected by the delisting.

On February 11, 2009, ING announced that it closed the sale of its Taiwanese life insurance business to Fubon Financial Holding Co. Ltd. See Disposals announced and occurring or expected to occur in 2009 .

On February 16, 2009, in light of the recently announced cost reduction programme, ING confirmed not to renew the three year sponsorship (2007-2009) contract with Renault F1 and to end its presence in F1 beyond the 2009 season.
On February 19, 2009, ING Group announced that it has completed the sale of its 70% stake in ING Canada via a private placement and a concurrent bought deal public offering. ING no longer owns an interest in ING Canada, the largest provider of property & casualty insurance products and services in Canada. See: Disposals announced and occurring or expected to occur in 2009 .
On February 20, 2009, ING Bank announced that it has placed a 5 year EUR 4 billion government guaranteed senior unsecured bond issue. The issue of EUR 4 billion was done under the Credit Guarantee Scheme of the State of the Netherlands and is part of ING Bank s regular medium-term funding operations.
On February 23, 2009, ING announced that the Supervisory Board intends to nominate Patrick Flynn (1960, Irish) for appointment to the Executive Board at the annual General Meeting of Shareholders of April 27, 2009. Upon appointment Patrick Flynn will become the new Chief Financial Officer of ING.
On March 12, 2009, ING Bank announced that it has placed a 5 year USD denominated government guaranteed senior unsecured bond issue. The issue of USD 2 billion was done under the Credit Guarantee Scheme of the State of the Netherlands and is part of ING Bank s regular medium-term funding operations.

GROUP STRATEGY

Adjusting to a new reality

Key points:

§ Confronting the crisis head on

§ Prioritizing customers, capital, risk and costs

§ Delivering an easier customer experience

§ Focus on banking, investments, life insurance and retirement services

The global financial crisis has strongly impacted the financial services sector. ING has not been immune and has seen a corresponding deterioration in earnings. As maintaining the confidence of our stakeholders is essential to remain successful, we will confront the crisis head on by putting customers first, preserving our capital base, further mitigating risks and lowering costs. We will continue to align our long term business strategy around a universal customer ideal: saving and investing for the future should be easier. This is even more valid going forward, as the crisis proves that financial institutions need to reduce the complexity of their product and services offering and go back to the basics of finance.

Weathering the crisis

In the course of 2008 the financial crisis intensified significantly. It has become evident that the long-lasting period of low interest rates and ample liquidity has triggered the emergence of incongruities in the financial sector. A combination of factors has severely undermined the proper functioning of the financial system: the mispricing of risk and excessive leverage by a number of financial institutions, the rapid emergence of toxic assets, the industry s over-reliance on mathematical modeling as well as the detrimental effects of certain incentive structures and the pro-cyclical working of accounting rules. As a result of the crisis, customer confidence in the sector has decreased significantly.

The consequences have been far-reaching. The market expectations of capital requirements for international financial institutions have increased substantially, forcing governments around the world to support banks with large capital injections. Unfortunately, ING was no exception. Although our commercial performance kept up reasonably well, the sharp market decline in 2008 led to significant impairments and negative revaluations across almost all asset classes, also affecting our earnings and capital position. Looking forward, all indicators suggest that market conditions will remain difficult throughout 2009.

Business initiatives

The challenges we are facing in these exceptional times clearly require thoughtful solutions. Therefore, we are taking a fresh look at our business to seek new ways of doing business. In the Netherlands, the new bank created by combining ING Bank and Postbank began operating under the ING brand from 2009. In Belgium, we continued with the implementation of a new retail branch service concept, transforming traditional branches into outlets with automated self-service cash functions and online banking access. We invested in our retail banking network with a particular focus on Poland, Romania, Turkey and India. Building on our banking business, ING

Direct aims to offer a more complete range of products in all countries, instead of offering single savings products. In Germany, ING Direct s mortgage activities have been strengthened by the acquisition of Interhyp.

At Wholesale Banking, we reviewed and even selectively decreased our client coverage model in non-core markets. We reduced and exited certain volatile products and activities, especially in equities markets and within Financial Markets Strategic Trading. We will increasingly focus our full-service wholesale banking activities on the Benelux, where we aim to become the leading wholesale bank. ING also has ambitions to be a market leader in Poland and Romania, as well as in a number of key products globally, like Structured Finance.

In December 2008, we completed the acquisition of the Turkish voluntary pension company Oyak Emeklilik, which has been integrated in Insurance Europe. Oyak Emeklilik will be re-branded under the ING brand in 2009.

In the Americas, we are focused on the long-term growth opportunities presented by the ageing of the US population and the increasing wealth in Latin America. The acquisition of CitiStreet, one of the major retirement plan service and administration organizations in the US defined contribution market, provides us with an expanded geographic footprint and broader service offerings to customers. In Peru, we increased our stake in AFP Integra to 80%, the number one pension fund company by market share.

In Asia/Pacific, bank distribution was further reinforced through an exclusive agreement with the Royal Bank of Scotland in Hong Kong, and by sales expansion through TMB Bank from the Bangkok region to the entire branch network in Thailand. Furthermore, ING became one of the multi-region preferred strategic partners of HSBC Insurance.

Strategy: adjusting to a new reality

Financial institutions like ING have an important role to play in creating the conditions for social and economic progress, by taking and spreading the financial risks of individuals and companies. Yet, the credit crisis underscores that we can only do this if we are trusted by our customers. Earning and maintaining customer trust therefore an absolute prerequisite for any financial institution to operate. As the increased complexity of the financial services industry has been a major cause of the crisis and the loss of customer confidence, going back to the basics of finance is inevitable.

ING has a clear eye for what lies at the heart of our business: collecting customer balances and redeploying these in the economy, by means of a self originated loan book consisting of mortgages and corporate, private and other types of loans. We are well aware of our responsibilities and will continue to do our utmost to maintain the confidence of all our stakeholders and to contribute to a proper functioning of markets. We will align our long term business strategy around a universal customer ideal: saving and investing for the future should be easier.

Going forward we will take steps to strengthen our financial position and adjust to the reality of the global recession while keeping focus on our long-term priorities. In the short to medium term, we will step up efforts to steer the business through these turbulent times, to stabilize our company and reinforce our credibility. Our efforts will be focused on disciplined execution of these plans in 2009, specifically by:

§ putting customers first

§ preserving a strong capital position, including divestments that free up capital

§ further mitigating risks

§ bringing our costs in line with the operating environment

Putting customers first

The credit crisis has had a clear impact on customer needs, both in terms of product offering, as well as servicing models. These turbulent times prove once more that delivering an easier customer experience and going back to basics should be an essential part of our strategy. Hence, we will continue along the path chosen in 2007, when we launched our Easier programme, which emphasizes the attributes that build customer trust and competitive advantage over the long term: 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 manner, to be open and transparent about our products and services and to provide them with objective and professional advice. Apart from the need to reinforce our efforts to deliver an easier customer experience, the crisis has created a shift in customer demand towards products that offer wealth-protection and risk reduction. Therefore, we will reposition our product portfolio to accommodate changing customer needs.

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Preserving a strong capital position

The economic environment has not only put pressure on the profitability of our business, but has also led to an internationally recognized belief that going forward, capital requirements for financial institutions should be higher. Although our capital position was above or in line with previously targeted levels and regulatory requirements, in October 2008 we decided to further strengthen our capital base in the form of the issuance of EUR 10 billion of CoreTier-1 Securities to the Dutch State, which brought our ING Bank Core Tier-1 ratio to 9.32% as per December 31, 2008.

The current environment also forces us to reassess in what businesses and geographies ING has a strong market position that is sustainable for the long term. We aim to avoid asset-growth in pressurized sectors and continue our efforts to deleverage our balance sheet and to reduce the volatility and complexity of our portfolio. We will make a number of selective divestments outside the core of our franchise to free up capital and simplify the organization. We will do so in a disciplined manner. In February 2009, we sold our interest our in ING Canada, the largest provider of property & casualty insurance products and services in Canada.

Mitigating risk

ING has been reducing risk across the balance sheet over the course of 2008. We aim to further reduce our risk exposure in the coming period. In 2008, we have started to reduce our real estate, private equity, corporate bond and interest rate exposure. We sold several equity stakes and implemented hedges. Moreover, we have begun to cap balance sheet growth for the bank and reduced market value risk for insurance operations. In Taiwan, ING sold its life insurance business to Fubon Financial Holding, which resulted in a reduction of interest rate risk exposure.

In January 2009, ING and the Dutch State reached an agreement on an Illiquid Assets Back-up Facility term sheet covering ING s Alt-A residential mortgage-backed securities. Market prices for these securities had become depressed as liquidity dried up, which affected our results and equity far in excess of reasonably expected credit losses. This transaction with the Dutch State as described in the term sheet would significantly reduce the uncertainty regarding the impact on ING of any potential future losses on 80% of the portfolio. In 2009, we will continue to reduce our risk profile. We believe in a strong risk management function that is fully integrated into the daily management and strategic planning of all our business units. ING aims to close this transaction in the first quarter of 2009, but the closing is dependent on the completion of final documentation and approval of various regulators.

Bringing costs in line with the operating environment

With pressure on margins and investment returns, it is vital to contain costs. In January 2009 we announced the plan to cut operating expenses by EUR 1 billion in 2009. The structural expense reduction is expected to lead to annual savings of approximately EUR 1.1 billion from 2010 onwards. Of the cutback, 35% will come from a reduction of the workforce by approximately 7,000 full-time positions in 2009. The remainder of the expense reduction comes from decreasing costs for our head office, marketing, the Formula 1 programme, consultancy, third-party staff and the renegotiating of certain contracts with IT-vendors.

By taking these measures we are bringing expenses in line with the operating environment. This will make ING leaner and more flexible as we position ourselves for an eventual recovery.

Long term priorities

We are convinced that it is in the long-term interest of all our stakeholders (customers, employees, communities, and shareholders) to do whatever is necessary to maximize business opportunities whilst maintaining the financial health and growth prospects of our company. Our focus on banking, investments, life insurance, and retirement services, enables us to provide retail customers with the products they need during their lives to grow savings, manage investments and prepare for retirement with confidence. With our wide range of products, innovative distribution models and strong footprints in both mature and developing markets, we have the economic, technological and demographic trends on our side.

We will continue to invest in our bank distribution platforms. We are able to serve our 85 million customers through different distribution channels our direct banking channels and branches and also through tied agents, and via distribution agreements with other parties. Banks can fill many customer needs across a wide range of products from liquidity to lending and investing. Banking is also structurally well-positioned with many chances for customer interaction and long customer retention.

But even with the right mindset and structure in place, shielding customers from market risks while managing earnings volatility remains a daunting challenge, especially in the uncertain market environment of today.

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Therefore, we also want to make sure that we continue to be able to generate a good portion of our own assets as well. Our wholesale banking activities will thus continue to play a fundamentally important role, as our expertise in this field helps us generate the high-quality assets in which we can invest our retail deposits. Our wholesale banking business also provides us with relevant skills in risk management, and gives us access to financial markets around the world. Lastly, our asset management will also remain key to our strategy. In order to optimize our asset management skills, we will further strengthen our capabilities and investment expertise to deliver first-class investment performance for our clients.

High grow markets continue to play an important role for ING. Yet, given the new economic and regulatory realities and the necessity to preserve ING s capital position, new investments will be tempered.

While drawing lessons from the crisis and the debate on the function of financial institutions in society, we will review the portfolio of the company in terms of markets, distribution models as well as product offering, in order to ensure our long-term competitiveness. We will focus on fewer, coherent and strong businesses Also, we will simplify the organization, improve the fundamentals of our business and invest in improving commercial processes.

Moreover, further strengthening of our brand around a universal ideal of delivering an easier customer experience remains a main objective, as awareness and appreciation of the ING brand is essential in building trust, a key driver for long-term business growth.

Last, but certainly not least, continued investment in our people is essential. ING is proud to have highly skilled and motivated staff. Hence, we will continue to promote people-oriented leadership, and to drive for excellence.

Conclusions and ambitions

The global financial crisis made 2008 an extremely challenging year for all financial institutions and ING was no exception. The sharp market decline in 2008 has confronted us with significant impairments and negative revaluations across almost all asset classes. ING is confronting the crisis head on by putting customers first, preserving a strong capital position, further mitigating risks and lowering costs.

While the global economy will be confronted with a recession in 2009, our first priority is to improve the financial fundamentals of the company, without losing perspective on the long term. We will assess our strategic focus and review our portfolio in the best interests of our customers: the markets we want to be in, our distribution models and our product offering. ING will pursue a universal customer ideal: saving and investing for the future should be easier.

CORPORATE GOVERNANCE

Legislative and regulatory developments

In December 2008, the Monitoring Committee of the Dutch Corporate Governance Code (the Frijns Committee) published an updated version of the Dutch Corporate Governance Code (Tabaksblat Code or Code), the draft of which was distributed for consultation in June 2008. The revised Code became effective on January 1, 2009.

ING Group is now considering the revised Code and to what extent it can be implemented. As recommended by the Frijns Committee, the implementation of the revised Code will be discussed at the 2010 General Meeting as a separate agenda item.

In 2008, several changes of EU origin relating to listed company disclosure and transparency were proposed to be implemented in Dutch law. These especially affect annual and interim financial reporting, a mandatory corporate governance statement in the annual report and for public interest entities the introduction of a mandatory audit committee. Subsidiaries of a public interest entity which complies with the mandatory audit committee requirement are exempt. ING Group, ING Bank N.V, and ING Verzekeringen N.V. have an audit committee, whereas the other ING Group subsidiaries in the Netherlands make use of this exemption.

Furthermore, also as a result of EU legislation, the rules on the maintenance and alteration of capital of public limited liability companies were amended. The amended rules, among others things, facilitate the issue of shares against contribution in kind, the repurchase of shares, and the provision of financial support for the acquisition of a company s own stock by third parties.

A legislative proposal to implement the EU Shareholder Rights Directive was submitted to the Dutch Parliament in November 2008. It primarily addresses matters of logistics in the build-up to a general meeting, such as the disclosure and distribution of the meeting materials, the record date, shareholders proposals and the asking of questions.

Following a consultation procedure, a legislative proposal was submitted to Dutch Parliament in November 2008 to facilitate the introduction of the one-tier board into Dutch company law. The proposal will clarify the rules on the division of tasks in a board of directors. This proposal also includes a revised version of the conflict of interest rules and will abolish the required second candidate within the context of a binding nomination, recommended by the Tabaksblat Committee in 2003.

Finally, as a result of a change in Dutch law, the term general meeting of shareholders in the Dutch Civil Code was changed to general meeting . For the time being ING Group is not planning to change its Articles of Association to incorporate the new term, though the term is used in this Annual Report.

Transactions with the Dutch State

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

In January 2009, ING entered into an Illiquid Assets Back-up Facility term sheet with the Dutch State covering ING s Alt-A Residential Mortgage-Backed Securities (RMBS) portfolio. Through this transaction, which is expected to close in the first quarter of 2009, subject to the completion of final documentation and regulatory approval, the Dutch State will become the economic owner of 80% of the Alt-A RMBS portfolio. This transaction is expected to be concluded at a price of 90% of par value with respect to the 80% proportion of the portfolio of which the Dutch State will become the economic owner. Par value of the portfolio is approximately EUR 30 billion. Following the deteriorated economic outlook in the third and fourth quarter, market prices for these securities had become depressed as liquidity dried up, which had an impact on ING s results and equity far in excess of estimated credit losses. Under the terms of the facility, ING will sell an undivided 80% interest in each security in the Alt-A RMBS portfolios to the Dutch State. The Dutch State will absorb 80% of the risks and returns on the Alt-A RMBS portfolio. ING will remain exposed to 20% of the risk of the Alt-A RMBS portfolios and will remain the legal owner of 100% of the securities. In the portfolio as such the transaction will significantly reduce the uncertainty regarding the impact on ING of any future losses in the portfolio. In addition, as a result of the facility, 80% of the Alt-A RMBS portfolios will be derecognized from ING s balance sheet under IFRS. Therefore, 80% of the negative revaluation reserve on the securities will be reversed, resulting in an increase of approximately EUR 5 billion in shareholders equity. Another benefit of the facility is that it will reduce the amount of ING s risk weighted assets by approximately EUR 13 billion. As condition to the Facility ING will commit to support the growth of the Dutch lending business for an amount of EUR 25 billion on market conforming conditions. The Dutch State will also acquire certain consent rights with respect to the sale or transfer of the 20% proportion of the Alt-A RMBS portfolio that is retained by ING.

On January 30, 2009, its subsidiary ING Bank N.V. announced that it had issued under the Credit Guarantee Scheme of the Netherlands USD 6 billion three-year government guaranteed senior unsecured bonds, in February 2009 a 5 year EUR 4 billion fixed rate government guaranteed senior unsecured bond and in March 2009 a 5 year USD 2 billion government guaranteed senior unsecured bond (the Government Guaranteed Bonds or the Bonds).

In the framework of these transactions, certain arrangements with respect to corporate governance and executive remuneration were agreed with the Dutch State which will remain in place as long as the Dutch State owns at least 250 million Securities, as long as the Back-up Facility is in place (provided that the final documentation is concluded and the closing occurs pursuant to the term sheet of January 26, 2009) or any of the Bonds is outstanding (whichever expired 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 Supervisory Board);

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

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

severance payments to Executive Board member will be limited to a maximum of one year s fixed salary, in line with the Tabaksblat Code;

ING undertakes to support the growth of the Dutch lending to corporates and consumers (including mortgages) for an amount of EUR 25 billion, on market conforming terms;

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ING will pro-actively use EUR 10 billion of the Dutch Guarantee Scheme over 2009;

ING commits itself to maintaining the Dutch payment system PIN on its payment debit cards as long as other market participants, representing a substantial market share, are still making use of this payment system;

Appointment of the Chief Executive Officer of the Executive Board requires approval of the State s 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 .

Shareholder participation and position of the Trust Office

As announced earlier, the Executive Board and the Supervisory Board intend to reconsider the position of the Stichting ING Aandelen (the Trust Office) and depositary receipts once the number of votes on ordinary shares and depositary receipts of ordinary shares, including proxies and excluding the votes which are at the discretion of the Trust Office at a General Meeting is at least 35% of the total votes that may be cast for three consecutive years. In 2006, the percentage of votes thus cast amounted to 28% of total votes, which increased to 37.6% in 2007 and to well over 38% in 2008. The Executive Board is committed to encouraging depositary receipt holders, particularly institutional investors, to participate in voting at the General Meeting.

Elimination of preference A shares and preference B shares

In 2008 all remaining preference A shares were eliminated. Such shares were cancelled either following the repurchase of the depositary receipts of the A shares, or through redemption. Subsequently, the preference A shares and the preference B shares were removed from ING Group s Articles of Association. As a result, all outstanding ING Group shares have voting rights proportional to their economic value as recommended under section IV.1.2 of the Dutch Corporate Governance Code.

Separate 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 a Nomination Committee. As recommended under section III.5.11. of the Tabaksblat Code, the Remuneration Committee will not be chaired by the chairman of the Supervisory Board.

CORPORATE GOVERNANCE CODES

In compliance with the Dutch Corporate Governance Code

In its corporate governance structure and practices, ING Group uses the Tabaksblat Code of 2003 as reference. The Code can be downloaded on the website of the Frijns Committee. The ING Group corporate governance structure described in the document The Dutch Corporate Governance Code ING s implementation of the Tabaksblat Code for good corporate governance was approved by the General Meeting on April 26, 2005. As a result, ING Group is considered to be in full compliance with the Tabaksblat Code, although it does not apply all best-practice provisions of the Code in full. The document is available on the website of ING Group (www.ing.com).

The following deviations from the Tabaksblat Code are to be reported for 2008:

best-practice provision II.1.1.: Michel Tilmant, being appointed as an Executive Board member before January 1, 2004, was appointed for an indefinite period of time. He stepped down from the Executive Board effective January 26, 2009;

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

best-practice provisions II.2.3, II.2.10 and II.2.11: although ING Group s policy is to disclose the performance criteria for variable remuneration only to the extent that this information is not share price sensitive or competition-sensitive, this is not relevant for 2008 as no variable remuneration will be paid to Executive Board members with respect to performance in 2008;

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

best-practice provision III.2.2: if a Supervisory Board member does not meet the independence criteria of the Code, the Supervisory Board may still decide to consider such member to be independent in order to take into account specific circumstances, such as family and employment relations, so as to allow for situations of non-independence that are not material;

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

best-practice provision III.3.4: Jan Hommen, who was appointed in the 2005 annual General Meeting as a Supervisory Board member, has more than five positions as a supervisory board member with other Dutch-listed companies. This was approved by the Supervisory Board in view of the fact that Jan Hommen s intention to give up his chairmanship of the Supervisory Board of TNT N.V. With a view to his proposed appointment to the Executive Board at the 2009 General Meeting, Jan Hommen will step down from his positions as a Supervisory Board member of Reed Elsevier N.V. and TNT N.V. by April 2009. He will also step down from his position as a Supervisory Board member of Koninklijke FrieslandCampina N.V. (non-listed);

best-practice provision III.3.5: under special circumstances the Supervisory Board may deviate from the general rule that a member of the Supervisory Board may not be reappointed for more than two subsequent four-year terms;

best-practice provision III.5.1: instead of a separate remuneration committee and a nomination committee, ING Group established a combined Remuneration and Nomination Committee; this committee however, was separated into a Nomination Committee and a Remuneration Committee on January 1, 2009;

best-practice provision III.5.11: the Remuneration and Nomination Committee was chaired by the chairman of the Supervisory Board (best-practice provision III.5.11); as of January 1, 2009, the new separate Remuneration Committee will no longer be chaired by the chairman of the Supervisory Board;

best-practice provision III.6.1: in the case of a transaction with a family member that entails a conflict of interests according to the Code, the Supervisory Board may decide that no conflict of interests exists if the relationship is based on a marriage that is now over, to allow for situations where the family relationship no longer exists;

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

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

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

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 (Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct). For more information about the Supervisory and

Executive Boards, see Item 6. Directors, Senior Management and Employees .

Business Lines

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

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The following chart shows the breakdown by business line of ING s total income for the year 2008. 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 2008, 2007 and 2006.

INSURANCE EUROPE

ING Insurance Europe operates in the Netherlands, Belgium, Luxembourg, Italy, Spain, Greece, Poland, Hungary, the Czech Republic, Slovakia, Romania, Bulgaria and Russia. The operating companies in these countries have tailored their insurance products, investment and pension fund services for certain target markets and distribution channels. In the wake of the credit crisis, Insurance Europe will focus on retaining its customers, 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 optimising the balance sheet. Second, in the growing markets of Central Europe, the focus is on accelerating 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 banking, life insurance, investments and retirement services for retail customers.

In the Netherlands, ING offers basic retail insurance products via direct marketing (Postbank, which has been rebranded ING in early 2009), while independent intermediaries (Nationale-Nederlanden) and tied agents (RVS) are more suitable for selling complex products requiring personal service and specialized advice. In Central Europe, tied agents are the main distribution channel. In this region too, ING continues to strive towards a multi-distribution approach with banks, brokers and direct marketing as additional channels. ING considers the 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 Bank Netherlands, ING Bank Belgium, Nationale-Nederlanden and third party distributors. In addition, ING IM Europe is responsible for managing the treasury activities of ING Insurance.

ING s life insurance products in Europe consist of a broad range of 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. Thus far the variable annuity product has been rolled out in Spain, Poland, Hungary and the Netherlands and in 2009, it will be rolled out in Belgium.

ING s non-life products, mainly in the Netherlands, include coverage for both individual and commercial/group clients for fire, automobile, disability, transport and aviation 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 three main geographic areas: Canada, the United States, and Latin America. ING Americas offers life and non-life insurance, retirement services (primarily defined contribution plans), annuities, mutual funds, broker-dealer services and institutional products, including group reinsurance and institutional asset management products and services.

In 2008, ING Americas in the United States operated through three divisions: Wealth Management (retirement services, annuities and broker-dealer services), Insurance (individual life, group life and reinsurance) and Asset Management. Through these divisions, ING provides a wide variety of financial products and services to individual and institutional customers. Distribution channels for Wealth Management and Insurance include career agents, independent producers, brokers-dealers and financial institutions as well as financial planners and affiliated distribution channels. Career agents, affiliated and independent broker-dealers and an institutional sales force support the Asset Management division s product distribution. In 2009 a new structure will simplify the US Wealth Management business model by separating the management of the annuities product line from that of retirement services, and provide more focus on ING s diverse collection of customers and distribution partners.

ING is a major player in retirement services, providing defined contribution plans to small and medium-sized corporations, educational institutions, hospitals and governments. The integration of the CitiStreet business acquired in May of 2008 into Retirement Services has proceeded well and key business and operation policies and strategies have been developed which leverage the strengths and talents of both organizations. CitiStreet, one of the premier retirement plan service and administration organizations in the US defined contribution marketplace, provides ING with unique market opportunities. These include an expanded geographic footprint, further entry into specific market segments and broader service offerings to customers. ING plans to fully leverage CitiStreet s excellent scalable technology platform to allow smooth business expansion.

ING continued to invest in expanding its distribution capacity, particularly in variable annuities, seeking out partnerships with major distributors. Several major distribution partnerships were announced during the year. ING continued to target pre-and post retirees in sales strategies as part of the EASIER brand campaign. Sales began to slow in the third quarter as equity markets became more volatile and dipped further in the fourth quarter. Several product changes were made over the course of the year and additional changes will be made in 2009 in response to deteriorating market conditions.

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 third party business units (mainly in the U.S.) include mutual fund sub-advisory, institutional assets, alternative assets and managed accounts; their products are distributed through internal, affiliated and outside distribution channels. Third party assets are managed in a wide range of investment styles and portfolios including: domestic and international equity portfolios of various value, blend and growth styles and of small, mid- and large capitalization, domestic and international fixed income portfolios across the major bond and loan market sectors, balanced portfolios, hedge funds, funds of funds and private equity. The Financial Products unit of Asset Management provides principal protection products such as guaranteed investment contracts and funding agreements to institutional customers.

The U.S. Insurance businesses focus on both individual and institutional clients and provide a wide range of insurance products, including variable universal life, universal life, and term insurance. Individual retail markets include the high net worth and mass affluent markets. Institutional customers are served by the Retail Life unit (which sells bank-owned and corporate-owned life insurance), the Employee Benefits unit (which provides both group and voluntary insurance products), and by ING Reinsurance (which provides group reinsurance coverage). It is this diversified model and Individual Life s continued focus on effective distribution, efficient operations and competitive manufacturing that allowed the business to generate an important increase in sales and market share in 2008.

ING Canada remains the number one property & casualty insurer in the country, and its scale and disciplined pricing has enabled the company to be at the forefront of the industry. The conservatively managed property & casualty business has been relatively unaffected by the financial crisis. Focus continues to be on making it easier for individuals and brokers to do business with ING Canada whether through agents, affiliation groups or direct over the internet. In early February 2009, ING sold its 70% stake in ING Canada.

In Latin America, ING is the second largest pension provider based on Assets under Management. In Peru, ING is the largest pension provider by market share; in Mexico and Chile, the third largest; and in Uruguay and Colombia, ING ranks among the top-five providers. The sale of the Mexican insurance business in July 2008 allowed ING in Mexico to concentrate on its growing Afore pension, annuities and investment management businesses. In Peru, ING increased its stake in AFP Integra, the number one pension fund company in Peru, to 80%, and also increased its shareholding in ING Fondos, a Peruvian mutual fund provider. In November, the Argentine government nationalized the country s private pension system, which included ING s pension fund business. The region continues to serve as a critical component in ING s global growth strategy.

INSURANCE ASIA/PACIFIC

ING Insurance Asia/Pacific (IAP) is a leading provider of life insurance and wealth management products and services. It is the number two international life insurer in Asia/Pacific based on new sales, with twelve life operations in ten markets. In 2008 IAP announced the sale of its life insurance business in Taiwan; the transaction was closed on

February 11, 2009. Following the completion of this transaction, IAP s life insurance footprint in Asia/Pacific is reduced to 11 operations in 9 countries. IAP is also the region s fourth largest investment manager, based on assets under management, with asset management operations in thirteen markets. ING has flagship operations in the mature and larger markets of Australia and New Zealand, Japan, South Korea and Taiwan (asset management only, upon completion of the Taiwan life insurance sale), and is well positioned to secure an increasing share of future growth in the large and emerging markets of Malaysia, China, 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 in Asia/Pacific offer select types of life insurance, wealth management, and retail and institutional asset management 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 Asia/Pacific 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.

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

WHOLESALE BANKING

Wholesale Banking s 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. Wholesale Banking has six business units: General Lending & Payments and Cash Management (PCM), Structured Finance, Leasing & Factoring, Financial Markets, Other Wholesale Products, and ING Real Estate.

After years of improved capital efficiency, solid profit growth and expense reduction, Wholesale Banking launched a new Fitter, Focused, Further strategy for 2008-2010, the aim being to become a leader in several key markets and products.

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, Payments and Cash Management (PCM) and Leasing.

During 2008, the organisation introduced several cost containment initiatives to reduce operating expenses and stimulate growth. We reduced and exited certain volatile products and activities, especially in equities markets and within Financial Markets Strategic Trading. Core products were prioritised and optimised.

Volumes increased in General Lending over the course of 2008 as the turbulent market circumstances offered the possibility to pursue selective asset growth, at higher margins and fee levels.

ING s Payments & Cash Management business experienced volume growth due to new and renewed mandates from institutional clients. Opportunities also arose from the creation of the Single Euro Payments Area (SEPA) on January 28, 2008, which removed the distinction between national and intra-European cross-border payments. ING also expanded its PCM activity into new markets, including Russia, Romania and Ukraine.

Structured Finance held up well due to strong demand from customers in a market where credit had been reduced significantly. ING continued to support clients funding needs during 2008. The scarcity of available financing further increased margins, especially benefiting Structured Finance in the US, but also in Western Europe and Asia. Deal flow was particularly robust in Natural Resources.

In spite of the difficult market circumstances, Leasing & Factoring saw strong increases in portfolio size and income levels throughout 2008. ING also continued to seek out opportunities to cross-sell services to corporate clients. Leasing growth was driven by higher volumes in Belgium, Italy, the Netherlands, Poland, Hungary and Russia.

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Financial Markets had an exceptionally strong first half and continued to show robust operational performance during the rest of the year. Nevertheless, credit related markdowns and impairments in the second half negatively impacted 2008 s overall performance.

As a result of the financial market crisis, real estate markets deteriorated during 2008 resulting in a tough year for ING Real Estate.

Wholesale Banking completed a number of high profile transactions in 2008. ING was the book runner and mandated lead arranger (MLA) to InBev for the underwriting and credit facilities for the USD 45 billion acquisition of Anheuser-Busch in the US. Furthermore, the Financial Markets team also provided USD 8.6 billion in IRS / FX swaps for the acquisition.

ING also won a mandate to help Leaseplan Corporation, the car leasing affiliate of Volkswagen AG, raise up to EUR 1.5 billion with a two-year bond. In December, ING also participated in the successful completion of a EUR 7.2 billion rights issue by Santander.

2008 was an unusually difficult year for the financial sector. Wholesale Banking kept its focus on its customers, and despite the financial crisis managed to record solid commercial performance across most of its businesses. The business continues to secure important mandates and transactions. It is watching expenses carefully, in part to compensate for higher risk costs and impairments, and has adjusted its strategic focus to key geographies and product areas where it already has a competitive advantage.

Wholesale Banking remains one of the largest contributors of profit to ING Group, and has a clearly defined focus and ambition to be a full-service Benelux bank and a specialist products provider globally.

RETAIL BANKING

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

The Netherlands

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

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

In May 2007, ING announced it will be combining the forces of ING Bank and Postbank. The integration of the two banks is well on track: the new bank is operating under the ING brand as of Q1 2009. It will have over 8 million retail clients with a market share of 40% in terms of salary accounts and 600,000 SME (Small Medium Enterprises) clients. The new bank will improve customer service by combining the direct banking model of Postbank with the professional advice capabilities of ING Bank.

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 centers). ING Belgium also operates a second network, Record Bank, which provides a full range of banking products through independent banking agents and credit products through a multitude of channels (agents, brokers, vendors).

Central Europe

In Poland, ING Bank Slaski provides a full range of banking services to business and individual customers through a network of 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 Turkey. ING Bank Turkey is a leading bank in the Turkish market with 5,900 employees, offering a full range of banking services with a focus on retail banking. In June 2008 the rollout of retail banking operations in Ukraine started capitalizing on the successful self-banking model that had previously been introduced in Romania.

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 business and individual clients. In China, ING acquired a 19.9% participation in Bank of Beijing in 2005, reduced by the IPO to 16.1%. In Thailand ING has a 30% stake (on a fully diluted basis) in TMB Bank.

Private Banking

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

ING DIRECT

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

ING Direct s direct banking business is active in nine countries, which are Canada, Spain, Australia, France, the United States, Italy, Germany, Austria and United Kingdom, and as of the end of 2008, provides services to 22.2 million customers. Each country forms a separate business unit.

In 2008, ING Direct continued to invest in growth by expanding into new geographies, increasing the residential mortgage portfolio, and further expanding the product range through the launch of investment products and payment accounts.

ING Direct showed in 2008 resilient commercial growth bringing the total client retail balance (includes funds entrusted, off balance sheet funds and retail lending) to EUR 323 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 the mortgage portfolio. At year-end 2008 total funds entrusted to ING Direct worldwide amounted to EUR 191 billion and total residential mortgages were EUR 114 billion.

PRINCIPAL GROUP COMPANIES

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

REGULATION AND SUPERVISION

The insurance, banking, asset management and broker-dealer 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, 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).

The events in the financial markets have resulted in a large number of national, regional and global bodies presenting in 2008 views of possible legislative and regulatory changes for the banking, insurance and investment industry. Important reports on the future of financial markets, supervision and regulation were presented amongst others by the Financial Stability Forum, the International Institute of Finance, Basel Committee, the US Treasury, European Commission and European Parliament. In February of 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. Many of these proposals are still in the process of being developed in actual policy action. In the course of 2008 we have however also seen immediate action to steer the financial sector through the crisis. Governments have for example provided capital, taken over illiquid assets, guaranteed certain obligations or provided other types of assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. ING Groep N.V. entered into such transactions in 2008 and 2009 with the Dutch State, as further set out in Item 4 Corporate Governance Transactions with the Dutch State . Another development consisted in raising the level of deposit insurance in many jurisdictions. In order to ease depositor anxiety and avoid possible bank runs many European countries decided in the course of 2008 to raise the coverage level for depositor protection to a minimum of EUR 50,000. The Netherlands have increased the level of protection to EUR 100,000. To further increase the effectiveness of depositor protection the European Union has proposed to require earlier payouts and eliminate co-insurance. Another action taken was the introduction by several countries of restrictions in short selling, in particular regarding shares in financial companies. In some countries restrictions only applied to naked short selling while other countries introduced stringent requirements or further reporting obligations to supervisory authorities on short selling. The restrictions on short selling were also applicable to the (depositary receipts for) ordinary shares of ING Group.

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. is now in the final stages of liquidating the Netherlands Caribbean Bank, which has 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 2 project). Its objective is to establish a solvency system that is better matched to the true risks of insurers enabling supervisors to protect policyholders interests as effectively as possible and in accordance with common principles across the EU. The Commission has produced a Framework for Consultation setting out the policy principles and guidelines that will act as a framework for the development of the Solvency 2 regime. Work on the Solvency 2 Framework Directive is still in progress, and as the member states have different opinions, adoption is not expected in short term.

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 2008.

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

ING s insurance companies in Argentina are subject to supervision at the federal level by the Superintendent of Retirement, the rules and directives of the Superintendent and the Insurance Law (No. 17.418) and Law 20.091 which regulates insurance activity. The Superintendent has issued directives regarding the conduct of insurance operations, approval of policy forms, premium rates, insurance claims, risk management and investment rules. The Superintendent also has the power to examine insurance companies and require financial and operational information. In 2007, the Superintendent issued a new directive (No. 32.275) regarding annuities that establishes surplus requirements and fixed expense rates for annuities in order to provide annuity policyholders with greater transparency with respect to product pricing.

ING Group s pension business is subject to regulation by the Superintendent of Pension Fund Managers, which as of December 9, 2008, pursuant to law 26.425, 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. In a related matter, ING has entered into a contract to sell its Argentine annuities company, subject to the satisfaction of customary closing conditions.

Peru

ING s pension business in Peru is subject to supervision at the federal level by the Superintendent of Banking, Insurance and Private Pension Fund Administrators and 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.

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 are also subject to supervision by the SVS.

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.

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, investment and tax requirements. Specific regulations such as decrees and official letters pursuant to Law 16.713 deal with bank secrecy, anti-money laundering, sales and marketing training and supervision.

Asia/Pacific

Japan

ING Group s life insurance subsidiary in Japan is subject to the supervision of the Financial Services Agency (FSA), the chief regulator in Japan, the rules and regulations as stipulated by the Commercial Code, Insurance

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Business Law and ordinances of the Cabinet Office. The affairs handled by the FSA include, among others, planning and policymaking concerning financial systems and the inspection and supervision of private sector financial institutions including banks, securities companies, insurance companies and market participants including securities exchanges.

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

South Korea

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

Australia

The financial services activities of life insurance, investments, superannuation, general insurance and banking are currently governed by separate legislation under Australian law. The two main financial services regulators are the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). APRA is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. APRA s responsibilities include regulating capital and liquidity requirements and monitoring the management functions of product providers. APRA also requires superannuation trustees to be licensed under the Registrable Superannuation Entity Licensing regime. All relevant entities obtained their licenses in January 2006. ASIC is responsible for consumer protection and market integrity across the financial systems, including the areas of insurance, banking and superannuation.

Taiwan

The Financial Supervisory Commission (FSC) was established on July 1, 2004 and supervises insurance companies, banks and securities houses in Taiwan. New solvency requirements were issued, stipulating that the paid-in capital held by Taiwanese life insurance companies must be at least 200% of their risk based capital (RBC). This applies to both local and foreign insurance companies in Taiwan; should the paid-in capital to risk capital ratio fall below 200%, the life insurance company is required to raise new funds to achieve the target. In accordance with the Regulations Governing Pre-sale Procedures for Insurance Products, last amended on August 30, 2006 of the FSC, all insurance products must be filed with the Insurance Bureau of the FSC before they are marketed. 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 thus ING no longer owns any interest in ING Life Taiwan.

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 consolidating 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, ING must meet local Basel requirements as well.

ING uses the Advanced IRB Approach for credit risk and the Advanced Measurement Approach for operational risk. During 2008 and 2009 a Basel I regulatory floor of 90% and 80%, respectively, still applies. A small number of portfolios are still reported under the Standardised Approach. These portfolios will migrate to a large extent to the Advanced IRB approach in the coming years

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

In 2008, European Banks started implementing the requirements of the Payment Services Directive (PSD). The 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 Directive has been published in the Official Journal of the European Union on December 5, 2007 and must be implemented in the national laws of all EU Member States at the latest by November 1, 2009. 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 will affect current as well as future payment products, including SEPA products. As a consequence, ING Retail, ING Wholesale and ING Direct business lines offering payment services in no less than 17 Member States of the European Union will be impacted. To make sure all business lines are PSD-compliant as from November 1, 2009 an extensive Programme covering all these countries has been set up. Not only client agreements including general and product-specific terms and conditions will need to be adapted to meet the PSD requirements, but also payment processing facilities, channels and systems, resulting in impact on sales, products, legal, operations and IT. After starting in 2007, the ING PSD Programme is on course for a timely delivery, 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.

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.

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. is now in the final stages of liquidating the Netherlands Caribbean Bank, which has 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 Mutual Funds Limited is also a member of the Mutual Funds Dealer s Association, a mandatory self-regulatory body, which governs and oversees the conduct of mutual fund dealers in Canada.

Asia/Pacific

Australia

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

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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, the self-regulatory organization, 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 transactional advice to customers for a fee), and are governed in such activities by the Investment Advisers Act of 1940, as amended. Moreover, certain ING entities manage registered investment funds (such as mutual funds) and the Investment Company Act of 1940, as amended, regulates the governance and activities of those funds. These laws impose record-keeping and disclosure requirements on ING in the context of such activities. Moreover, the laws impose restrictions on transactions or require disclosure of transactions involving advisory clients and the advisor or the advisors affiliates, as well as transactions between advisory clients. In addition, ERISA imposes certain obligations on investment advisors managing employee plan assets as defined in this act.

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

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 50 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.

With the financial markets in crisis, governments around the globe have undertaken exceptional measures to reinvigorate financial institutions. ING s management feels that these measures are important and necessary steps to restore confidence and bring stability and certainty to the financial system. The exact impact of the interventions remains to be seen. However, most governments have been very clear that the measures are of temporary nature and only aimed at servicing financial services companies urgent needs in weathering the crisis, ING is entirely committed to prevent unfair competition or the appearance thereof. In order to achieve this, the following principles have been formulated for the banking, insurance, pension and investment activities that ING Groep N.V. and its subsidiaries are engaged in:

- In the media and in contacts with third parties, ING Groep N.V. and its subsidiaries will not promote the financial involvement of the Dutch State as provider of Tier-1 core capital, neither implicitly nor explicitly.

- The policy of ING Groep N.V. and its subsidiaries will not be aimed at using the involvement of the Dutch State as provider of Tier-1 core capital to increase their market share in financial products in any way.

- ING Groep N.V. and its subsidiaries will continue to try and distinguish themselves from competitors through the quality of services and financial products offered to their customers.

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 its major competitors are 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 AA- (with a negative 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 A+ (with a negative outlook) by Fitch Ratings (Fitch).

ING Verzekeringen N.V. s long-term senior debt is rated AA- (with a negative outlook) by Standard & Poor s and A2 (with a stable 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 AA (with a negative 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 AA- (with a stable outlook) by Fitch Ratings, Ltd.

ING Verzekeringen N.V. s short-term senior debt is rated A-1+ by Standard & Poor s and Prime-1 (P-1) by Moody s. ING Verzekeringen held a F1 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 January 29, 2009, and are still current at date of filing.

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DESCRIPTION OF PROPERTY

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

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Item 5. Operating and financial review and prospects

The following review and prospects should be read in conjunction with the consolidated financial statements and the related Notes thereto included elsewhere herein. The consolidated financial statements have been prepared in accordance with IFRS-EU. IFRS-EU differs in certain respects from IFRS-IASB and U.S. GAAP. See Note 2.4. to the consolidated financial statements for a description of the differences between IFRS-EU and IFRS-IASB and see Note 2.5. of the consolidated financial statements for a description of the relevant differences between IFRS-EU and U.S.GAAP. Unless otherwise indicated, financial information for ING Group included herein is presented on a consolidated basis under IFRS-EU.

FACTORS AFFECTING RESULTS OF OPERATIONS

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

Market developments in 2008

Like other financial institutions, ING has not been immune to the financial crisis. The financial crisis started in the US subprime mortgage market in early 2007 and intensified over 2008 as prices fell across most major asset classes throughout the world. Equity markets lost significant ground and real estate prices were generally under pressure. Credit spreads widened significantly, both in the US and Europe. As liquidity became tight, central banks around the world were quick to provide funding to prevent the interbank market from drying up. There were also a number of significant financial institutions that failed during the year. As the financial crisis spread beyond the financial sector it also affected consumer confidence, other sectors and economic growth. All of these factors placed major strains on risk management departments in financial services companies, including ING, and emphasized the importance of having a robust risk management organisation in place that can take forceful measures to reduce risk. For details regarding the impact of the credit and liquidity crisis on ING s assets and results, see Note 2.1 Risk Management to the consolidated financial statements.

Impact of financial crisis

Impact on pressurised asset classes

As a result of the deteriorating market conditions throughout 2008 ING Group incurred negative revaluations on its investment portfolio, which impacted shareholders equity. Furthermore, ING Group incurred impairments, fair value changes and trading losses, which impacted its profit and loss account (P&L).

The table below shows the exposures and negative revaluations and losses taken on US sub-prime and US Alt-A residential mortgage backed securities (RMBS), Collateralised Debt Obligations (CDOs) and Collateralised Loan Obligations (CLOs) during 2008.

US Subprime RMBS, US Alt-A RMBS and CDOs/CLOs exposures, revaluations and losses

	December 31, 2008		Change in 2008		December 31, 2007	
(EUR millions)	Market value	Revaluations through Equity (pre-tax)	Write-downs through P&L (pre-tax)	Other changes	Market value	Revaluations through Equity (pre-tax)
US Subprime RMBS	1,778	(839)	(120)	(52)	2,789	(307)
US Alt-A RMBS	18,847	(6,538)	(2,064)	(33)	27,482	(936)
CDOs/CLOs	3,469	(218)	(394)	2,186	1,895	(134)
Total	**24,094**	**(7,595)**	**(2,578)**	**2,101**	**32,166**	**(1,377)**

- ING Group s total EUR 1.8 billion exposure to US sub-prime assets relates to non originated loans acquired as investments in RMBS and represents 0.1% of total assets. At December 31, 2008 approximately 77% of ING s US sub-prime portfolio was rated AA or higher. ING Group does not originate sub-prime mortgages. The vast majority of the total mortgage backed securitisations (MBS) are (residential) mortgages that are not classified as sub-prime.

- ING Group s total US Alt-A RMBS exposure at December 31, 2008 was EUR 18.8 billion. About 65% of this portfolio was AAA rated. The majority of the exposure (EUR 16.3 billion) was held by ING Direct. ING s Available-for-Sale Alt-A investments are measured at fair value in the balance sheet. The substantial amount of negative pre-tax revaluation and impairments on this portfolio are mainly caused by the illiquid market.

- Net investments in CDOs/CLOs at December 31, 2008 were 0.3% of total assets. The vast majority of the CDOs/CLOs has investment grade corporate credit as underlying assets, only EUR 1 million has US subprime mortgages underlying.

EUR 23.7 billion of the EUR 24.1 billion exposure on US Subprime RMBS, US Alt-A RMBS and CDOs/CLOs is booked at fair value. An analysis of the method applied in determining the fair values of financial assets and

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liabilities is provided in Note 33 of Note 2.1 to the consolidated financial statements. At December 31, 2008 the fair value of US Subprime RMBS, US Alt-A RMBS and CDOs/CLOs was as follows:

Fair value of US Subprime RMBS, US Alt-A RMBS and CDOs/CLOs

(EUR millions)	Reference to published price quotations in active markets	Valuation technique supported by market inputs	Valuation technique not supported by market inputs	**Total**
2008				
US Subprime RMBS	20	26	1,732	1,778
US Alt-A RMBS		244	18,244	18,488
CDOs/CLOs	3,273	162	34	3,469
Total	**3,293**	**432**	**20,010**	**23,735**
2007				
US Subprime RMBS	2,636	153		2,789
US Alt-A RMBS	23,312	4,170		27,482
CDOs/CLOs	281	1,597	17	1,895
Total	**26,229**	**5,920**	**17**	**32,168**

Assets classified in Valuation technique not supported by market inputs consist mainly (approximately 87 %) of investments in asset backed securities in the United States. These assets are valued using external price sources that are obtained from third party pricing services and brokers. As at December 31, 2007, these assets were classified in Reference to published price quotations in active markets as valuation is based on independent quotes and trading in the relevant markets was active at that time. During 2008, the trading volumes in the relevant markets reduced significantly and these have now become inactive. The dispersion between prices for the same security from different price sources increased significantly. As a result, an amount of EUR 25 billion of mortgage backed securities in the United States was reclassified from Reference to published price quotations in active markets to Valuation technique not supported by market inputs in the third quarter of 2008.

Impact on Real Estate

By the end of 2008 ING Group s total exposure to real estate was EUR 15.5 billion of which EUR 9.8 billion was subject to revaluation through the profit and loss account. In 2008, ING recorded EUR 1,184 million pre-tax negative revaluations and impairments. ING s real estate portfolio has high occupancy rates and is diversified over sectors and regions, but is clearly affected by the negative real estate markets throughout the world.

Impact on Equity securities available-for-sale

Direct equity exposure at December 31, 2008 in this caption was EUR 5.8 billion (public) and EUR 0,4 billion (private). During 2008 ING booked EUR 1,707 million of pre-tax impairments on this direct public equity exposure. ING generally decides to impair a listed equity security based on two broad guidelines: when the fair value of the security is below 75% of the cost price or when the market price of the security is below the cost price for longer than six months.

Impact on other asset classes

Negative impact on results 2008 (pre-tax) from private equity and alternative assets amounted to EUR 399 million. Negative impact on results 2008 (pre-tax) from debt securities other than mentioned above amounted to EUR 292 million.

Impact on counterparty risk

In the third quarter a number of financial institutions were no longer expected to fulfil their obligations. ING incurred EUR 483 million pre-tax losses (excluding loan losses) on Lehman Brothers, Washington Mutual and the Icelandic banks. The loss included impairments of debt securities, trading losses and derivative positions, including the costs to replace derivatives on which the banks were counterparty.

Impact on Liquidity profile

Due to the financial crisis liquidity became scarce and central banks around the world provided funding to prevent the interbank market drying up. ING s liquidity position remained sound. ING Bank has a favourable funding profile as the majority of the funding stems from client deposits.

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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 23 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 2008 had a negative impact of EUR 163 million on (underlying) net result. In 2007 and 2006 exchange rates influenced net result, respectively, by EUR 159 million negatively and EUR 20 million positively.

For the years 2008, 2007 and 2006, 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**	**2006**
U.S. dollar	1.345	1.511	1.566	1.514	1.375	1.257
Australian dollar	1.922	1.694	1.664	1.674	1.639	1.664
Canadian dollar	1.590	1.559	1.579	1.509	1.470	1.422
Pound sterling	0.844	0.796	0.792	0.761	0.686	0.682
Japanese yen	130.787	161.518	162.530	159.662	161.685	146.188
South Korean won	1,748.405	1,640.581	1,589.017	1,438.373	1,275.559	1,199.328
Turkish lira	1.995	1.825	1.973	1.838	1.786	1.798
Polish zloty	3.741	3.327	3.425	3.566	3.781	3.897

1) Average exchange rates are calculated on a quarterly basis as from 2008 and on an annual basis before 2008.

		Year-end	
	2008	**2007**	**2006**
U.S. dollar	1.396	1.472	1.318
Australian dollar	2.026	1.676	1.669

Canadian dollar	1.710	1.444	1.528
Pound sterling	0.956	0.734	0.671
Japanese yen	126.354	164.819	156.768
South Korean won	1758.273	1,378.094	1,225.971
Turkish lira	2.143	1.718	1.865
Polish zloty	4.175	3.586	3.832

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 insurance operations and banking operations, including Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct, using the financial performance measure of underlying 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-EU. 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 49 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 insurance and banking operations for the years ended December 31, 2008 and 2007:

	Insurance		**Banking**		**Eliminations**		**Total**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
				(EUR millions)				
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	2,070	1,901	2,895	2,926			4,965	4,827
Investment and Other income	8,970	13,488	(2,250)	2,640	248	163	6,472	15,965
Total income	**54,851**	**62,208**	**11,731**	**14,602**	**291**	**223**	**66,291**	**76,586**
Underwriting expenditure	49,485	48,833					49,485	48,833
Other interest expenses	1,269	1,326			291	223	978	1,103
Operating expenses	5,422	5,515	10,303	9,967			15,725	15,481
Impairments/additions to the provision for loan losses	310	1	1,280	125			1,590	126
Total expenditure	**56,486**	**55,675**	**11,583**	**10,092**	**291**	**223**	**67,778**	**65,544**
Result before tax	**(1,635)**	**6,533**	**148**	**4,510**			**(1,487)**	**11,043**
Taxation	(483)	775	(238)	759			(721)	1,534
Result before minority interests	**(1,152)**	**5,758**	**386**	**3,751**			**(766)**	**9,509**
Minority interests	31	155	(69)	112			(38)	267

Net result	**(1,183)**	**5,603**	**454**	**3,638**	**(729)**	**9,241**
Result before tax	**(1,635)**	**6,533**	**148**	**4,510**	**(1,487)**	**11,043**
Gains/losses on divestments[1]	(8)	(382)		(32)	(8)	(414)
Result/loss divested units	88	(39)			88	(39)
Special items [2]	321		301	489	622	489
Underlying result before tax	**(1,235)**	**6,113**	**449**	**4,967**	**(786)**	**11,080**

(1) Divestments Insurance: sale of Chile Health (EUR 55 million, 2008), sale of Mexico (EUR 182 million, 2008), sale NRG (EUR (15) million, 2008),sale Taiwan (EUR (214) million, 2008), sale of Belgian broker business (EUR 418 million, 2007), sale of NRG (EUR (129) million, 2007), IPO SulAmerica in Brazil (EUR 93 million, 2007); Divestments Banking : sale of RegioBank (EUR 32 million, 2007);

(2) Special items Insurance: integration costs CitiStreet (EUR (93) million, 2008), Nationalization/Annuity business Argentina (EUR (228) million, 2008); Special items Banking: impairment costs for 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).

The following table sets forth the consolidated results of the operations of ING Group and its insurance and banking operations for the years ended December 31, 2007 and 2006:

	Insurance		Banking		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
				(EUR millions)				
Premium income	46,818	46,834					46,818	46,834
Interest result banking operations			9,036	9,335	60	143	8,976	9,192
Commission income	1,901	1,636	2,926	2,681			4,827	4,317
Investment and Other income	13,488	11,172	2,640	2,179	163	73	15,965	13,278
Total income	**62,208**	**59,642**	**14,602**	**14,195**	**223**	**216**	**76,586**	**73,621**
Underwriting expenditure	48,833	48,188					48,833	48,188
Other interest expenses	1,326	1,233			223	216	1,103	1,017
Operating expenses	5,515	5,275	9,967	9,087			15,481	14,362
Impairments/additions to the provision for loan losses	1	11	125	103			126	114
Total expenditure	**55,675**	**54,707**	**10,092**	**9,190**	**223**	**216**	**65,544**	**63,681**
Result before tax	**6,533**	**4,935**	**4,510**	**5,005**			**11,043**	**9,940**
Taxation	775	702	759	1,205			1,534	1,907
Result before minority interests	**5,758**	**4,233**	**3,751**	**3,800**			**9,509**	**8,033**
Minority interests	155	281	112	60			267	341
Net result	**5,603**	**3,952**	**3,638**	**3,740**			**9,241**	**7,692**
Result before tax	**6,533**	**4,935**	**4,510**	**5,005**			**11,043**	**9,940**
Gains/losses on divestments[(1)]	(382)	(49)	(32)	112			(414)	63
Result divested units	(39)	(79)		(65)			(39)	(144)
Special items			489				489	
Underlying result before tax	**6,113**	**4,807**	**4,967**	**5,052**			**11,080**	**9,859**

(1) Divestments Insurance: sale of Belgian broker business (EUR 418 million, 2007), sale of NRG (EUR (129) million, 2007), IPO

SulAmerica in Brazil (EUR 93 million, 2007), unwinding Piraeus (EUR 34 million, 2006), sale of Australia non-life (EUR 15 million, 2006);.

Divestments Banking: sale of RegioBank (EUR 32 million, 2007), sale of Willams de Broë (EUR (9) million, 2006), sale of Deutsche Hypothekenbank (EUR (80) million, 2006), sale of Degussa Bank (EUR (23) million, 2006).

GROUP OVERVIEW

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

Total result before tax decreased by EUR 12,530 million, or 113.5%, from EUR 11,043 million in 2007 to EUR (1,487) million in 2008 and total underlying result before tax decreased by EUR 11,866 million or 107.1% from EUR 11,080 million in 2007 to EUR (786) 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 414 million for 2008 and 2007, respectively, and special items in 2008 and 2007 influenced result before tax negatively by EUR 622 million and EUR 489 million, respectively.

Net result decreased by EUR 9,970 million, or 107.9%, from EUR 9,241 million in 2007 to EUR (729) 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 1,534 million in 2007 to EUR (721) million in 2008. Underlying net result decreased from EUR 9,208 million in 2007 to EUR (171) million in 2008.

Basic earnings per share decreased to EUR (0.36) in 2008 from EUR 4.32 in 2007.

Currency impact

Exchange rate differences had a negative impact of EUR 163 million on net result and EUR 229 million on result before tax, mainly due to the weakening of the US dollar, the Australian dollar and the South Korea won, partly offset by a strengthening of the Polish zloty and Pound sterling. In 2007 currency rate differences had a negative impact of EUR 159 million on net result and EUR 211 million on result before tax.

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. 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.

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 3.7%, or EUR 1,506 million from EUR 40,254 million in 2007 to EUR 38,748 million in 2008. Excluding Taiwan and currency impacts, underlying life premiums increased 3.3%, mainly driven by the US, Australia, and most countries in Asia. Underlying non-life premiums decreased 8.1%, or EUR 388 million from EUR 4,790 million in 2007 to EUR 4,402 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. The expense ratios for the life insurance operations reflected the change in product mix as clients preferred traditional business over investment-linked business in the course of the year. Expenses as a percentage of assets under management for investment products deteriorated to 0.86% in 2008 compared with 0.76% in 2007. Expenses as a percentage of premiums for life products decreased to 14.0% in 2008 from 14.3% in 2007. The cost ratio for the non-life operations went up slightly to 32.2% in 2008 from 31.8% in 2007.

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 382 million in 2007. Divested units contributed a loss of EUR 88 million before tax in 2008 and a profit of EUR 40 million to result before tax in 2007. Special items had a negative impact of EUR 321 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.

Underlying result before tax

The underlying result before tax (excluding the impact of divestments and special items) decreased to a loss of EUR 1,235 million in 2008 from a profit of EUR 6,113 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 6,575 million to a loss of EUR 1,744 million from a profit of EUR 4,831 in 2007. Investment income was negatively impacted by capital losses and impairments on equity and debt securities, as well as negative fair value changes on real estate and private equity investments. Further, the result was negatively impacted by deferred acquisition cost (DAC) unlocking in the U.S. as well as losses on the SPVA business in Japan due to hedge losses. Underlying profit before tax from non-life insurance declined 60.3% to EUR 509 million from EUR 1,282 million in 2007, due primarily to capital losses and impairments on equities, as well as unfavourable underwriting results in Canada.

BANKING OPERATIONS

Income

Total income from banking decreased 19.7%, or EUR 2,871 million, to EUR 11,731 million in 2008 from EUR 14,602 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 Wholesale Banking. The interest margin in 2008 was 1.07%, an increase from 0.94% in 2007, due to higher margins in Wholesale 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 Wholesale 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 1,484 million, or 87.7%, to EUR 209 million in 2008 from EUR 1,693 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 partly offset by an increase of EUR 206 million in valuation results from non-trading derivatives, for which hedge accounting is not applied.

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 Wholesale 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.

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 Wholesale 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 96.7%, or EUR 4,362 million, to EUR 148 million in 2008 from EUR 4,510 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 87.5%, or EUR 3,184 million, from EUR 3,638 million in 2007 to EUR 454 million in 2008. The decrease in net result is smaller than the decrease in result before tax due to the tax rebate of EUR 238 million for 2008, which was supported by the revision of tax returns from previous years, compared with the taxation of EUR 759 million for 2007 (effective tax rate 16.8%).

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 4,518 million, or 91.0%, from EUR 4,967 million in 2007 to EUR 449 million in 2008. Underlying net result decreased by EUR 3,260 million, or 81.9%, from EUR 3,982 million in 2007 to EUR 722 million in 2008, due to the tax rebate.

GROUP OVERVIEW

Year ended December 31, 2007 compared to year ended December 31, 2006

Total result before tax increased by EUR 1,103 million, or 11.1% from EUR 9,940 million in 2006 to EUR 11,043 million in 2007 and total underlying result before tax increased by EUR 1,221 million or 12.4% from EUR 9,859 million in 2006 to EUR 11,080 million in 2007. The increase in result before tax was supported by EUR 2,087 million in gains on the sale of stakes in ABN AMRO and Numico. However, the result before tax of ING Direct decreased by 23.3% due to losses related to repositioning the UK business as well as an impairment on asset-backed commercial paper in Canada in the fourth quarter 2007. The increase in total result before tax is also impacted by divestments which resulted in a gain of EUR 414 million and a loss of EUR 63 million for 2007 and 2006, respectively. Special items in 2007 influenced result before tax negatively by EUR 489 million, in 2006 there were no special items.

Net result rose by EUR 1,549 million, or 20.1% from EUR 7,692 million in 2006 to EUR 9,241 million in 2007. This higher growth compared with the increase in result before tax was due to a lower effective tax rate in 2007. The effective tax rate decreased to 13.9% in 2007 from 19.2% in 2006 mainly due to high tax-exempt gains on equity investments (ABN AMRO and Numico) in 2007 compared to 2006. Underlying net result increased from EUR 7,681 million in 2006 to EUR 9,208 million in 2007.

Earnings per share attributable to equity holders of the Company increased to EUR 4.32 in 2007 from EUR 3.57 in 2006.

Currency impact

Currency rate differences had a negative impact of EUR 159 million on net result and EUR 211 million on result before tax, mainly due to the weakening of the US dollar, the Canadian dollar and the South Korea won. In 2006 currency rate differences had a positive impact of EUR 20 million on net result and EUR 48 million on result before tax.

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. On this basis, the debt/equity ratio of ING Group increased to 9.5% in 2007 compared with 9.0% in 2006, partly due to the buyback of own shares. The capital coverage ratio of ING Verzekeringen N.V. decreased to 244% of E.U. regulatory requirements at the end of December 2007, compared with 274% at the end of December 2006, due to the decrease in available capital. The tier-1 ratio of ING Bank N.V. stood at 7.39% at the end of 2007, down from 7.63% at the end of 2006, but remained above the 7.20% target. This decrease was caused by strong growth in risk-weighted assets and the deduction of EUR 1.2 billion in goodwill and other intangibles related to the purchase of Oyak Bank, partly compensated by a capital injection of EUR 2.2 billion from ING Group to ING Bank in the fourth quarter. Total risk-weighted assets of the banking operations increased by EUR 64.8 billion, or 19.2%, to EUR 402.7 billion as of December 31, 2007 from EUR 337.9 billion as of December 31, 2006, driven by growth in Wholesale Banking and Retail Banking.

INSURANCE OPERATIONS

Income

Total premium income decreased EUR 16 million from EUR 46,834 million in 2006 to EUR 46,818 million in 2007. Life premiums increased 0.6%, or EUR 231 million to EUR 40,732 million in 2007 from EUR 40,501 million in 2006, primarily due to growth in the United States, Asia, all countries with the exception of Japan, and Central Europe and the Rest of Europe partly offset by a decline in premium income in the Netherlands. Non-life premiums decreased 3.9%, or EUR 247 million, from EUR 6,333 million in 2006 to EUR 6,086 million in 2007, as lower premiums in Europe and Latin America were only partly offset by higher premiums in Canada.

Investment and Other income increased 20.7%, or EUR 2,316 million to EUR 13,488 million in 2007 from EUR 11,172 million in 2006, reflecting higher dividend income and capital gains on equities (ABN AMRO and Numico). Commission income increased 16.2%, or EUR 265 million to EUR 1,901 million in 2007 from EUR 1,636 million in 2006 supported by robust net inflows and growth in assets under management across all lines of business.

Underwriting Expenditure

Underwriting expenditure increased by EUR 645 million, or 1.3% from EUR 48,188 million in 2006 to EUR 48,833 million in 2007. The underwriting expenditure of the life insurance operations increased by EUR 440 million, or 1.0%. The underwriting expenditure of the non-life insurance operations increased by EUR 205 million, or 4.5%, resulting in an overall higher non-life claims ratio of 65.2% in 2007 compared with 58.7% in 2006, primarily attributable to a higher claims ratio in the Netherlands and Canada.

Expenses

Operating expenses from the insurance operations increased 4.5%, or EUR 240 million to EUR 5,515 million in 2007, from EUR 5,275 million in 2006, mainly due to ongoing cost reduction initiatives offset by higher start-up costs in 2007 to support our growth in Central Europe and the Rest of Europe and Asia. The efficiency ratios for the life insurance operations deteriorated mainly reflecting the investments in growth areas. Expenses as a percentage of assets under management for investment products deteriorated slightly to 0.76% in 2007 compared with 0.75% in 2006. Expenses as a percentage of premiums for life products decreased to 14.3% in 2007 from 13.3% in 2006. The cost ratio for the non-life operations was flat at 31.8%.

Result before tax and net result

Total result before tax from insurance increased 32.4%, or EUR 1,598 million, to EUR 6,533 million in 2007 from EUR 4,935 million in 2006, mainly due to the gains on equities. This increase was also impacted by divestments which resulted in a profit of EUR 382 million in 2007 and a gain of EUR 49 million in 2006. Divested units contributed EUR 79 million result before tax in 2006 and EUR 42 million to result before tax in 2007. Net result from insurance increased by 41.8%, or EUR 1,651 million to EUR 5,603 million in 2007 from EUR 3,952 million in 2006 due to a decrease in minority interests to EUR 155 million in 2007 from EUR 281 million in 2006, but especially the high tax exempt gains on equity investments caused a reduction of the effective tax rate from 14.2% in 2006 to 11.9% in 2007.

Underlying result before tax

Underlying result before tax from the insurance operations increased by 27.2%, or EUR 1,306 million to EUR 6,113 million in 2007 from EUR 4,807 million in 2006, primarily due to the gains on the sale of ING s stakes in ABN AMRO and Numico. Underlying result before tax from life insurance increased 43.4%, or EUR 1,461 million from EUR 3,370 million in 2006 to EUR 4,831 million in 2007. The life insurance activities in the US, Central Europe, the Rest of Europe and Latin America showed strong profit growth, supported by increased sales, growth in assets under management and investment gains. The non-life operations decreased by 10.8%, or EUR 155 million from EUR 1,437 million in 2006 to EUR 1,282 million in 2007. In the Netherlands, the deterioration was mainly caused by rate pressure as well as high one-off claims provisions related to last year. Canada results declined due to lower underwriting results and a decrease in investment gains.

BANKING OPERATIONS

Income

Total income from banking increased 2.9%, or EUR 407 million, to EUR 14,602 million in 2007 from EUR 14,195 million in 2006. This increase was experienced despite a decrease in the interest result, which was primarily attributable to a sharp decline in margins, but which was more than offset by increases in commission income and investment income.

The net interest result decreased by EUR 299 million, or 3.2%, to EUR 9,036 million in 2007 from EUR 9,335 million in 2006, driven by lower interest results in Wholesale Banking and ING Direct, which were only partially offset by higher interest results in Retail Banking. The interest margin in 2007 was 0.94%, a decrease from 1.06% in 2006, due to the flattening or even inverse yield curves, pressure on client margins and intensified competition for savings and deposits.

Commission income increased 9.1%, or EUR 245 million to EUR 2,926 million in 2007 from EUR 2,681 million in 2006. The increase in commission income was primarily due to the strong growth of management fees (mainly from ING Real Estate) by EUR 169 million. Fees from funds transfer and brokerage and advisory fees also increased, but fees from securities business decreased slightly by EUR 38 million.

Investment income increased by EUR 463 million, or 95.9%, to EUR 946 million in 2007 from EUR 483 million in 2006. The increase was partly due to EUR 56 million in gains recognized on divestments in 2007 and losses of EUR 78 million on divestments in 2006. Furthermore, rental income increased EUR 113 million and realized gains on equities grew EUR 181 million compared to 2006, mainly due to the substantial capital gains following the sale of shares in the stock exchange and the derivatives market in Sao Paulo and a sizeable gain from the sale of an equity stake at Wholesale Banking.

Other income decreased by EUR 3 million, or 0.2%, to EUR 1,693 million in 2007 from EUR 1,696 million in 2006. Net trading income declined EUR 151 million and valuation results from non-trading derivatives, for which hedge accounting is not applied, were EUR 11 million lower. This was largely offset by an increase of EUR 104 million in other revenues, including higher income from operating lease. The share of profit from associates increased by EUR 55 million from EUR 183 million in 2006 to EUR 238 million in 2007, mainly due to associates at ING Real Estate.

Expenses

Total operating expenses increased by EUR 880 million, or 9.7%, to EUR 9,967 million in 2007 from EUR 9,087 million in 2006. The increase is for EUR 445 million attributable to special items in 2007, comprising EUR 295 million in provisions and costs related to the Retail Netherlands Strategy (combining ING Bank and Postbank), EUR 94 million in restructuring provision for Wholesale Banking and EUR 56 million in restructuring provision for Retail Banking. Divestments in 2006 had a mitigating impact of EUR 111 million on expense growth, but an additional increase of EUR 546 million or 6.1%, was experienced in 2007 due, in part, to investments to support the growth of the business, notably at ING Direct, ING Real Estate and the Retail Banking activities in developing markets.

The addition to the provision for loan losses

The total addition to the provision for loan losses in 2007 was EUR 125 million compared to EUR 103 million in 2006, an increase of 21.4% or EUR 22 million. Retail Banking showed an increase by EUR 22 million, from EUR 176 million in 2006 to EUR 198 million in 2007 and ING Direct showed an increase by EUR 8 million, from EUR 60 million in 2006 to EUR 68 million in 2007. The net release in Wholesale Banking increased by EUR 10 million to EUR 142 million in 2007. As a percentage of average credit-risk weighted assets, the addition to the provision for loan losses in 2007 was 4 basis points, up slightly from 3 basis points in 2006.

Result before tax and net result

Total result before tax decreased 9.9%, or EUR 495 million, to EUR 4,510 million in 2007 from EUR 5,005 million in 2006. Divestments and special items had a negative impact of EUR 458 million on result before tax in 2007, including EUR 489 million in special items, partly offset by EUR 32 million realized gains on divestments. In 2006, divestments resulted in a realized loss of EUR 112 million. The divested units contributed EUR 65 million to result before tax in 2006.

Net result from banking declined 2.7%, or EUR 102 million from EUR 3,740 million in 2006 to EUR 3,638 million in 2007. This decrease is moderated due to the effective tax rate for ING s banking operations which decreased from 24.1% (EUR 1,205 million) for 2006 to 16.8% (EUR 759 million) for 2007, caused by high tax-exempted gains, the release of some tax liabilities, a lower corporate tax rate in the Netherlands and the impact of a tax asset in Germany.

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 85 million, or 1.7%, from EUR 5,052 million in 2006 to EUR 4,967 million in 2007. Underlying net result increased by EUR 166 million, or 4.4%, from EUR 3,816 million in 2006 to EUR 3,982 million in 2007, due to the low effective tax rate.

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CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s consolidated assets and liabilities for the years ended December 31, 2008, 2007 and 2006:

	2008	2007	2006
	(EUR billions, except amounts per share)		
Investments	258.3	292.7	311.6
Financial assets at fair value through the profit and loss account	280.5	327.1	317.5
Loans and advances to customers	619.8	553.0	474.4
Total assets	1,331.7	1,312.5	1,226.3
Insurance and investment contracts:			
Life	213.0	232.4	237.9
Non-life	6.7	9.6	10.1
Investment contracts	21.1	23.7	20.7
Total insurance and investment contracts	240.8	265.7	268.7
Customer deposits and other funds on deposits [1]	522.8	525.2	496.7
Debt securities in issue/other borrowed funds	127.7	94.1	107.8
Total liabilities (including minority interests)	1304.3	1,275.3	1,188.0
Non-voting equity securities	10.0		
Shareholders equity	17.3	37.2	38.3
Shareholders equity per Ordinary share (in EUR)	8.55	17.73	17.78

(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, 2008 compared to year ended December 31, 2007

Total assets increased by 1.5% in 2008 to EUR 1,331.7 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 66.8 billion, or 12.1%, rising to EUR 619.8 billion at the end of December 2008 from EUR 553.0 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 73.1 billion. The Netherlands operations increased by EUR 37.9 billion and the international operations by EUR 33.3 billion.

Shareholders equity decreased by 43.5% or EUR 19,874 million to EUR 17,334 million at December 31, 2008 compared to EUR 37,208 million at December 31, 2007. The decrease is mainly due to the negative net result from the year 2008 (EUR (729) 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 cashflow hedge reserve (EUR 746 million).

Year ended December 31, 2007 compared to year ended December 31, 2006

Total assets increased by 7.0% in 2007 to EUR 1,312.5 billion, mainly due to increased loans and advances to customers and financial assets at fair value through the profit and loss account. Investments decreased by EUR 18.9 billion, or 6.1%, to EUR 292.7 billion in 2007 from EUR 311.6 billion in 2006, representing a decrease of EUR 8.2 billion in insurance investments and a decrease of EUR 10.7 billion in banking investments.

Loans and advances to customers increased by EUR 78.5 billion, or 16.6%, rising to EUR 553.0 billion at the end of December 2007 from EUR 474.4 billion at the end of December 2006. Loans and advances to customers of the insurance operations decreased EUR 10.0 billion. Loans and advances of the banking operations increased

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by EUR 88.5 billion. The Netherlands operations increased by EUR 30.7 billion and the international operations by EUR 57.8 billion. The impact of the inclusion of Oyak Bank was EUR 4.8 billion. ING Direct contributed EUR 25.1 billion to the increase, of which EUR 28.0 billion was due to personal lending.

Shareholders equity decreased by 2.8% or EUR 1,058 million to EUR 37,208 million at December 31, 2007 compared to EUR 38,266 million at December 31, 2006. Net result from the year 2007 added EUR 9,241 million to equity and unrealized revaluation shares added EUR 2,997 million, partially offset by unrealized revaluations debt securities of EUR 4,725 billion, realized gains equity securities released to profit and loss of EUR 3,044 million, change due to treasury shares of EUR 2,304 million and a cash dividend of EUR 2,999 million.

ING does not have any significant non-consolidated SPEs or other off-balance sheet arrangements for which it is reasonably likely that these may have to be consolidated in future periods, and/or could have a significant impact on our income from operations, liquidity and capital resources. Reference is made to Note 27 of the Consolidated Financial Statements.

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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 2008, 2007 and 2006 See Note 49 of Note 2.1 to the consolidated financial statements for further disclosure of our segment reporting.

2008 (EUR millions)	**Insurance Europe**	**Insurance Americas**	**Insurance Asia/Pacific**	**Wholesale Banking(3)**	**Retail Banking (3)**	**ING Direct**	**Other(1)**	**Total Group**
Total income	**14,489**	**27,738**	**14,159**	**4,107**	**7,399**	**878**	**(2,479)**	**66,291**
Total expenditure	**13,838**	**28,327**	**14,372**	**3,498**	**5,979**	**2,033**	**(269)**	**67,778**
Result before tax	**651**	**(589)**	**(213)**	**609**	**1,420**	**(1,155)**	**(2,210)**	**(1,487)**
Gains/losses on divestments		(237)	214				15	(8)
Result before tax from divested units		(28)	115					88
Special items		321			271	30		622
Underlying result before tax	**651**	**(534)**	**116**	**609**	**1,691**	**(1,125)**	**(2,194)**	**(786)**

2007 (EUR millions)	**Insurance Europe**	**Insurance Americas**	**Insurance Asia/Pacific**	**Wholesale Banking**	**Retail Banking**	**ING Direct**	**Other 1) 2)**	**Total Group**
Total income	**16,262**	**29,681**	**14,383**	**4,801**	**7,483**	**2,196**	**1,781**	**76,586**
Total expenditure	**13,962**	**27,529**	**13,807**	**2,836**	**5,405**	**1,667**	**338**	**65,544**
Result before tax	**2,300**	**2,152**	**576**	**1,965**	**2,079**	**530**	**1,443**	**11,043**
Gains/losses on divestments	(418)	(93)			(32)		129	(414)
Result before tax from divested units	(42)	3						(39)
Special items				94	355		40	489
Underlying result before tax	**1,840**	**2,062**	**576**	**2,059**	**2,402**	**530**	**1,611**	**11,080**

2006 (EUR millions)	**Insurance Europe**	**Insurance Americas**	**Insurance Asia/Pacific**	**Wholesale Banking**	**Retail Banking**	**ING Direct**	**Other 1)**	**Total Group**
Total income	**16,170**	**29,779**	**13,378**	**4,738**	**7,166**	**2,289**	**101**	**73,621**
Total expenditure	**13,808**	**27,787**	**12,742**	**2,686**	**4,803**	**1,598**	**258**	**63,681**
Result before tax	**2,362**	**1,992**	**636**	**2,052**	**2,363**	**691**	**(157)**	**9,940**
Gains/losses on divestments	(34)		(15)	89		23		63

Result before tax from divested units	(79)			(45)		(20)		(144)
Special items								
Underlying result before tax	**2,249**	**1,992**	**621**	**2,096**	**2,363**	**694**	**(157)**	**9,859**

(1) Other mainly includes items not directly attributable to the business lines and intercompany relations. See Note 49 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

(3) Mid-corporate clients in the home markets Netherlands, Belgium, Poland and Romania have been transferred retroactively from Wholesale Banking to Retail Banking. Figures for 2007 and 2006 have been restated accordingly.

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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.

INSURANCE EUROPE

	Insurance Europe		
	2008	**2007**	**2006**
		(EUR millions)	
Premium income	10,194	10,616	10,552
Commission income	491	477	348
Investment and Other income	3,804	5,169	5,270
Total income	**14,489**	**16,262**	**16,170**
Underwriting expenditure	11,559	11,595	11,458
Other interest expenses	513	591	544
Operating expenses	1,764	1,774	1,805
Other impairments	2	1	1
Total expenditure	**13,838**	**13,962**	**13,808**
Result before tax	**651**	**2,300**	**2,362**
Gains/losses on divestments		(418)	(34)
Result before tax from divested units		(42)	(79)
Underlying result before tax	**651**	**1,840**	**2,249**

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

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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 life 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.

Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Total premium income increased by 0.6%, or EUR 64 million to EUR 10,616 million in 2007 from EUR 10,552 million in 2006, as continued strong life premium growth in Central and Rest of Europe was largely offset by lower life premiums in the Netherlands and Belgium, including the impact of the divestment of the Belgian broker and employee benefits business in September 2007. Life production slowed down in the second half of 2007 due to faltering stock markets and less intensive marketing for investment products in Belgium. Unit-linked volumes in the Netherlands were impacted by negative media attention concerning cost loads. Non-life premium income declined by 6.8%, or EUR 135 million to EUR 1,839 million from EUR 1,974 million in 2006, due to lower premiums in all regions after rate reductions in the Benelux as well as the disposition of bond insurer Nationale Borg in the Netherlands and the broker and employee benefits business in Belgium.

Commission income advanced by 37.1%, or EUR 129 million to EUR 477 million in 2007 from EUR 348 million in 2006 fuelled by higher management fees in all regions. Investment and Other income declined by 1.9%, or EUR 101 million from EUR 5,270 million in 2006 to EUR 5,169 million in 2007, driven by lower capital gains and fair value changes on real estate and private equity investments. In the Netherlands direct investment income decreased EUR 136 million, after the deconsolidation of a real estate mutual fund at year-end 2006 and the distribution of EUR 5.0 billion in extraordinary dividends to the Corporate Line Insurance during 2007. Direct investment income in Belgium included the EUR 418 million gain on the divestment of the broker and employee benefits business.

Expenses

Operating expenses declined by 1.7%, or EUR 31 million to EUR 1,774 million in 2007 from EUR 1,805 million in 2006, with the decline concentrated in the Benelux. In the Netherlands, expenses decreased 1.5%, or EUR 21 million to EUR 1,350 million in 2007 from EUR 1,371 million in 2006, as regular cost increases related to inflation and merit salary increases were offset by staff reductions following the completion and implementation of a new insurance administration platform at Nationale-Nederlanden and EUR 33 million software impairments in 2006. The 2007 release of provisions for employee benefits in the Netherlands almost matched similar releases in 2006. Operating expenses in Belgium declined from EUR 150 million in 2006 to EUR 96 million in 2007, following the disposition of the broker and employee benefits business. Expenses in Central and Rest of Europe were EUR 44 million higher at EUR 324 million, after EUR 30 million higher investments in greenfields (business in new country) in Romania and Russia and organic business growth across the region.

Result before tax

Result before tax in 2007 included a gain of EUR 418 million from the sale of Belgian broker and employee benefits business, whereas the 2006 pre-tax result reflected a EUR 34 million gain on the unwinding of a cross-shareholding with Bank Piraeus in Greece. Notwithstanding those gains, total profit before tax of Insurance Europe declined by 2.6%, or EUR 62 million to EUR 2,300 million in 2007 from EUR 2,362 million in 2006.

Underlying result before tax

Underlying result before tax from Insurance Europe declined by 18.2%, or EUR 409 million from EUR 2,249 million in 2006 to EUR 1,840 million in 2007, driven by lower insurance results in the Netherlands following lower capital gains and fair value changes on real estate and private equity investments and significant disability provision releases in 2006. Central Europe continued to show strong growth of life underwriting results, partly compensated by EUR 26 million higher greenfield strain in Romania and Russia. Underlying pre-tax profit from life insurance declined by 15.7%, or EUR 263 million to EUR 1,412 million in 2007 from EUR 1,675 million in 2006, mostly resulting from a EUR 327 million decrease in life results from the Netherlands partly offset by a EUR 51 million increase in Central and Rest Europe, primarily in Hungary and Poland as well as the Czech and Slovakia republics. Underlying result from non-life insurance declined by 25.4%, or EUR 146 million from EUR 574 million in 2006 to EUR 428 million in 2007, including 2006 releases of actuarial provisions caused by the introduction of a new long-term disability act in the Netherlands.

Netherlands

In the Netherlands, underlying result before tax decreased by 24.4%, or EUR 466 million to EUR 1,445 million in 2007 from EUR 1,911 million in 2006, as lower investment income and actuarial provision releases more than offset the slight decline in operating expenses. Results included EUR 217 million lower gains and revaluations from real estate investment declining from EUR 443 million in 2006 to EUR 226 million in 2007 and EUR 42 million lower gains and revaluations from private equity investments from EUR 166 million in 2006 to EUR 124 million in 2007, as well as a EUR 98 million release of disability provisions triggered by the introduction of a new long-term disability act in 2006. In 2007, the increase in the shortfall in investment guarantees on certain group pension contracts deteriorated EUR 74 million compared to 2006.

Underlying result before tax from the life insurance businesses declined by 24.1%, or EUR 327 million from EUR 1,357 million in 2006 to EUR 1,030 million in 2007 driven by lower investment income, especially lower gains and revaluations on real estate and private equity investments. Life premium income declined by 4.2%, or EUR 374 million from EUR 5,230 million in 2006 to EUR 5,008 million in 2007, mainly due to lower single-premium sales due to enhanced pricing discipline to improve profitability and negative media attention around unit-linked products. Underlying result before tax from the non-life insurance businesses decreased by 25.1%, or EUR 139 million from EUR 554 million in 2006 to EUR 415 million in 2007, driven by EUR 98 million disability provision releases

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in 2006 as well as lower results from real estate and private equity investments. Non-life premiums declined by 1.2% to EUR 1,587 million, a decrease of EUR 19 million compared to EUR 1,606 million in 2006 largely attributable to the disposition of guarantee insurer Nationale Borg in the second quarter of 2006. Increased distribution through the proprietary bank channel more than compensated for the impact of rate pressure in automobile and group income insurance.

Belgium

In Belgium, underlying result before tax from insurance rose by 8.8%, or EUR 3 million from EUR 57 million in 2006 to EUR 62 million in 2007, due to higher results from life insurance. Underlying result from life insurance, including Luxembourg, rose by EUR 12 million, or 25.5% to EUR 59 million in 2007 from EUR 47 million in 2006, driven by higher sales and investment income. Underlying result before tax from non-life insurance, declined sharply to EUR 3 million in 2007 from EUR 10 million in 2006, partly caused by a strengthening of the claims provisions for disability based on recent claims experience. Following the divestment of the broker and employee benefits business in 2007, the insurance activities in Belgium are focused exclusively on the sale of insurance products through ING s proprietary bank channels (ING Bank and Record Bank). Life premium income increased by 15.0%, to EUR 1,160 million in 2007 from EUR 1,009 million in 2006, due to strong sales of investment products with a capital guarantee and high profit participation potential. Non-life premiums were up 12.5%, mainly due to the compulsory natural disaster cover introduced in 2007.

Central and Rest of Europe

In Central and Rest of Europe, underlying result before tax increased by 17.7%, or EUR 50 million to EUR 332 million in 2007 from EUR 282 million in 2006, driven by a 18.8% increase in life results to EUR 323 million. The new life operation in Russia and second-pillar pension fund in Romania caused a EUR 26 million higher greenfield strain on underlying pre-tax result. The Czech Republic, Hungary, Poland and Slovakia all showed strong growth in life and pensions, driven by higher premiums and pension fund inflows. Life premium income rose by 25.6%, or EUR 488 million from EUR 1,906 million in 2006 to EUR 2,394 million in 2007, propelled by high sales of unit-linked products in Greece and the Czech Republic, group life in Spain as well as the launch of the variable annuities in Hungary and Spain.

INSURANCE AMERICAS

		Insurance Americas	
	2008	**2007**	**2006**
		(EUR millions)	
Premium income	22,549	23,537	24,118
Commission	1,254	1,036	984
Investment and Other income	3,935	5,108	4,677
Total income	**27,738**	**29,681**	**29,779**
Underwriting expenditure	25,319	24,682	24,981
Other interest expenses	222	328	316
Operating expenses	2,574	2,519	2,490
Other impairments	212	0	0
Total expenditure	**28,327**	**27,529**	**27,787**
Result before tax	**(589)**	**2,152**	**1,992**
Gains/losses on divestments	(237)	(93)	
Result before tax from divested units	(28)	2	
Special items	321	0	0

Underlying result before tax	**(534)**	**2,061**	**1,992**

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 life premiums increased by 0.8%, or 8.8% excluding currency impacts to EUR 19,216 million, primarily attributable to the US (increase of 8.4% in local currency) driven by variable annuities, retirement services and fixed annuities. Underlying non-life premium income decreased by 12.6%, mainly due to the sale of the health business in Chile in the first quarter of 2008. Premium income in Canada decreased by 4.2%, but increased by 1.7% excluding currency impacts due to an increase in average premiums, while the number of new risks insured decreased.

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 10.5% excluding currency impacts, 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. Expenses as a percentage of assets under management for investment products deteriorated from 0.74% to 0.87%, while expenses as a percentage of premiums for life products improved to 14.6% in 2008.

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 includes EUR 28 million profit generated by the Mexico divested insurance businesses. The special items in 2008 related to integration expenses for CitiStreet in the US (EUR 90 million before tax), losses from annuity and pension businesses in Argentina following the nationalization of the private pension business in the fourth quarter of 2008 (EUR 228 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 534 million in 2008 from a profit of EUR 2,062 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. The Canadian business had a 22.6%, or EUR 106 million decrease in underlying result before tax from EUR 470 million in 2007 to EUR 364 million in 2008 due to lower underwriting income, including higher catastrophe claims. In Latin America underlying profit before tax decreased by 6.8%, or EUR 16 million to EUR 220 million in 2008 from EUR 236 million in 2007. The underlying profit before tax in the life businesses decreased by EUR 44 million due to lower investment gains in 2008 (especially in Mexico), and lower investment results on the legally-required capital in the pension businesses (especially in Chile and Peru). The underlying profit before tax in the non-life businesses increased EUR 28 million, due to higher non-life results in Brazil, including a tax reserve release of EUR 24 million.

United States

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.

Canada

Premium income decreased by 4.2%, from EUR 2,788 million in 2007 to EUR 2,671 million in 2008, but increased 1.7% excluding currency impact. The increase was primarily attributable to rate increases and average premium increases in personal lines which compensated for a lower the number of insured risks. Operating expenses of EUR 544 million in 2008 decreased by 1.6% compared to 2007, but increased 4.3% excluding currency impact. Underlying profit before tax decreased by 22.6%, or EUR 106 million from EUR 470 million in 2007 to EUR 364 million in 2008, due to lower underwriting results, partially offset by higher investment income, including lower impairments of fixed income securities. Underwriting results decreased in 2008 following higher claims (including higher catastrophe claims). The claims ratio deteriorated to 69.5% in 2008 from 65.7% in 2007, and the expense ratio deteriorated from 28.5% to 29.1%. The combined ratio deteriorated to 98.6% in 2008 from 94.2% in 2007.

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Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Premium income decreased by 2.4%, or EUR 581 million, from EUR 24,118 million in 2006 to EUR 23,537 million in 2007. Excluding unfavorable currency effects of EUR 1,905 million, premium income rose by 6.0%, due to an increase in Life premium of 6.6%, primarily attributable to the US (increase of 6.7%) driven by variable annuities and retirement services, partly offset by lower fixed annuities; Latin America (increase of 3.8%) driven by annuities in Chile and Argentina and group life premiums in Mexico, and an increase in Non-life premium of 3.0%, attributable to Canada (increase of 2.7%) due to an increase in the number of insured risks and Latin America (increase of 3.4%) through higher premiums from health business.

Commission income increased by 5.3%, or EUR 52 million to EUR 1,036 million in 2007 from EUR 984 million in 2006, primarily as a result of higher assets under management, which were due to sales, persistency and positive fund performance. Investment and Other income increased 9.2% or EUR 431 million from EUR 4,677 million in 2006 to EUR 5,108 million in 2007, mainly due to net investment gains, including the gain on the initial public offering of shares by the Brazilian composite insurer SulAmérica, in which ING is a major shareholder as well as the disposition of a minority equity investment in the US, and higher private equity gains, partly offset by credit related losses and impairments.

Expenses

Operating expenses increased by 1.2%, or EUR 29 million from EUR 2,490 million in 2006 to EUR 2,519 million in 2007. Excluding unfavorable currency impact of EUR 183 million,, operating expenses increased 9.2%, due to the acquisitions of the annuity and pension business from Santander in Latin America, marketing and organic business growth, mainly in the US. Expenses as a percentage of assets under management for investment products deteriorated from 0.72% to 0.74%, while expenses as a percentage of premiums for life products deteriorated from 14.3% in 2006 to 14.7% in 2007.

Result before tax

Result before tax in 2007 included a gain of EUR 93 million, which resulted from the dilution of ING s share in Brazil s SulAmérica, following an initial public offering.

Underlying result before tax

Underlying result before tax from Insurance Americas increased by 3.4%, or EUR 67 million from EUR 1,992 million in 2006 to EUR 2,059 million in 2007. Underlying result before tax in the US grew by 12.7%, or EUR 153 million from EUR 1,203 million in 2006 to EUR 1,356 million in 2007, due to net investment gains and commission income, partially offset by increased operating expenses . The Canadian business had a 22.3%, or EUR 135 million decrease in underlying result before tax from EUR 605 million in 2006 to EUR 470 million in 2007, due to less favorable developments in current and prior-year reserves and impairments and investment losses. In Latin America underlying result before tax increased 27.3%, or EUR 50 million to EUR 233 million in 2007 from EUR 183 million in 2006, due to life operations increase, partly offset by non-life operations. Life operations rose 84.6% or EUR 99 with higher results across the region, including investment gains in Mexico. Non-life operations decreased 74.2% or EUR 49 million, due to higher fire and weather-related claims and provision strengthening in automobile insurance in Mexico, partly offset by the results from the health business in Brazil.

United States

Underlying premium income decreased 2.4%, or EUR 453 million to EUR 18,677 million in 2007 from EUR 19,130 million in 2006. The decrease is attributable to the depreciation of the US dollar against the EUR. Excluding this impact, premium income increased 6.7%, mainly due to higher sales of variable annuity and retirement services, but was partially offset by lower premiums from fixed annuities. Operating expenses were almost flat as they increased only by 0.9%, or EUR 14 million. Excluding unfavorable currency impact of EUR 127 million, operating expenses increased 10.4%, due to marketing, continued business growth and personnel-related expenses. Underlying result before tax rose by 12%.7%, or EUR 153 million from EUR 1,203 million in 2006 to EUR 1,356 million in 2007. Net investment gains, including the EUR 21 million gain on the disposition of a minority equity investment, contributed EUR 83 million to the underlying result growth in the US. Excluding investment gains, underlying result before tax increased 5.5% to EUR 1,316, due to higher fee income from higher assets under management, higher result from private equity investments and positive impact from equity related deferred acquisition costs and reserves unlocking.

Canada

Underlying premium income of EUR 2,788 million EUR in 2007 was almost flat compared with 2006. Excluding the impact of the depreciation of Canadian dollar against the EUR, premium income increased 2.7% primarily attributable to the increase in the number of insured risks. Operating expenses of EUR 553 million in 2007 was almost flat compared with 2006. Excluding unfavorable currency impact of EUR 18 million, operating expenses rose by 4.3%. Underlying result before tax decreased 22.3%, or EUR 135 million from EUR 605 million in 2006 to EUR 470 million in 2007, due to lower underwriting results and investment losses. Underwriting results decreased in 2007 after a deterioration of the automobile insurance results and higher property insurance losses. The claims ratio deteriorated to 65.7% in 2007 from 59.2% in 2006, but the expense ratio improved to 28.5% from 29.9%. The combined ratio deteriorated to 94.2% in 2007 from 89.1% in 2006.

INSURANCE ASIA/PACIFIC

	Insurance Asia/Pacific		
	2008	**2007**	**2006**
		(EUR millions)	
Premium income	11,040	12,632	12,136
Commission	319	382	298
Investment and Other income	2,800	1,369	944
Total income	**14,159**	**14,383**	**13,378**
Underwriting expenditure	12,611	12,517	11,745
Other interest expenses	720	175	22
Operating expenses	1,040	1,115	965
Other impairments	0	0	10
Total expenditure	**14,372**	**13,807**	**12,742**
Result before tax	**(213)**	**576**	**636**
Gains/losses on divestments	214		(15)
Result before tax from divested units	115		
Underlying result before tax	**116**	**576**	**621**

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 divestment and the result from the divested unit, 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.

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Underlying result before tax

Underlying result before tax decreased by 79.9%, or EUR 460 million to EUR 116 million in 2008 from EUR 576 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. Excluding Japan and currency impacts, underlying profit before tax declined by 15.5%.

Australia and New Zealand

Underlying result before tax decreased by 41.4%, or EUR 89 million, to EUR 126 million in 2008 from EUR 215 million in 2007. This was driven by reduced fee income due to a decline in assets under management and lower investment earnings. New sales in life risk products and favourable in-force retention drove life premium income up 6.2%, or EUR 17 million, to EUR 292 million in 2008 from EUR 275 million in 2007. Operating expenses decreased by 5.0%, but were up 1.6% excluding currency effects, to EUR 211 million in 2008 from EUR 222 in 2007. The increase was driven by a higher in-force base, investments in select business transformation projects and restructuring costs.

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 favourable 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.

Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Premium income increased by 4.1%, or EUR 496 million to EUR 12,632 million in 2007 from EUR 12,136 million in 2006, due primarily to sales of unit-linked products and high persistency in South Korea, new sales in life risk and personal investment products, along with favorable in-force business in Australia and sales of investment-linked products in Taiwan, in part offset by lower premiums in Japan caused by regulatory changes and economic volatility. Double-digit growth rates in premium income were recorded in local currency terms in most of Asia/Pacific s other markets.

Commission income increased by 28.2%, or EUR 84 million to EUR 382 million in 2007 from EUR 298 million in 2006, due to higher funds under management arising from strong investment markets and higher net inflows in Australia and New Zealand as well as the full year consolidation of asset management business in Taiwan, which was acquired in the fourth quarter of 2006.

Expenses

Operating expenses increased by 15.5%, or EUR 150 million to EUR 1,115 million in 2007 from EUR 965 million in 2006, reflecting the increase of business volumes and the focus in building organizational capabilities and investing in greenfield operations. Expenses as a percentage of assets under management for investment products improved from 0.83% in 2006 to 0.81% in 2007, but expenses as a percentage of premiums for life products deteriorated from 8.2% in 2006 to 9.4% in 2007.

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Result before tax

Following the sale of Australia s non-life business in 2004, provisions were made for claims experience of several lines of business. As claims experience was favorable, the hold-back provision was released in 2006 resulting in a result before tax of EUR 15 million. Including the result from the divested unit, result before tax decreased by 9.4%, or 60 million to EUR 576 million in 2007 from EUR 636 million in 2006.

Underlying result before tax

Underlying result before tax decreased by 7.2%, or EUR 45 million to EUR 576 million in 2007 from EUR 621 million in 2006. This decrease was primarily due to Japan, which recorded a profit before tax of EUR 24 million in 2007 from EUR 156 million in 2006 largely due to the impact of market volatility on its Single Premium Variable Annuity or SPVA business, and a EUR 24 million Collateralized Debt Obligation or CDO markdown in the Corporate-Owned Life Insurance or COLI business. Excluding Japan, the underlying result was up 19%, driven by business in South Korea experiencing growth in investment-linked product sales and in-force premium as well as a one-off recognition of EUR 10 million from the consolidation of Best Equity Fund and business in Australia/New Zealand experiencing funds under management growth, investment earnings and release of provisions.

Australia and New Zealand

Underlying result before tax increased 33.5%, or EUR 54 million to EUR 215 million in 2007 from EUR 161 million in 2006 driven by funds under management growth, investment earnings and release of provisions. Life premium income rose by 19.6%, or EUR 45 million to EUR 275 million in 2007 from EUR 230 million in 2006, driven by new sales in life risk and personal investment products, along with favorable in-force business. Operating expenses increased 14.4% due to higher volume-driven expenses such as investment management, direct campaign and stamp duty costs.

South Korea

In South Korea, underlying result before tax rose by 14.1%, or EUR 37 million to EUR 300 million in 2007 from EUR 263 million 2007, driven primarily by growth of investment-linked product sales and in-force premium as well as a one-off recognition of EUR 10 million from the consolidation of Best Equity Fund. Premium income rose by 11.9%, or EUR 383 million to EUR 3,607 million in 2007 from EUR 3,224 in 2006, driven primarily by sales of unit-linked products as well as continued high persistency on existing contracts. Operating expenses rose by 29.1%, or EUR 57 million, from EUR 196 million in 2006 to EUR 253 million in 2007 due to the support provided for the growing and future business.

Taiwan

As in 2006, ING recorded zero profit for Taiwan in 2007 due to measures taken to strengthen reserves . A total charge of EUR 110 million was taken in 2007 to strengthen reserves, compared with EUR 182 million in 2006. For the reserve adequacy position please see the discussion under Risk Management ING Insurance ING Insurance Liquidity Risk Reserve Adequacy of Note 2.1 to the consolidated financial statements.

Japan

In Japan, underlying result before tax decreased by 84.6%, or EUR 132 million to EUR 24 million in 2007 from EUR 156 million in 2006 largely due to the impact of market volatility on its SPVA business, and a EUR 24 million CDO markdown in the COLI business. Sales momentum slowed down triggered by regulatory changes and economic volatility. Consequently, premium income declined by 5.0%. Operating expenses increased by 6.6%, mainly due to higher promotional and branding activities.

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WHOLESALE BANKING

(EUR millions)	Wholesale Banking 2008	2007	2006
Interest result	3,240	1,748	1,953
Commission income	1,213	1,235	1,170
Investment income	(314)	780	320
Other income	(32)	1,038	1,294
Total income	**4,107**	**4,801**	**4,738**
Operating expenses	2,902	2,978	2,818
Additions to the provision for loan losses	596	(142)	(132)
Total expenditure	**3,498**	**2,836**	**2,686**
Result before tax	**609**	**1,965**	**2,052**
Gains/losses on divestments			89
Result before tax from divested units			(45)
Special items		94	
Underlying result before tax	**609**	**2,059**	**2,096**

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

Income

Total income decreased by 14.5%, or EUR 694 million, to EUR 4,107 million in 2008 from EUR 4,801 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 2,164 million, to a loss of EUR 346 million in 2008 from a profit of EUR 1,818 million in 2007. ING Real Estate contributed EUR 947 million to this decrease, of which EUR 450 million lower fair value changes in the investment portfolio and EUR 415 million lower result from associates. Investment and other income at Financial Markets was EUR 797 million lower, of which EUR 298 million investment income and EUR 499 million Other income, but this was more than compensated for by the EUR 901 million increase in interest result.

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 Wholesale Banking and EUR 49 million to reinforce its Financial Markets business in selected developing markets. The cost/income ratio deteriorated to 70.7% in 2008 compared with 62.0% in 2007. Excluding the impact of special items, the underlying cost/income ratio in 2008 was 60.1%.

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 1,356 million, or 69.0%, to EUR 609 million in 2008 from EUR 1,965 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.

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Underlying result before tax

Underlying result before tax from Wholesale Banking declined by 70.4%, or EUR 1,450 million, to EUR 609 million in 2008 from EUR 2,059 million in 2007. Lower underlying results before tax were recorded in all product lines except for Financial Markets. 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 increased by 18.3%, or EUR 55 million, to EUR 355 million in 2008 from EUR 300 million in 2007, in spite of increased impairments and credit-related markdowns due to the financial crisis. Total income increased by 8.2%, or EUR 81 million, to EUR 1,064 million in 2008 from EUR 983 million in 2007, as higher results from 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 Wholesale products

Underlying result before tax from the Other Wholesale 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.

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Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Total income increased 1.3%, or EUR 63 million, to EUR 4,801 million in 2007 from EUR 4,738 million in 2006. Excluding the impact of the divestment of Williams de Broë and Deutsche Hypothekenbank in 2006, income increased 1.6% or EUR 77 million. The total interest result declined 10.5%, or EUR 205 million, to EUR 1,748 million in 2007 from EUR 1,953 million in 2006, due to divestments and pressure on margins. Commission, investment and other income rose by 9.6%, or EUR 268 million, to EUR 3,053 million in 2007 from EUR 2,785 million in 2006. ING Real Estate contributed EUR 169 million to this rise, driven by growth in the investment management activities and by higher realized gains and fair value changes in the investment portfolio. The remaining increase mainly includes higher capital gains on equities partly offset by the direct impact of the market and credit crisis in the second half of 2007.

Expenses

Operating expenses increased by EUR 160 million, or 5.7%, to EUR 2,978 million in 2007 from EUR 2,818 million in 2006. Excluding the impact of divestments in 2006, and excluding EUR 94 million in special items in 2007, operating expenses rose by EUR 121 million or 4.4% to EUR 2,884 million. Of this increase 3.4%-point can be attributed to fast growing ING Real Estate. 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 Wholesale Banking and EUR 49 million to reinforce its Financial Markets business in selected developing markets. The cost/income ratio deteriorated to 62.0% in 2007 compared with 59.5% in 2006. Excluding the impact of divestments and special items, the underling cost/income ratio deteriorated to 60.1% from 58.5% in 2006.

The addition to the provision for loan losses was a net release of EUR 142 million in 2007 compared with a net release of EUR 132 million in 2006. Gross additions remained low, reflecting the strong quality of the credit portfolio. The net release equalled 10 basis points of average credit-risk-weighted assets in 2007.

Result before tax

Result before tax decreased EUR 87 million, or 4.2%, to EUR 1,965 million in 2007 from EUR 2,052 million in 2006. Special items in 2007 (provisions for initiatives to stimulate growth and reduce operating expenses) had a negative impact of EUR 94 million. The divestment in 2006 of Williams de Broë and Deutsche Hypothekenbank resulted in a loss of EUR 89 million, while these divested units contributed EUR 45 million to result before tax in 2006.

Underlying result before tax

Underlying result before tax from Wholesale Banking declined 1.8%, or EUR 37 million, to EUR 2,059 million in 2007 from EUR 2,096 million in 2006. Higher underlying results before tax were recorded in General Lending & Payments and Cash Management, ING Real Estate and the Other Wholesale Products. Underlying result from Structured Finance decreased 22.5% to EUR 395 million, including a markdown of EUR 29 million on the Leveraged Finance book in the third quarter of 2007. Financial Markets result declined 37.7% to EUR 300 million, mainly due to the sub-prime crisis and related issues.

General Lending & PCM

In General Lending & Payments and Cash Management (PCM), underlying result before tax rose 47.2%, or EUR 162 million, to EUR 504 million in 2007 from EUR 343 million in 2006, supported by a lower cost level and higher releases from the provision for loan losses. Total income increased by 0.7%, or EUR 6 million, to EUR 870 million in 2007 from EUR 864 million in 2006 and operating expenses decreased by 14.5%, or EUR 93 million, to EUR 549 million in 2007 from EUR 642 million in 2006. The decrease of operating expenses is partly due to the reclassification of Trade Finance Services from General Lending to Structured Finance. The net release from the loan losses provisions increased to EUR 183 million in 2007 from a net release of EUR 121 million in 2006, supported by the recovery of a single provision of EUR 115 million in the fourth quarter of 2007.

Structured Finance

In Structured Finance, underlying result before tax declined 22.5%, or EUR 115 million, to EUR 395 million in 2007 from EUR 510 million in 2006. Income decreased 4.0%, or EUR 31 million, to EUR 735 million in 2007 from EUR 767 million in 2006, mainly caused by the disruption in the Leveraged Finance market, including a EUR 29 million markdown on Leveraged Finance deals in the third quarter of 2007. Operating expenses increased by 16.2%, or EUR 47 million, to EUR 338 million in 2007 from EUR 290 million in 2006, caused by the reclassification of Trade Finance Services from General Lending to Structured Finance and higher personnel and deal-related costs to support growth initiatives. The addition to the loan loss provisions changed from a net release of EUR 34 million in 2006 to a net addition of EUR 2 million in 2007.

Leasing & Factoring

In Leasing & Factoring, underlying result before tax slightly increased to EUR 153 million from EUR 152 million in 2006. Total income rose by 3.1%, or EUR 12 million, to EUR 398 million in 2007 from EUR 386 million in 2006, driven by volume growth in general leasing, car leasing and factoring, partly offset by lower margins. Operating expenses increased by 6.8%, or EUR 14 million, to EUR 220 million in 2007 from EUR 206 million in 2006, mainly due to investments to grow the business. The addition to the loan loss provisions decreased to EUR 25 million from EUR 28 million in 2006.

Financial Markets

Underlying result before tax from Financial Markets decreased 37.5%, or EUR 180 million, to EUR 300 million from EUR 480 million in 2006, mainly due to the EUR 106 million in losses related to sub-prime (residential mortgage-backed securities) and monoline insurers in the proprietary trading and credit markets business in the fourth quarter of 2007. Total income decreased 15.4%, or EUR 179 million, to EUR 983 million in 2007 from EUR 1,162 million in 2006, mainly in the proprietary trading and credit markets business, partly offset by higher income from the client-related business within Financial Markets. Operating expenses decreased 0.4%, or EUR 3 million, to EUR 679 million in 2007 from EUR 682 million in 2006. The addition to the loan loss provisions in 2007 was only EUR 4 million or 2 basis points of average credit-risk weighted assets compared with nil in 2006.

Other Wholesale products

Underlying result before tax from the Other Wholesale products turned to a profit of EUR 43 million in 2007 from a loss of EUR 21 million in 2006, supported by higher results from Corporate Finance & Equity Markets as well as higher capital gains not allocated to the product groups, including the gain on the sale of stakes in the stock and derivatives exchanges in Sao Paulo.

ING Real Estate

Underlying result before tax of ING Real Estate increased 5.2%, or EUR 33 million, to EUR 664 million in 2007 from EUR 631 million in 2006. Total income rose 11.7%, or EUR 129 million, to EUR 1,235 million in 2007 from EUR 1,106 million in 2006, while operating expenses increased by 19.7%, or EUR 94 million, to EUR 570 million from EUR 476 million in 2006. Result before tax of the Investment Management activities increased 13.9% to EUR 156 million supported by continued growth of the assets under management. The result of the Investment Portfolio rose 31.2% to EUR 261 million reflecting higher realized gains and fair value changes on investments. Result at the Finance activities increased 16.9% to EUR 214 million, driven by strong growth in the lending portfolio. Result from Development declined to EUR 33 million from EUR 112 million in 2006 when results included exceptionally high gains on the sale of completed projects.

RETAIL BANKING

	Retail Banking		
(EUR millions)	**2008**	**2007**	**2006**
Interest result	5,556	5,354	5,320
Commission income	1,535	1,591	1,429
Investment income	66	122	150
Other income	242	417	267
Total income	**7,399**	**7,483**	**7,166**
Operating expenses	5,578	5,206	4,627
Additions to the provision for loan losses	401	198	176
Total expenditure	**5,979**	**5,405**	**4,803**
Result before tax	**1,420**	**2,079**	**2,363**
Gains/losses on divestments		(32)	
Special items	271	355	
Underlying result before tax	**1,691**	**2,402**	**2,363**

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 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.

Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Total income increased by 4.4%, or EUR 317 million, to EUR 7,483 million in 2007 from EUR 7,166 million in 2006 as strong growth in most products helped offset the impact of challenging market conditions as inverse yield curves persisted and competition intensified for retail savings. Excluding the EUR 32 million gain on the divestment of RegioBank in 2007 and the EUR (4) million in special items related to the Retail Netherlands Strategy, underlying income rose 4.0%. The impact of composition changes in Retail Banking, like the transfer of mortgage portfolios from ING Insurance, the sale of RegioBank as well as the transfer from a SME portfolio in Poland from Wholesale to Retail Banking resulted in EUR 117 million additional income, against EUR 45 million in 2006. Excluding these composition changes and the EUR 44 million gain on the sale of Banksys shares in Belgium in 2006, income increased 3.7%.

Expenses

Operating expenses increased by 12.5%, or EUR 579 million, to EUR 5,206 million in 2007 from EUR 4,627 million in 2006. The increase is for EUR 351 million attributable to special items in 2007, of which EUR 295 million results from a provision and costs related to the Retail Netherlands Strategy (combining ING Bank and Postbank) and EUR 45 million to streamline the lending process in General Lending. Excluding these special items, operating expenses rose EUR 229 million or 4.9%, driven by investments to grow the business in Poland, India, Romania and the Private Banking activities in Asia. The cost/income ratio increased to 69.6% in 2007 from 64.6% in 2006. Excluding divestments and special items, the underlying cost/income ratio slightly deteriorated to 65.1% from 64.6%.

The addition to the provision for loan losses increased by 12.5%, or EUR 22 million, to EUR 198 million in 2007 from EUR 176 million in 2006. In the Netherlands the addition rose EUR 36 million to EUR 185 million, mainly due to provisions for an isolated SME lending portfolio. This was partly offset by decreases in Poland, Asia and Belgium. The total addition equalled 14 basis points of average credit-risk-weighted assets in 2007, the same as in 2006.

Result before tax and underlying result before tax

Result before tax decreased by 12.0%, or EUR 284 million, to EUR 2,079 million in 2007 from EUR 2,363 million in 2006. Divestments in 2007 contributed EUR 32 million to result before tax, representing the capital gain from the sale of RegioBank. Special items, mainly the aforementioned provision and costs related to the Retail Netherlands

Strategy, had a negative effect of EUR 355 million on result before tax. Excluding divestments and special items, underlying result before tax increased by EUR 39 million or 1.7%.

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Netherlands

In the Netherlands, underlying result before tax rose by 5.9%, or EUR 95 million, to EUR 1,700 million in 2007 from EUR 1,605 million in 2006, as volume growth in almost all products offset the impact of a flattening and in the second half of 2007 even inverse yield curve combined with the increasing competition for retail savings. The residential mortgage portfolio in the Netherlands grew by 16.8% to EUR 116.1 billion, supported by the EUR 11.5 billion transfer of portfolios from ING Insurance, partly offset by the sale of RegioBank. Also excluding the impact of these portfolio changes, underlying result before tax rose by 4.5%, with income up 2.6%, while operating expenses were flat due to efficiency improvements and lower compliance costs. Risk costs increased to 19 basis points of average credit-risk-weighted assets from 17 basis points in 2006, due to a catch-up in provisions in an isolated SME lending portfolio.

Belgium

In Belgium, underlying result before tax declined 27.8%, or EUR 182 million, to EUR 472 million in 2007 from EUR 654 million in 2006, due to 6.0% lower income and 4.6% higher expenses. The decline in income was next to a EUR 44 million gain on the sale of Banksys shares in 2006, mainly caused by margin pressure. Margins came under pressure as competition intensified, while customers shifted from variable savings to lower margin term deposits. Average retail balances grew by 10%. Operating expenses increased 4.6% partly caused by the impact of allocation refinements and some one-offs. Risk costs decreased from a net addition of 12 basis points of average credit-risk-weighted assets in 2006 to a net addition of 10 basis points in 2007.

Central Europe

In Central Europe, underlying result before tax increased 74.6%, or EUR 53 million, driven by strong volume growth and partly due to the shift at ING Bank Slaski of SME companies from Wholesale Banking to Retail Banking. Excluding this shift result before tax rose 54.9%, as income increased strongly, partly offset by higher expenses due to strong business growth and investments in the franchise distribution network. Net releases from the loan loss provisions increased to EUR 24 million compared with a net release of EUR 16 million in 2006, reflecting the significant strengthening of credit risk management, especially in Poland.

Asia

Retail Banking Asia posted an underlying result before tax of EUR 107 million, an increase of EUR 73 million compared with 2006, mainly due to higher results in India and from the Private Banking activities in Asia as well as the high dividend received from Kookmin Bank.

ING DIRECT

		ING Direct	
(EUR millions)	**2008**	**2007**	**2006**
Interest result	2,517	1,932	2,148
Commission income	150	98	86
Investment income	(1,853)	53	20
Other income	63	113	35
Total income	**878**	**2,196**	**2,289**
Operating expenses	1,750	1,598	1,538
Additions to the provision for loan losses	283	68	60
Total expenditure	**2,033**	**1,667**	**1,598**
Result before tax	**(1,155)**	**530**	**691**
Gains/losses on divestments			23
Special items	(30)		(20)

Underlying result before tax	**(1,125)**	**530**	**694**

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.

Year ended December 31, 2007 compared to year ended December 31, 2006

Income

Total income decreased by 4.0%, or EUR 93 million, to EUR 2,196 million in 2007 from EUR 2,289 million in 2006, as the increases in commission income, investment income (including realized gains on bonds) and other income (including realized gains on loans) could only partly offset the EUR 216 million lower interest result. The decrease in the interest result was mainly driven by the narrowing of the interest margin to 0.75% from 0.89% in 2006 as a result of higher central bank rates in the Euro, British pound and Australian currency zones and the intensified competition for retail funds. The total client retail balance in 2007 grew EUR 27.7 billion or 9.8%, to EUR 310.1 billion at year-end, including EUR 5.3 billion from add-on acquisitions in the fourth quarter. The EUR 5.3 billion consists of a EUR 3.9 billion mortgage portfolio acquired by ING-DiBa in Germany and EUR 1.4 billion in off-balance sheet funds following the acquisition of Sharebuilder Corporation in the United States. Commission income increased due to further growth in off-balance sheet funds. Investment and other income was up EUR 111 million, supported by higher gains on the sale of bonds and loans and increased net trading income. This was in part offset by an EUR 29 million impairment on asset-backed commercial paper in Canada in the fourth quarter of 2007. The divestment of Degussa Bank at the end of 2006 had a negative effect on income of EUR 56 million, including the loss of EUR 23 million on the sale. Excluding the divestment, underlying income decreased EUR 37 million, or 1.7%.

Expenses
Operating expenses rose by 3.9%, or EUR 60 million, to EUR 1,598 million in 2007 from EUR 1,538 million in 2006. Excluding the EUR 56 million expenses of the divested Degussa Bank in 2006, underlying operating expenses increased by 7.8%, or EUR 116 million, to EUR 1,598 million, reflecting higher staff numbers to drive the growth in mortgages and payments accounts, preparations for the launch of ING Direct in Japan, the consolidation of Sharebuilder in the US, as well as costs for repositioning the UK business. The underlying cost/income ratio increased to 72.8% in 2007 from 66.4% in 2006. The operational cost to client retail balance ratio, which excludes marketing expenses, rose to 0.37% compared with 0.36% in 2006. The number of full-time staff increased to 8,883 at the end of 2007 from 7,565 a year earlier.
The addition to the provision for loan losses increased by 13.3%, or EUR 8 million, to EUR 68 million in 2007 from EUR 60 million in 2006. The addition equalled 9 basis points of average credit-risk-weighted assets, up from 7 basis points in 2006.
Result before tax
Result before tax from ING Direct declined by 23.3%, or EUR 161 million, to EUR 530 million in 2007 from EUR 691 million in 2006, primarily driven by a narrowing of the interest margin, the outflow of funds entrusted in the UK and an impairment in Canada.
Underlying result before tax
Result before tax from ING Direct in 2006 included a loss of EUR 23 million on the sale of Degussa Bank, while the operating profit from Degussa Bank was EUR 20 million. Excluding both the loss and the profit, ING Direct s underlying result before tax declined by 23.6%, or EUR 164 million, to EUR 530 million from EUR 694 million in 2006.
Country developments
ING Direct s overall result was driven by the business units in Germany/Austria, Australia, US, Spain, Italy and France. In the UK, ING Direct posted a pre-tax loss of EUR 120 million compared with a profit of EUR 19 million in 2006. The decrease is mainly caused by a 39% net outflow of funds entrusted from rate-sensitive customers as it lagged rate increases by the Bank of England. Measures have been taken to reposition the business. Savings rates were increased and marketing has been stepped up to attract less rate-sensitive customers. Result before tax in ING Direct Canada declined to EUR 30 million (excluding an impairment of EUR 29 million on asset-backed commercial paper investments) from EUR 60 million in 2006. This was caused by lower interest results.

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, 2008 was EUR 18,841 million, at December 31, 2007, EUR 14,709 million and at December 31, 2006, EUR 12,376. The EUR 18,840 million of debt outstanding at December 31, 2008, consisted of EUR 10 million principal amount of 9.000% perpetual debt securities issued in September 2008, EUR 1,393 million principal amount of 8.500% perpetual debt securities issued in June 2008, EUR 1,474 million principal amount of 8.000% perpetual debt securities issued in April 2008, EUR 1,048 million principal amount of 7.375% perpetual debt securities issued in October 2007, EUR 731 million principal amount of 6.375% perpetual debt securities issued in June 2007, EUR 1,071 million principal amount of 8.439% perpetual debt securities issued in December 2000, EUR 563 million principal amount of 7.05% perpetual debt securities issued in July 2002, EUR 773 million principal amount of 7.20% perpetual debt securities issued in December 2002, EUR 684 million principal amount perpetual debt securities with a variable interest rate issued in June 2003, EUR 348 million principal amount of 6.20% perpetual debt securities issued in October 2003,

EUR 939 million principal amount perpetual debt securities with a variable interest rate issued in 2004, EUR 497 million principal amount of 4.176%

perpetual debt securities issued in 2005, EUR 487 million principal amount of 6.125% perpetual debt securities issued in 2005 EUR 711 million principal amount of 5.775% perpetual debt securities issued in 2005, EUR 623 million principal amount of 5.14% perpetual debt securities issued in 2006, and EUR 7,488 million debentures. The details with respect to the debentures are as follows:

Interest rate (%)	Year of issue	Due date	Balance sheet value
		(EUR millions)	
5.625	2008	September 3, 2013	1,053
4.699	2007	June 1, 2035	117
4.75	2007	May 31, 2017	1,830
variable	2006	June 28, 2011	749
variable	2006	April 11, 2016	996
4.125	2006	April 11, 2016	745
6.125	2000	January 4, 2011	999
5.5	1999	September 14, 2009	999
			7,488

At December 31, 2008, 2007 and 2006, ING Groep N.V. also owed EUR 1,254 million, EUR 174 million and EUR 35 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. Of the EUR 1,254 million owed by ING Groep N.V. to ING Group companies at December 31, 2008, EUR 2 million was owed to ING Insurance companies, EUR 1,252 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.

At December 31, 2008, 2007 and 2006, ING Groep N.V. had EUR 33 million, EUR 162 million and EUR 103 million of cash, respectively. Dividends paid to the Company by its subsidiaries amounted to EUR 7,050 million, EUR 5,900 million and EUR 3,450 million in 2008, 2007 and 2006, 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 2,800 million, EUR 4,600 million and EUR 1,650 million were received from ING Insurance in 2008, 2007 and 2006, respectively; EUR 4,250 million, EUR 1,300 million and EUR 1,800 million were received from ING Bank in 2008, 2007 and 2006, respectively, and for 2008 EUR 0 million was received from other ING Group companies. On the other hand, the Company injected EUR 12,650 million, EUR 2,200 million and EUR 0 million into its direct subsidiairies during the reporting year 2008, 2007, and 2006, respectively. Of the amounts injected by the Company, EUR 5,450 million, EUR 0 million and EUR 0 million were injected into ING Insurance in 2008, 2007 and 2006, respectively; EUR 7,200 million, EUR 2,200 million and EUR 0 million were injected into ING Bank in 2008, 2007 and 2006, respectively, and for 2008 EUR 0 million was injected into other ING Group companies. Repayments to ING by its subsidiaries amounted to EUR 0 million, EUR 0 million and EUR 563 million in 2008, 2007 and 2006, respectively, of the amounts paid to the Company, EUR 0 million and EUR 563 million were received from ING Bank in 2007 and 2006, respectively and EUR 0 million in 2008 from other ING Group companies. 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, 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.

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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 a 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)**

Year ended December 31, 2007 compared to year ended December 31, 2006

Net cash provided by operating activities amounted to EUR 11,708 million for the year ended December 31, 2007, an increase of 22.3% compared to EUR 9,570 million for the year ended December 31, 2006. This increase was mainly due to trading assets/trading liabilities, a lower cash flow from customer deposits and other funds on deposit due to less funds by large customers as well as, on balance, from amounts due to/from banks not available on demand. The cash flow generated through the provisions for insurance and investment contracts of EUR 26,494 million and through the customer deposits and other funds on deposit of the banking operations of EUR 28,640 million. The cash outflow employed in lending increased from a cash flow of EUR 59,800 million in 2006 to a cash outflow of EUR 75,501 million in 2007.
Net cash used in investment activities in 2007 was EUR 13,933 million, compared to EUR 31,320 million in 2006. The increase was mainly caused by higher disposals and redemptions of available-for-sale investments.
Net cash flow from financing activities was EUR (12,831) million in 2007, compared to EUR 17,005 million in 2006. The decrease of EUR 29,836 million in net cash flow from financing activities is mainly due to a higher repayments of borrowed funds and debt securities.
The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2007 of EUR (16,811) million, compared to EUR (1,795) million at year-end 2006, a decrease of EUR 15,016 million from 2006 levels, mainly reflected in a decrease in amounts due from/to banks, as well as higher balances of borrowed funds and debt securities.

	2007	**2006**
	(EUR millions)	
Treasury bills and other eligible bills	4,130	4,333
Amounts due from/to banks	(33,859)	(20,454)
Cash and balances with central banks	12,918	14,326
Cash and cash equivalents at end of year	**(16,811)**	**(1,795)**

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.

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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.

Year ended December 31, 2007 compared to year ended December 31, 2006

Premium income and Investment and Other income totaled EUR 46,818 million and EUR 13,488 million in 2007, and EUR 46,834 million and EUR 11,172 million in 2006. 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 48,833 million, EUR 5,515 million and EUR 1,326 million in 2007 and EUR 48,188 million, EUR 5,275 million and EUR 1,233 million in 2006.

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 3,115 million at December 31, 2007 and EUR 3,017 million at December 31, 2006.

	2007	2006
	(EUR millions)	
Cash and bank balances	2,648	4,333
Short term deposits	467	334
Total	**3,115**	**3,017**

Net cash provided by operating activities was EUR 23,118 million in 2007 and EUR 13,769 million in 2006.

Net cash used by ING Insurance in investment activities was EUR 15,072 million in 2007 and EUR 12,798 million in 2006.

Cash provided by ING Insurance s financing activities amounted to EUR (7,941) million and EUR (485) million in 2007 and 2006, 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.)

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, 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 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	38,639	19,655
Cash balance and cash equivalents	**63,817**	**33,614**
Overnight deposits	1,908	(25,871)
Repo s/reverse repo s	(38,330)	(27,132)
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 96,616 million and EUR 101,119 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.

Year ended December 31, 2007 compared to year ended December 31, 2006

At December 31, 2007 and 2006, ING Bank had EUR (19,389) million and EUR (4,352) million, respectively, of cash and cash equivalents. The decrease in Cash and Cash Equivalents is mainly attributable to a large change in overnight funding (contracts with a maturity of one day) from non bank financial institutions to banks.

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The EUR 6,753 million decrease in ING Bank s operating activities, consisting of EUR 9,207 million cash outflow for the year ended December 31, 2007, compared with a EUR 2,454 million cash outflow for the year ended December 31, 2006, was largely attributable to the liquidity crisis. Non-bank financial institutions demanded higher rates for the short term funding. Consequently ING decided to switch to the cheaper inter-bancaire market to maintain or improve interest margins. This change has major impact on the Cash position in the Cash Flow Statement because short-term inter-bancaire funding is deducted from the Cash position while short term funding from non-banks is not deducted. The negative impact on the Cash position amounts to EUR 10.6 billion. In addition to the overnight contracts, the repurchase agreements or Repos and Reverse Repos had a negative impact on cash at the end of the period of respectively EUR 5.8 billion.
Specification of cash position (EUR millions):

	2007	2006
	(EUR millions)	
Cash	9,829	11,769
Short dated government paper	4,130	4,333
Banks on demand	19,655	16,164
Cash balance and cash equivalents	**33,614**	**32,266**
Overnight deposits	(25,871)	(15,240)
Repo s/reverse repo s	(27,132)	(21,378)
Cash balance and cash equivalents	**(19,389)**	**(4,352)**

Net cash generated from investment activities was EUR 1,526 million cash inflow and EUR 19,132 million cash outflow in 2007 and 2006, respectively. Investment in interest-earning securities was EUR 95,546 million and EUR 106,902 million in 2007 and 2006, respectively. Dispositions and redemptions of interest-earning securities was EUR 101,119 million and EUR 91,247 million in 2007 and 2006, respectively. In 2007 ING acquired the Oyak Bank which led to a cash outflow of EUR 1,830 million.
Net cash outflow from financing activities in 2007 amounted to EUR 7,403 million compared to a cash inflow of EUR 16,372 million in 2006, as ING ended the securitization programs of SIMBA and Mane.
The operating, investment and financing activities described above resulted in a negative net cash flow of EUR 15,084 million in 2007 and a negative net cash flow of EUR 5,214 million in 2006.

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 .
The following table sets forth the risk-weighted capital ratios of ING Bank N.V. as of December 31, 2008, 2007 and 2006.

	Year ended December 31,		
	2008	**2007**	**2006**
	(EUR million, other than percentages)		
Risk-Weighted Assets	343,388	402,727	337,926
Consolidated group equity:			
Tier 1 Capital	32,019	29,772	25,784
Tier 2 Capital	11,870	14,199	12,367
Tier 3 Capital			330

Supervisory deductions		(2,407)	(1,250)
Total qualifying capital	**43,889**	**41,564**	**37,230**
Tier 1 Capital Ratio	9.32%	7.39%	7.63%
Total Capital Ratio (Tier 1, 2 and 3)	12.78%	10.32%	11.02%

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

Adjusted Capital

ING calculates certain capital ratios on the basis of adjusted capital . Adjusted capital differs from Shareholders equity in the consolidated balance sheet. The main differences are that adjusted capital 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 capital for 2008 and 2007 is reconciled to shareholders equity as follows:

	2008	2007
	(EUR million)	
Shareholders equity	17,334	37,208
Core Tier-1 Securities	10,000	
Group hybrid capital	11,655	8,620
Revaluation reserves debt securities and other	6,769	(963)
Adjusted capital	**45,758**	**44,865**

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 11,221 million in 2008, EUR 1,895 million in 2007 and EUR (1,709) million in 2006, the cash flow hedge reserve of EUR (1,177) million in 2008, EUR (431) million in 2007 and EUR (1,357) million in 2006 and capitalized goodwill of EUR (3,275) million in 2008, EUR (2,420) million in 2007 and EUR (286) million in 2006.

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

- adjusted capital is calculated based on the criteria in 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 capital 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 capital) 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 capital, the debt/equity ratio of ING increased to 13.5% in 2008 from 9.5% in 2007. The debt/equity ratio of ING Group between December 31, 2002 and December 31, 2006 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. ING has targeted a 15% debt/equity ratio for ING Group during 2008. This target is 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 26 of Note 2.1 to the consolidated financial statements.

	Total 2008	Less than one year	More than one year	Total 2007	Less than one year	More than one year
			(EUR millions)			
Insurance operations						
Commitments concerning investments in land and buildings	10	10		181	171	10
Commitments concerning fixed-interest securities	2,724	2,673	51	2,436	2,189	247
Guarantees	2,460		2,460	173		173
Other	1,486	945	541	1,860	1,189	671
Banking operations						
Contingent liabilities in respect of:						
- discounted bills	1	1		1	1	
- guarantees	22,391	13,344	9,047	19,018	10,862	8,156
- irrevocable letters of credit	10,458	8,019	2,439	11,551	10,160	1,391
- other	453	406	47	350	263	87
Irrevocable facilities	89,081	38,568	50,513	100,707	50,337	50,370
Total	**129,064**	**63,966**	**65,098**	**136,277**	**75,172**	**61,105**

Contractual obligations

The table below shows the cash payment requirements from specified contractual obligations outstanding as of December 31, 2008:

		Payment due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
2008			(EUR millions)		
Operating lease obligations	1,004	209	348	281	166
Subordinated loans of Group companies	15,869	553	2,560	2,358	10,398
Preference shares of Group companies	1,071				1,071
Debenture loans	96,488	62,852	15,372	8,212	10,052
Loans contracted	8,472	5,590	1,126		1,756
Loans from credit institutions	5,786	4,580	459	1	746
Insurance provisions (1)	159,163	12,352	17,719	18,336	110756
Total	**287,853**	**86,136**	**37,584**	**29,188**	**134,945**

(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, 2008.

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.

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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. This list shall mention at least two candidates for each vacancy, failing which the list will be non-binding. 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 Wet financial toezicht (Dutch Financial Supervision Act).

In connection with the issue of Core Tier-1 Securities to the Dutch State, it was agreed between ING Group and the Dutch State that the Dutch State may recommend candidates for appointment to the Supervisory Board (the State Nominees) in such a way that upon appointment of all recommended candidates by ING Group s General Meeting, the Supervisory Board will have 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 Illiquid Assets Back-up Facility agreed upon in the term sheet of January 26, 2009 is in place or any of the Government Guaranteed Bonds is outstanding. Should the holding of the Dutch State decrease below 250 million Core Tier-1 Securities, and if both the Liquid Assets Back-up Facility has expired and no Government Guaranteed Bonds remain outstanding, the State Nominees will remain in office and complete their term of appointment.

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

- the candidate is not fit and proper to discharge his duties as a Supervisory Board member;
- upon appointment the composition of the Supervisory Board would not be appropriate and/or not be in accordance with the Supervisory Board profile;
- appointment would be incompatible with any provision of the ING Group s Articles of Association, its 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

On October 22, 2008 the Dutch State announced that it recommended Lodewijk de Waal for appointment to the Supervisory Board. Also Peter Elverding, already member of the Supervisory Board, was appointed as State Nominee. On March 5, 2009 the Dutch State announced that it recommended Tineke Bahlmann to replace Peter Elverding, who will no longer be available as State Nominee upon his appointment as chairman of the Supervisory Board as from April 27, 2009.

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.

Function of the Supervisory Board and its committees

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

Pursuant to the transactions with the Dutch State mentioned above, certain Supervisory Board resolutions are subject to the condition that no State Nominee voted against the proposal. It has been agreed with the Dutch State that these approval rights will become effective as from the 2009 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 in 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, 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 ING Group s Executive Board.

Committees of the Supervisory Board

On December 31, 2008, the Supervisory Board had three standing committees: the Audit Committee, the Remuneration and Nomination Committee and the Corporate Governance Committee. On January 1, 2009, the Remuneration and Nomination Committee was split into a separate Remuneration Committee and a Nomination Committee.

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

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, ING Verzekeringen N.V. and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements, and in monitoring the independence and performance of ING s internal and external auditors. On December 31, 2008, members of the Audit Committee were: Wim Kok (chairman), Peter Elverding, Piet Hoogendoorn, Godfried van der Lugt and Jackson Tai.

The Remuneration and Nomination Committee advised the Supervisory Board among others on the composition of the Supervisory Board and Executive Board, on the compensation packages of the members of the Executive Board and on stock-based compensation programmes for top senior management, including the Executive Board. On December 31, 2008, the members of the Remuneration and Nomination Committee were: Jan Hommen (chairman), Eric Bourdais de Charbonnière, Piet Klaver, Joan Spero and Karel Vuursteen, with Lodewijk de Waal participating as observer, awaiting his appointment to the Supervisory Board.

The Corporate Governance Committee assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting of this in the Annual Report and to the General Meeting, and advises the Supervisory Board on improvements. On December 31, 2008, the members of the Corporate Governance Committee were: Jan Hommen (chairman), Eric Bourdais de Charbonnière, Henk Breukink, Claus Dieter Hoffmann, Harish Manwani and Aman Mehta with Lodewijk de Waal participating as observer, awaiting his appointment to the Supervisory Board.

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The (new) Remuneration Committee advises the Supervisory Board, among other things, on the compensation packages of the members of the Executive Board and on stock-based compensation programmes for top senior management, including the Executive Board. As of January 1, 2009, the members of the Remuneration Committee are: Eric Bourdais de Charbonnière (chairman), Piet Klaver, Joan Spero and Karel Vuursteen.

The (new) Nomination Committee advises the Supervisory Board, among other things, on the composition of the Supervisory Board and Executive Board. As of January 1, 2009, the members of the Nomination Committee are: Jan Hommen (chairman), Eric Bourdais de Charbonnière, Peter Elverding, Piet Klaver, Joan Spero and Karel Vuursteen.

Profile of members of the Supervisory Board

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

In view of their experience and the valuable contribution that former members of the Executive Board can make to the Supervisory Board, it has been decided, taking into account the size of the 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.

Reappointment of Supervisory Board members

Members of the Supervisory Board will resign from the Supervisory Board at the annual General Meeting held in the calendar year in which they will complete the fourth year after their most recent reappointment. As a general rule, they shall also resign at the annual General Meeting 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 ING Group website (www.ing.com).

Members of the Supervisory Board may as a general rule be reappointed for two four-year terms, based on a proposal from the Supervisory Board to the General Meeting.

Ancillary positions/Conflicting interests

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

Details of transactions involving actual or potential conflicts of interest

Details of any relationships that members of the Supervisory Board may have with ING Group subsidiaries as ordinary, private individuals are not reported, with the exception of any loans that may have been granted to them .

Independence

Annually, the Supervisory Board members are requested to assess whether they comply with the criteria of independence set out in the Tabaksblat Code and to confirm this in writing. On the basis of these criteria, all members of the Supervisory Board, except Piet Hoogendoorn, are to be regarded as independent as of December 31, 2008. Members of the Supervisory Board to whom the independence criteria of the Tabaksblat Code do not apply, and members of the Supervisory Board to whom the criteria do apply but who can explain why this does not undermine their independence, are deemed to be independent.

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Remuneration and share ownership

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

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

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

(Born 1943, Dutch nationality, male; appointed in 2005, term expires in 2009)

Former vice-chairman and CFO of the Board of Management of Royal Philips Electronics.

Other business activities: until April 22, 2009 non-executive chairman of Reed Elsevier Group plc and Reed Elsevier PLC (UK) and until April 8, 2009 member of the Supervisory Board of TNT N.V. (listed companies). Chairman of the Supervisory Board of Academisch Ziekenhuis Maastricht (hospital).

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 Royal DSM N.V. and 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 NV. Chairman of the Supervisory Board of Maastricht University and member of the Supervisory Board of the cross-border University of Limburg.

Eric Bourdais de Charbonnière, vice-chairman (until April 27, 2009)

(Born 1939, French nationality, male; appointed in 2004, retirement in 2009)

Former managing director of JPMorgan France and chief financial officer of Michelin.

Other business activities: chairman of the Supervisory Board of Michelin and member of the Supervisory Board of Thomson (listed companies). Member of the Supervisory Board of each of Oddo et Cie, American Hospital of Paris and Associés en Finance.

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. and chairman of the Supervisory Board of Modulus VastGoed Ontwikkelingen. Member of the Supervisory Board of Omring (health care institution) and HaagWonen (housing corporation). Also 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. Chairman of the Charlottenklinik Foundation (hospital). Chairman of the Board of Trustees (Vereinigung der Freunde) of Stuttgart University.

Piet Hoogendoorn

(Born 1945, Dutch nationality, male; appointed in 2007, term expires in 2011)

Former chairman of the Board of Directors of Deloitte Touche Tohmatsu and CEO of Deloitte in the Netherlands. Former chairman of Royal NIVRA (Netherlands Institute of Chartered Accountants).

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: member of the Supervisory Board of TNT N.V. (listed company). Chairman of the Supervisory Board of each of Dekker Hout Groep B.V., Credit Yard Group BV and Jaarbeurs Holding B.V. Member of the Supervisory Board of SHV Holdings N.V. and Dura Vermeer Groep N.V. Member of the African Parks Foundation. Chairman of the Supervisory Board of Utrecht School of the Arts.

Wim Kok (until April 27, 2009)
(Born 1938, Dutch nationality, male; appointed in 2003, retirement in 2009)
Former Minister of Finance and Prime Minister of the Netherlands.
Other business activities: non-executive member of the Board of Directors of Royal Dutch Shell plc and member of the Supervisory Board of TNT N.V. (listed companies). Member of the Supervisory Board of KLM Royal Dutch Airlines. Chairman of the Supervisory Board of the Anne Frank Foundation, Amsterdam and of Het Nationale Ballet, Amsterdam. Member of the Supervisory Board of Het Muziektheater, Amsterdam and of the Rijksmuseum, Amsterdam. Chairman of the Supervisory Board of the Netherlands Cancer Institute Antoni van Leeuwenhoek Hospital. Member of the Board of Start Foundation.
Godfried J.A. van der Lugt
(Born 1940, Dutch nationality, male; appointed in 2001, term expires in 2009)
Former chairman of the Executive Board of ING Group (retired in May 2000).
Other business activities: chairman of the Supervisory Board of Stadsherstel Amsterdam NV. Chairman of the Advisory Board of Kasteel De Haar and of R.C. Oude Armenkantoor. Member of Investment Advisory Committee of Stichting Instituut GAK.
Harish Manwani
(Born 1953, Indian nationality, male; appointed in 2008, term expires in 2012)
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 CEO of Hong Kong & Shanghai Banking Corporation in Hong Kong.
Other business activities: non-executive director of each of Tata Consultancy Services Ltd., Jet Airways Ltd. , PCCW Ltd., Vedanta Resources Plc, Wockhardt Ltd., Godrej Consumer Products Ltd., Cairn India Ltd., Max Healthcare Institute Ltd. and Emaar MGF Land Ltd. Governing board member of Indian School of Business and of Indian Centre for International Economic Relations. 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.
Other business activities: non-executive director of IBM Corporation. President of Doris Duke Charitable Foundation. Member of the International Advisory Board of Toyota Motor Corporation. Trustee of Columbia University, Council on Foreign Relations and 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 JPMorgan.
Other business activities: non-executive director of each of MasterCard Incorporated, CapitaLand. Chairman of the Board Directors of Brookstone, Inc. Member of the Bloomberg Asia Pacific Advisory Board and of the Harvard Business School Asia Pacific Advisory Board. Trustee of Rensselaer Polytechnic Institute.
Karel Vuursteen
(Born 1941, Dutch nationality, male; appointed in 2002, term expires in 2010)
Former chairman of the Executive Board of Heineken N.V.
Other business activities: vice-chairman of the Supervisory Board of Akzo Nobel N.V., chairman of the Supervisory Board 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. Member of the Advisory Board of CVC Capital Partners. Chairman of World Wild Life Fund Netherlands and of the Concertgebouw Fund Foundation. Member of the Supervisory Board of Nyenrode Foundation.

Changes in the composition

Eric Bourdais de Charbonnière and Wim Kok will retire after the 2009 General Meeting. At the same meeting, Godfried van der Lugt is nominated for reappointment. At the 2009 General Meeting, Tineke Bahlmann (born 1950, Dutch nationality, female), Jeroen van der Veer (born 1947, Dutch nationality, male) and Lodewijk de Waal (born 1950, Dutch nationality, male) are nominated for appointment as new Supervisory Board members. Tineke Bahlmann and Lodewijk de Waal were recommended for appointment by the Dutch State. Lodewijk De Waal has already attended the Supervisory Board meetings as an observer since October 2008. As Jan Hommen is nominated for appointment to the Executive Board, he will following this appointment, step down from the Supervisory Board. As chairman of the Supervisory Board, he will be succeeded by Peter Elverding as from April 27, 2009. More information can be found in the convocation for the 2009 General Meeting, available on the ING Group website (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. This list shall mention at least two candidates for each vacancy and if not, the list will be non-binding. The General Meeting may declare the list non-binding by a majority resolution supported by at least 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 Wet financieel toezicht (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 introduced by the Supervisory Board needs the support of at least one-third of the issued capital.

Function of the Executive Board

The Executive Board is responsible for the management of the Company, which includes the responsibility for achieving the Company s aims and for the Company s results, as well as for determining the Company s strategy and policy. It also includes the day-to-day management of the Company and its business lines (Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct). The organisation, powers and modus operandi of the Executive Board are detailed in the Executive Board Charter, which was approved by the Supervisory Board. The Executive Board Charter is available on the ING Group website (www.ing.com).

Profile of members of the Executive Board

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

Remuneration and share ownership

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

Ancillary positions/Conflicting interests

To avoid potential conflicts of interest, ING Group has a policy that members of its Executive Board do not accept corporate directorships with listed companies outside ING. The only exception is currently Jacques de Vaucleroy, who is on the Board of Directors of Delhaize Group in Belgium. He held this position prior to his appointment to the Executive Board of ING Group.

Transactions involving actual or potential conflicts of interest

Details of relationships that members of the Executive Board have with ING Group subsidiaries as ordinary, private individuals are not reported, with the exception of information on any loans that may have been granted to them. In all these cases, the Company complies with the best-practice provisions of the Tabaksblat Code.

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

Michel J. Tilmant, chairman (until January 26, 2009)

(Born 1952, Belgian nationality; male; appointed in 1998, stepped down on January 26, 2009, retirement date August 1, 2009)

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

Eric F. Boyer de la Giroday (acting chairman from January 26 April 27, 2009)

(Born 1952, Belgian nationality, male; appointed in 2004, term expires in 2012)

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

Dick H. Harryvan

(Born 1953, Dutch nationality, male; appointed in 2006, term expires in 2010)

Dick Harryvan graduated from the Erasmus University Rotterdam with a master s degree in Business Economics, majoring in finance. He joined ING as a management trainee at Nationale-Nederlanden in 1979. Before his appointment to the Executive Board in 2006, he held various management positions in the United States, Canada and the Netherlands, where he was chief financial officer/chief risk officer and member of the Global Management Team of ING Direct until his appointment to the Board. Dick Harryvan is also CEO of ING Direct.

John C.R. Hele, CFO (until March 31, 2009)

(Born 1958, Canadian nationality, male; appointed in 2007)

John Hele graduated from the University of Waterloo, Canada, in 1980 with a bachelor s degree in Mathematics. He joined ING in 2003 as general manager and chief insurance risk officer, responsible for global insurance risk management. He also functioned as the Group actuary. Before he joined the Executive Board, John Hele had been deputy chief financial officer of ING Group since 2006. Before joining ING, John Hele held various positions at Crown Life in Canada, Merrill Lynch in the United States and at Worldinsure, Bermuda. He is responsible for Group Capital Management, Group Tax, Group Finance and Control, Group Finance Bank and Group Finance Insurance.

Eli P. Leenaars

(Born 1961, Dutch nationality, male; appointed in 2004, term expires in 2012)

Eli Leenaars studied Civil Law at the Catholic University of Nijmegen and received an LLM from the European University Institute in Florence, Italy and attended the Harvard Graduate School of Business in Boston. After a traineeship at ABN AMRO, he joined ING in 1991, where he held various management positions, including chairman of ING Poland and of ING Latin America. He was appointed a member of the Executive Board of ING Group in April 2004. He is responsible for Retail Banking and Private Banking. He is also in charge of Operations/IT.

Tom J. McInerney

(Born 1956, American nationality, male; appointed in 2006, term expires in 2010)

Tom McInerney has a bachelor s degree from Colgate University (Hamilton, New York) and received an MBA from the Tuck School of Business, Dartmouth College (Hanover, New Hampshire). He started his career in 1978 with Aetna Financial Services, which was acquired by ING in 2000. He had been CEO of ING s insurance activities in the United States, which position included the responsibility for ING Mexico until his appointment to the Executive Board. Tom McInerney is responsible for Insurance Americas, ING Investment Management Americas and the global coordination of ING Investment Management.

Hans van der Noordaa

(Born 1961, Dutch nationality, male; appointed in 2006, term expires in 2010)

Hans van der Noordaa graduated in Public Administration at the University of Twente, the Netherlands. After a career in retail banking at ABN AMRO, he joined ING in 1991, where he held various management positions. He was CEO of the Retail Division of ING Netherlands, responsible for Postbank, ING Bank and RVS, before his appointment to the Executive Board in 2006. Hans van der Noordaa is responsible for Insurance Asia/Pacific and ING Investment Management Asia/Pacific.

Koos (J.)V. Timmermans, CRO

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

Koos Timmermans graduated from Erasmus University in 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 2006-2007 he was deputy CRO of ING Group, until his appointment to the Executive Board. Koos Timmermans is responsible for ING s risk departments including compliance.

Jacques M. de Vaucleroy

(Born 1961, Belgian nationality, male; appointed in 2006, term expires in 2010)

Jacques de Vaucleroy graduated from Louvain University with a degree in Law. He also has a master s degree in Business Law from the Free University of Brussels, Belgium. In 1986 he joined Bank Brussels Lambert, which was acquired by ING in 1998. Before his appointment to the Executive Board in 2006, he was Group president ING Retail at US Financial Services. Jacques de Vaucleroy is responsible for Insurance Europe and ING Investment Management Europe.

Changes in the composition

Michel Tilmant stepped down from the Executive Board on January 26, 2009. He will be succeeded as chairman of the Executive Board by Jan Hommen (born 1943, Dutch nationality, male) upon his appointment to the Executive Board. Jan Hommen will be nominated for appointment to the Executive Board at the 2009 annual General Meeting. In the intervening months, Eric Boyer will be acting chairman of the Executive Board. John Hele will leave ING on March 31, 2009. At the 2009 General Meeting, Patrick G. Flynn (born 1960, Irish nationality, male) will be nominated for appointment to the Executive Board. More information can be found in the convocation for the 2009 General Meeting, available on the ING Group website (www.ing.com).

REMUNERATION REPORT

This section sets out the remuneration for the Executive Board and the Supervisory Board. The remuneration policy was adopted by the annual General Meeting on April 27, 2004. In 2006, the Executive Board pension scheme was revised in alignment with the approved amendment to the remuneration policy. There were no changes to this policy in 2008 and therefore, the approval of the 2006 annual General Meeting still applies for 2008. The chapter starts with the general policy for senior-management remuneration, followed by the Executive Board compensation for 2008 and the compensation structure 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.

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 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.

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Base salary
The base salaries of the Executive Board should be sufficient to attract and retain high calibre management needed to achieve our business objectives. The Supervisory Board assesses the experience, background, responsibilities, performance and leadership competencies of the CEO and the members of the Executive Board when making decisions on base-salary levels. To ensure that base-salary levels are in line with the relevant market for talent, the Supervisory Board reviews the base-salary levels of the Executive Board on an annual basis.

Short-term incentive plan
The short-term incentive plan (STIP) is a key component of ING s performance-driven culture. The short-term incentive is paid in cash. The at target bonus opportunity is expressed as a percentage of base salary. The target levels are based on benchmarks reflecting external market competitiveness as well as internal objectives. Three financial parameters were used in the 2008 STIP for the members of the Executive Board and top senior management across the organisation (the top-200 executives) to measure performance at Group level. These financial parameters are: underlying net result per share, underlying operating expenses and economic profit/embedded value profit (excluding financial variances). The quantitative elements of the targets are considered stock price sensitive and competition sensitive; accordingly these are not disclosed.

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

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

Short-term incentive: relative weight of Group and individual performance

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

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

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. After three years, the options will vest only if the option holder is still employed by ING. The exercise price of the stock options is equal to the Euronext Amsterdam by NYSE Euronext market price of the ING depositary receipts on the grant date. For members of the Executive Board the grant date is a specific date during the first open period after the General Meeting.

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. The criteria used to determine the

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performance peer group are: a) considered comparable and relevant by the Supervisory Board, b) representing ING s current portfolio of businesses (e.g. banking, insurance and asset management) and ING s geographical spread, c) global players, d) listed and with a substantial free float.

On the basis of these criteria the performance peer group established in 2004 and adjusted in 2007 is composed as follows:

§ Citigroup, Fortis, Lloyds TSB (bank/insurance companies);

§ Unicredito Italiano, Bank of America, BNP Paribas, Banco Santander, Credit Suisse, Deutsche Bank, HSBC (banks);

§ Aegon, AIG, Allianz, Aviva, AXA, Prudential UK, Hartford Financial Services, Munich Re (insurance companies);

§ Invesco (asset manager).

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

Number of shares awarded after each three-year performance period related to peer group

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

The Supervisory Board reviews the peer group before each new three-year performance period. The Supervisory Board has determined that for the 2009 2011 performance period, Fortis and AIG will be replaced by KBC N.V. and Manulife Financial Corporation respectively. Considering the market turmoil, the Supervisory Board will also continue to monitor the composition of the peer group for existing performance cycles. Any replacement of a company in the peer group will be based upon a thorough replacement process using the above objective criteria to determine the performance peer group. The performance test itself will be carried out at the end of every three-year performance period by an independent third party. The Executive Board members are not allowed to sell depositary receipts obtained either through the stock-option or the performance-shares plan within a period of five years from the grant date. They are only allowed to sell part of their 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.

Remuneration levels

Every year a compensation benchmark analysis is performed based upon a peer group of companies. This peer group, established in 2008, is a group of European financial services companies. The peer group reflects ING s business structure and environment. ING competes with these companies for executive talent. The following companies are part of this compensation peer group: Aegon, Allianz, AXA, Banco Santander, Barclays, BNP Paribas, Credit Suisse, Deutsche Bank, Fortis, HSBC, Royal Bank of Scotland, Société Générale, Unicredito Italiano, Zurich Financial Services. In line with ING s overall remuneration policy, the Supervisory Board has focused on increasing variable (performance-driven) pay components which has resulted in a gradual convergence of the Executive Board total compensation to the median benchmark. The mix of total target compensation (in case of at-target performance) is divided equally between each component (i.e. 1/3rd base salary, 1/3rd short-term incentives, and 1/3rd long-term incentives).

Pensions Executive Board members

At the General Meeting on April 25, 2006, it was agreed to amend the Executive Board remuneration policy with respect to pensions. This revised pension plan applies to all members of the Executive Board regardless of the time of appointment to the Executive Board except for John Hele and Tom McInerney. The revised pension plan does not apply to John Hele and Tom McInerney as they participate in the US pension plans. The pensions of the Executive Board are now based on a defined-contribution plan, which are insured through a contract with

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Nationale-Nederlanden Levensverzekering Maatschappij N.V. Starting in 2006, members of the Executive Board have been required to pay a portion of their pension premium. The Employment Contract will terminate by operation of law in case of retirement (Standard Retirement), which will take place on the first day of the month that the individual reaches the age of 65.The retirement age has been changed from previous years (age 60) as a result of the Dutch tax reform.

Employment contract for newly appointed Board members

The contract of employment for Executive Board members appointed after January 1, 2004 provides for an appointment for a period of four years (the appointment period) and allows for re-appointment by the General Meeting. In the case of an involuntary exit, Executive Board members would be entitled to an amount which has been set at a multiple of their Executive Board member base salary, preserving their existing rights. These rights in some cases could exceed the exit-arrangement provision in the Dutch Corporate Governance Code, i.e. no more than two times base salary (first appointment period) or one time base salary (all other situations). Under the terms of the agreement reached with the Dutch State to strengthen ING s capital position, the exit-arrangements have been limited to one year base salary. The term of notice for Executive Board members is three months for the employee and six months for the employer.

REMUNERATION EXECUTIVE BOARD 2008

Executive Board base salary 2008

The base salary of all Executive Board members with the exception of Tom McInerney (who is employed on a US-based compensation structure) was increased by 5% in 2008. Base salaries had been frozen in 2004, 2005, 2006 and 2007.

Executive Board short-term incentive plan 2008

The target STI payout over 2008 was set at 100% of the individual Executive Board member s base salary. The final award is based on the achievement of a set of common Group financial targets and specific individual qualitative and quantitative objectives for each Executive Board member. Specifically, 70% of the total award is based on the Group s underlying net result per share, underlying operating expenses and economic profit/embedded value profit (excluding financial variances), while the remaining 30% is based on individual objectives set at the beginning of the year by the chairman of the Executive Board and approved by the Remuneration and Nomination Committee of the Supervisory Board.

Under the terms of the agreement reached with the Dutch State to strengthen ING s capital position, the individual Executive Board members will not receive their 2008 STI payout.

Executive Board long-term incentive plan 2008

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

The target level for the 2008 LTIP was set at 100% of base salary for each Executive Board member. The final grant level depends on the Group STIP performance and will vary between 50% of the target level (if Group STI would be 0%) and 150% (if Group STI would be 200%).

Under the terms of the agreement reached with the Dutch State to strengthen ING s capital position, the individual Executive Board members will not receive their 2008 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 be 100% vested 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 receive his conditional share award to be awarded in 2009 for the 2008 performance year.

The performance shares granted in 2006 had a three-year performance period of 2006 2008 and will vest in 2009. The actual results of 43% are based upon ING s TSR ranking of 15 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 2006, such award will vest in the final number of performance shares in May 2009. For the other senior leaders who participated in the 2006 2008 performance share award, such award vested in March 2009.

Compensation in cash of the individual members of the Executive Board

	2008	2007	2006
		(EUR thousands)	
Michel Tilmant			
Base salary	1,353	1,289	1,289
Short-term performance-related bonus	0	2,001	2,299
Total cash compensation	1,353	3,290	3,588
Eric Boyer de la Giroday			
Base salary	892	850	850
Short-term performance-related bonus	0	1,319	1,477
Total cash compensation	892	2,169	2,327
Dick Harryvan [1)]			
Base salary	665	634	423
Short-term performance -related bonus	0	842	710
Total cash compensation	665	1,476	1,133
John Hele [2)3)]			
Base salary	603	412	
Short-term performance-related bonus	0	621	
Total cash compensation	603	1,033	
Eli Leenaars			
Base salary	665	634	634
Short-term performance-related bonus	0	956	1,102
Total cash compensation	665	1,590	1,736
Tom McInerney [1) 3)]			
Base salary	879	946	690
Short-term performance-related bonus	0	1,425	1,157
Total cash compensation	879	2,371	1,847
Hans van der Noordaa [1)]			
Base salary	665	634	423
Short-term performance-related bonus	0	956	710
Total cash compensation	665	1,590	1,133

Koos Timmermans [2]			
Base salary	665	423	
Short-term performance-related bonus	0	637	
Total cash compensation	665	1,060	
Jacques de Vaucleroy [1]			
Base salary	665	634	423
Short-term performance-related bonus	0	956	710
Total cash compensation	665	1,590	1,133

1) Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy were appointed to the Executive Board on April 25, 2006. The figures for these members reflect compensation earned in their capacity as Executive Board members. Thus, the figures for 2006 reflect the partial year as Executive Board members.

2) John Hele and Koos Timmermans 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.

3) John Hele and Tom McInerney get 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.

Compensation in cash of former members of the Executive Board who are not included in the above table amounted to nil in 2008, to EUR 729 thousand in 2007 and to EUR 5,353 thousand in 2006.

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Long-term incentives of the individual members of the Executive Board (1)

fair market value at grant

	2008	2007	2006
		(EUR thousands)	
Michel Tilmant			
Number of options	0	132,054	132,163
Number of performance shares	0	31,293	27,650
Fair market value of long term incentive 2)	0	1,521	1,734
Eric Boyer de la Giroday			
Number of options	0	87,066	87,138
Number of performance shares	0	20,632	18,230
Fair market value of long term incentive 2)	0	1,003	1,143
Dick Harryvan 3)			
Number of options	0	64,967	43,347
Number of performance shares	0	15,396	9,069
Fair market value of long term incentive 2)	0	748	569
John Hele 4)			
Number of options	0	42,228	
Number of performance shares	0	10,007	
Fair market value of long term incentive 2)	0	486	
Eli Leenaars			
Number of options	0	64,967	65,021
Number of performance shares	0	15,396	13,603
Fair market value of long term incentive 2)	0	748	853
Tom McInerney 3),5)			
Number of options	0	96,875	70,695
Number of performance shares	0	22,957	14,790
Number of conditional shares	0	54,312	37,633
Fair market value of long term incentive 2)	0	2,571	2,201
Hans van der Noordaa 3)			
Number of options	0	64,967	43,347
Number of performance shares	0	15,396	9,069
Fair market value of long term incentive 2)	0	748	569
Koos Timmermans 4)			
Number of options	0	43,312	
Number of performance shares	0	10,264	
Fair market value of long term incentive 2)	0	499	
Jacques de Vaucleroy 3)			
Number of options	0	64,967	43,347
Number of performance shares	0	15,396	9,069
Fair market value of long term incentive 2)	0	748	569

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 2008 resulted in a ratio of options to performance shares of 2.36:1 (2007: 4.22:1, 2006: 4.78: 1).

2) 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.

3) Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy were appointed to the Executive Board on April 25, 2006. The figures for these members reflect compensation earned in their capacity as Executive Board members.

4) John Hele and Koos Timmermans 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.

5) 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 2008 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 2008 and 2007 and to EUR 938 thousand in 2006.

Pension costs of the individual members of the Executive Board [(1)]

	2008	**2007**	**2006**
		(EUR thousands)	
Michel Tilmant	971	874	689
Eric Boyer de la Giroday	639	566	439
Dick Harryvan [2)]	374	324	206
John Hele [3,4)]	125	72	
Eli Leenaars	313	348	270
Tom McInerney [2,4)]	285	286	297
Hans van der Noordaa [2)]	313	267	170

Koos Timmermans 3)	247	166	
Jacques de Vaucleroy 2)	313	267	170

(1) For reasons of comparison, the company pension expenses are recalculated under IAS 19 with general assumption setting for 2006 to 2008.

(2) Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy were appointed to the Executive Board on April 25, 2006. The figures for these members reflect pension costs in their capacity as Executive Board members.

(3) John Hele and Koos Timmermans 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.

(4) John Hele s and Tom McInerney s

pension costs have been translated from US dollars to euros at the average exchange rate for that year.

Pension costs of former members of the Executive Board who are not included in the above table amounted to nil in 2008, to EUR 1,386 thousand and in 2007 and to EUR 4,954 thousand in 2006.

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, 2008, 2007 and 2006. These loans were concluded in the normal course of business and on terms generally applicable to Company personnel as a whole and were approved by the Supervisory Board.

Loans and advances to the individual members of the Executive Board

	Amount outstanding	Average Interest rate	Repayments	Amount outstanding	Average Interest rate	Repayments	Amount outstanding	Average Interest rate	Repayments
					(EUR thousands)				
	December 31, 2008			**December 31, 2007**			**December 31, 2006**		
Eric Boyer de la Giroday	21	4.3%	3	24	4.3%	4	28	4.3%	3
Dick Harryvan	227	3.5%		227	3.5%	200	427	3.9%	
John Hele [1)]	619	4.9%	16	635	5.6%				
Hans van der Noordaa	930	4.4%		930	4.4%		930	4.4%	
Koos Timmermans	380	4.6%		380	4.6%				
Jacques de Vaucleroy	164	5.5%	16	180	5.5%	12	192	5.5%	17

1) John Hele s loans and advances have been translated from US dollars to euros.

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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		
	2008	**2007**	**2006**
Michel Tilmant	31,663	24,764	7,764
Eric Boyer de la Giroday	11,588	7,126	
Dick Harryvan	2,546	2,000	
John Hele	5,247	2,300	
Eli Leenaars	8,288	5,628	
Tom McInerney 1)	146,453	127,694	64,527
Hans van der Noordaa	2,930	2,000	
Koos Timmermans	2,546	2,000	
Jacques de Vaucleroy	37,326	27,740	

(1) The shares held by Tom McInerney are American Depositary Receipts. He also holds 2,382 units in a Leveraged Stock Fund.

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, 2008

number of options	Outstanding as at 31 December 2007	**Granted in 2008**	**Exercised in 2008**	**Waived or expired in 2008 (1)**	Outstanding as at 31 December 2008	Exercise price in euros	Exercise price in US dollars	Expiry date
Michel Tilmant	21,000				21,000	29.39		Mar 11, 2012
	14,000				14,000	29.50		Mar 11, 2012
	21,000				21,000	12.65		Mar 3, 2013
	14,000				14,000	12.55		Mar 3, 2013
	41,250				41,250	17.69		May 14, 2014

	82,600		82,600	21.67	May 13, 2015
	108,200		108,200	32.75	May 12, 2016
	132,163		132,163	33.10	May 17, 2017
		132,054	132,054	25.44	May 15, 2018
Eric Boyer de la Giroday	2,000		2,000	26.10	May 28, 2009
	10,000		10,000	28.30	Apr 3, 2010
	4,000		4,000	35.80	Mar 15, 2011
	3,000		3,000	28.60	May 27, 2012
	4,000		4,000	12.55	Mar 3, 2013
	17,800		17,800	17.69	May 14, 2014
	53,400		53,400	21.67	May 13, 2015
	71,400		71,400	32.75	May 12, 2016
	87,138		87,138	33.10	May 17, 2017
		87,066	87,066	25.44	May 15, 2018
Dick Harryvan	13,125		13,125	29.39	Mar 11, 2012
	12,250		12,250	12.65	Mar 3, 2013
	6,000		6,000	18.71	Mar 15, 2014
	8,800		8,800	23.28	

						Mar 30, 2015
	13,060		13,060	32.77		Mar 23, 2016
	46,802		46,802	33.10		May 17, 2017
		64,967	64,967	25.44		May 15, 2018
John Hele	24,200		24,200		21.64	Nov 17, 2013
	5,700		5,700	18.71		Mar 15, 2014
	39,173		39,173	23.28		Mar 30, 2015
	31,896		31,896	32.77		Mar 23, 2016

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number of options	Outstanding as at 31 December 2007	**Granted in 2008**	**Exercised in 2008**	**Waived or expired in 2008 (1)**	Outstanding as at 31 December 2008	Exercise price in euros	Exercise price in US dollars	Expiry date
	46,592				46,592	32.19		Mar 22, 2017
		42,228			42,228	25.44		May 15, 2018
		14,417			14,417	18.70		Sept. 17, 2018
Eli Leenaars	3,300				3,300	25.25		Apr 1, 2009
	10,000				10,000		27.28	Apr 3, 2010
	22,400				22,400		31.96	Mar 15, 2011
	31,000				31,000		25.72	Mar 11, 2012
	7,850				7,850	12.55		Mar 3, 2013
	9,654				9,654	18.75		Mar 15, 2014
	6,436				6,436	18.71		Mar 15, 2014
	41,700				41,700	21.67		May 13, 2015
	53,200				53,200	32.75		May 12, 2016
	65,021				65,021	33.10		May 17, 2017
		64,967			64,967	25.44		May 15, 2018
Tom McInerney	40,000				40,000		31.96	

						Mar 15, 2011
	91,400		91,400		25.72	Mar 11, 2012
	125,200		125,200		13.70	Mar 3, 2013
	153,550		153,550	18.71		Mar 15, 2014
	260,425		260,425	23.28		Mar 30, 2015
	213,325		213,325	32.77		Mar 23, 2016
	125,879		125,879	33.10		May 17, 2017
		96,875	96,875	25.44		May 15, 2018
Hans van der Noordaa	13,125		13,125	29.39		Mar 11, 2012
	8,900		8,900	12.65		Mar 3, 2013
	6,000		6,000	18.71		Mar 15, 2014
	15,000		15,000	23.28		Mar 30, 2015
	11,195		11,195	32.77		Mar 23, 2016
	46,802		46,802	33.10		May 17, 2017
		64,967	64,967	25.44		May 15, 2018
Koos Timmermans	10,500		10,500	29.39		Mar 11, 2012
	6,000		6,000	18.71		Mar 15, 2014

	8,800			8,800	23.28		Mar 30, 2015
	6,530			6,530	32.77		Mar 23, 2016
	35,443			35,443	32.19		Mar 22, 2017
		43,312		43,312	25.44		May 15, 2018
		15,876		15,876	18.70		Sept. 17, 2018
Jacques de Vaucleroy	7,000			7,000	26.10		May 28, 2009
	20,000			20,000	28.30		Apr 3, 2010
	7,634			7,634		13.70	Mar 3, 2013
	61,110			61,110	18.71		Mar 15, 2014
	114,950			114,950	23.28		Mar 30, 2015
	100,352			100,352	32.77		Mar 23, 2016
	70,657			70,657	33.10		May 17, 2017
		64,967		64,967	25.44		May 15, 2018

(1) Waived at vesting date or expired at expiry date.

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 2008 and previous years.

Compensation of the members of the Supervisory Board

	2008	**2007**	**2006**
		(EUR thousands)	
Jan Hommen 1)	89	67	57
Eric Bourdais de Charbonnière 2)	89	72	70
Henk Breukink 3)	61	35	
Peter Elverding 4)	68	20	
Claus Dieter Hoffmann	67	62	56
Piet Hoogendoorn 5)	70	28	
Piet Klaver 6)	62	47	33
Wim Kok	75	62	51
Godfried van der Lugt	70	62	56
Harish Manwani 7)	51		
Aman Mehta 7)	62		
Joan Spero 7)	55		
Jackson Tai 7)	89		
Karel Vuursteen	62	56	43
Luella Gross Goldberg 8)	16	60	52

(1) Jan Hommen is a member of the Supervisory Board as of June 2005 and chairman as of January 2008.

(2) Eric Bourdais de Charbonnière is a member of the Supervisory Board as of April 2004 and vice-chairman as of

February 2005.

(3) 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.

(4) 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.

(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) Piet Klaver is a member of the Supervisory Board as of April 2006. The compensation figure for 2006 reflects the

partial year as member of the Supervisory Board.

(7) Harish Manwani, Aman Mehta, Joan Spero and Jackson Tai are members of the Supervisory Board as of April 2008. The compensation figure for 2008 reflects the partial year as member of the Supervisory Board.

(8) Luella Gross Goldberg retired in April 2008. The compensation figure for 2008 reflects the partial year as member of the Supervisory Board.

Lodewijk de Waal is nominated for appointment as a member of the Supervisory Board at the General Meeting in 2009. Under the terms of the agreement reached with the Dutch State in October 2008 to strengthen ING s capital position, and anticipating his appointment in 2009, he has been acting as an observer in the Supervisory Board as from November 2008. Lodewijk de Waal has received remuneration, expense allowances and attendance fees in line with the Remuneration policy of the Supervisory Board.

Compensation of former members of the Supervisory Board who are not included in the above table amounted to nil in 2008, to EUR 102 thousand in 2007 and to EUR 160 thousand in 2006.

Loans and advances to Supervisory Board members
As at December 31, 2008, 2007 and 2006, there were no loans and advances outstanding to members of the Supervisory Board.

ING depositary receipts for shares and options held by Supervisory Board members

Supervisory Board members are permitted to hold ING depositary receipts for shares as a long-term investment. The table below shows the holdings by members of the Supervisory Board. Supervisory Board members did not hold ING options at year-end 2008.

	Number of (depositary receipts for) shares		
	2008	**2007**	**2006**
Piet Klaver	7,430	7,430	5,430
Karel Vuursteen	1,510	1,510	1,510
Luella Gross Goldberg [1)]		6,814	6,814

(1) Luella Gross Goldberg retired in April 2008. The shares held by her are American Depositary Receipts.

EXECUTIVE BOARD REMUNERATION STRUCTURE 2009

In October 2008, ING reached an agreement with the Dutch State to strengthen its capital position. Under the terms of the agreement, the ING Supervisory Board will review the remuneration policy for the Executive Board and senior management to align it with new international standards. This will include linking incentive schemes to long-term value creation and risk.

The Supervisory Board has taken notice of the preliminary recommendations published by some financial authorities and will continue to monitor developments in this area. For ING as a global company it is essential to work from one set of global recommendations. As soon as international standards are determined ING will review and amend the current remuneration policy as appropriate. Any changes to the remuneration policy will require approval by the annual General Meeting. The reviewed remuneration policy is expected to be proposed to the General Meeting in 2010 and to be effective compensation as of year 2010.

In December 2008, the Monitoring Committee Dutch Corporate Governance Code (the Frijns Committee) published an updated and revised version of the Tabaksblat Code in its definitive form; a proposal thereto was disclosed for consultation purposes in June 2008. The revised Tabaksblat Code became effective as of 1 January 2009. ING Group is now considering the implications of the revised Tabaksblat Code on the remuneration policy and to what extent these can be implemented. As recommended by the Frijns Committee, the implementation of the revised Tabaksblat Code will be discussed in the 2010 General Meeting as a separate agenda item.

Policy for 2009

With regard to the remuneration policy for 2009, the Supervisory Board continues to build upon the remuneration policy initiated in 2003. In January 2009, ING and the Dutch State entered into an Illiquid Assets Back-up Facility term sheet. Under the terms agreed in the term sheet members of the Executive Board will not receive any bonus until a reviewed remuneration policy will be completed. The remuneration policy will among other things include objectives relating to corporate and social responsibility.

Executive Board base salary 2009

For 2009 base-salary levels will be frozen.

Executive Board short-term incentive plan 2009

Under the Illiquid Assets Back-up Facility term sheet agreed with the Dutch State in January 2009, the individual Executive Board members will not receive a 2009 short term incentive.

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Executive Board long-term incentive plan 2009

Under the Illiquid Assets Back-up Facility term sheet agreed with the Dutch State in January 2009, the individual Executive Board members will not receive a 2009 long-term incentive award.

EMPLOYEES

The number of staff employed on a full time equivalent basis of ING Group averaged 125,285 in 2008, of which 29,626 or 24%, were employed in the Netherlands. The geographical distribution of employees with respect to the Group s insurance operations and banking operations over 2008 was as follows (average full time equivalents):

	Insurance operations			Banking operations			Total		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
The Netherlands	9,300	9,462	9,688	20,326	21,585	22,884	29,626	31,047	32,572
Belgium	301	228	1,215	10,647	10,983	11,277	10,948	11,211	12,492
Rest of Europe	3,972	3,899	3,767	26,298	18,581	18,026	30,270	22,480	21,793
North America	16,368	15,194	15,016	4,239	3,625	3,032	20,607	18,819	18,048
Latin America	10,806	16,074	13,614	352	373	386	11,158	16,447	14,000
Asia	9,494	8,451	8,206	10,498	9,115	8,748	19,992	17,566	16,954
Australia	1,574	1,703	1,507	1,056	929	815	2,630	2,632	2,322
Other	53	76	57		4	5	53	80	62
Total	**51,868**	**55,087**	**53,070**	**73,417**	**65,195**	**65,173**	**125,285**	**120,282**	**118,243**

In addition, the number of staff employed by joint ventures included in the Group s consolidated accounts averaged 3,703 in 2008, 1,942 in 2007 and 1,709 in 2006. The Group does not employ significant numbers of temporary workers. The percentage of the Group s employees allocated to the six business lines was as follows for each of the years 2008, 2007 and 2006:

	2008	**2007**	**2006**
Insurance Europe	12%	12	% 13%
Insurance Americas	21	27	24
Insurance Asia/Pacific	7	9	9
Wholesale Banking	12	16	17
Retail Banking	40	30	31
ING Direct	8	6	6
Total	**100%**	**100%**	**100%**

Substantially all of the Group s Dutch employees are subject to collective labor agreements covering the banking and insurance industries. The Group believes that its employee relations are generally good.

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Item 7. Major shareholders and related party transactions

As of December 31, 2008, Stichting ING Aandelen (the Trust) held 2,062,180,263 Ordinary shares of ING Groep N.V., which represents 99.9% of the Ordinary shares outstanding. These holdings give the Trust voting control of ING Groep N.V. subject to the right of holders of bearer receipts to vote according to their own discretion on the basis of a proxy as set out below under Voting of Ordinary Shares by holders of bearer receipts as a proxy of the Trust. The following is a description of the material provisions of the Articles of Association (Statuten) and the related Conditions of Administration (Administratievoorwaarden) (together the Trust Agreement), which governs the Trust, and the applicable provisions of Netherlands law. This description does not purport to be complete and is qualified in its entirety by reference to the Trust Agreement and the applicable provisions of Netherlands law referred to in such description.

As of December 31, 2008, there were 124,182,154 American Depositary Shares or ADSs outstanding, representing an equal number of bearer receipts. The ADSs were held by 920 record holders. Because certain of the ADSs were held by brokers or other nominees and the bearer receipts are held in bearer form and due to the impracticability of obtaining accurate residence information for all such shareholders, the number of holders of record or registered holders in the United States is not representative of the number of beneficial holders or of the residence of the beneficial holders.

Bearer receipts, which are negotiable instruments under Netherlands law, are issuable by the Trust pursuant to the terms of the Trust Agreement. Each bearer receipt represents financial interests in one Ordinary share held by the Trust, as described herein. Holders of bearer receipts (including those bearer receipts for which ADSs have been issued) do not have any voting rights with respect to the Ordinary shares underlying the bearer receipts owned by the Trust. Such rights belong only to the Trust and will be exercised by the Trust pursuant to the terms of the Trust Agreement as described in more detail below.

All bearer receipts are embodied in one or more global depositary receipts which are held in custody by Euroclear Nederland (the Central securities Depositary (CSD) of the Netherlands, formerly known as NECIGEF) in exchange for which every bearer receipt holder is credited in the books of the participants of Euroclear Nederland pursuant to the Netherlands Act on Book-Entry Transactions (*Wet giraal effectenverkeer).* Each bearer receipt holder shall nominate a Euroclear Nederland participant, through which the global depositary receipts are to be held in custody on his behalf. Return of the global depositary receipts to a party other than the Trust shall not be permitted without the Trust s consent. Administration of the global depositary receipts is assigned to Euroclear Nederland which is authorized to perform any necessary act on behalf of the bearer receipt holder(s) in respect of the relevant depositary receipts, including acceptance and transfer, and to cooperate in making additions to and deletions from the relevant global depositary receipt in accordance with the provisions of the Act on Book Entry Transactions.

Transfer of title in the bearer receipts is effected by book-entry through the facilities of Euroclear Nederland and its participants pursuant to the Netherlands Act on Book-Entry Transactions. Owners of bearer receipts participate in the Euroclear Nederland system by maintaining accounts with Euroclear Nederland participants. There is no limitation under Netherlands law on the ability of non-Dutch citizens or residents to maintain such accounts that are obtainable through Dutch banks.

Voting of the Ordinary shares by holders of bearer receipts as proxy of the Trust

Holders of bearer receipts are entitled to attend and speak at General Meetings of ING Groep N.V. but do not have any voting rights.

However, the Trust will, subject to certain restrictions, grant a proxy to a holder of bearer receipts to the effect that such holder may, in the name of the Trust, exercise the voting rights attached to the number of its Ordinary shares that corresponds to the number of bearer receipts held by such holder of bearer receipts.

On the basis of such a proxy, the holder of bearer receipts may vote according to his own discretion. The requirements with respect to the use of the voting rights on the Ordinary shares that apply for the Trust (set out in the paragraph below) do not apply for the holder of bearer receipts voting on the basis of such a proxy.

The restrictions under which the Trust will grant a voting proxy to holders of bearer receipts are:

the relevant holder of bearer receipts must have announced his intention to attend the General Meeting observing the provisions laid down in the articles of association of ING Groep N.V.;

the relevant holder of bearer receipts may delegate the powers conferred upon him by means of the voting proxy; provided that the relevant holder of bearer receipts has announced his intention to do so to the Trust observing a term before the commencement of the General Meeting, which term will be determined by the Trust.

Voting instructions of holders of bearer receipts of Ordinary shares to the Trust

Holders of bearer receipts are entitled to give binding instructions to the Trust, concerning the Trust s exercise of the voting rights attached to its Ordinary shares. The Trust will follow such instructions for a number of Ordinary shares equal to the number of bearer receipts held by the relevant holder of bearer receipts.

Voting of the Ordinary shares by the Trust

The Trust will only determine its vote with respect to the Ordinary shares of ING Groep N.V., held by the Trust, that correspond with bearer receipts:

the holder of which does not, either in person or by proxy, attend the General Meeting;

the holder of which, did not give a voting instruction to the Trust.

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

Intention to reconsider the position of the Trust

It is the intention of the Executive Board and the Supervisory Board to reconsider the position of the Trust Office and depositary receipts once the number of votes on ordinary shares and depositary receipts of ordinary shares, including proxies, and excluding the votes which are at the discretion of the Trust, at a General Meeting is at least 35% of the total votes that may be cast for three consecutive years. In 2006, 28% of total votes were cast, in 2007, the figure was 36.7% and in 2008, the figure was 38.7%. The Executive Board is committed to achieving the 35% requirement and will encourage depositary receipt holders, particularly institutional investors, to participate in voting at the General Meeting.

Administration of the Trust

The Management Board of the Trust will determine the number of its members itself, subject to the restriction that there may be no more members than seven and no less than three. Members of the Managing Board will be appointed by the Management Board itself without any approval from ING Groep N.V. or any of its corporate bodies being required. Members of any corporate body of ING Groep N.V. are not eligible for appointment as a Managing Director. Managing Directors are appointed for a term of four years and may be re-appointed for two terms without any requirement for approval by ING Groep N.V.

Valid resolutions may be passed only if all Managing Directors have been duly notified, except that in a case where there is no such notification valid resolutions may nevertheless be passed by unanimous consent at a meeting at which all Managing Directors are present or represented. A Managing Director may be represented only by a fellow Managing Director who is authorized in writing. All resolutions of the Management Board shall be passed by an absolute majority of the votes.

The legal relationship between holders of bearer receipts and the Trust is governed entirely by Netherlands law.

Termination of the Trust

Should the Trust be dissolved or wish to terminate its function under the Trust Agreement, or should ING Groep N.V. wish to have such function terminated, ING Groep N.V. shall, in consultation with the Trust and with the approval of the meeting of holders of bearer receipts, appoint a successor to whom the administration can be transferred. The successor shall have to take over all commitments under the Trust Agreement. Within two months of the decision to dissolve or terminate the Trust, the Trust shall have the shares which it holds for administration transferred into its successor s name. For a period of two months following notification of succession of the administration, holders of bearer receipts may elect to obtain free of charge, shares of type of which they hold bearer receipts. In no case shall the administration be terminated without ING Groep N.V. s approval.

Holders of bearer receipts with a stake of 5% or more

To the best of our knowledge, as of December 31, 2008, no shareholder held more than 5% of all bearer receipts outstanding.

As of December 31, 2008, the ING Groep N.V. held 36,457,118 bearer receipts, representing 1.77% of the bearer receipts and underlying Ordinary shares outstanding. These bearer receipts were acquired pursuant to Company s delta hedging activities in respect of its employee option plans. ING Groep N.V. does not have voting rights in respect of bearer receipts it owns. As of December 31, 2008 no (depositary receipts of) preference A shares were outstanding; in 2008 all preference A shares were cancelled.

Pursuant to section 5.3 of the Dutch Financial Supervision Act, shareholders are only required to provide updated information on their holdings once they cross threshold levels of 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75%, 95%. As a result, other than information that may be ascertained from public filings available under the applicable laws of any other jurisdiction, we are not, nor would we be likely to be, aware of any changes in the ownership of bearer receipts between the threshold levels mentioned in the previous sentence.

The voting rights of the majority of Ordinary shares are held by the Trust. As of December 31, 2008, shareholders in the Netherlands held approximately 330 million bearer receipts, or 16% of the total number of bearer receipts then outstanding. As of December 31, 2008, shareholders in the United States held approximately 409 million bearer receipts (including ADSs), or 20% of the total number of bearer receipts then outstanding.

As of December 31, 2008, other than the Trust, no other person is known to ING Groep N.V. to be the owner of more than 10% of the Ordinary shares or bearer receipts. As of December 31, 2008, members of the Supervisory Board held 8,940 bearer receipts. If Supervisory Board members hold ING options that were granted in their former capacity as Executive Board member, these options are part of the ING Stock option plan described in Note 2.1 to the consolidated financial statements.

As of December 31, 2008, to the best of its knowledge, there are no agreements or arrangements in place that could lead to a change in control of ING Groep N.V. Please note, however that ING Groep N.V. has entered into an agreement with the Dutch State to strengthen its Core tier-1 capital pursuant to which, on November 12, 2008, ING Group issued 1 billion Core Tier-1 Securities to the Dutch State. The Core Tier-1 Securities held by the Dutch State are non-voting, but do give the Dutch State the right to nominate two members of the Supervisory Board who have specific corporate governance rights (see Item 6. Directors, Senior Management and Employees). Pursuant to the terms of the Core Tier-1 Securities ING Groep N.V. may choose to convert them into (depositary receipts for) ordinary shares. In that case the Dutch State would become a major shareholder. Please also refer to Item 10. Additional Information Capital structure, shares where more information can be found regarding the call option of the Stichting Continuiteit ING to acquire 900 million cumulative preference shares.

Related Party Transactions

As of December 31, 2008, the amount outstanding in respect of loans and advances made to members of the Supervisory Board was zero. The amount outstanding in respect of loans and advances, mostly mortgages, to members of the Executive Board was EUR 2.3 million, at an average interest rate of 4.6%. The largest aggregate amount of loans and advances outstanding to the members of the Supervisory Board and the Executive Board during 2008 was EUR 2.3 million.

The loans and advances mentioned in the preceding paragraph (1) were made in the ordinary course of business, (2) were granted on conditions that are comparable to those of loans and advances granted to people in peer groups and (3) did not involve more than the normal risk of collectability or present other unfavorable features. For members of the Executive Board this means that the conditions have been set according to the prevailing conditions for ING personnel.

As described under Item 6. Directors, Senior Management and Employees, some members of the Supervisory Board are current or former senior executives of leading multi-national corporations based primarily in the Netherlands. ING Group may at any time have lending, investment banking or other financial relationships with one or more of these corporations in the ordinary course of business on terms which we believe are no less favorable to ING than those reached with unaffiliated parties of comparable creditworthiness.

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Item 8. Financial information

Legal Proceedings, Consolidated Statements and Other Financial Information

See Note 30 of Note 2.1 to the consolidated financial statements.

Legal Proceedings

ING Group companies are involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, including the United States, involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as insurers, lenders, employers, investors and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, management does not believe that their outcome will have a material adverse effect on the Group s financial position or results of operations.

These proceedings include complaints and lawsuits concerning the performance of certain interest sensitive products that were sold by a former subsidiary of ING in Mexico. These matters are being defended vigorously; however, at this time, we are unable to assess their final outcome. In addition, a subsidiary is a garnishee in proceedings in the United States brought by judgment creditors of the Republic of Argentina who seek to levy on assets that were managed by that subsidiary before the Republic nationalized the private pension business in Argentina. Appropriate steps are being taken to address this matter. Further, litigation commenced in February 2009, purportedly on behalf of classes, challenges the adequacy of the disclosures made in connection with the 2007 and 2008 issuance and sale of the Company s Perpetual Hybrid Capital Securities, and additional purported class litigation challenges the operation of the Company s American Savings, ESOP and 401(k) Plans. These matters are at very preliminary stages, and while we are not able to assess their final outcome, we intend to vigorously defend against them.

In November 2006, the issue of amongst others the costs charged by the insurance industry to customers in respect of unit-linked insurance products (commonly referred to as beleggingsverzekeringen) has received attention both in the Dutch public media and from the Dutch regulator for the insurance industry and consumer protection organizations. Mid November 2008, ING reached an outline agreement with consumer organisations in the Netherlands to resolve a dispute regarding individual universal life insurance products sold to customers in the Netherlands by ING s Dutch insurance subsidiaries. It was agreed ING s Dutch insurance subsidiaries will offer compensation to policy holders where individual universal life policies have a cost charge in excess of an agreed maximum. The costs of the settlement have been valued at EUR 365 million. Although the agreement is not binding for policyholders ING believes a significant step was made towards resolving the issue.

Like many other companies in the mutual funds, brokerage, investment, and insurance industries, several of our companies have received informal and formal requests for information from various governmental and self-regulatory agencies or have otherwise identified issues arising in connection with fund trading, compensation, conflicts of interest, anti-competitive practices, insurance risk transfer and sales practices. ING is responding to the requests and working to resolve issues with regulators. We believe that any issues that have been identified thus far do not represent a systemic problem in the ING businesses involved and in addition that the outcome of the investigations will not have a material effect on ING Group.

Because of the geographic spread of its business, ING may be subject to tax audits in numerous jurisdictions at any point in time. Although ING believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits may result in liabilities which are different from the amounts recorded.

Dividends

ING Groep N.V. has declared and paid dividends each year since its formation in 1991. Each year, a final dividend in respect of the prior year is generally declared at and paid after the annual General Meeting generally held in April of each year. An interim dividend is generally declared and paid in September, based upon the results for the first six months. The declaration of interim dividends is subject to the discretion of the Executive Board of ING Groep N.V., whose decision to that effect is subject to the approval of the Supervisory Board of the Company. The Executive Board decides, subject to the approval of the Supervisory Board of ING Groep N.V., which part of the annual results (after payment of dividends on Preference shares and Cumulative Preference shares) will be added to the reserves of ING Groep N.V. The part of the annual results that remains after this addition to the reserves and after payment of dividends on Preference shares and Cumulative Preference shares

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is at the disposal of the General Meeting, which may declare dividends there from and/or add additional amounts to the reserves of ING Groep N.V. A proposal of the Executive Board with respect thereto is submitted to the General Meeting. The declaration and payment of dividends and the amount thereof is dependent upon the Company s results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Executive Board in determining the appropriate amount of reserves and there can be no assurance that the Company will declare and pay any dividends in the future.

Since the beginning of 2005 ING has a dividend policy of full cash dividends starting with the final dividend 2004. Following the introduction of IFRS-EU which is expected to increase volatility in net result ING intends to pay dividends in relation to the longer-term underlying development of result.

ING Groep N.V. made dividend payments of EUR 1 million, EUR 7 million and EUR 10 million on its Preference shares and declared dividends of EUR 3,600 million, EUR 2,999 million and EUR 2,681 million on its Ordinary shares, in 2008, 2007 and 2006, respectively. Both the final dividend 2007 and the interim dividend 2008 were fully paid in cash. ING announced in October, 2008 that it will not pay a final dividend in May 2009 over the year 2008. Since ING already paid an interim dividend of EUR 0.74 in August 2008, ING is required under its agreement with the Dutch State to pay in May 2009 the first short coupon on the Core Tier-1 Securities issued to the Dutch State in November 2008, subject to approval from De Nederlandsche Bank. The interim dividend for 2009, if any, will not automatically be half of the total dividend of 2008 now that dividends have been stopped. ING intends to continue to pay dividends in relation to underlying cash earnings, and to take a balanced approach to dividends in a careful and conservative manner in the next few years.

Cash distributions on ING Groep N.V. s Ordinary shares and bearer receipts are generally paid in euros. However, the Executive Board may decide, with the approval of the Supervisory Board, to declare dividends in the currency of a country other than the Netherlands in which the bearer receipts are trading. Amounts payable to holders of ADSs that are paid to the Depositary in a currency other than dollars will be converted to dollars and subjected to a charge by the Depositary for any expenses incurred by it in such conversion. The right to cash dividends and distributions in respect of the Ordinary shares will lapse if such dividends or distributions are not claimed within five years following the day after the date on which they were made available.

If a distribution by ING Groep N.V. consists of a dividend in Ordinary shares, such Ordinary shares will be held by the Trust, and the Trust will distribute to the holders of the outstanding bearer receipts, in proportion to their holdings, additional bearer receipts issued for the Ordinary shares received by the Trust as such dividend. In the event the Trust receives any distribution with respect to Ordinary shares held by the Trust other than in the form of cash or additional shares, the Trust will adopt such method as it may deem legal, equitable and practicable to effect such distribution.

If ING Groep N.V. offers or causes to be offered to the holders of Ordinary shares the right to subscribe for additional shares, the Trust, subject to applicable law, will offer to each holder of bearer receipts the right to subscribe for additional bearer receipts of such shares on the same basis.

If the Trust has the option to receive such distribution either in cash or shares, the Trust will give notice of such option by advertisement and give holders of bearer receipts the opportunity to choose between cash and shares until the fourth day before the day on which the Trust must have made such choice. Holders of bearer receipts may receive an equal nominal amount in Ordinary shares.

There are no legislative or other legal provisions currently in force in the Netherlands or arising under ING Groep N.V. s Articles of Association restricting the remittance of dividends to holders of Ordinary shares, bearer receipts or ADSs not resident in the Netherlands. Insofar as the laws of the Netherlands are concerned, cash dividends paid in Euro may be transferred from the Netherlands and converted into any other currency, except that for statistical purposes such payments and transactions must be reported by ING Groep N.V. to the Dutch Central Bank (De Nederlandsche Bank N.V.) and, further, no payments, including dividend payments, may be made to jurisdictions or persons, that are subject to certain sanctions, adopted by the Government of the Netherlands, implementing resolutions of the Security Council of the United Nations, or adopted by the European Union. Dividends are subject to withholding taxes in the Netherlands as described under Item 10, Additional Information Taxation Netherlands Taxation .

Since December 31, 2008, until the filing of this report, no significant changes have occurred in the financial statements of the Group included in Item 18, Financial Statements of this document.

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Item 9. The offer and listing

Bearer receipts representing Ordinary shares (nominal value EUR 0.24 per share) are traded on Euronext Amsterdam by NYSE Euronext, the principal trading market for the bearer receipts. The bearer receipts are also listed on the stock exchange of Euronext Brussels. In February 2009, ING Group voluntarily delisted from the Paris, Frankfurt and Swiss stock exchanges, See Item 4. Recent Developments . ING Bank is one of the principal market makers for the bearer receipts on Euronext Amsterdam by NYSE Euronext.

Since June 13, 1997,ADSs, each representing one bearer receipt in respect of one Ordinary share, have traded on the New York Stock Exchange under the symbol ING , and are the principal form in which the bearer receipts are traded in the United States. Prior to June 13, 1997, there was no active trading market for the ADSs. The ADSs are issued by JP Morgan Chase Bank, as Depositary, pursuant to an Amended and Restated Deposit Agreement dated March 6, 2004, among the Company, The Trust (Stichting ING Aandelen), as trustee, such Depositary and the holders of ADSs from time to time. The Trust holds all voting rights over the Ordinary shares, and pursuant to the Trust Agreement, the Trust will grant proxies to holders of the bearer receipts. See Item 7. Major Shareholders and Related Party Transactions . Under the Amended and Restated Deposit Agreement holders of ADSs may instruct the Depositary as to the exercise of proxy voting rights associated with the ADSs. As of December 31, 2008, there were 124,182,154 ADSs outstanding, representing an equal number of bearer receipts. The ADSs were held by 920 record holders. Because certain of the ADSs were held by brokers or other nominees and the bearer receipts are held in bearer form and due to the impracticability of obtaining accurate residence information for all such shareholders, the number of holders of record or registered holders in the United States is not representative of the number of beneficial holders or of the residence of the beneficial holders. As of December 31, 2008, approximately 16% of the bearer receipts were held by Dutch investors, approximately 21% by investors in the U.K. and approximately 20% by investors in the United States and Canada (including as represented by ADSs).

The following are the high and low sales prices of the bearer receipts on the Euronext Amsterdam Stock Exchange, and the ADSs on the New York Stock Exchange, for the period 2004 February 28, 2009:

	Euronext Amsterdam Stock Exchange (EUR)		Trading volume in millions of bearer receipts	New York Stock Exchange (USD)		Trading volume in millions of ADS
Calendar period	**High**	**Low**		**High**	**Low**	
2004	22.28	16.73	2,403.5	30.32	20.28	106.4
2005	29.75	20.99	2,131.7	35.40	26.94	113.2
2006	35.96	27.82	2,319.4	45.35	33.61	107.6
2007						
First quarter	34.69	29.91	754.1	45.78	40.04	32.3
Second quarter	34.50	31.68	773.4	47.18	42.43	38.8
Third Quarter	33.23	28.94	862.1	45.67	38.49	50.5
Fourth quarter	32.45	24.38	877.3	45.94	36.41	56.1
2008						
First quarter	26.21	20.17	1,407.6	39.24	28.57	118.0
Second quarter	25.81	20.25	930.2	40.67	31.54	73.6
Third quarter	24.19	14.35	1,275.5	34.92	19.94	100.0
Fourth quarter	18.00	5.21	1,291.5	25.45	6.37	144.7

2008 and 2009						
September 2008	22.10	14.35	571.3	32.26	19.94	51.0
October 2008	18.00	5.65	720.3	25.49	6.57	74.6
November 2008	9.10	5.33	319.0	11.81	6.37	36.6
December 2008	7.83	5.45	252.2	11.10	7.06	33.5
January 2009	8.64	4.76	325.3	11.73	6.42	34.4
February 2009	6.74	3.44	313.8	8.80	4.44	37.3

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Item 10. Additional information

Memorandum and Articles of Association

ING Groep N.V. is a holding company organized under the laws of the Netherlands. Our object and purpose, as set forth in Article 3 of our Articles of Association, is to participate in, manage, finance, furnish personal or real security for the obligations of and provide services to other enterprises and institutions of any kind, but in particular enterprises and institutions which are active in the field of insurance, lending, investment and/or other financial services, and to engage in any activity which may be related or conducive to the foregoing. ING Groep N.V. is registered as number 33231073 in the Company Registry of Amsterdam and our Articles of Association are available there.

Certain Powers of Directors

The Supervisory Board determines the compensation of the members of the Executive Board within the framework of the remuneration policy adopted by the General Meeting and the compensation of members of the Supervisory Board is determined by the General Meeting. Without prejudice to their voting rights they might have if they are a shareholder of ING Groep N.V., neither members of the Executive Board nor members of the Supervisory Board will vote on compensation for themselves or any other member of their body.

During their office, members of the Supervisory Board are not allowed to borrow from ING Groep N.V. or any of its subsidiaries. Loans that already exist upon appointment as a Supervisory Board member however, may be continued. Subsidiaries of ING Groep N.V. however, may in the normal course of their business and on terms that are customary in the sector, provide other banking and insurance services to Supervisory Board members. These may include services in which the granting of credit is of a subordinate nature, e.g. credit cards and overdrafts in current accounts.

Members of the Executive Board are empowered to exercise all the powers of ING Groep N.V. to borrow money, subject to regulatory restrictions (if any) and, in the case of the issuance of debt securities, to the approval of the Supervisory Board.

Our Articles of Association do not contain any age limits for retirement of the members of the Executive Board and members of the Supervisory Board. The retirement age under the (Dutch) pension plan is the first day of the month that the individual reaches the age of 65. In recent years however, we have seen a practice for Executive Board members to retire at an earlier age depending on their individual circumstances.

Members of the Executive Board appointed in 2004 and later have been and will be appointed by the General Meeting for a term of four years and may be reappointed. Members of the Supervisory Board are appointed for a term of four years and may be re-appointed for two terms subject to the requirement in the charter of the Supervisory Board that Supervisory Board members retire from the Board in the year in which he or she turns 70. Both members of the Executive Board and members of the Supervisory Board are appointed from a binding nomination by the Supervisory Board. The General Meeting may declare the nomination non-binding by a majority resolution supported by more than one-third of the issued share capital.

Members of the Executive Board and the Supervisory Board are not required to hold any shares of ING Groep N.V. to qualify as such.

Capital structure, shares

The authorised capital of ING Groep N.V. consists of Ordinary shares and cumulative preference shares. Currently, only Ordinary shares are issued, while a right to acquire up to 900 million cumulative preference shares has been granted to the ING Continuity Foundation (Stichting Continuiteit ING) pursuant to a call option issued by ING Groep N.V. The acquisition of cumulative preference shares pursuant to the call option is subject to the restriction that, immediately after the issue of cumulative preference shares, the total amount of cumulative preference shares may not exceed one-third of the total issued share capital of ING Groep N.V. The purpose of the cumulative preference shares is to protect the independence, the continuity and the identity of the company against the acquisition of control by third parties, including hostile takeovers, while the Ordinary shares are used solely for funding purposes. These shares, which are all registered shares, are not listed on a stock exchange.

Description of Shares

A description of our securities, and other information with respect to shareholders, annual meetings, changes in capital and limitations on changes in control can be found in our registration statements filed with the Commission on Form F-1 on June 12, 1997 and in this Annual Report under the heading Item 7 - Major Shareholders and Related Party

Transactions .

Material contracts

There have been no material contracts (outside the ordinary course of business, such as intercompany financing) to which ING Groep N.V. is a party in the last two years, except for the Core Tier 1 Securities transaction and the Illiquid Assets Back-up Facility term sheet which ING Groep N.V. concluded with the Dutch State, as further described in Item 4. Information on the Company - Corporate Governance Transactions with the Dutch State and as announced by ING Groep N.V. in its press releases dated October 19, 2008 and January 26, 2009 respectively.

Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and other information with the Securities and Exchange Commission (SEC). These materials, including this Annual Report and its exhibits, may be inspected and copied at the SEC s public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549 or on the SEC s website at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for more information about the public reference room and the copy charges. You may also inspect our SEC reports and other information located at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, or on our website at http://www.ing.com.

Exchange controls

Cash distributions, if any, payable in euros on Ordinary shares, bearer receipts and ADSs may be officially transferred from the Netherlands and converted into any other currency without violating Dutch law, except that for statistical purposes such payments and transactions must be reported by ING Groep N.V. to the Dutch Central Bank and, further, no payments, including dividend payments, may be made to jurisdictions or persons subject to certain sanctions, adopted by the government of the Netherlands, implementing resolutions of the Security Council of the United Nations or adopted by the European Union.

Restrictions on voting

The ADSs represent interests in the bearer receipts of the Trust, which holds the Ordinary shares for which such bearer receipts are issued. See Item 7. Major Shareholders and Related Party Transactions . The Trust is the holder of all Ordinary shares underlying the bearer receipts. Only holders of shares (including the Trust) may vote at General Meetings.

Holders of bearer receipts are entitled to attend and speak at General Meetings of the Company; however holders of bearer receipts (including the Depositary on behalf of the holders of ADSs) as such are not entitled to vote at such meetings. However, as set out in Item 7. Major Shareholders and Related Party Transactions , the Trust will grant a proxy to the effect that such holder of bearer receipts may, in the name of the Trust, exercise the voting rights attached to a number of its Ordinary shares that corresponds to the number of bearer receipts held by him. On the basis of such a proxy the holder of bearer receipts may vote according to its own discretion.

Holders of bearer receipts may surrender the bearer receipts in exchange for Ordinary shares. The Trust charges a fee for exchanging bearer receipts for Ordinary shares. Such fee, in each case, is a minimum of EUR 25.00, but varies based on the number of bearer receipts so exchanged.

Obligations of shareholders to disclose holdings

Section 5.3 of the Dutch Financial Supervision Act (the Major Holdings Rules) applies to any person who, directly or indirectly, acquires or disposes of an interest in the voting rights and/or the capital of (in short) a public limited company incorporated under the laws of the Netherlands with an official listing on a stock exchange within the European Economic Area, as a result of which acquisition or disposal the percentage of voting rights or capital interest acquired or disposed of reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95%. With respect to ING Groep N.V., the Major Holdings Rules would require any person whose interest in the voting rights and/or capital of ING Groep N.V. reached, exceeded or fell below those percentage interests, whether through ownership of bearer receipts, Ordinary shares, ADSs, Preference shares, options or warrants, to notify in writing the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten) immediately after the acquisition or disposal of the triggering interest in ING Groep N.V. s share capital.

The notification will be recorded in the register which is held by the Authority for the Financial Markets for that purpose, which register is available for public inspection.

Noncompliance with the obligations of the Major Holdings Rules can lead to criminal prosecution. In addition, a civil court can issue orders against any person who fails to notify or incorrectly notifies the Authority for the Financial Markets, in accordance with the Major Holdings Rules, including suspension of the voting right in respect of such person s Ordinary shares.

Frequency, notice and agenda of General Meetings

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

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

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

Proposals by shareholders/holders of depositary receipts

In view of the size and market value of ING Groep N.V., proposals to put items on the General Meeting agenda can be made by shareholders and holders of depositary receipts representing a joint total of 1 per mille of the share capital or representing together, on the basis of the stock prices on NYSE Euronext Amsterdam, a share value of at least EUR 50 million. Given the periods of notice required for proxy voting, proposals have to be submitted in writing at least 50 days before the date of the meeting. Properly submitted proposals will be included on the agenda for the General Meeting, unless the Supervisory Board and the Executive Board consider there to be compelling reasons in the interest of ING Groep N.V. to exclude them from the agenda.

Record date

It is standard practice with ING Group to set a record date for attending a General Meeting and voting on the proposals in that General Meeting. Shareholders and depositary receipt holders who hold shares and/or depositary receipts at the record date are entitled to attend the General Meeting and to exercise other rights related to the General Meeting in question on the basis of their holding at the record date, notwithstanding a subsequent sale or purchase of shares or depositary receipts. The record date is published in the notice to the General Meeting.

Attending General Meetings

For logistical reasons, attendance at a General Meeting by shareholders and depositary receipt holders, either in person or by proxy, is subject to the requirement that ING Group be notified in advance. Instructions to that effect are included in the notice to the General Meeting.

Shareholders and depositary receipt holders who do not attend the General Meeting, may nevertheless follow the course of affairs in the meeting by internet webcast.

Voting rights

Each Ordinary share entitles the holder to cast a vote at the General Meeting. The Articles of Association do not restrict the voting rights on any class of shares of ING Group. ING Group is not aware of any contract under which voting rights on any class of its shares are restricted. By Dutch law, voting rights are proportional to the nominal value of the shares. In other words, each Ordinary share (nominal value: EUR 0.24) gives the right to one vote.

On the basis of the closing price of the shares on December 31, 2008, the ratio of market price to voting rights on depositary receipts for Ordinary shares was EUR 7.33 : 1.

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Issue of shares

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

Share issues have to be approved by the General Meeting, which may also delegate its authority.

Each year, the General Meeting has been asked to delegate authority to the Executive Board to issue new shares. The powers thus delegated to the Executive Board are limited:

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

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

Shareholders structure

See Item 7. Major Shareholders and Related Party Transactions for a description of the Bearer receipts held by ING Groep N.V. and for details of investors who have reported their interest in ING Group pursuant to the Financial Supervision Act (or the predecessor of this legislation).

Under the terms of the Dutch Financial Supervision Act, declarations of no objection from the Dutch Minister of Finance are to be obtained by anyone wishing to obtain or hold a participating interest of at least 10% respectively in ING Groep N.V. or to exercise control to this extent via a participating interest in ING Groep N.V. Similarly, on the basis of indirect change of control statutes in the various jurisdictions where subsidiaries of ING Groep N.V. are operating, permission from or notification to local regulatory authorities may be required for the acquisition of a substantial interest in ING Groep N.V. ING Groep N.V. is not aware of investors with an interest of 10% or more in ING Groep N.V.

TAXATION

The following is a summary of certain Netherlands tax consequences, and the United States federal income tax consequences, of the ownership of bearer receipts or American Depositary Shares (ADSs) by U.S. Shareholders (as defined below). For purposes of this summary a U.S. Shareholder is a beneficial owner of bearer receipts or ADSs that is:

- an individual citizen or resident of the United States,
- a corporation organized under the laws of the United States or of any state of the United States,
- an estate, the income of which is subject to United States federal income tax without regard to its source ; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

The summary is a general description of the present Netherlands and United States federal income tax laws and practices as well as the relevant provisions of the present double taxation treaty between the Netherlands and the United States (the Treaty). The information provided below is neither intended as tax advice nor purports to describe all of the tax considerations that may be relevant to prospective investors. It should not be read as extending to matters not specifically discussed, and investors should consult their own advisors as to the tax consequences of their ownership and disposal of bearer receipts or ADSs. In particular, the summary does not take into account the specific circumstances of any particular investors (such as tax-exempt organizations, banks, insurance companies, dealers in securities, traders in securities that elect to mark-to-market their securities holdings, investors liable for alternative minimum tax, investors whose functional

currency is not the U.S. dollar, investors that actually or constructively own 10% or more of the voting stock of ING Groep N.V. or investors that hold bearer receipts or ADSs as part of a straddle or a hedging or conversion transaction), some of which may be subject to special rules. Moreover, if the holder of bearer receipts or ADSs:
1. holds a substantial interest in ING Groep N.V.; or, in case such holder is an individual,
2. receives income or capital gains derived from the bearer receipts and ADSs and this income received or capital gains derived are attributable to the past, present or future employment activities of such holder, the Dutch tax position is not discussed in this summary.

Generally speaking, for Dutch tax purposes, an interest in the share capital of ING Groep N.V., should not be considered a substantial interest if the holder of such interest, and, in case of an individual, his or her spouse, registered partner, certain other relatives or certain persons sharing the holder s household, alone or together, does or do not hold, either directly or indirectly, the ownership of, or certain rights over, shares or rights resembling shares representing 5% or more of the total issued and outstanding capital, or the issued and outstanding capital of any class of shares, of ING Groep N.V. With respect to U.S. Shareholders, this summary generally applies only to holders who hold bearer receipts or ADSs as capital assets. The summary is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms. Furthermore, this summary is based on the tax legislation, published case law, and other regulations in force as at the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

In general, for United States federal income and Netherlands tax purposes, holders of bearer receipts will be treated as the owners of the Ordinary shares underlying the bearer receipts, holders of American Depositary Receipts (ADRs) underlying ADSs will be treated as the owners of the Ordinary shares evidencing the ADSs, and exchanges of Ordinary shares for bearer receipts and then for ADSs, and exchanges of ADSs for bearer receipts and then for Ordinary shares, will not be subject to United States federal or Netherlands income tax.

It is assumed, for purposes of this summary, that a U.S. Shareholder is eligible for the benefits of the Treaty and that a U.S. Shareholder s eligibility is not limited by the limitations on benefits provisions article 26 of the Treaty.

NETHERLANDS TAXATION

Withholding tax on dividends

The Netherlands imposes a withholding tax on a distribution of a dividend at the rate of 15%. Stock dividends paid out of ING Groep N.V. s paid-in share premium recognized for Netherlands tax purposes as such are not subject to the above withholding tax.

The Treaty provides for a complete exemption from withholding for dividends received by exempt pension trusts and other exempt organizations, as defined in the Treaty. Qualifying exempt pension trusts may claim the benefits of a reduced withholding tax rate pursuant to article 35 of the Treaty. Qualifying exempt pension trusts normally remain subject to withholding at the rate of 15% and are required to file for a refund of the tax withheld. Only if certain conditions are fulfilled, such pension trusts may be eligible for relief at source upon payment of the dividend. Qualifying exempt organizations (other than qualifying exempt pension trusts) are subject to withholding at the rate of 15% and can only file for a refund of the tax withheld.

On August 29, 2002 dividend-stripping rules were introduced in Netherlands tax law. These rules have retroactive effect as of April 27, 2001. The rules provide that in the case of dividend-stripping, the 15% dividend withholding tax cannot be reduced or refunded. Dividend-stripping is deemed to be present if the recipient of a dividend is, different from what has been assumed above, not the beneficial owner thereof and is entitled to a larger credit, reduction or refund of dividend withholding tax than the beneficial owner of the dividends. Under these rules, a recipient of dividends will not be considered the beneficial owner thereof if as a consequence of a combination of transactions a person other than the recipient wholly or partly benefits form the dividends, whereby such person retains, whether directly or indirectly, an interest in the share on which the dividends were paid.

Currently ING Groep N.V. may, with respect to certain dividends received from qualifying non-Netherlands subsidiaries, credit taxes withheld from those dividends against the Netherlands withholding tax imposed on certain qualifying dividends that are redistributed by ING Groep N.V., up to a maximum of the lesser of

- 3% of the amount of qualifying dividends redistributed by ING Groep N.V. and

3% of the gross amount of certain qualifying dividends received by ING Groep N.V.

The reduction is applied to the Dutch dividend withholding tax that ING Groep N.V. must pay to the Dutch tax authorities and not to the Dutch dividend withholding tax that ING Groep N.V. must withhold.

Both the European Free Trade Association Court of Justice as well as the European Court of Justice (ECJ) issued judgments concerning outbound dividend payments to foreign shareholders. According to both courts, it could be in breach with the European freedom of capital and the freedom of establishment to treat outbound dividend payments less favorably than dividend payments to domestic shareholders. As of January 1, 2007, in general, dividend payments to certain qualifying EU resident corporate shareholders are treated the same as dividend payments to certain qualifying Dutch resident corporate shareholders. Dividend payments to corporate shareholders residing outside the EU are treated still less favorably as opposed to dividend payments to certain qualifying Dutch resident corporate shareholders. Furthermore, subject to certain conditions, a legal entity resident in the Netherlands that is not subject to Dutch corporate income tax is entitled to a refund of the Dutch dividend withholding tax withheld. In addition, subject to certain conditions as well, a legal entity resident in a member state of the European Union, that is not subject to a result based tax in that member state, and, should that entity be a resident in the Netherlands, would not be subject to Dutch corporate income tax, is also entitled to a refund of the Dutch dividend withholding tax withheld. Such legal entities that are not a resident of the Netherlands or the European Union, are not entitled to a refund of Dutch dividend withholding tax. The above stated court cases may have significant implications for certain non-EU resident shareholders that receive dividends that are subject to Netherlands dividend withholding tax (i.e. the aforementioned different treatment may be a breach of the European freedom of capital).

Although the freedom of capital generally also applies to capital movements to and from third countries, such as the United States, it cannot be ruled out that the freedom of capital movements to and from third countries must be interpreted more stringent as opposed to the freedom of capital movements to EU member states. Furthermore, the freedom of capital movements to and from third countries is generally subject to grandfathering (stand-still) provisions in the EC-Treaty (i.e. the restriction of the freedom of capital movements is allowed if these stand-still provisions apply). However, based on case law of the ECJ it may be held that these stand-still provisions do not apply in the specific case of claiming a refund of the Netherlands dividend withholding tax by a shareholder who did *not* acquire the shares in ING Groep N.V. with a view to establishing or maintaining lasting and direct economic links between the shareholder and ING Groep N.V. which allow the shareholder to participate effectively in the management of the company or in its control.

Especially the following non-EU resident shareholders may be affected and may as a result be entitled to a (partial) refund of Netherlands dividend withholding tax.

- Legal entities that could have invoked the participation exemption with respect to the dividends received in case they would have been a resident of the Netherlands for tax purposes. In general, the participation exemption applies in case of shareholdings of 5% or more. In case of legal entities resident in the Netherlands, in effect no Dutch dividend withholding tax is due with respect to dividends on shareholdings that apply for the participation exemption.

- Individuals if the shares do not belong to the assets of a business enterprise or do not belong to a substantial interest. In case such a natural person would have been a resident of the Netherlands, the dividend as such would not be subject to individual income tax. In stead, the individual would be taxed on a deemed income, calculated at 4% of his net equity, whereas the dividend tax withheld would have been credited in full against the individual income tax due.

- Legal entities that, if they had been based in the Netherlands, would not have been subject to corporate income tax (such as a pension fund), or would have qualified as an investment institution for the purposes of this tax, and that would, because of this, be eligible for a refund of dividend withholding tax withheld at their expense.

Taxes on income and capital gains

A U.S. Shareholder will not be subject to Netherlands income tax or corporation tax, other than the withholding tax described above, or capital gains tax, provided that:

§

such shareholder is not a resident or deemed resident and, in the case of an individual, has not elected to be treated as a resident of the Netherlands;

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§ such shareholder does not have an enterprise or an interest in an enterprise, which in its entirety or in part carries on business in the Netherlands through a permanent establishment or a permanent representative or deemed permanent establishment to which or to whom the bearer receipts or ADSs are attributable; and

§ such shareholder is an individual, and income from a bearer receipt or ADS is not attributable to certain activities in the Netherlands performed by such shareholder other than business activities (for example, by the use of that individual s special knowledge or activities performed by that individual with respect to the bearer receipts or ADSs as a result of which such individual can make a return on the bearer receipt or ADS that is in excess of the return on normal passive portfolio management).

Gift, estate or inheritance tax

No Netherlands gift, estate or inheritance tax will be imposed on the acquisition of bearer receipts or ADSs by gift or inheritance from a holder of bearer receipts or ADSs who is neither resident nor deemed resident in the Netherlands, provided that the ADSs or bearer receipts are not attributable to an enterprise which in its entirety or in part is carried on through a permanent establishment or a permanent representative in the Netherlands. Furthermore, Dutch gift and inheritance tax is due if the holder of bearer receipts or ADSs dies within 180 days of making the gift, and at the time of death is a resident or deemed resident of the Netherlands. A non-resident Netherlands citizen, however, is still treated as a resident of the Netherlands for gift and inheritance tax purposes for ten years after leaving the Netherlands. An individual with a non-Dutch nationality is deemed to be a resident of the Netherlands for the purposes of Dutch gift tax if he or she has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

UNITED STATES TAXATION

Taxes on income

Subject to the passive foreign investment company rules discussed below, for United States federal income tax purposes, a U.S. Shareholder will be required to include in gross income the full amount of a cash dividend (including any Netherlands withholding tax withheld) as ordinary income when the dividend is actually or constructively received by the Trust in the case of bearer receipts, or the Depositary in the case of ADSs. For this purpose, a dividend will include any distribution paid by ING Groep N.V. with respect to the bearer receipts or ADSs, but only to the extent such distribution is not in excess of ING Groep N.V. s current and accumulated earnings and results as defined for United States federal income tax purposes. For foreign tax credit purposes, dividends will generally be income from sources outside the United States and will, depending on your circumstances, be either passive or general income for purposes of computing the foreign tax credit allowable to you. A dividend will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other United States corporations. If you are a non corporate U.S. Shareholder, dividends paid to you in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the bearer receipts or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the bearer receipts or ADSs generally will be qualified dividend income. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the bearer receipts or ADSs and thereafter as capital gain. Subject to the limitations provided in the United States Internal Revenue Code, a U.S. Shareholder may generally deduct from income, or credit against its United States federal income tax liability, the amount of any Dutch withholding taxes under the Treaty. The Netherlands withholding tax will likely not be creditable against the U.S. Shareholder s United States tax liability, however, to the extent that ING Groep N.V. is allowed to reduce the amount of dividend withholding tax paid over to the Netherlands Tax Administration by crediting withholding tax imposed on certain dividends paid to ING Groep N.V. ING Groep N.V. will endeavour to provide to U.S. Shareholders information concerning the extent to which it has applied the reduction described above with respect to dividends paid to U.S. Shareholders. In addition, special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate.

Since payments of dividends with respect to bearer receipts and ADSs will be made in euros, a U.S. Shareholder will generally be required to determine the amount of dividend income by translating the euro into United States dollars at the spot rate on the date the dividend distribution is includable in the income of the U.S. Shareholder. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend distribution is includable in the income of the U.S. Shareholder to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

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Taxes on capital gains

Subject to the passive foreign investment company rules discussed below, gain or loss on a sale or exchange of bearer receipts or ADSs by a U.S. Shareholder will generally be a capital gain or loss for United States federal income tax purposes. If such U.S. Shareholder has held the bearer receipts or ADSs for more than one year, such gain or loss will generally be long term capital gain or loss. Long term capital gain of a non-corporate U.S. Shareholder that is recognized in a taxable year beginning before January 1, 2011 will generally be subject to a maximum tax rate of 15%. In general, gain or loss from a sale or exchange of bearer receipts or ADSs by a U.S. Shareholder will be treated as United States source income or loss for United States foreign tax credit limitation purposes.

Passive foreign investment company

ING Groep N.V. believes it is not a passive foreign investment company (a PFIC) for United States federal income tax purposes. This is a factual determination that must be made annually and thus may change.

If ING Groep N.V. were to be treated as a PFIC, unless a U.S. Shareholder makes an effective election to be taxed annually on a mark-to-market basis with respect to the bearer receipts or ADSs, any gain from the sale or disposition of bearer receipts or ADSs by a U.S. Shareholder would be allocated rateably to each year in the holder s holding period and would be treated as ordinary income. Tax would be imposed on the amount allocated to each year prior to the year of disposition at the highest rate in effect for that year, and interest would be charged at the rate applicable to underpayments on the tax payable in respect of the amount so allocated. The same rules would apply to excess distributions , defined generally as distributions in a single taxable year exceeding 125% of the average annual distribution made by ING Groep N.V. over the shorter of the holder s holding period or the three preceding years.

A U.S. Shareholder who owns bearer receipts or ADSs during any year that ING Groep N.V. is a PFIC would be required to file Internal Revenue Service Form 8621.

Item 11. Quantitative and Qualitative Disclosure of Market Risk

See Item 5. Operating and Financial Review and Prospects Factors Affecting Results of Operations and Risk Management of Note 2.1 to the consolidated financial statements for these disclosures, including disclosures relating to operational, compliance and other non market-related risks.

Item 12. Description of Securities Other Than Equity Securities

Not applicable.

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PART II.

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

On February 10, 2009, an evaluation was performed under the supervision and with the participation of the Company s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company s disclosure controls and procedures. Based on that evaluation, the Company s management, including the CEO and CFO, concluded that the Company s disclosure controls and procedures were effective as of the end of the period covered by this Annual Report. There have been no significant changes in the Company s internal controls or in other factors that could significantly affect internal controls over financial reporting subsequent to February 10, 2009.

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ING;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, management performed tests based on the criteria of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on management s assessment and those criteria, management concluded that the company s internal control over financial reporting is effective as of December 31, 2008.

Our independent registered public accounting firm has audited and issued their report on ING s internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, the Supervisory Board and Executive Board of ING Groep N.V.

We have audited ING Groep N.V. s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). ING Groep N.V. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

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

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

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

In our opinion, ING Groep N.V. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ING Groep N.V. as of December 31, 2008 and 2007, and the related consolidated profit and loss accounts, consolidated statements of cash flows and consolidated statements of changes in equity for each of the three years in the period ended December 31, 2008 and our report dated March 16, 2009 expressed an unqualified opinion thereon.

Amsterdam, the Netherlands
March 16, 2009
Ernst & Young Accountants LLP

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Item 16A. Audit Committee Financial Expert

ING Group s Supervisory Board has determined that ING Group has five audit committee financial experts serving on its Audit Committee. These five audit committee financial experts are Messrs. Kok, Hoogendoorn, Elverding, Van der Lugt and Tai. All have gathered their experience by serving as executive officers and on the Boards of international conglomerates. Mr. Kok serving as Minister of Finance and Prime Minister of the Netherlands, Mr. Hoogendoorn serving as the CEO of the Board of Directors of Deloitte Touche Tohmatsu, Mr. Elverding serving as chairman of the Managing Board of Directors of Royal DSM and vice-chairman of the Supervisory Board of De Nederlandsche Bank, Mr. Van der Lugt serving as CEO of ING Group and Mr. Tai serving as managing director of the Investment Banking Division of JP Morgan. All audit committee financial experts are independent in accordance with the relevant Sarbanes-Oxley regulations, however Mr. Hoogendoorn does not meet the independence criteria for Supervisory Board members as set out in the Tabaksblat Code.

Item 16B. Code of Ethics

ING Group has adopted a code of ethics, called the ING s Business Principles, which apply to all our employees, including our principal executive officer, principal financial officer and principal accounting officer. These Business Principles have undergone minor changes to adapt them to the requirements of the Sarbanes-Oxley Act of 2002 as a code of ethics for certain officers. The Business Principles are posted on ING Group s website at www.ing.com, under the heading Corporate Responsibility followed by Principles and Policies . During the most recently completed fiscal year no waivers, explicit or implicit, from these Business Principles have been granted to any of the officers described above.

Item 16C. Principal Accountant Fees and Services (Ernst & Young)

As at December 31, 2008, Ernst & Young Accountants (Ernst & Young) was the appointed auditor of ING. Ernst & Young was responsible for auditing the financial statements of ING Group, ING Verzekeringen N.V. and ING Bank N.V. The external auditor, Ernst & Young, attended the meetings of the Audit Committee.

At the annual General Meeting on April 22, 2008, Ernst & Young was appointed to audit the financial statements of ING Group for the financial years 2008 to 2011 inclusive, to report on the outcome of these audits to the Executive Board and the Supervisory Board and to provide an audit opinion on the financial statements of ING Group. Furthermore, Ernst & Young also audited and reported on the effectiveness of internal control over financial reporting as of December 31, 2007.

ING had two auditors, Ernst & Young and KPMG, since 1991, Ernst & Young for ING Group and ING Insurance and KPMG for ING Bank. It was reported in 2007 that the preference was for one auditor, for more efficient, faster operation, probably also at lower cost. The Audit Committee led an extensive selection procedure in 2007. Both audit firms made comprehensive proposals which were discussed at two meetings of the Audit Committee and in various internal meetings with senior management and directors of ING. Based on this, the Supervisory Board decided to propose Ernst & Young with effect from 2008.

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

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

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

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

Audit fees

Audit fees were paid for professional services rendered by the auditors for the audit of the consolidated financial statements of ING Group and statutory financial statements of ING s subsidiaries or services provided in connection with the audit of Form 20-F and other filings for regulatory and supervisory purposes as well as the review on interim financial statements.

Audit-related fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the consolidated financial statements and are not reported under the audit fee item above. These services consisted primarily of IT audits, work performed relating to comfort letters issued in connection with prospectuses, reviews of SEC product filings and advice on accounting.

Tax fees

Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services consisted of: tax compliance including the review of original and amended tax returns, assistance with questions regarding tax audits, the preparation of employee tax returns under the ING s expatriate tax services program and tax planning and advisory services relating to common forms of domestic and international taxation (i.e., income tax, capital tax and value added tax).

All other fees

Fees disclosed in Note 45 of Note 2.1 to the consolidated financial statements under all other fees were paid for products and services other than the audit fees, audit-related fees and tax fees described above, and consisted primarily of non-recurring support and advisory services.

More details on ING s policy regarding external auditor s independence are available on the website of ING Group (www. ing.com).

Reference is made to Note 45 of Note 2.1 to the consolidated financial statements on page F-93 for audit, audit-related, tax and all other fees paid to the external auditors in 2007 and 2008.

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Item 16E. Purchases of Registered Equity Securities by the Issuer and Affiliated Purchasers

			Number x 1000	Average price in Euros	Purchased as part of Publicly Announced Plans or Programs[1)]	Maximum number of Shares that may be purchased
Purchases						
January	1/1/08	1/31/08	31,151	23.51	31,053	
February	2/1/08	2/28/08	11,995	21.29	11,960	
March	3/1/08	31/3/08	22,389	21.57	21,170	
April	4/1/08	30/4/08	17,943	24.60	17,678	
May	5/1/08	5/31/08	10,918	24.99	10,576	
June	6/1/08	6/30/08	3,173	22.52		
July	7/1/08	7/31/08	25	19.71		
August	8/1/08	8/31/08	65	21.62		
September	9/1/08	9/30/08	3,026	15.13		
October	10/1/08	10/31/08	4,764	15.83		
November	11/1/08	11/30/08				
December	12/1/08	12/31/08				
Total [2)]			**105,449**	**22.56**	**92,437**	
January	1/1/07	1/31/07	840	33.85		
February	2/1/07	2/28/07	598	34.15		
March	3/1/07	31/3/07	17,060	30.69		
April	4/1/07	30/4/07	747	32.51		
May	5/1/07	5/31/07	776	33.13		
June	6/1/07	6/30/07	20,902	32.85	20,432	
July	7/1/07	7/31/07	12,185	32.51	11,933	
August	8/1/07	8/31/07	6,637	29.89	6,396	
September	9/1/07	9/30/07	13,882	29.99	13,611	
October	10/1/07	10/31/07	13,634	31.29	13,145	
November	11/1/07	11/30/07	15,277	28.31	15,217	
December	12/1/07	12/31/07	10,046	26.62	9,989	
Total [2)]			**112,584**	**30.33**	**90,723**	

(1) In May 2007, ING announced a plan to adopt a share buyback program approved for a

total of EUR five (5) billion over a period of approximately 12 months starting from June 2007. The share buyback program was completed in May 2008.

(2 This table excludes market-making and related hedging purchases by ING Group. The table also (i) excludes ING Group shares purchased by investments funds managed by ING Group for clients in accordance with specified investment strategies that are established by each individual fund manager acting independently of ING Group, and (ii) includes share purchases under ING Group s delta hedging activities in respect of its employee option plans.

Item 16G. Corporate Governance

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

ING Group has a two-tier board structure, in contrast to the one-tier board structure used by most US companies. In the Netherlands, a Naamloze Vennootschap (public limited liability company) has an Executive Board as its management body and a Supervisory Board which advises and supervises the Executive Board. In general, Executive Board members are employees of the company while members of the Supervisory Board are often former state or business leaders and sometimes former members of the Executive Board. Members of the Executive Board and other officers and employees cannot simultaneously be a member of the Supervisory Board. The Supervisory Board must approve specified decisions of the Executive Board. Under the Tabaksblat Code, all members of the Supervisory Board with the exception of not more than one person, must be independent. The present members of ING Group s Supervisory Board with the exception of one member, are independent within the meaning of the Tabaksblat Code. The definitions of independence under the Tabaksblat

Code, however, differ in their details from the definitions of independence under the NYSE listing standards. In some cases the Dutch requirements are stricter and in other cases the NYSE listing standards are the stricter of the two. The Audit Committee, Corporate Governance Committee, Remuneration Committee and Nomination Committee of ING Group are comprised of members of the Supervisory Board.

In contrast to the Sarbanes-Oxley Act of 2002, the Tabaksblat Code contains an apply-or-explain principle, offering the possibility to deviate from the Code as long as any such deviations are explained. To the extent that such deviations are approved by the general meeting, the company is deemed to be in full compliance with the Code.

Dutch law requires that the company s external auditors be appointed at the general meeting and not by the Audit Committee.

The ING Group s Articles of Association provide that there are no quorum requirements to hold a General Meeting, although certain shareholder actions and certain resolutions may require a quorum.

The shareholder approval requirements for equity compensation plans under Dutch law and the Tabaksblat Code differ from those applicable to US companies which are subject to the NYSE s listing standards. Under Dutch company law and the Tabaksblat Code, shareholder approval is only required for equity compensation plans (or changes thereto) for members of the Executive Board and Supervisory Board, and not for equity compensation plans for other groups of employees.

PART III.

Item 18. Financial Statements

See pages F-1 to F-195 and the Schedules on F-206 to F-209

Item 19. Exhibits

The following exhibits are filed as part of this Annual Report:

Exhibit 1.1	Amended and Restated Articles of Association of ING Groep N.V., dated October 8, 2008
Exhibit 1.2	Amended and Restated Trust Agreement (English Translation), dated October 8, 2008
Exhibit 2.1	Subordinated Indenture, dated July 18, 2002, between the Company and The Bank of New York, (incorporated by reference to Exhibit 2.1 of ING Groep N.V. s Annual Report on Form 20-F for the year ended December 31, 2002, File No. 1-14642 filed on March 27, 2003)
Exhibit 2.2	First Supplemental Indenture, dated July 18, 2002, between the Company and The Bank of New York (incorporated by reference to Exhibit 2.2 of ING Groep N.V. s Annual Report on Form 20-F for the year ended December 31, 2003, File No. 1-14642 filed on March 30, 2004)
Exhibit 2.3	Second Supplemental Indenture, dated December 12, 2002, between the Company and The Bank of New York (incorporated by reference to Exhibit 2.3 of ING Groep N.V. s Annual Report on Form 20-F for the year ended December 31, 2003, File No. 1-14642 filed on March 30, 2004)
Exhibit 2.4	Third Supplemental Indenture, dated October 28, 2003, between the Company and The Bank of New York (incorporated by reference to Exhibit 2.4 of ING Groep N.V. s Annual Report on Form 20-F for the year ended December 31, 2003, File No. 1-14642 filed on March 30, 2004)
Exhibit 2.5	Fourth Supplemental Indenture, dated September 26, 2005, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.2 of ING Groep N.V. s Report on Form 6-k filed on September 23, 2005)
Exhibit 2.6	Fifth Supplemental Indenture, dated December 8, 2005, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-k filed on December 7, 2005)

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Exhibit 2.7	Sixth Supplemental Indenture, dated June 13, 2007, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-K filed on June 12, 2007)
Exhibit 2.8	Seventh Supplemental Indenture, dated October 4, 2007, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-K filed on October 3, 2007)
Exhibit 2.9	Eigth Supplemental Indenture, dated June 17, 2008, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-K filed on June 17, 2008)
Exhibit 2.10	Terms and conditions of the Core Tier 1 Securities Ranking Pari Passu with Ordinary Shares
Exhibit 2.11	Term Sheet regarding Core Tier-1 Securities Ranking Pari Passu with Ordinary Shares (incorporated by reference to ING Groep N.V. s Report on Form 6-K filed on February 4, 2009)
Exhibit 7	Statement regarding Computation of Ratio of Earnings to Fixed Charges
Exhibit 8	List of Subsidiaries of ING Groep N.V.
Exhibit 12.1	Certification of the Registrant s Chief Executive Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
Exhibit 12.2	Certification of the Registrant s Chief Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
Exhibit 13.1	Certification of the Registrant s Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 13.2	Certification of the Registrant s Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 15.1	Consent of Ernst & Young Accountants
Exhibit 15.2	Consent of KPMG Accountants
Exhibit 15.3	Consent of Ernst & Young Reviseurs d Entrerprises SCCRL

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SIGNATURES

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ING Groep N.V.
(Registrant)

By: /s/J.C.R. Hele
Name: John Hele
Title: Chief Financial Officer

Date: March 16, 2009

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ADDITIONAL INFORMATION
SELECTED STATISTICAL INFORMATION ON BANKING OPERATIONS

The information in this section sets forth selected statistical information regarding the Group s banking operations. Information for 2008, 2007 and 2006 is set forth under IFRS-EU. Unless otherwise indicated, average balances, when used, are calculated from monthly data and the distinction between domestic and foreign is based on the location of the office where the assets and liabilities are booked, as opposed to the domicile of the customer. However, the Company believes that the presentation of these amounts based upon the domicile of the customer would not result in material differences in the amounts presented below.

	Year Ended December 31,		
	2008	**2007**	**2006**
Return on equity of the banking operations	1.8%	16.7%	19.4%
Return on equity of ING Group	(2.1)%	24.2%	23.5%
Dividend pay-out ratio of ING Group	n.a.	34.3%	37.0%
Return on assets of ING Group	(0.1)%	0.7%	0.6%
Equity to assets of ING Group	1.3%	2.8%	3.1%
Net interest margin of the banking operations	1.1%	0.9%	1.1%

AVERAGE BALANCES AND INTEREST RATES

The following tables show the banking operations, average interest-earning assets and average interest-bearing liabilities, together with average rates, for the periods indicated. The interest income, interest expense and average yield figures do not reflect interest income and expense on derivatives and other interest income and expense not considered to be directly related to interest-bearing assets and liabilities. These items are reflected in the corresponding interest income, interest expense and net interest result figures in the consolidated financial statements. A reconciliation of the interest income, interest expense and net interest result figures to the corresponding line items in the consolidated financial statements is provided hereunder.

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ASSETS

	Interest-earning assets								
	2008			**2007**			**2006**		
	Average balance	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**
	(EUR millions)		%	**(EUR millions)**		%	**(EUR millions)**		%
Time deposits with banks									
domestic	22,685	895	3.9	25,730	960	3.7	13,138	522	4.0
foreign	40,557	1,764	4.3	61,531	2,381	3.9	51,553	1,799	3.5
Loans and advances									
domestic	309,956	12,926	4.2	270,149	11,290	4.2	243,306	9,566	3.9
foreign	339,812	17,577	5.2	296,055	17,044	5.8	273,383	13,520	4.9
Interest-earning securities(1)									
domestic	30,398	1,234	4.1	34,993	1,295	3.7	38,310	1,248	3.3
foreign	158,844	8,747	5.5	173,248	8,660	5.0	185,411	8,003	4.3
Other interest-earning assets									
domestic	13,713	547	4.0	8,208	514	6.3	5,910	165	2.8
foreign	14,844	540	3.6	11,520	517	4.5	9,743	333	3.4
Total	**930,809**	44,230	**4.8**	**881,434**	42,661	**4.8**	**820,754**	35,156	**4.3**
Non-interest earning assets	73,994			57,980			51,317		
Derivatives assets	**49,042**			**33,025**			**27,212**		
Total assets(1)	**1,053,845**			**972,439**			**899,283**		
Percentage of assets applicable to foreign operations	59.7%			61.1%			63.6%		
Interest income									
on derivatives		53,037			33,622			23,521	
other		933			576			585	
Total interest income		**98,200**			**76,858**			**59,262**	

(1)

Substantially all interest-earning securities held by the banking operations of the Company are taxable securities.

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LIABILITIES

	Interest-bearing liabilities								
	2008			2007			2006		
	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield
	(EUR millions)		%	(EUR millions)		%	(EUR millions)		%
Time deposits from banks									
domestic	49,198	2,020	4.1	40,487	1,801	4.4	46,930	1,979	4.2
foreign	43,046	2,176	5.1	37,583	1,991	5.3	34,368	1,255	3.7
Demand deposits(5)									
domestic	115,827	1,574	1.4	106,597	1,682	1.6	92,488	1,293	1.4
foreign	46,832	766	1.6	40,173	1,060	2.6	32,533	692	2.1
Time deposits(5)									
domestic	35,048	1,449	4.1	28,535	1,388	4.9	27,983	1,168	4.2
foreign	33,303	1,671	5.0	35,281	1,338	3.8	31,160	1,205	3.9
Savings deposits(5)									
domestic	57,537	1,630	2.8	63,109	1,475	2.3	66,845	1,562	2.3
foreign	229,149	9,070	3.9	228,030	8,603	3.8	228,656	7,682	3.4
Short term debt									
domestic	11,511	558	4.8	5,557	285	5.1	4,133	165	4.0
foreign	40,760	1,927	4.7	46,548	2,685	5.8	35,605	1,768	5.0
Long term debt									
domestic	20,379	1,110	5.4	12,903	813	6.3	14,050	798	5.7
foreign	23,325	1,277	5.5	21,155	1,063	5.0	40,291	1,532	3.8
Subordinated liabilities									
domestic	20,238	1,124	5.6	18,938	1,079	5.7	18,713	1,023	5.5
foreign	1,293	61	4.7	1,574	82	5.2	2,229	119	5.3
Other interest-bearing liabilities									
domestic	92,042	3,174	3.4	77,426	3,220	4.2	46,096	1,260	2.7
foreign	100,179	3,527	3.5	90,157	5,131	5.7	72,665	2,471	3.4
Total	919,667	33,114	3.6	854,053	33,696	3.9	794,745	25,972	3.3
Non-interest bearing liabilities	63,236			64,649			57,099		
Derivatives liabilities	48,243			30,591			25,706		
Total Liabilities	1,031,146			949,293			877,550		
Group Capital	22,699			23,146			21,733		
Total liabilities and capital	**1,053,845**			**972,439**			**899,283**		

Percentage of liabilities applicable to foreign operations	57.0%	59.2%	61.4%
Other interest expense:			
interest expenses on derivatives	52,790	33,298	23,243
other	1,211	828	712
Total interest expense	**87,115**	**67,822**	**49,927**
Total net interest result	**11,085**	**9,037**	**9,335**

(5) These captions do not include deposits from banks.

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ANALYSIS OF CHANGES IN NET INTEREST INCOME

The following table allocates changes in the Group s interest income and expense and net interest result between changes in average balances and rates for the periods indicated. Changes due to a combination of volume and rate have been allocated to changes in average volume. The net changes in interest income, interest expense and net interest result, as calculated in this table, have been reconciled to the changes in interest income, interest expense and net interest result in the consolidated financial statements. See introduction to Average Balances and Interest Rates for a discussion of the differences between interest income, interest expense and net interest result as calculated in the following table and as set forth in the consolidated financial statements.

	2008 over 2007 Increase (decrease) due to changes in			2007 over 2006 Increase (decrease) due to changes in		
	Average volume	Average rate (EUR millions)	Net change	Average volume	Average rate (EUR millions)	Net change
Interest-earning assets						
Time deposits to banks						
domestic	(114)	49	(65)	500	(62)	438
foreign	(812)	195	(617)	348	234	582
Loans and advances						
domestic	1,664	(28)	1,636	1,055	669	1,724
foreign	2,519	(1,986)	533	1,121	2,403	3,524
Interest-earning securities						
Domestic	(170)	109	(61)	(108)	155	47
foreign	(720)	807	87	(525)	1,182	657
Other interest-earning assets						
domestic	345	(312)	33	64	285	349
foreign	149	(126)	23	61	123	184
Interest income						
domestic	1,725	(182)	1,543	1,511	1,047	2,558
foreign	1,136	(1,110)	26	1,005	3,942	4,947
Total	**2,861**	**(1,292)**	**1,569**	**2,516**	**4,989**	**7,505**
Other interest income			19,773			10,092
Total interest income			**21,342**			**17,597**

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	2008 over 2007 Increase (decrease) due to changes in			2007 over 2006 Increase (decrease) due to changes in		
	Average volume	Average rate (EUR millions)	Net change	Average volume	Average rate (EUR millions)	Net change
Interest-bearing liabilities						
Time deposits from banks						
domestic	388	(169)	219	(272)	94	(178)
foreign	289	(104)	185	117	619	736
Demand deposits						
domestic	146	(254)	(108)	197	192	389
foreign	176	(470)	(294)	163	205	368
Time deposits						
domestic	317	(256)	61	23	197	220
foreign	(75)	408	333	159	(26)	133
Savings deposits						
domestic	(130)	285	155	(87)		(87)
foreign	42	425	467	(21)	942	921
Short term debt						
domestic	305	(32)	273	57	63	120
foreign	(334)	(424)	(758)	543	374	917
Long term debt						
domestic	471	(174)	297	(65)	80	15
foreign	109	105	214	(728)	259	(469)
Subordinated liabilities						
domestic	74	(29)	45	12	44	56
foreign	(15)	(6)	(21)	(35)	(2)	(37)
Other interest-bearing liabilities						
domestic	608	(654)	(46)	856	1,103	1,959
foreign	570	(2,174)	(1,604)	595	2,065	2,660
Interest expense						
domestic	2,179	(1,283)	896	721	1,773	2,494
foreign	762	(2,240)	(1,478)	793	4,436	5,229
Total	**2,941**	**(3,523)**	**(582)**	**1,514**	**6,209**	**7,723**
Other interest expense			19,875			10,171
Total interest expense			**19,293**			**17,894**
Net interest						
domestic	(454)	1,101	647	790	(727)	63
Foreign	374	1,130	1,504	211	(494)	(282)

Net interest	**(80)**	**2,231**	**2,151**	**1001**	**(1,221)**	**(219)**
Other net interest result			102			(79)
Net interest result			**2,049**			**(298)**

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INVESTMENTS OF THE GROUP S BANKING OPERATIONS

The following table shows the balance sheet value under IFRS-EU of the investments of the Group s banking operations.

	Year ended December 31		
	2008	2007	2006
		(EUR millions)	
Debt securities available for sale			
Dutch government	6,726	4,741	6,106
German government	5,789	5,960	8,076
Central banks	219	331	213
Belgian government	8,198	11,017	14,225
Other governments	29,435	26,090	27,959
Corporate debt securities			
Banks and financial institutions	37,486	36,860	26,791
Other corporate debt securities	1,417	2,145	9,900
U.S. Treasury and other U.S. Government agencies	56	163	322
Other debt securities	42,176	52,699	57,941
Total debt securities available for sale	131,502	140,006	151,533
Debt securities held to maturity			
Dutch government			
German government	787	789	790
Other governments	819	969	564
Banks and financial institutions	12,929	14,249	13,970
Other corporate debt securities	39	39	40
U.S. Treasury and other U.S. Government agencies	36	102	233
Other debt securities	830	605	2,063
Total debt securities held to maturity	15,440	16,753	17,660
Shares and convertible debentures	1,863	3,626	1,898
Land and buildings (1)	4,331	4,997	5,005
Total	**153,136**	**165,382**	**176,096**

(1) Including commuted ground rents

Banking investment strategy

ING s investment strategy for its investment portfolio related to the banking activities is formulated by the Asset and Liability Committee (ALCO). The exposures of the investments to market rate movements are managed by modifying the asset and liability mix, either directly or through the use of derivative financial products including interest rate swaps, futures, forwards and purchased option positions such as interest rate caps, floors and collars. See Item 11. Quantative and Qualitative Disclosure of Market Risk .

The investment portfolio related to the banking activities primarily consists of fixed-interest securities. Approximately 33% of the land and buildings owned by ING Bank are wholly or partially in use by Group companies.

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Portfolio maturity description

	1 year or less Book value (EUR millions)	Yield[1] %	Between 1 and 5 years Book value (EUR millions)	Yield[1] %	Between 5 and 10 years Book value (EUR millions)	Yield[1] %
Debt securities available for sale						
Dutch government	3,022		2,975		729	
German government	1,013		3,052		1,724	
Belgian government	674		5,208		2,238	
Central banks	219					
Other governments	3,115		14,280		9,320	
Banks and financial institutions	9,236		18,509		8,137	
Corporate debt securities	607		566		219	
U.S. Treasury and other U.S. Government agencies	1		55			
Other debt securities	1,419		11,870		6,726	
Total debt securities available for sale	**19,306**	3.7	**56,515**	4.6	**29,093**	4.2

	Over 10 years Book value (EUR millions)	Yield[1] %	Total Book value (EUR millions)
Debt securities available for sale			
Dutch government			6,726
German government			5,789
Belgian government	78		8,198
Central banks			219
Other governments	2,720		29,435
Banks and financial institutions	1,604		37,486
Corporate debt securities	25		1,417
U.S. Treasury and other U.S. Government agencies			56
Other debt securities	22,161		42,176
Total debt securities available for sale	**26,588**	4.0	**131,502**

(1) Since substantially all investment securities held by the banking operations of

the Company
are taxable
securities, the
yields are on a
tax-equivalent
basis.

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	1 year or less Book value (EUR millions)	Yield[(1)] %	Between 1 and 5 years Book value (EUR millions)	Yield[(1)] %	Between 5 and 10 years Book value (EUR millions)	Yield[(1)] %
Debt securities held to maturity						
Dutch government						
German government	200		587			
Belgian government						
Central banks						
Other governments	116		653		50	
Banks and financial institutions	963		9,256		2,610	
Corporate debt securities			39			
U.S. Treasury and other U.S. Government agencies	36					
Other debt securities	7		223		234	
Total debt securities held to maturity	**1,322**	3.9	**10,758**	3.9	**2,894**	3.9

	Over 10 years Book value (EUR millions)	Yield[(1)] %	Total Book value (EUR millions)
Debt securities held to maturity			
Dutch government			
German government			787
Belgian government			
Central banks			
Other governments			819
Banks and financial institutions	100		12,929
Corporate debt securities			39
U.S. Treasury and other U.S. Government agencies			36
Other debt securities	366		830
Total debt securities held to maturity	**466**	3.0	**15,440**

(1) Since substantially all investment securities held by the banking operations of

the Company are taxable securities, the yields are on a tax-equivalent basis.

On December 31, 2008, ING Group also held the following securities for the banking operations that exceeded 10% of shareholders equity:

	2008	
	Book value	Market value
	(EUR millions)	
Dutch government	6,726	6,726
Belgian government	8,198	8,198
German government	6,576	6,693

LOAN PORTFOLIO

Loans and advances to banks and customers

Loans and advances to banks include all receivables from credit institutions, except for cash, current accounts and deposits with other banks (including central banks). Lending facilities to corporate and private customers encompass among others, loans, overdrafts and finance lease receivables. The following table sets forth the gross loans and advances to banks and customers as of December 31, 2008, 2007, 2006, 2005 and 2004 under IFRS-EU.

IFRS-EU

	Year ended December 31				
	2008	**2007**	**2006**	**2005**	**2004**
	(EUR millions)				
By domestic offices:					
Loans guaranteed by public authorities	16,288	14,679	16,450	13,907	7,296
Loans secured by mortgages	158,861	141,314	120,753	111,257	103,594
Loans to or guaranteed by credit institutions	15,528	16,347	6,747	4,573	7,323
Other private lending	7,158	6,975	6,484	9,943	6,420
Other corporate lending	126,773	105,114	89,999	80,540	35,897
Total domestic offices	**324,608**	**284,429**	**240,433**	**220,220**	**160,530**
By foreign offices:					
Loans guaranteed by public authorities	10,099	8,961	9,503	17,535	17,118
Loans secured by mortgages	145,090	132,614	87,457	69,855	53,156
Loans to or guaranteed by credit institutions	25,810	31,929	32,072	23,721	26,471
Other private lending	20,389	17,784	16,422	15,200	8,474
Other corporate lending	118,958	100,601	89,547	84,355	88,639
Total foreign offices	**320,346**	**291,889**	**235,001**	**210,666**	**193,858**
Total gross loans and advances to banks and customers	**644,954**	**576,318**	**475,434**	**430,886**	**354,388**

Maturities and sensitivity of loans to changes in interest rates

The following table analyzes loans and advances to banks and customers by time remaining until maturity as of December 31, 2008.

	1 year or less	**1 year to 5 years**	**After 5 years**	**Total**
	(EUR millions)			
By domestic offices:				
Loans guaranteed by public authorities	4,478	1,312	10,498	16,288
Loans secured by mortgages	10,492	16,410	131,959	158,861
Loans guaranteed by credit institutions	13,984	1,405	139	15,528
Other private lending	5,157	533	1,468	7,158

Other corporate lending	102,795	15,398	8,578	126,771
Total domestic offices	**136,906**	**35,058**	**152,642**	**324,606**
By foreign offices:				
Loans guaranteed by public authorities	3,805	2,835	3,459	10,099
Loans secured by mortgages	13,217	24,969	106,904	145,090
Loans guaranteed by credit institutions	19,820	4,548	1,442	25,810
Other private lending	12,244	3,602	4,543	20,389
Other corporate lending	42,527	44,183	32,250	118,960
Total foreign offices	**91,613**	**80,137**	**148,598**	**320,348**
Total gross loans and advances to banks and customers	**228,519**	**115,195**	**301,240**	**644,954**

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The following table analyzes loans and advances to banks and customers by interest rate sensitivity by maturity as of December 31, 2008.

	1 year or less	Over 1 year (EUR millions)	Total
Non-interest earning	4,343	408	4,751
Fixed interest rate	74,449	125,089	199,538
Semi-fixed interest rate[(1)]	5,392	173,348	178,740
Variable interest rate	144,335	117,590	261,925
Total	**228,519**	**416,435**	**644,954**

(1) Loans that have an interest rate that remains fixed for more than one year and which can then be changed are classified as semi-fixed

Loan concentration

The following industry concentrations were in excess of 10% of total loans as of December 31, 2008:

	Total outstanding
Financial institutions	30.9%
Private individuals	34.4%

Risk elements

Loans Past Due 90 days and Still Accruing Interest

Loans past due 90 days and still accruing interest are loans that are contractually past due 90 days or more as to principal or interest on which we continue to recognize interest income on an accrual basis in accordance with IFRS-EU.

Under IFRS-EU prior to the implementation of IAS 32 and IAS 39 and under Dutch GAAP, loans were placed on non-accrual status when a loan was in default as to payment of principal and interest for 90 days or more, or when, in the judgment of management, the accrual of interest should cease before 90 days. Any accrued, but unpaid, interest was reversed against the same period s interest revenue. Interest payments received on a cash basis during the period were recorded as interest income.

In 2005 with the implementation of IAS 32 and IAS 39, once a loan has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. As all loans continue to accrue interest under IFRS-EU, the non-accrual loan status is no longer used to identify ING Group s risk elements. Therefore, as from 2005, no loans are reported as non-accrual and there is an increase in the amount of loans reported as Loans past due 90 days and still accruing interest, compared to the prior years reported, due to the interest accrual on impaired loans.

The following table sets forth the outstanding balance of the loans past due 90 days and still accruing interest and non-accrual loans for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 under IFRS-EU.

	Year ended December 31				
	2008	**2007**	**2006**	**2005**	**2004**
IFRS-EU	(EUR millions)				
Loans past due 90 days and still accruing interest					
Domestic	2,799	1,159	1,317	1,664	577
Foreign	2,634	1,892	2,426	2,112	510
Total loans past due 90 days and still accruing interest	**5,433**	**3,051**	**3,743**	**3,776**	**1,087**
Non-accrual					
Domestic					1,143
Foreign					2,284
Total non-accruals					**3,427**
Total loans past due 90 days and still accruing interest and non-accrual loans	**5,433**	**3,051**	**3,743**	**3,776**	**4,514**

As of December 31, 2008, EUR 5,433 million of the loans past due 90 days and still accruing interest have a loan loss provision. Total loans with a loan loss provision, including those loans classified as past due 90 days and still accruing interest with a provision and troubled debt restructurings with a provision, amounts to EUR 7,489 million as of December 31, 2008.

Troubled Debt Restructurings

Troubled debt restructurings are loans that we have restructured due to deterioration in the borrower s financial position and in relation to which, for economic or legal reasons related to the borrower s deteriorated financial position, we have granted a concession to the borrower that we would not have otherwise granted.

The following table sets forth the outstanding balances of the troubled debt restructurings as of December 31, 2008, 2007, 2006, 2005 and 2004 under IFRS-EU.

	Year ended December 31				
IFRS-EU	**2008**	**2007**	**2006**	**2005**	**2004**
			(EUR millions)		
Troubled debt restructurings:					
Domestic	51	45	163	495	197
Foreign	354	47	199	582	651
Total troubled debt restructurings	**405**	**92**	**362**	**1,077**	**848**

Interest Income on Troubled Debt Restructurings

The following table sets forth the gross interest income that would have been recorded during the year ended December 31, 2008 on troubled debt restructurings had such loans been current in accordance with their original contractual terms and interest income on such loans that was actually included in interest income during the year ended December 31, 2008.

	Year ended December 31, 2008 (EUR millions)		
	Domestic Offices	Foreign Offices	Total
Interest income that would have been recognized under the original contractual terms	4		4
Interest income recognized in the profit and loss account	2		2

Potential Problem Loans

Potential problem loans are loans that are not classified as loans past due 90 days and still accruing interest or troubled debt restructurings and amounted to EUR 4,439 million as of December 31, 2008. Of this total, EUR 3,132 million relates to domestic loans and EUR 1,307 million relates to foreign loans. These loans are considered potential problem loans as there is known information about possible credit problems causing us to have serious doubts as to the ability of the borrower to comply with the present loan repayment terms and which may result in classifying the loans as loans past due 90 days and still accruing interest or as troubled debt restructurings. Appropriate provisions, following ING Group s credit risk rating system, have been established for these loans.

Cross-border outstandings

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets that are denominated in euro or other non-local currency. To the extent that material local currency outstandings are not hedged or are not funded by local currency borrowings, such amounts are included in cross-border outstandings. Commitments such as irrevocable letters of credit are not considered as cross border outstanding. Total outstandings are in line with Dutch Central Bank requirements. On December 31, 2008, there were no outstandings exceeding 1% of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

The following tables analyze cross-border outstandings as of the end of December 31, 2008, 2007 and 2006 stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings exceed 1% of total assets, by the following categories.

	Year ended December 31, 2008					
	Government & official institutions	**Banks & other financial Institutions**	**Commercial & industrial**	**Other**	**Total**	**Cross-border Commitments**
			(EUR millions)			
United Kingdom	143	12,228	29,094	1,159	42,624	4,698
United States	83	3,065	12,170	15,427	30,745	10,787
France	7,636	10,396	6,137	2,449	26,617	1,964
Germany	5,671	6,338	4,298	3,327	19,634	7,882
Italy	8,974	5,082	3,625	1,019	18,701	1,534
Spain	2,573	7,940	5,967	96	16,576	3,134
Belgium	1,987	7,163	7,851	2,277	19,278	17,161

	Year ended December 31, 2007					
	Government & official institutions	**Banks & other financial Institutions**	**Commercial & industrial**	**Other**	**Total**	**Cross-border Commitments**
			(EUR millions)			
United Kingdom	144	27,501	44,621	1,403	73,669	6,018
United States	33	4,035	26,821	14,852	45,741	13,050
France	5,777	17,811	6,864	4,474	34,926	2,295
Germany	4,839	10,361	4,499	4,428	24,127	9,500
Italy	10,381	4,642	4,378	1,117	20,518	1,318
Spain	2,375	7,749	6,183	685	16,992	2,139
Belgium	2,638	5,782	3,607	1,683	13,710	14,999

	Year ended December 31, 2006					
	Government & official institutions	**Banks & other financial Institutions**	**Commercial & industrial**	**Other**	**Total**	**Cross-border Commitments**
			(EUR millions)			
United Kingdom	60	29,787	51,344	2,437	83,628	9,840

United States	114	7,241	33,388	4,102	44,845	11,353

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	Year ended December 31, 2006					
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial	Other	Total	Cross-border Commitments
	(EUR millions)					
France	4,831	12,012	5,658	3,491	25,992	2,776
Germany	6,855	10,233	4,244	1,906	23,238	7,898
Italy	11,819	4,011	5,704	1,118	22,652	1,445
Spain	2,494	7,766	8,194	923	19,377	2,071

There were no cross-border outstandings between 0.75% and 1% of total assets, at year-end 2008 and 2007. On December 31, 2006, Ireland and Belgium had EUR 10,049 million and EUR 9,523 million, respectively, of cross-border outstandings between 0.75% and 1% of total assets.

Summary of Loan Loss Experience

For further explanation on loan loss provision see Loan Loss Provisions in Note 2.1 to the consolidated financial statements.

The application of the IFRS-EU methodology has reduced the amount of the unallocated provision for loan losses that ING Group provided in prior years to adequately capture various subjective and judgmental aspects of the credit risk assessment which were not considered on an individual basis.

The following table presents the movements in allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2008, 2007, 2006, 2005 and 2004 under IFRS-EU.

	Calendar period				
IFRS-EU	**2008**	**2007**	**2006**	**2005**	**2004**
	(EUR millions)				
Balance on January 1	2,001	2,642	3,313	4,262	4,671
Implementation IAS 32 and IAS 39 (1)				(398)	
Change in the composition of the Group	1	98	(101)	(4)	(38)
Charge-offs:					
Domestic:					
Loans guaranteed by public authorities					(1)
Loans secured by mortgages	(34)	(22)	(32)	(8)	(3)
Loans to or guaranteed by credit institutions	(36)	(11)	(11)	(12)	(22)
Other private lending	(126)	(115)	(108)	(107)	(57)
Other corporate lending	(133)	(189)	(136)	(164)	(156)
Foreign:					
Loans guaranteed by public authorities	(16)	(25)		(9)	(13)
Loans secured by mortgages	(6)	(11)	(26)	(23)	(31)
Loans to or guaranteed by credit institutions		(2)	(5)	(4)	20
Other private lending	(114)	(104)	(70)	(78)	(57)
Other corporate lending	(263)	(473)	(303)	(437)	(589)

Total charge-offs	(728)	(952)	(691)	(842)	(909)
Recoveries:					
Domestic:					
Loans guaranteed by public authorities					6
Loans secured by mortgages					3
Loans to or guaranteed by credit institutions		2	4		
Other private lending	36	3	11	6	
Other corporate lending			1		
Foreign:					
Loans guaranteed by public authorities					
Loans secured by mortgages		1			(1)
Loans to or guaranteed by credit institutions					23
Other private lending	27	30	49	39	11
Other corporate lending	27	23	21	16	42
Total recoveries	90	59	86	61	84
Net charge-offs	(638)	(893)	(605)	(781)	(825)
Additions and other adjustments (included in value Adjustments to receivables of the Banking operations)	1,247	154	35	234	454

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IFRS-EU	2008	2007	Calendar period 2006 (EUR millions)	2005	2004
Balance on December 31	**2,611**	**2,001**	**2,642**	**3,313**	**4,262**
Ratio of net charge-offs to average loans and advances to banks and customers	0.10%	0.16%	0.12%	0.17%	0.24%

(1) Consists of release of unallocated provision for loan losses of EUR (592) million and reclassification from other assets for provision for interest on impaired loans of EUR 194 million.

Additions to the provision for loan losses presented in the table above were influenced by developments in general economic conditions as well as certain individual exposures.

The following table shows the allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2008, 2007, 2006, 2005 and 2004 under IFRS-EU.

	Year ended December 31									
	2008		2007		2006		2005		2004	
	EUR	%(1)	EUR	%(1)	EUR	%(1)			EUR	%(1)
IFRS-EU					(EUR millions)					
Domestic:										
Loans guaranteed by public authorities		2.54		2.56		3.46	1	3.23	1	2.06
Loans secured by mortgages	167	24.76	96	24.62	96	25.40	93	25.82	198	29.23
Loans to or guaranteed by credit institutions	68	2.42	11	2.85		1.42		1.06		2.07
Other private lending	120	1.12	181	1.21	357	1.36	230	2.31	181	1.81

Other corporate lending	474	19.24	377	17.91	280	18.93	594	18.69	692	10.13
Total domestic	829	50.08	665	49.15	733	50.57	918	51.11	1,072	45.30
Foreign:										
Loans guaranteed by public authorities	2	1.57	1	1.56	2	2.00	2	4.07	36	4.83
Loans secured by mortgages	425	22.61	203	23.10	177	18.40	273	16.20	213	15.00
Loans to or guaranteed by credit institutions	17	4.02	3	5.56	6	6.75	13	5.51	23	7.47
Other private lending	533	3.18	374	3.10	408	3.45	408	3.53	344	2.39
Other corporate lending	805	18.54	755	17.53	1,316	18.83	1,699	19.58	2,574	25.01
Total foreign	1,782	49.92	1,336	50.85	1,909	49.43	2,395	48.89	3,190	54.70
Total	**2,611**	**100.00**	**2,001**	**100.00**	**2,642**	**100.00**	**3,313**	**100.00**	**4,262**	**100.00**

(1) The percentages represent the loans in each category as a percentage of the total loan portfolio for loans and advances to banks and customers.

DEPOSITS

The aggregate average balance of all the Group s interest-bearing deposits (from banks and customer accounts) increased by 2.3% to EUR 681,766 million for 2008, compared to 2007. Interest rates paid reflect market conditions. The effect on net interest income depends upon competitive pricing and the level of interest income that can be generated through the use of funds.

Deposits by banks are primarily time deposits, the majority of which are raised by the Group s Amsterdam based money market operations in the world s major financial markets.

Certificates of deposit represent 44% of the category Debt securities (31% at the end of 2007). These instruments are issued as part of liquidity management with maturities generally of less than three months.

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The following table includes the average deposit balance by category of deposit and the related average rate.

	2008		2007		2006	
	Average deposit (EUR millions)	**Average rate %**	**Average deposit (EUR millions)**	**Average rate %**	**Average deposit (EUR millions)**	**Average rate %**
Deposits by banks						
In domestic offices:						
Demand non-interest bearing	9,797		4,278		2,404	
interest bearing	11,821	3.8	20,909	5.3	16,118	4.5
Time	49,147	3.7	58,601	3.1	31,896	4.3
Other	12,213	3.6	1,900	4.1	1,474	4.0
Total domestic offices	82,978		85,688		51,892	
In foreign offices:						
Demand non-interest bearing	3,374		2,149		1,556	
interest bearing	12,175	3.9	7,295	5.8	4,184	3.2
Time	40,425	5.1	35,679	5.3	33,802	3.4
Other	31,121	4.8	31,975	4.7	31,520	4.5
Total foreign offices	87,095		77,098		71,062	
Total deposits by banks	**170,073**		**162,786**		**122,954**	
Customer accounts						
In domestic offices:						
Demand non-interest bearing	15,041		16,702		15,804	
interest bearing	108,589	1.7	100,618	2.1	86,748	1.8
Savings	57,475	2.8	63,001	2.3	66,765	2.3
Time	34,856	4.1	35,767	3.9	20,062	4.6
Other	7,202	3.6	1,578	4.8	1,809	4.5
Total domestic offices	223,163		217,666		191,188	
In foreign offices:						
Demand non-interest bearing	4,581		4,887		4,401	
interest bearing	52,089	2.8	41,519	3.5	33,403	2.3
Savings	229,149	3.9	228,030	3.8	228,636	3.4
Time	33,018	5.0	34,987	3.8	28,149	3.9
Other	2,486	4.9	4,672	3.6	9,673	1.4
Total foreign offices	321,323		314,095		304,262	
	544,486		**531,761**		**495,450**	

Total customers accounts						
Debt securities						
In domestic offices:						
Debentures	13,379	4.8	5,054	5.0	5,481	4.4
Certificates of deposit	8,887	4.6	3,441	4.7	2,531	3.8
Other	2,691	5.4	2,216	5.7	1,722	4.2
Total domestic offices	24,957		10,711		9,734	

	2008		2007		2006	
	Average deposit (EUR millions)	**Average rate %**	**Average deposit (EUR millions)**	**Average rate %**	**Average deposit (EUR millions)**	**Average rate %**
In foreign offices:						
Debentures	8,552	6.0	8,609	5.8	23,197	3.8
Certificates of deposit	25,665	5.4	17,815	5.9	11,027	5.0
Other	18,611	3.5	32,008	5.3	28,150	4.7
Total foreign offices	52.828		58,432		62,374	
Total debt securities	**77,785**		**69,143**		**72,108**	

For the years ended December 31, 2008, 2007 and 2006, the aggregate amount of deposits by foreign depositors in domestic offices was EUR 77,958 million, EUR 78,227 million and EUR 69,838 million, respectively.
On December 31, 2008, the maturity of domestic time certificates of deposit and other time deposits, exceeding EUR 20,000, was:

	Time certificates of deposit		**Other time deposits**	
	(EUR millions)	%	**(EUR millions)**	%
3 months or less	5,374	82.8	82,307	81.4
6 months or less but over 3 months	733	11.3	8,952	8.8
12 months or less but over 6 months	235	3.6	7,678	7.6
Over 12 months	149	2.3	2,196	2.2
Total	**6,491**	**100**	**101,133**	**100**

The following table shows the amount outstanding for time certificates of deposit and other time deposits exceeding EUR 20,000 issued by foreign offices on December 31, 2008.

	(EUR millions)
Time certificates of deposit	20,400
Other time deposits	100,784
Total	**121,184**

Short-term Borrowings

Short-term borrowings are borrowings with an original maturity of one year or less. Commercial paper and securities sold under repurchase agreements are the only significant categories of short-term borrowings within our banking operations.
The following table sets forth certain information relating to the categories of our short-term borrowings.

	Year ended December 31		
	2008	**2007**	**2006**
		(EUR millions,	

IFRS-EU		**except % data)**	
Commercial paper:			
Balance at the end of the year	18,444	14,393	35,682
Monthly average balance outstanding during the year	17,949	30,403	26,416
Maximum balance outstanding at any period end during the year	**19,319**	**37,304**	**35,682**
Weighted average interest rate during the year	**3.80%**	**5.80%**	**4.87%**
Weighted average interest rate on balance at the end of the year	**3.70%**	**6.02%**	**3.60%**

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IFRS-EU	Year ended December 31 2008	2007 (EUR millions, except % data)	2006
Securities sold under repurchase agreements:			
Balance at the end of the year	110,202	127,111	101,239
Monthly average balance outstanding during the year	148,613	124,723	103,951
Maximum balance outstanding at any period end during the year	**178,185**	**142,753**	**122,619**
Weighted average interest rate during the year	**3.17%**	**4.66%**	**3.03%**
Weighted average interest rate on balance at the end of the year	**4.27%**	**4.57%**	**3.11%**

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, the Supervisory Board and the Executive Board of ING Groep N.V.

We have audited the accompanying consolidated balance sheets of ING Groep N.V. (ING Group), as of December 31, 2008 and 2007, and the related consolidated profit and loss accounts, consolidated statements of cash flows and consolidated statements of changes in equity for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedules listed in the Index at Item 18. These financial statements and schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits. We did not audit the consolidated financial statements of ING Bank N.V., a wholly owned subsidiary, for the years ending December 31, 2007 and 2006. In our position we did not audit capital base, as defined in Note 2.2.2 of the notes to the consolidated financial statements, constituting 41% in 2007 and net profit constituting 29% in 2007 and 37% in 2006 of the related consolidated totals of ING Groep N.V. These data were reported on by other auditors whose report has been furnished to us, and our opinion insofar as it relates to data included for ING Bank N.V. is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts (including the conversion of the financial statements of ING Groep N.V. to International Financial Reporting Standards as issued by the International Accounting Standards Board as of December 31, 2007 and for the year then ended, and the conversion of the financial statements of ING Groep N.V. to US generally accepted accounting principles for the year ended December 31, 2006) and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the ING Groep N.V. as of December 31, 2008 and 2007, and the consolidated results of its operations, and it cash flows for each of the three years in the period ended December 31, 2008, in conformity with International Financial Reporting Standards as adopted by the European Union. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

International Financial Reporting Standards as adopted by the European Union vary in certain significant respects from International Financial Reporting Standards as issued by the International Accounting Standards Board and U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in Notes 2.4 and 2.5, respectively, of the Notes to the Consolidated Financial Statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of ING Groep N.V. s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2009 expressed an unqualified opinion thereon.

Amsterdam, the Netherlands
March 16, 2009
Ernst & Young Accountants

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

amounts in millions of euros	**2008**	2007
ASSETS		
Cash and balances with central banks **1)**	**22,045**	12,406
Amounts due from banks **2)**	**48,447**	48,875
Financial assets at fair value through profit and loss **3)**		
trading assets	**160,378**	193,213
investments for risk of policyholders	**95,366**	114,827
non-trading derivatives	**16,484**	7,637
designated as at fair value through profit and loss	**8,277**	11,453
Investments **4)**		
available-for-sale	**242,852**	275,897
held-to-maturity	**15,440**	16,753
Loans and advances to customers **5)**	**619,791**	552,964
Reinsurance contracts **17)**	**5,797**	5,874
Investments in associates **6)**	**4,355**	5,014
Real estate investments **7)**	**4,300**	4,829
Property and equipment **8)**	**6,396**	6,237
Intangible assets **9)**	**6,915**	5,740
Deferred acquisition costs **10)**	**11,843**	10,692
Other assets **11)**	**62,977**	40,099
Total assets	**1,331,663**	1,312,510
EQUITY		
Shareholders equity (parent) **12)**	**17,334**	37,208
Non-voting equity securities **12)**	**10,000**	
	27,334	37,208
Minority interests	**1,594**	2,323
Total equity	**28,928**	39,531
LIABILITIES		
Preference shares **13)**		21
Subordinated loans **14)**	**10,281**	7,325
Debt securities in issue **15)**	**96,488**	66,995
Other borrowed funds **16)**	**31,198**	27,058
Insurance and investment contracts **17)**	**240,790**	265,712
Amounts due to banks **18)**	**152,265**	166,972
Customer deposits and other funds on deposit **19)**	**522,783**	525,216
Financial liabilities at fair value through profit and loss **20)**		
trading liabilities	**152,616**	148,988
non-trading derivatives	**21,773**	6,951

designated as at fair value through profit and loss	**14,009**	13,882
Other liabilities **21)**	**60,532**	43,859
Total liabilities	**1,302,735**	1,272,979
Total equity and liabilities	**1,331,663**	1,312,510

References relate to the notes starting on page F-28. These form an integral part of the consolidated annual accounts.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP
For the years ended December 31,

amounts in millions of euros	**2008**	**2008**	2007	2007	2006	2006
Interest income banking operations	**97,011**		76,749		59,170	
Interest expense banking operations	**(85,969)**		(67,773)		(49,978)	
Interest result banking operations **34)**		**11,042**		8,976		9,192
Gross premium income **35)**		**43,812**		46,818		46,835
Investment income **36)**		**4,664**		13,352		10,907
Net gains/losses on disposals of group companies		**17**		430		1
Gross commission income	**7,504**		7,693		6,867	
Commission expense	**(2,539)**		(2,866)		(2,551)	
Commission income **37)**		**4,965**		4,827		4,316
Valuation results on non-trading derivatives **38**		**2,300**		(561)		89
Net trading income **39)**		**(749)**		1,119		1,172
Share of profit from associates **6)**		**(404)**		740		638
Other income **40)**		**644**		885		471
Total income		**66,291**		76,586		73,621
Gross underwriting expenditure **41)**	**18,831**		51,818		53,065	
Investment result for risk of policyholders	**32,408**		(1,079)		(2,702)	
Reinsurance recoveries	**(1,754)**		(1,906)		(2,175)	
Underwriting expenditure **41)**		**49,485**		48,833		48,188
Addition to loan loss provisions **5)**		**1,280**		125		103
Intangible amortization and other impairments **42)**		**464**		15		35
Staff expenses **43)**		**8,764**		8,261		7,918
Other interest expenses **44)**		**978**		1,102		1,016
Other operating expenses **45)**		**6,807**		7,207		6,421
Total expenses		**67,778**		65,543		63,681
Result before tax		**(1,487)**		11,043		9,940
Taxation **46)**		**(721)**		1,535		1,907
Net result (before minority interests)		**(766)**		9,508		8,033

Attributable to:

Equityholders of the parent	**(729)**	9,241	7,692
Minority interests	**(37)**	267	341
	(766)	9,508	8,033

amounts in euros	**2008**	2007	2006
Basic earnings per ordinary share **47)**	**(0.36)**	4.32	3.57
Earnings after attribution to non-voting equity securities per ordinary share **47)**	**(0.56)**	4.32	3.57
Diluted earnings per ordinary share **47)**	**(0.36)**	4.28	3.53
Dividend per ordinary share **48)**	**0.74**	1.48	1.32

References relate to the notes starting on page F-88. These form an integral part of the consolidated annual accounts.

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CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP
For the years ended December 31,

amounts in millions of euros	**2008**	2007	2006
Result before tax	**(1,487)**	11,043	9,940
Adjusted for			
depreciation	**1,492**	1,382	1,298
deferred acquisition costs and value of business acquired	**(444)**	(1,338)	(1,317)
increase in provisions for insurance and investment contracts	**16,363**	26,494	17,689
addition to loan loss provisions	**1,280**	125	103
other	**6,955**	(3,897)	(4,778)
Taxation paid	**(49)**	(1,347)	(1,739)
Changes in			
amounts due from banks, not available on demand	**7,162**	(8,690)	3,117
trading assets	**32,386**	2,997	(48,168)
non-trading derivatives	**(2,020)**	261	(179)
other financial assets at fair value through profit and loss	**3,174**	(4,878)	3,930
loans and advances to customers	**(76,215)**	(75,501)	(59,800)
other assets	**(11,847)**	(6,534)	1,218
amounts due to banks, not payable on demand	**13,210**	15,414	1,925
customer deposits and other funds on deposit	**6,831**	28,640	47,521
trading liabilities	**3,501**	20,916	38,821
other financial liabilities at fair value through profit and loss	**13,016**	44	2,405
other liabilities	**(485)**	6,577	(2,416)
Net cash flow from operating activities	**12,823**	11,708	9,570
Investments and advances			
group companies	**(1,725)**	(3,215)	(2,358)
associates	**(1,034)**	(1,221)	(449)
available-for-sale investments	**(228,291)**	(284,006)	(295,086)
held-to-maturity investments	**(314)**		
real estate investments	**(905)**	(876)	(1,588)
property and equipment	**(708)**	(575)	(568)
assets subject to operating leases	**(1,401)**	(1,393)	(1,164)
investments for risk of policyholders	**(64,735)**	(54,438)	(44,116)
other investments	**(881)**	(316)	(250)
Disposals and redemptions			
group companies	**1,590**	1,012	490
associates	**972**	1,049	459
available-for-sale investments	**225,539**	281,198	271,983
held-to-maturity investments	**1,640**	822	1,343
real estate investments	**415**	309	1,294
property and equipment	**137**	151	292
assets subject to operating leases	**428**	417	402
investments for risk of policyholders	**59,251**	47,136	37,945
other investments	**19**	13	51

Net cash flow from investing activities **51)**	**(10,003)**	(13,933)	(31,320)
Proceeds from issuance of subordinated loans	**2,721**	1,764	865
Repayments of subordinated loans			(600)
Proceeds from borrowed funds and debt securities	**391,915**	455,629	304,228
Repayments of borrowed funds and debt securities	**(354,015)**	(464,982)	(283,728)
Issuance of ordinary shares	**448**	397	5
Issuance of non-voting equity securities	**10,000**		
Payments to acquire treasury shares	**(2,388)**	(3,446)	(1,422)
Sales of treasury shares	**252**	846	373
Dividends paid	**(3,207)**	(3,039)	(2,716)
Net cash flow from financing activities	**45,726**	(12,831)	17,005
Net cash flow **52)**	**48,546**	(15,056)	(4,745)
Cash and cash equivalents at beginning of year	**(16,811)**	(1,795)	3,335
Effect of exchange rate changes on cash and cash equivalents	**(464)**	40	(385)
Cash and cash equivalents at end of year **53)**	**31,271**	(16,811)	(1,795)

Cash and cash equivalents as at December 31, 2008 of EUR 31,271 million (2007: EUR (16,811) million) includes cash and balances with central banks of EUR 22,045 million (2007: EUR 12,406 million). Reference is made to Note 53 Cash and Cash equivalents .

References relate to the notes starting on page F-104. These form an integral part of the consolidated annual accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ING GROUP
For the years ended December 31,

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholders equity (parent)	Non-voting equity securities	Minority interests	Total equity
Balance as at January 1, 2006	530	8,343	27,863	36,736		1,689	38,425
Unrealized revaluations after taxation			(1,096)	(1,096)		(8)	(1,104)
Realized gains/losses transferred to profit and loss			(759)	(759)		(1)	(760)
Changes in cash flow hedge reserve			(696)	(696)			(696)
Transfer to insurance liabilities/DAC			820	820		(3)	817
Employee stock option and share plans			100	100		2	102
Exchange rate differences			(1,335)	(1,335)		(70)	(1,405)
Total amount recognized directly in equity			(2,966)	(2,966)		(80)	(3,046)
Net result			7,692	7,692		341	8,033
			4,726	4,726		261	4,987
Changes in the composition of the group						1,034	1,034
Dividends [(1)]			(2,681)	(2,681)		(35)	(2,716)
Purchase/sale of treasury shares			(520)	(520)			(520)
Exercise of warrants and options		5		5			5
Balance as at December 31, 2006	530	8,348	29,388	38,266		2,949	41,215
Unrealized revaluations after taxation			(1,135)	(1,135)		(109)	(1,244)
Realized gains/losses transferred to profit and loss			(3,186)	(3,186)			(3,186)
Changes in cash flow hedge reserve			(925)	(925)			(925)
Transfer to insurance liabilities/DAC			1,132	1,132		5	1,137

Employee stock option and share plans			104	104		104
Exchange rate differences [3]			(1,381)	(1,381)	23	(1,358)
Other revaluations					31	31
Total amount recognized directly in equity			(5,391)	(5,391)	(50)	(5,441)
Net result			9,241	9,241	267	9,508
			3,850	3,850	217	4,067
Changes in the composition of the group					(745)	(745)
Dividends [2]			(2,999)	(2,999)	(40)	(3,039)
Purchase/sale of treasury shares			(2,304)	(2,304)		(2,304)
Exercise of warrants and options	4	391		395		395
Change in minority interest shareholdings					(58)	(58)
Balance as at December 31, 2007	534	8,739	27,935	37,208	2,323	39,531

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ING GROUP
For the years ended December 31,

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholders equity (parent)	Non-voting equity securities	Minority interests	Total equity
Unrealized revaluations after taxation			**(18,437)**	**(18,437)**		**(48)**	**(18,485)**
Realized gains/losses transferred to profit and loss			**2,476**	**2,476**			**2,476**
Changes in cash flow hedge reserve			**746**	**746**			**746**
Transfer to insurance liabilities/DAC			**2,193**	**2,193**			**2,193**
Employee stock option and share plans			**31**	**31**			**31**
Issuance costs incurred			**(20)**	**(20)**			**(20)**
Exchange rate differences [3]			**(952)**	**(952)**		**(134)**	**(1,086)**
Other revaluations						**(23)**	**(23)**
Total amount recognized directly in equity			**(13,963)**	**(13,963)**		**(205)**	**(14,168)**
Net result			**(729)**	**(729)**		**(37)**	**(766)**
			(14,692)	**(14,692)**		**(242)**	**(14,934)**
Issue of non-voting equity securities					**10,000**		**10,000**
Changes in the composition of the group						**(455)**	**(455)**
Dividends [4]			**(3,600)**	**(3,600)**		**(32)**	**(3,632)**
Purchase/sale of treasury shares	**(44)**		**(1,986)**	**(2,030)**			**(2,030)**
Exercise of warrants and options	**5**	**443**		**448**			**448**
Balance as at December 31, 2008	**495**	**9,182**	**7,657**	**17,334**	**10,000**	**1,594**	**28,928**

(1) 2005 final dividend of EUR 0.64 per ordinary share and 2006 interim dividend

of EUR 0.59 per ordinary share.

(2) 2006 final dividend of EUR 0.73 per ordinary share and 2007 interim dividend of EUR 0.66 per ordinary share.

(3) Exchange rate differences include Exchange rate differences for the year of EUR (952) million (2007: EUR (1,153) million; 2006: EUR (1,335) million) and Realized gains/losses transferred to profit and loss of nil (2007: EUR (228) million; 2006: nil). Reference is made to Note 12 Shareholders equity/non-voting equity securities .

(4) 2007 final dividend of EUR 0.82 per ordinary share, 2008 interim dividend of EUR 0.74 per ordinary share and EUR 0.425 per non-voting equity security.

In 2008, deferred taxes for the year with regard to unrealized revaluations amounted to EUR 5,381 million (2007: EUR 1,451 million). For details on deferred tax see Note 21 Other liabilities .

Reserves include Revaluation reserve of EUR (8,502) million (2007: EUR 4,937 million; 2006: EUR 9,453 million), Currency translation reserve of EUR (1,918) million (2007: EUR (1,354) million; 2006: EUR (473) million) and Other reserves of EUR 18,077 million (2007: EUR 24,352 million; 2006: EUR 20,408 million). Changes in individual components are presented in Note 12 Shareholders equity (parent)/ non-voting equity securities .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amounts in millions of euros, unless stated otherwise

2.1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1.1. ACCOUNTING POLICIES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCO

AUTHORIZATION OF ANNUAL ACCOUNTS

The consolidated annual accounts of ING Groep N.V. (ING Group) for the year ended December 31, 2008 were authorized for issue in accordance with a resolution of the Executive Board on March 16, 2009. ING Groep N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principal activities of ING Group are described in the section ING at a glance in section 1.1.

BASIS OF PRESENTATION

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

The following standards and interpretations became effective in 2008: International Financial Reporting Interpretation Committee (IFRIC) 12 Service Concession Arrangements , IFRIC 14 IAS 19-The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction and Reclassification of Financial Assets: Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures . None of these recently issued standards and interpretations has had a material effect on equity or result for the year.

The following new and revized standards and interpretations were issued by the IASB, which become effective for ING Group as of 2009 (unless otherwise indicated):

- Amendment to IFRS 1 First-time adoption of IFRS (effective as of 2010)
- Amendment to IFRS 2 Share-based Payments Vesting Conditions and Cancellations
- IFRS 3 Business Combinations (revized) and IAS 27 Consolidated and Separate Financial Statements (amended) (effective as of 2010)
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements
- IAS 23 Borrowing Costs
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements Determining the cost of an Investment in the Separate Financial Statements
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items (effective as of 2010)
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- 2008 Annual Improvements to IFRS
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective as of 2010)

IFRIC 18 Transfers of Assets from Customers (effective as of 2010)

Amendment to IFRS 7 Improving Disclosures about Financial Instruments

Amendment to IFRIC 9 and IAS 39 Embedded Derivatives .

ING Group does not expect the adoption of these new or revized standards and interpretations to have a significant effect on the consolidated financial statements.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

As explained in the section Principles of valuation and determination of results and in Note 23 Derivatives and hedge accounting ING Group applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU carve out of IFRS-EU.

The presentation of, and certain terms used in, the consolidated balance sheet, the consolidated profit and loss account, consolidated statement of cash flows, consolidated statement of changes in equity and certain notes has been changed to provide additional and more relevant information.

CRITICAL ACCOUNTING POLICIES

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

Insurance provisions, Deferred acquisition costs (DAC) and Value of business acquired (VOBA)

The establishment of insurance provisions, DAC and VOBA is an inherently uncertain process, involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends. Specifically, significant assumptions related to these items that could have a material impact on financial results include interest rates, mortality, morbidity, property and casualty claims, investment yields on equity and real estate, foreign currency exchange rates and reserve adequacy assumptions.

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

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

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

The process of defining methodologies and assumptions for insurance provisions, DAC and VOBA is governed by ING Insurance risk management governance as described in the Risk management section.

See the Risk management section for a sensitivity analysis of net result and shareholders equity to insurance, interest rate, equity, foreign currency and real estate risks. These sensitivities are based on changes in assumptions that management considers reasonably likely at the balance sheet date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Amounts are in millions of euros, unless otherwise stated

Loan loss provisions

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

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

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

Fair values of real estate

Real estate investments are reported at fair value; all changes in fair value are recognized directly in the profit and loss account. The fair value of real estate investments is based on regular appraisals by independent qualified valuers. The fair values represent the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm s-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The valuations are based on the assumption that the properties are let and sold to third parties based on the actual letting status. The valuations are based on discounted cash flow analysis of each property. The discounted cash flow analyses are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values when leases expire.

For each reporting period every property is valued either by an independent valuer or internally. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions and disposals are monitored as part of the procedures to back test the indexation methodology. Valuations performed earlier in the year are updated if necessary to reflect the situation at year end.

The valuation of real estate involves various assumptions and techniques. The use of different assumptions and techniques could produce significantly different revaluations.

Fair values of financial assets and liabilities

Fair values of financial assets and liabilities are determined using quoted market prices where available. Market prices are obtained from independent market vendors, brokers, or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

In certain markets that have become significantly less liquid or illiquid, the range of prices for the same security from different price sources can be significant. Selecting the most appropriate price within this range requires judgement. The choice of different prices could produce materially different estimates of fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations, credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce materially different estimates of fair value.

Price testing is performed to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the profit and loss account. Price testing is performed to minimize the potential risks for economic losses due to materially incorrect or misused models.

Certain asset backed securities in the Unites States are valued using external price sources that are obtained from third party pricing services and brokers. During 2008 the markets for these assets have become inactive and as a result, the dispersion between different prices for the same security is significant. In such cases, management applies additional processes to select the most appropriate external price, including an internally developed price validation matrix and a process to challenge the price source. The valuation of these portfolios would have been significantly different had different prices been selected.

See Note 33 Fair value of financial assets and liabilities for the basis of the determination of the fair value of financial instruments and related sensitivities.

Impairments

Impairment evaluation is a complex process that inherently involves significant judgements and uncertainties that may have a material impact on the ING Group s consolidated financial statements. Impairments are especially relevant in two areas: Available-for-sale debt and equity securities and Goodwill/Intangible assets.

All debt and equity securities (other than those carried at fair value through profit or loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due.

Equity securities are impaired when management believes that, based on (the combination of) a significant or prolonged decline of fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. Significant and prolonged are interpreted on a case-by-case basis for specific equity securities; generally 25% and 6 months are used as triggers.

Upon impairment, the full difference between amortized cost and fair value is removed from equity and recognized in net profit or loss. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities may not be reversed.

Impairments on other debt instruments (Loans and held-to-maturity investments) are part of the loan loss provision as described above.

Impairment reviews with respect to goodwill and intangible assets are performed at least annually, and more frequently if events indicate that an impairment may have occurred. Goodwill is tested for impairment by comparing the book value (including goodwill) to the best estimate of the fair value of the reporting unit to which the goodwill has been allocated. A reporting unit is the lowest level at which goodwill is monitored. Intangible assets are tested for impairment by comparing its book value with the best estimate of its recoverable amount.

The identification of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management s judgement and other information available prior to the issuance of the financial statements. Materially different results can occur as circumstances change and additional information becomes known.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

Employee benefits

Group companies operate various defined benefit retirement plans covering a significant number of ING s employees. The liability recognized in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains and losses, and unrecognized past service costs.

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

The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan liabilities and future pension costs. The effects of changes in actuarial assumptions and experience adjustments are not recognized in the profit and loss account unless the accumulated changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets and the excess is then amortized over the employees expected average remaining working lives. See Note 21 Other liabilities for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

Consolidation

ING Group (the Group) comprises ING Groep N.V. (the Company), ING Verzekeringen N.V., ING Bank N.V. and all other subsidiaries. The consolidated financial statements of ING Group comprise the accounts of ING Groep N.V. and all entities in which it either owns, directly or indirectly, more than half of the voting power or over which it has control of their operating and financial policies through situations including, but not limited to:

- Ability to appoint or remove the majority of the board of directors;
- Power to govern such policies under statute or agreement; and
- Power over more than half of the voting rights through an agreement with other investors.

A list of principal subsidiaries is included in Note 28 Principal subsidiaries .

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls another entity. For interests in investment vehicles the existence of control is determined taking into account both ING s financial interests for own risk and its role as investment manager.

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in net result.

A subsidiary which ING Group has agreed to sell but is still legally owned by ING Group may still be controlled by ING Group at the balance sheet date and, therefore, still be included in the consolidation. Such a subsidiary may be presented as a