ING GROEP NV
Form 20-F
March 17, 2011

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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, 2010

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
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E-mail: Hans.van.Barneveld@ing.com
Amstelveenseweg 500
1081KL Amsterdam
The Netherlands

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

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

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

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

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

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

None

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

None

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

Ordinary shares, nominal value EUR 0.24 per Ordinary share	3,831,560,513
Bearer Depositary receipts in respect of Ordinary shares	3,830,227,027

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 registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).*

Yes o o No

* **This requirement does not currently apply to the registrant.**

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. GAAP o

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

Other o

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

o Item 17 Item 18 o

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

Yes o þ No

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PRESENTATION OF INFORMATION

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

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

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of euro 1.00 = $1.3813, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 1, 2011.

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

The published 2010 Annual Accounts of ING Group, however, are prepared in accordance with IFRS-EU. IFRS-EU refers to International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU. IFRS-EU differs from IFRS-IASB, in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk. Furthermore, IFRS 9 Financial Instruments (issued in 2009) is not yet endorsed by the EU and, therefore, is not yet part of IFRS-EU. However, IFRS 9 is only effective as of 2013 and ING has not early adopted IFRS 9 under IFRS-IASB.

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

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

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

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

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

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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.

Subsequent events

ING changed its accounting policy for insurance provisions for Guaranteed Minimum Withdrawal Benefits for Life (GMWBL) in the Insurance US Closed Block VA book as of January 1, 2011. Furthermore, in March 2011, ING announced that it has informed the Dutch State of its intention to early repurchase EUR 2 billion of the non-voting equity securities (core Tier 1 securities) on May 13, 2011. On March 11, 2011 a severe earthquake and tsunami struck Japan. As of the date of this Annual Report, the full impact of these catastrophic events was not yet known and, therefore, it is too early to determine the impact of these events on ING. For details, see Subsequent Events on page F-193 to the consolidated financial statements,

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

- changes in general economic conditions, in particular economic conditions in ING s core markets,
- changes in performance of financial markets, including developing markets,
- the implementation of ING s restructuring plan to separate banking and insurance operations,
- changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness,
- the frequency and severity of insured loss events,
- changes affecting mortality and morbidity levels and trends,
- changes affecting persistency levels,
- changes affecting interest rate levels,
- changes affecting currency exchange rates,
- changes in general competitive factors,
- changes in laws and regulations,
- changes in the policies of governments and/or regulatory authorities,
- conclusions with regard to purchase accounting assumptions and methodologies,

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

ING s ability to achieve projected operational synergies and

the move towards fair value acounting for Guaranteed Minimum Withdrawal Benefits for the Insurance US Closed Block VA business line.

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

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PART I

Item 1. Identity Of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics And Expected Timetable

Not Applicable.

Item 3. Key Information

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

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

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	Year ended December 31,					
	2010 USD(1)	2010 EUR	2009(2) EUR	2008(2) EUR	2007(2) EUR	2006(2) EUR
	(in millions, except amounts per share and ratios)					
IFRS-IASB Consolidated Income Statement Data						
Income from banking operations:						
Interest income	96,260	69,688	81,146	98,201	76,859	59,262
Interest expense	77,727	56,271	68,607	87,118	67,823	49,927
Net interest result	18,532	13,416	12,539	11,082	9,036	9,335
Commission income	3,637	2,633	2,656	2,820	2,926	2,681
Investment and Other income	1,506	1,090	(3,558)	(5,950)	3,151	2,362
Total income from banking operations	23,674	17,139	11,637	7,952	15,113	14,378
Income from insurance operations:						
Gross premiums written:						
Life	36,198	26,206	28,720	38,868	40,732	40,501
Non-life	2,405	1,741	1,772	4,944	6,086	6,333
Premium income	38,603	27,947	30,492	43,812	46,818	46,834
Commission income	2,687	1,945	1,953	2,139	1,901	1,636
Investment and Other income	10,494	7,597	3,363	8,970	13,488	11,172
Total income from insurance operations	51,782	37,488	35,808	54,921	62,208	59,642
Total income (3)	**74,994**	**54,292**	**47,109**	**62,582**	**77,097**	**73,804**
Total expenditure from banking operations	16,443	11,904	13,131	11,556	10,092	9,190
Total expenditure from insurance operations:						
Life	51,192	37,061	34,688	51,649	49,526	49,106
Non-life	2,459	1,780	1,807	4,864	6,149	5,601
Total	53,651	38,841	36,495	56,513	55,675	54,707
Total expenditure (3) (4)	**69,631**	**50,410**	**49,291**	**67,778**	**65,543**	**63,681**

Result before tax from banking operations	7,231	5,235	(1,494)	(3,604)	5,021	5,188
Result before tax from insurance operations:						
Life	(2,323)	(1,682)	(885)	(2,103)	5,314	3,436
Non-life	454	329	198	511	1,219	1,499
Total	(1,869)	(1,353)	(687)	(1,592)	6,533	4,935
Result before tax	**5,362**	**3,882**	**(2,181)**	**(5,196)**	**11,554**	**10,123**
Taxation	1,381	1,000	(639)	(1,667)	1,665	1,961
Minority interests	145	105	(118)	(37)	267	341
Net result	**3,836**	**2,777**	**(1,423)**	**(3,492)**	**9,622**	**7,821**
Dividend on Ordinary shares				1,500	3,180	2,865
Addition to shareholders equity	3,836	2,777	(1,683)	(5,417)	6,442	4,956
Coupon payable on non-voting equity securities [7]			259	425		
Net result attributable to equity holders of the Company			(935)	(729)	9,241	7,692
Basic earnings per share [5]	0.86	0.62	(0.75)	(1.31)	3.45	2.79
Diluted earnings per share [5]	0.86	0.62	(0.75)	(1.31)	3.43	2.76
Dividend per Ordinary share [5]				0.74	1.48	1.32
Interim Dividend				0.74	0.66	0.59
Final Dividend					0.82	0.73
Number of Ordinary shares outstanding (in millions)	3,831.6	3,831.6	3,831.6	2,063.1	2,226.4	2,205.1
Dividend pay-out ratio [6]				n.a.	34.3%	37.0%

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	Year ended December 31,					
	2010	**2010**	**2009[(2)]**	**2008[(2)]**	**2007[(2)]**	**2006[(2)]**
	USD[(1)]	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
	(in billions, except amounts per share and ratios)					
IFRS-IASB Consolidated Balance Sheet Data						
Total assets	1,716.7	1,242.8	1,160.0	1,328,6	1,313,2	1,226.5
Investments:						
Banking	153.2	110.9	105.5	148.8	160.4	171.1
Insurance	170.3	123.3	106.6	109.5	132.3	140.5
Total	323.5	234.2	212.1	258.3	292.6	311.6
Loans and advances to customers	841.1	608.9	575.3	616.8	553.7	474.6
Insurance and investment contracts:						
Life	352.4	255.1	226.0	213.0	232.4	237.9
Non-life	5.0	3.6	3.5	6.8	9.6	10.1
Investment contracts	16.6	12.0	11.3	21.1	23.7	20.7
Total	373.8	270.6	240.9	240.8	265.7	268.7
Customer deposits and other funds on deposit:						
Savings accounts of the banking operations	448.4	324.6	304.1	274.3	275.1	283.1
Other deposits and bank funds	258.0	186.8	165.4	248.5	250.1	213.6
Total	706.4	511.4	469.5	522.8	525.2	496.7
Amounts due to banks	100.7	72.9	84.2	152.3	167.0	120.8
Share capital in number of shares (in millions)	3,831.6	3,831.6	3,831.6	2,063.1	2,242.4	2,268.1
Shareholders equity	53.0	38.4	31.1	15.1	37.7	38.4
Non-voting equity securities	6.9	5.0	5.0	10.0		
Shareholders equity per Ordinary share [5)]	14.02	10.15	8.22	7.44	17.98	17.84

(1) Euro amounts have been translated into U.S. dollars at the exchange rate of $1.3813 to EUR 1.00, the noon buying rate in New York City on March 1, 2011 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

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

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

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

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

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

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

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EXCHANGE RATES

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

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

	U.S. dollars per euro			
Calendar Period	**Period End(1)**	**Average Rate(2)**	**High**	**Low**
2006	1.3197	1.2661	1.3327	1.1860
2007	1.4603	1.3794	1.4862	1.2904
2008	1.3919	1.4695	1.6010	1.2446
2009	1.4332	1.3955	1.5100	1.2547
2010	1.3269	1.3218	1.4536	1.1959

(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 2010	1.3638	1.2708
October 2010	1.4066	1.3688
November 2010	1.4205	1.3036
December 2010	1.3395	1.3084
January 2011	1.3715	1.2944
February 2011	1.3794	1.3474

The Noon Buying Rate for euros on December 31, 2010 was EUR 1.00 = $1.3269 and the Noon Buying Rate for euros on March 1, 2011 was EUR 1.00 = $1.3813.

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RISK FACTORS

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

Risks Related to Financial Conditions, Market Environment and General Economic Trends.

Because we are a 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 spreads, 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, political events and trends, and terrorism all impact the business and economic environment and, ultimately, the amount and profitability of business we conduct in a specific geographic region. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments, and lower consumer spending, the demand for banking and insurance products is usually adversely affected and ING s reserves and provisions typically would increase, resulting in overall lower earnings. Securities prices, real estate values and private equity valuations may also be adversely impacted, and any such losses would be realized through profit and loss and shareholders equity. Some insurance products contain minimum return or accumulation guarantees. If returns do not meet or exceed the guarantee levels we may need to set up additional reserves to fund these future guaranteed benefits. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Similarly, a downturn in the equity markets causes a reduction in commission income we earn from managing portfolios for third parties, income generated from our own proprietary portfolios, asset-based fee income on certain insurance products, and our capital base. We also offer a number of insurance and financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. See also Interest rate volatility may adversely affect our profitability , Turbulence and volatility in the financial markets have adversely affected us, and may continue to do so , and Current market conditions have increased the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending below.

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

- the unlocking of deferred acquisition costs impacting earnings; and/or
- reserve inadequacies which could ultimately be realized through profit and loss and shareholders equity; and/or
- the write down of tax assets impacting net results; and/or
- impairment expenses related to goodwill and other intangible assets, impacting net results ; and/or
- movements in Risk Weighted Assets for the determination of required capital.

Shareholders equity and our net result may significantly be impacted by turmoil and volatility in the worldwide financial markets. Negative developments in financial markets and/or economies may have a material adverse impact

on shareholders equity and net result in future periods, including as a result of the potential consequences listed above. The recalibration we have conducted of our economic capital models to reflect difficult market conditions experienced over recent years may have a material impact on our economic capital for credit risk. See Risks Related to the Group Turbulence and volatility in the financial markets have adversely affected us, and may continue to do so .

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

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

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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, such as that experienced over the past few years and in the second half of 2008 in particular, may also limit our access to capital required to operate our business. Such market conditions may in the future limit our ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements. This could force us to (1) delay raising capital, (2) reduce, cancel or postpone payment of dividends on our shares, (3) reduce, cancel or postpone interest payments on other securities, (4) issue capital of different types or under different terms than we would otherwise, or (5) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility. Our results of operations, financial condition, cash flows and regulatory capital position could be materially adversely affected by disruptions in the financial markets.

In the course of 2008 and 2009, governments around the world, including the Dutch government, implemented unprecedented measures to provide assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. In certain cases governments nationalized companies or parts thereof. The measures adopted in the Netherlands include both liquidity provision and capital reinforcement, and a Dutch Credit Guarantee Scheme. The liquidity and capital reinforcement measures expired on October 10, 2009, and the Credit Guarantee Scheme of the Netherlands expired on December 31, 2010. Our participation in these measures has resulted in certain material restrictions on us, including those agreed to with the European Commission (EC) as part of our Restructuring Plan. See Risks Related to the Restructuring Plan Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions , Risks Related to the Restructuring Plan The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group . The Restructuring Plan as well as any potential future transactions with the Dutch State or any other government, if any, or actions by such government regarding ING could adversely impact the position or rights of shareholders, bondholders, customers or creditors and our results, operations, solvency, liquidity and governance.

We are subject to the jurisdiction of a variety of banking and insurance regulatory bodies, some of which have proposed regulatory changes that, if implemented, would hinder our ability to manage our liquidity in a centralized manner. Furthermore, regulatory liquidity requirements in certain jurisdictions in which we operate are generally becoming more stringent, including those forming part of the Basel III requirements discussed further below under We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business , undermining our efforts to maintain this centralized management of our liquidity. These developments may cause trapped pools of liquidity, resulting in inefficiencies in the cost of managing our liquidity, and hinder our efforts to integrate our balance sheet, which is an essential element of our Restructuring Plan.

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

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

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

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

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods, earthquakes and epidemics that may be more severe or difficult to predict as a result of increasingly variable climate conditions, as well as events such as terrorist attacks and political and social unrest.

The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and cannot always be adequately reserved for. Furthermore, we are subject to actuarial and underwriting risks such as, for instance, mortality, longevity, morbidity, and adverse 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 taken. In case claims occur, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established and includes updates when more information becomes available. Although we continually review the adequacy of the established claim reserves, there can be no assurances that our actual claims experience will not exceed our estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, our earnings may be reduced and our net results may be adversely affected.

In addition, and as discussed further below under Risks Related to the Group s Business, Operations, and Regulatory Environment Operational risks are inherent in our business , because unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, our banking and insurance operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions, insurance and pension benefits to employees and also to key personnel. If our business continuity plans are not able to be put into action or do not take such events into account, losses may further increase.

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

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

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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, crisis and contingency management, bank levies and financial reporting, among others. For example, the EC has agreed upon a full scale revision of the solvency framework and prudential regime applicable to insurance and reinsurance companies known as Solvency II , which was adopted on November 25, 2009. Each member state of the EEA, including the Netherlands, is required to implement Solvency II by January 1, 2013. Significant efforts towards establishing a more cohesive and streamlined European supervisory framework, including establishing a European Systemic Risk Board and a European Insurance and Occupational Pensions Authority, may also affect the Group s operations.

In addition, the Basel Committee on Banking Supervision has announced higher global minimum capital standards for banks, introduced a new global liquidity standard and called for a new leverage ratio. The Committee s package of reforms, collectively referred to as the Basel III rules, will, among other requirements, increase amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets a subject banking institution must hold at a given moment, and limit leverage . Banks will be required to hold a capital conservation buffer to withstand future periods of stress such that the total Tier 1 common equity ratio, when fully phased in on January 1, 2019, will rise to 7%. Further, Basel III calls for stricter definitions of capital that will have the effect of disqualifying many hybrid securities, potentially including those issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitization activities to be introduced at the end of 2011 as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and Financial Stability Board (FSB) are currently considering measures that may have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for systemically important financial institutions (SIFIs) and so-called Global SIFIs (G-SIFI), in addition to the Basel III requirements otherwise applicable to most financial institutions. While the full impact of the new Basel III rules, and any additional requirements for SIFIs or G-SIFIs if and as applicable to the Group, will depend on how they are implemented by national regulators, including the extent to which regulators and supervisors can set more stringent limits and additional capital requirements or surcharges, as well as on the economic and financial environment at the time of implementation and beyond, we expect these rules can have a material impact on ING s operations and financial condition and may require the Group to seek additional capital. Further, the International Accounting Standards Board (IASB) is considering changes to several IFRS standards, which changes could also have a material impact on our reported results and financial condition.

Furthermore, in the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank or the Dodd-Frank Act) has imposed comprehensive changes to the regulation of financial services in the United States and has implications for non-US financial institutions with a US presence, such as ING. Dodd-Frank directs existing and newly-created government agencies and bodies to promulgate regulations implementing the law, a process anticipated to occur over the next few years. We cannot predict with any certainty the requirements of the regulations ultimately adopted or how Dodd-Frank and such regulations will affect the financial markets generally, impact the

Group s business, credit or financial strength ratings, results of operations, cash flows or financial condition or advise or require the Group to raise additional capital. Key risks associated with the Dodd-Frank Act that may have an impact on the Group include:

- The newly created risk regulator the Financial Stability Oversight Council (the FSOC) may designate the Group as a company whose material financial distress, or whose nature, scope, size, scale, concentration, interconnectedness or mix of activities, could pose a threat to the financial stability of the United States. In such an instance, the Group would become subject to the oversight of the Federal Reserve. If the Group becomes subject to the examination, enforcement and supervisory authority of the Federal Reserve, the Federal Reserve would have authority to impose capital

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requirements on the Group and its subsidiaries. The Group cannot predict what capital regulations the Federal Reserve will promulgate under these authorizations, either generally or as applicable to organizations with the Group s operations, nor can management predict how the Federal Reserve will exercise potential general supervisory authority over the Group as to its business practices or those of its subsidiaries. If designated as systemically important by the FSOC, the Group would become subject to unspecified stricter prudential standards, including stricter requirements and limitations relating to risk-based capital, leverage, liquidity and credit exposure, as well as overall risk management requirements, management interlock prohibitions and a requirement to maintain a plan for rapid and orderly dissolution in the event of severe financial distress. The Group may become subject to stress tests to be promulgated by the Federal Reserve in consultation with the newly created Federal Insurance Office (discussed below) to determine whether, on a consolidated basis, the Group has the capital necessary to absorb losses as a result of adverse economic conditions. We cannot predict how the stress tests will be designed or conducted or whether the results thereof will cause the Group to alter its business practices or affect the perceptions of regulators, rating agencies, customers, counterparties or investors about the Group s financial strength. The FSOC may also recommend that state insurance regulators or other regulators apply new or heightened standards and safeguards for activities or practices that the Group and other insurers or other financial services companies engage in.

Title II of Dodd-Frank provides that a financial company may be subject to a special orderly liquidation process outside the federal bankruptcy code, administered by the Federal Deposit Insurance Corporation as receiver, upon a determination that the company is in default or in danger of default and presents a systemic risk to US financial stability.

Dodd-Frank creates a new framework for regulation of the over-the-counter (OTC) derivatives markets and certain market participants which could affect various activities of the Group and its subsidiaries.

Dodd-Frank establishes a Federal Insurance Office (FIO) within the Department of the Treasury to be headed by a director appointed by the Secretary of the Treasury. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office would perform various functions with respect to insurance (other than health insurance), including participating in the FSOC s decisions regarding insurers (potentially including the Group and its subsidiaries), to be designated for stricter regulation. The FIO may recommend enhanced regulations to the states. As of this writing, a director for FIO has not been named.

Dodd-Frank establishes the Bureau of Consumer Financial Protection (BCFP) as an independent agency within the Federal Reserve to regulate consumer financial products and services offered primarily for personal, family or household purposes. The BCFP will have significant authority to implement and enforce federal consumer financial laws, including the new protections established under Dodd-Frank, as well as the authority to identify and prohibit unfair and deceptive acts and practices. In addition, the BCFP will have broad supervisory, examination and enforcement authority over certain consumer products, such as mortgage lending. Insurance products and services are not within the BCFP s general jurisdiction, and broker-dealers and investment advisers are not subject to the BCFP s jurisdiction when acting in their registered capacity.

Dodd-Frank also includes various securities law reforms that may affect the Group s business practices and the liabilities and/or exposures associated therewith, including a provision intended to authorize the SEC to impose on broker-dealers fiduciary duties to their customers, as applies to investment advisers under existing law, which new standard could potentially expose certain of ING s US broker-dealers to increased risk of SEC enforcement actions and liability. The SEC staff recently released a study on this issue.

In addition to the adoption of these measures, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the Financial Stability Board (FSB), consisting of representatives of national financial authorities of the

G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance including executive compensation, and a host of related issues associated with responses to the financial crisis. The lawmakers and regulatory authorities in a number of jurisdictions in which the Group s subsidiaries conduct business have already begun introducing legislative and regulatory changes consistent

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with G20 and FSB recommendations, including proposals governing consolidated regulation of insurance holdings companies by the Financial Services Agency (FSA) in Japan, proposals governing executive compensation by the financial regulators in Germany (BaFIN) and the United Kingdom (FSA).

Governments in the Netherlands and abroad have also intervened over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets. Some of the measures adopted subject us and other institutions for which they were designed to additional restrictions, oversight or costs. For restrictions related to the core Tier 1 Securities and the IABF, as further described in Item 4. Information on the Company Recent Developments (together, the Dutch State Transactions), see Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions . As a result of having received state aid through the Dutch State Transactions, we were required to submit our Restructuring Plan to the EC in connection with obtaining final approval for the Dutch State Transactions. See Risks Related to the Group The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group .

On March 1, 2011, the European Court of Justice issued its judgment in the widely-followed Test Achats case. The Test Achats decision, in effect, provides that the use of gender as a factor in the pricing of or benefits under life and non-life insurance coverage is incompatible with the principles of equal treatment of men and women under the EU Charter. The Test Achat decision provides for a transition period, however, until December 21, 2012, after which the use of such gender-based factors will no longer be permissible. It is unclear whether this prohibition also applies to existing insurance contracts. While it is too early to assess the impacts of the Test Achats case on ING s insurance business, it is expected that the industry generally will incur potentially significant compliance-related costs as policy forms, underwriting and pricing criteria, and related systems undergo required modifications. ING is unable at this stage to quantify the extent of any such costs or other impacts on its business, and intends to follow closely the implementation of the Test Achats decision during the above-referenced transition period.

We cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on our business, results of operations and financial condition.

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

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

Our results of operations are materially impacted by conditions in the global capital markets and the economy generally. The stress experienced in the global capital markets that started in the second half of 2007 continued and substantially increased throughout 2008 and, although market conditions have improved, volatility continued in 2009, particularly the early part of the year. The crisis in the mortgage market in the United States, triggered by a serious deterioration of credit quality, led to a revaluation of credit risks. While certain conditions have improved over 2009 and 2010, these conditions have generally 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, sovereign debt, 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 of these and other factors, sovereign governments across the globe, including in regions where the Group operates, have also experienced budgetary and other financial difficulties, which have resulted in austerity measures, downgrades in credit rating by credit agencies, planned or implemented bail-out measures and, on occasion, civil unrest. As a result, the market for fixed income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased

probability of default. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. 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

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turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including extreme levels of volatility, have had and may continue to have an adverse effect on our revenues and results of operations, in part because we have a large investment portfolio and extensive real estate activities around the world. In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to our or our competitors failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on our revenues and results of operations, including through an increase of lapses or surrenders of policies and withdrawal of deposits. Because a significant percentage of our customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

As a result of the ongoing and unprecedented volatility in the global financial markets in 2007 and 2008, we have incurred substantial negative revaluations on our investment portfolio, which have impacted our shareholders equity and earnings. During 2009 and 2010, the revaluation reserve position improved substantially, positively impacting shareholders equity. Although we believe that reserves for insurance liabilities are generally adequate at the Group, inadequacies in certain product areas have developed.

Such impacts have arisen primarily as a result of valuation issues arising in connection with our investments in real estate (both in and outside the US) and private equity, exposures to US mortgage-related structured investment products, including sub-prime and Alt-A Residential and Commercial Mortgage-Backed Securities (RMBS and CMBS , respectively), Collateralized Debt Obligations (CDOs) and Collateralized Loan Obligations (CLOs), monoline insurer guarantees and other investments. In many cases, the markets for investments and instruments have been and remain highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgment and other factors, and is also impacted by external factors such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. We continue to monitor our exposures, however there can be no assurances that we will not experience further negative impacts to our shareholders equity or profit and loss accounts 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 Western Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors. The Netherlands and the United States are our largest markets for both our banking and insurance operations. Our main competitors in the banking sector in the Netherlands are ABN AMRO Bank and Rabobank. Our main competitors in the insurance sector in the Netherlands are Achmea, ASR and Aegon. Our main competitors in the United States are insurance companies such as Lincoln National, Hartford, Aegon Americas, AXA, Met Life, Prudential, Nationwide and Principal Financial. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in our competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. We may

experience pricing pressures as a result of these factors in the event that some of our competitors seek to increase market share by reducing prices. In addition, under the Restructuring Plan we have agreed to certain restrictions imposed by the EC, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions and other businesses. See The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group .

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

General

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

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

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

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

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

Reinsurers

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

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(potential) reinsurance as of December 31, 2010, the greatest exposure after collateral to an individual external reinsurer was approximately 24%, approximately 40% related to four other external reinsurers and the remainder of the reinsurance exposure related to various other reinsurers. The inability or unwillingness of any one of these reinsurers to meet its financial obligations to us, or the insolvency of our reinsurers, could have a material adverse effect on our net results and our financial results.

Improving market conditions observed over the last year, may not persist and increase the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending.

We are exposed to the risk that our borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. We may continue to see adverse changes in the credit quality of our borrowers and counterparties, for example as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors. This may lead to impairment charges on loans and other assets, higher costs and additions to loan loss provisions. A significant increase in the size of our provision for loan losses could have a material adverse effect on our financial position and results of operations.

Economic and other factors could lead to further contraction in the residential mortgage and commercial lending market and to further decreases in residential and commercial property prices which could generate substantial increases in impairment losses.

Interest rate volatility may adversely affect our profitability.

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

In addition, during periods of declining interest rates, life insurance and annuity products may be relatively more attractive to consumers, resulting in increased premium payments on products with flexible premium features, and a higher percentage of insurance policies remaining in force from year-to-year, creating asset liability duration mismatches. A decrease in interest rates may also require an addition to provisions for guarantees included in life policies, as the guarantees become more valuable to policy holders. During a low interest rate period, our investment earnings may be lower because the interest earnings on our fixed income investments will likely have declined in parallel with market interest rates on our assets recorded at fair value. Declining interest rates may also affect the results of our reserve adequacy testing which may in turn result in reserve strengthening. In addition, mortgages and fixed maturity securities in our investment portfolios will be more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates. Consequently, we may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, during periods of declining interest rates, our profitability may suffer as the result of a decrease in the spread between interest rates charged to policyholders and returns on our investment portfolios. Conversely, in periods of rapidly increasing interest rates, policy loans, and withdrawals and surrenders of life insurance policies and fixed annuity contracts may increase as policyholders choose to forego insurance protection and seek higher investment returns. Obtaining cash to satisfy these obligations may require us to liquidate fixed maturity investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realized investment losses. Regardless of whether we realize an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease our net income. Premature withdrawals may also cause us to accelerate amortization of deferred policy acquisition costs, which would also reduce our net income.

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

In the Netherlands and other jurisdictions deposit guarantee schemes and similar funds (Compensation Schemes) have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which

we operate, these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. As a result of the increased number of bank failures, in particular since the fall of 2008, we expect that levies in the industry will

continue to rise as a result of the Compensation Schemes. In particular, we are a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). The costs involved with making compensation payments under the Dutch Deposit Guarantee Scheme are allocated among the participating banks by the Dutch Central Bank, *De Nederlandsche Bank N.V.* (the DNB), based on an allocation key related to their market shares with respect to the deposits protected by the Dutch Deposit Guarantee Schemes. Given our size we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which we may be unable to recover from the bankrupt estate. The ultimate costs to the industry of payments which may become due under the Compensation Schemes, remains uncertain although they may be significant and these and the associated costs to us may have a material adverse effect on our results of operations and financial condition. Going forward the Dutch Deposit Guarantee Scheme may change from an ex-post scheme, where we contribute after the failure of a firm, to an ex-ante scheme where we pay yearly contributions to ensure the scheme holds a target level of fund regardless of whether any failures occur. The costs associated with potential future yearly contributions are today unknown, but given our size may be significant.

Risks Related to the Group s Business, Operations, and Regulatory Environment

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

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

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

Because we use assumptions about factors, 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 Defered Acquisition Costs (DAC) and Value of Business Acquired (VOBA) are inherently uncertain processes involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour (e.g., lapses, persistency, etc.) and other factors, and, in the life insurance business, assumptions concerning mortality, longevity and morbidity trends. The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expense. Changes in assumptions may lead to changes in the insurance provisions over time. Furthermore, some of these assumptions can be volatile.

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

We use assumptions in order to model client behaviour for the risk calculations in our banking and insurance books. Assumptions are used to determine insurance liabilities, the price sensitivity of savings and current accounts and to estimate the embedded optional risk in the mortgage and investment portfolios. The realization or use of different

assumptions to determine the client behaviour could have material adverse effect on the calculated risk figures and ultimately future results.

ING Insurance has a significant exposure to the take up of policy options by policyholders. The exposure is greatest for variable annuity business with guarantees deeply in-the-money, policyholder behaviour is difficult to predict and small changes in the proportion of policyholders taking up an option can have a significant financial impact. Furthermore, assumptions about policyholder behaviour are sometimes made for new insurance business without a substantial amount of experiential data. These assumptions may prove imperfect, which can have a material impact on results.

We may incur further liabilities in respect of our defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between results and underlying actuarial assumptions and models.

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

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

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

We are subject to a variety of regulatory risks as a result of our operations in certain countries.

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

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

Because we are 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.

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Ratings are important to our business for a number of reasons. Downgrades could have an adverse impact on our operations and net results.

We have credit ratings from Standard & Poor s Ratings Service, Moody s Investor Service and Fitch Ratings. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. In the event of a downgrade the cost of issuing debt will increase, having an adverse effect on net results. Certain institutional investors may also be obliged to withdraw their deposits from ING following a downgrade, which could have an adverse effect on our liquidity.

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

Furthermore, ING Bank s assets are risk weighted. Downgrades of these assets could result in a higher risk weighting which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on our competitive position. For ING s insurance businesses in a number of jurisdictions, such as the US and the EU, downgrades of assets will similarly affect the capital requirements for ING Insurance in those jurisdictions.

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

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

Operational risks are inherent in our business.

Our businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate trained or skilled personnel, IT failures, inadequate or failed internal control

processes and systems, regulatory breaches, human errors, employee misconduct including fraud, or from external events that interrupt normal business operations. We depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The equipment and software used in our computer systems and networks may be at or near the end of their useful lives or may not be capable of processing, storing or transmitting information as expected. Certain of our computer systems and networks may also have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, such systems and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other external attacks or internal breaches that could have a security impact and jeopardize our confidential information or that of our clients or our counterparts. These events can potentially result in financial loss, harm to our reputation and hinder our operational effectiveness. We also face the risk that the design and operating effectiveness of our controls and procedures prove to be inadequate or are circumvented. Furthermore, widespread outbreaks of communicable diseases, such as the outbreak of the H1N1 influenza virus, may impact the health of our employees, increasing absenteeism, or may cause a significant increase in the utilization of health benefits offered to our employees, either or both of which could adversely impact our business. Unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and our operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, the payment of insurance and pension benefits to employees and the loss of key personnel. If our business continuity plans are not able to be implemented or do not take such events into account, losses may increase further.

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.

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

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

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

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

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

Risks related to the Restructuring Plan

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

In November 2008 the Dutch State purchased the core Tier 1 Securities, and in the first quarter of 2009 we entered into the Illiquid Asset Back-up Facility (IABF) with the Dutch State. As a result of having received state aid through the Dutch State Transactions, we were required to submit a restructuring plan (the Restructuring Plan) to the EC in

connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules. On October 26, 2009, we announced our Restructuring Plan, pursuant to which we are required to divest by the end of 2013 all of our insurance business, including the investment management business, as well as ING Direct US, which operates our direct banking business in the United States, and certain portions of our retail banking business in the Netherlands. The EC s approval of the Restructuring Plan was issued on

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November 18, 2009. On January 28, 2010 ING lodged an appeal with the General Court of the European Union (the General Court) against specific elements of the EC s decision regarding the Restructuring Plan. Although we believe in the merit of our appeal lodged with the General Court of the European Union, there can be no assurance as to its success or as to any consequences resulting from its rejection. Notwithstanding this appeal, we are committed executing the Restructuring Plan as announced on October 26, 2009.

In connection with the Restructuring Plan, we have also agreed to not be a price leader in certain EU markets with respect to certain retail, private and direct banking products and to refrain from (i) acquisitions of financial institutions and (ii) acquisitions of other businesses if this would delay our repurchase of the remaining core Tier 1 Securities. Those limitations may last until November 18, 2012 and could adversely affect our ability to maintain or grow market share in key markets as well as our results of operations. See Risks Related to the Group The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group .

There can be no assurance that we will be able to implement the Restructuring Plan successfully or complete the announced divestments on favorable terms or at all, particularly in light of both the plan s 2013 deadline and expected challenging market conditions in which other financial institutions may place similar assets for sale during the same time period and may seek to dispose of assets in the same manner. Any failure to successfully implement the Restructuring Plan may result in EC enforcement actions and may have a material adverse impact on the assets, profitability, capital adequacy and business operations of the Group. Moreover, in connection with the implementation of the Restructuring Plan, including any proposed divestments, we or potential buyers may need to obtain various approvals, including of shareholders, works councils and regulatory and competition authorities, and we and potential buyers may face difficulties in obtaining these approvals in a timely manner or at all. In addition, the implementation of the Restructuring Plan may strain relations with our employees, and specific proposals in connection with the implementation may be opposed by labor unions or works councils. Furthermore, following the announcement of the Restructuring Plan, several of our subsidiaries have been downgraded or put on credit watch by rating agencies. See Risks Related to the Group Ratings are important to our business for a number of reasons. Downgrades could have an adverse impact on our operations and net results .

Other factors that may impede our ability to implement the Restructuring Plan successfully include an inability of prospective purchasers to obtain funding due to the deterioration of the credit markets, insufficient access to equity capital markets, a general unwillingness of prospective purchasers to commit capital in the current market environment, antitrust concerns, any adverse changes in market interest rates or other borrowing costs and any declines in the value of the assets to be divested. Similarly, it may also be difficult to divest all or part of our insurance or investment management business through one or more initial public offerings. There can also be no assurance that we could obtain favorable pricing for a sale of all or part of our insurance or investment management business in the public markets or succeed in turning the relevant subsidiaries into viable standalone businesses. A divestment may also release less regulatory capital than we would otherwise expect.

Any failure to complete the divestments on favorable terms, could have a material adverse impact on our assets, profitability, capital adequacy and business operations. If we are unable to complete the announced divestments in a timely manner, we would be required to find alternative ways to reduce our leverage, and we could be subject to enforcement actions or proceedings by the EC. In particular, if we do not succeed in completing divestitures as described in the Restructuring Plan within the timelines set out therein, the EC may request the Dutch State to appoint a divestiture trustee with a mandate to complete the relevant divestiture with no minimum price.

The implementation of the divestments announced in connection with the Restructuring Plan, including the separation of the insurance and most of the investment management operations from the banking operations, will also give rise to additional costs related to the legal and financial assessment of potential transactions. The implementation may also result in increased operating and administrative costs. The process of completing the steps contemplated by the Restructuring Plan may be disruptive to our business and the businesses we are trying to sell and may cause an interruption or reduction of our business and the businesses to be sold as a result of, among other factors, the loss of key employees or customers and the diversion of management s attention from our day-to-day business as a result of the need to manage the divestment process as well as any disruptions or difficulties that arise during the course of the

divestment process. We may face other difficulties in implementing the Restructuring Plan and completing the planned divestments. For instance, the divestments, individually or in the aggregate, may trigger provisions in various contractual obligations, including debt instruments, which could require us to modify, restructure or refinance the related obligations. We may not be able to effect any such restructuring or refinancing on similar terms as the current contractual obligations or at all. In addition, the announced divestments could be the subject of challenges or litigation, and a court could delay any of the divestment transactions or prohibit them from occurring on their proposed terms, or from occurring at all, which could adversely affect our ability to use the funds of the divestments to repurchase the

core Tier 1 Securities, reduce or eliminate our double leverage and strengthen our capital ratios as anticipated and eliminate the constraints on competition imposed by the EC.

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

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

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

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

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

On October 26, 2009, we announced that we had reached an agreement with the EC on the Restructuring Plan. Projected cost savings and impact on our risk profile and capital associated with these initiatives are subject to a variety of risks, including:

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

While we have begun and expect to continue to implement these strategies, there can be no assurance that we will be able to do so successfully or that we will realize the projected benefits of these and other restructuring and cost saving

initiatives. If we are unable to realize these anticipated cost reductions, our business may be adversely affected. Moreover, our continued implementation of restructuring and cost saving initiatives may have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

Whenever the overall return on the (remaining) core Tier 1 securities issued to the Dutch State is expected to be lower than 10% p.a., the European Commission may consider the imposition of additional behavioural constraints.

As stated in the decision of the European Commission of 12 November 2008 (*in State aid N 528/2008 The Netherlands*), the core Tier 1 state-aid measure must be (re)notified to the European Commission by the Dutch authorities whenever the overall return on the core Tier 1 Securities is expected to be lower than 10% p.a. Such (re)notification by the Dutch authorities is particularly required (i) when ING abstains from paying dividend on its shares for a period of two consecutive years or for three years in the five years following the date of the aforementioned decision or (ii) if after a transition period of one year following the date of the aforementioned decision, the share price over a period of two consecutive years remains on average below EUR 13. In such cases, the European Commission may require additional behavioural constraints as a condition of the compatibility of the measure.

Additional risks relating to ownership of ING shares

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

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

§ our interests, and

§ the interests of our affiliates

The Trust may, but has no obligation to, consult with the holders of bearer depositary receipts in exercising its voting rights in respect of any ordinary shares for which it is entitled to vote. These arrangements differ from practices in other jurisdictions, and accordingly may affect the rights of the holders of bearer depositary receipts and their power

to affect ING s business and operations.

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

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

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

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

§ a downgrade or review of our credit ratings;

§ the implementation and outcome of our Restructuring Plan;

§ potential litigation or regulatory action involving ING or sectors we have exposure to through our insurance and banking activities;

§ announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and

§ general market circumstances.

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

It is ING s policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends can only be declared by shareholders when the Executive Board considers such dividends appropriate, taking into consideration the financial conditions then prevailing and the longer-term outlook. See Item 8. Financial Information Dividends . Given the uncertain financial environment, ING will not pay a dividend over 2010 and there can be no assurance that we will pay dividends in the future.

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

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

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

The terms of the core Tier 1 Securities permit us, on or after November 12, 2011, to convert any or all of the remaining core Tier 1 Securities (EUR 5 billion per year end 2010) into ordinary shares or bearer depositary receipts on the basis of one core Tier-1 security for 1,335 ordinary shares or bearer depositary receipts. Any such conversion would dilute existing shareholders. If we exercise our conversion right, the Dutch State may opt to require us to redeem the core Tier 1 Securities on the conversion date at the original issue price of EUR 10 per core Tier 1 Security, together with the pro rata coupon, if due, accrued to such date.

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

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

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

Our strategy

To serve the interests of our stakeholders, increase management focus and create value for our shareholders, ING is moving towards separation of its banking and insurance operations. We believe the widespread demand for greater simplicity, reliability and transparency makes this the best course of action. In the future, ING Bank will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing. ING Insurance/Investment Management has a strong position as a global provider of life insurance and retirement services. While moving towards the public offerings of a Europe-led and a US-focused business, ING Insurance will initially concentrate on further improving its operational performance. Both the Bank and the Insurer will focus on earning our customers trust through transparent products, value for money and superior service. This reflects ING s universal customer ideal: saving and investing for the future should be easier.

Our customers

ING serves a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

Our stakeholders

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

Our corporate responsibility

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

CHANGES IN THE COMPOSITION OF THE GROUP

Disposals effective in 2010

In October 2009 ING reached an agreement to sell its Asian Private Banking business for a consideration of USD 1,463 million (EUR 985 million). The Asia franchise offers private banking services in 11 markets, including Hong Kong, the Philippines and Singapore. The transaction generated a net profit for ING of EUR 332 million. The sale was completed in the first half of 2010. The Asian Private Banking business was previously included in the segment Retail Asia.

In October 2009 ING reached an agreement to sell its Swiss Private Banking business to Julius Baer for a consideration of EUR 345 million (CHF 520 million) in cash. The transaction generated a net profit for ING of EUR 73 million. The sale was completed in January 2010. The Swiss Private Banking business was previously included in the segment Retail CE.

In August 2010 ING announced that it has agreed to sell its 50% stake in ING Summit Industrial Fund LP (Summit), a Canadian light industrial property portfolio to a joint venture between KingSett Capital and Alberta Investment Management Corporation (AIMCo). The sale was completed in November 2010. The transaction value for 100% of Summit is CAD 2.0 billion (EUR 1.4 billion) and includes assumed debt. In addition to its direct investment in Summit, ING has an indirect participation through its 7.8% unit holding of ING Industrial Fund (IIF), an ING-managed listed property fund in Australia which owns the remaining 50% in Summit. As part of the transaction, IIF has agreed to simultaneously sell its stake in Summit to KingSett/AIMCo. Consequently, ING s indirect participation in Summit will end as well. Separately, ING sold ING Real Estate Canada, the manager of Summit, to KingSett/AIMCo for an undisclosed amount. The transaction had no material impact on ING Group s 2010 results and capital ratios. The transaction resulted in a net loss for ING of EUR 26 million in 2010. Summit was previously included in the segment ING Real Estate.

Furthermore there were some disposals that did not have a significant impact on ING s balance sheet and profit and loss account. In November 2009 ING reached an agreement to sell three of its US independent retail broker-dealer units to Lightyear Capital LLC for a total consideration of EUR 96 million. The transaction concerns Financial Network Investment Corporation, based in El Segundo, California, Multi-Financial Securities Corporation, based in Denver, Colorado, PrimeVest Financial Services, Inc., based in St. Cloud, Minnesota, and ING Brokers Network LLC, the holding company and back-office supporting those broker dealers, which collectively do business as ING Advisors Network. The sale was completed in February 2010. The three US independent retail broker-dealer units were previously included in the segment Insurance US.

In December 2009 ING reached an agreement to sell the non-life insurance operations in Greece for a total consideration of EUR 4 million. The sale was completed in July 2010.

Acquisitions and disposals announced and occurring or expected to occur in 2011

ING announced in February 2011 that it has reached agreement with CB Richard Ellis Group, Inc., to sell ING REIM Europe, ING REIM Asia and Clarion Real Estate Securities (CRES), ING REIM s US-based manager of listed real estate securities, as well as part of ING s equity interests in funds managed by these businesses. The proceeds for these REIM businesses and the equity interests amount to approximately USD 1.0 billion. ING REIM Europe, ING REIM Asia and CRES combined have EUR 44.7 billion in assets under management as of December 31, 2010. In a separate transaction, ING has agreed to sell the private market real estate investment manager of its US operations, Clarion Partners, to Clarion Partners management in partnership with Lightyear Capital LLC for USD 100 million. Clarion Partners has EUR 16.5 billion in assets under management as of December 31, 2010. The Real Estate Investment Management business in Australia (ING REIMA), with EUR 4.8 billion in assets under management as of December 31, 2010, is not included in these transactions. Within the context of the previously announced evaluation, ING finalised the review of the strategic options and implementation has commenced. As a result ING will undertake a phased withdrawal from its Australian real estate investment management activities in a timely and controlled manner. In the transaction with CB Richard Ellis, ING Insurance has agreed to continue its asset management mandate with CB Richard Ellis as the new manager of the funds. ING Bank will continue to have an equity interest in some REIM funds in Europe, Asia, the US and Australia. The equity stakes held by the Bank will be monetised over time as it continues to steadily reduce its exposure to real estate. Combined, the transactions are expected to result in

an after-tax gain on disposal of approximately EUR 500 million at current exchange rates. The final terms are subject to potential adjustments at closing, customary for this kind of transaction. ING Real Estate Development and ING Real Estate Finance are not impacted by the transactions and will continue to be part of ING Bank. Both transactions are expected to close in the second half of 2011 and are subject to approvals by certain stakeholders including various regulators.

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In December 2009 ING announced the sale of its entire stake in China s Pacific Antai Life Insurance Company Ltd. (PALIC) to China Construction Bank. This is the outcome of a strategic review announced in April 2009 as part of ING s Back to Basics program. The stake in PALIC was previously included in the segment Insurance Asia/Pacific. The transaction is expected to be closed in 2011. The closing is subject to regulatory approval.
The above described disposals and ING Arrendadora S.A. de C.V. are expected to close in 2011 and will be deconsolidated in 2011 when ING loses control. They qualify as disposal groups held for sale at December 31, 2010 as ING expects to recover the carrying amount principally through the sale transactions. They are available for sale in their immediate condition subject to terms that are usual and customary for sales of such assets and the sales are highly probable.
For the years 2009 and 2008, see Note 30 of Note 2.1 to the consolidated financial statements.

RECENT DEVELOPMENTS

Developments in supervision and regulation

In 2010, agreement was reached at EU level on the introduction of a new supervisory structure for the financial sector. The new European architecture consists of the existing national authorities and the newly created European Systemic Risk Board (ESRB) and the following three European Authorities: Banking (EBA), Insurance and Occupational Pensions (EIOPA) and Securities and Markets (ESMA). These institutions are in place since January 1, 2011. Operational day-to-day supervision continues to be with national supervisors.
In September 2010, the Basel Committee on Banking Supervision announced a substantial strengthening of existing capital requirements and the introduction of two international liquidity standards. The proposed Basel III framework covers both microprudential and macro-prudential elements. The framework sets out rules for higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. The Committee s package of reforms will gradually increase the minimum common equity requirement from 2% to 4.5% as from January 1, 2013 (transition period from January 1, 2013 until January 1, 2017). In addition, banks will be required to hold a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity requirements to a minimum of 7%.
Furthermore, to avoid periods of excess aggregate credit growth, a countercyclical buffer within a range of 0% 2.5% of common equity or other fully loss-absorbing capital, according to national circumstances, has been proposed. These capital requirements are supplemented by a non-risk-based minimum Tier 1 leverage ratio of 3%.
The Basel Committee s reforms have introduced two international minimum standards for liquidity risk supervision with the aim of ensuring banks have an adequate liquidity buffer to absorb liquidity shocks. The first one is the liquidity coverage ratio (LCR; to be introduced on January 1, 2015), which is a test to promote short-term resilience of a bank s liquidity risk profile by ensuring that it has sufficiently high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The second one is a net stable funding ratio (NSFR; to be introduced on January 1, 2018), which is a test to promote resilience over a longer period by creating additional incentives for banks to fund their activities with more stable funding on an ongoing basis. The NSFR test is similar to the LCR except the period over which it is tested is one year.
Furthermore, in parallel to the workstream at international level, the European Commission is proposing a European Crisis Management Framework. In this framework different issues will be addressed, such as prevention tools and early intervention and final resolution mechanisms. ING generally supports the Basel Committee and European Commission reform programmes to strengthen the global capital and liquidity regulations and reduce market volatility. Notwithstanding, a number of proposals may hamper traditional retail-oriented institutions in their intermediary function, and thus reduce their ability to play their important role in the European economy. Further, the new rules still allow national regulators a measure of autonomy. For instance, the liquidity requirements assign relatively large powers to national regulators, which may affect the level playing field in the European Internal Market. Hence, the biggest challenge for policy makers and supervisors is to take a coordinated and unified approach. It is essential that supervisors and regulators across the globe adopt a more consistent and coordinated approach (e.g. while Europe is already introducing Basel III, Basel II is not yet fully applied in the US).

The regulatory agenda for insurance companies was dominated by the further development of Solvency II, which aims to introduce a modernised risk framework for insurance companies. Solvency II adopts a broad three pillar supervisory structure similar to Basel II, but with a fundamental difference in that a full Market Value

Balance Sheet (MVBS) approach and a full economic risk approach to measuring required capital (Economic Capital) have been proposed.

Solvency II may require fundamental shifts in product offerings, pricing and investment portfolio allocation, e.g. by making it far less advantageous to offer long-term investment guarantees. Whereas ING has always been, and remains supportive of the Solvency II framework, a number of issues have arisen during 2010 with regard to the development of the detailed implementing measures. To safeguard the (financial) stability of the insurance industry, the volatility of the Market Value Balance Sheet needs to be sufficiently recognised and addressed. Also, to ensure an international level-playing field, differences between solvency regimes need to be taken into account, e.g. by finding a solution for the treatment of third countries in Solvency II. Finally, rules originally designed for banking should not be automatically applied to the insurance industry.

What is more, in a white paper published in July 2010, the European Commission concluded that the existing differences between national Insurance Guarantee Schemes across the EU create insufficient and uneven levels of protection for insurance policyholders. Therefore, the Commission has suggested a minimum harmonisation directive requiring the establishment of an Insurance Guarantee Scheme as a last-resort mechanism in each Member State. Legislative proposals are expected in the second half of 2011.

Moreover, it is noted that a number of relevant changes in accounting regulations are being considered by the accounting standards bodies. These include proposed changes to accounting for financial instruments, loan loss provisions, hedges, insurance contracts, leasing and others. These changes may, both individually and collectively, be very important to banking and insurance companies, including ING. ING generally supports the efforts to improve and simplify the accounting regulations as well as the objective of international convergence.

Appeal against EC Decision

In January 2010, ING lodged an appeal with the General Court of the European Union against specific elements of the European Commission s decision of November 18, 2009. ING has requested the Court to annul the decision of the European Commission, insofar as it qualifies the core Tier 1 amendment (i.e. the agreement between ING and the Dutch State concerning a reduction of the repayment premium for the first EUR 5 billion tranche of core Tier 1 securities) as additional state aid (of EUR 2 billion), requires price leadership bans and/or imposes disproportional restructuring measures. The Dutch State also lodged an appeal with the General Court to contest the EC decision insofar as it qualifies the core Tier 1 amendment as additional state aid.

ING believes it is in the interest of all its stakeholders to use the opportunities provided by law to let the General Court review these elements of the EC s decision. However, the appeal does not alter ING s commitment to execute its restructuring plan as announced on October 26, 2009 and stands firmly behind its strategic decision to separate its banking and insurance operations and divest the latter. A Court decision is expected in 2011.

ING passes stress test CEBS

Together with 90 other EU-based financial institutions, ING was subject to the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank, and De Nederlandsche Bank. The objective of the 2010 EU-wide stress test was to assess the overall resilience of the EU banking sector and the banks ability to absorb further possible shocks on credit and market risks, including sovereign risks.

The stress test complemented the risk management procedures and regular stress testing programmes set up in ING under the Pillar 2 framework of the Basel II and Capital Requirements Directive (CRD) requirements. The results, announced in July 2010, confirmed that ING s focus on the strengthening of its Bank s balance sheet since the spring of 2009 has given it sufficient resilience to endure a stressful economic scenario.

Operational separation of ING Bank and ING Insurance

Throughout 2009 and 2010, ING worked towards a self-imposed deadline to separate its banking and insurance/investment management businesses at an operational level before the end of 2010. Project teams around the world were established to ensure an orderly separation process. The total separation costs incurred in 2010 amounted to EUR 85 million after tax. For 2011, these costs are estimated at around EUR 200 million after tax (excluding costs for rebranding).

In the first quarter of 2010, the separation process was kicked-off with a global inventory exercise. During this phase it was confirmed that the most challenges lay in Europe, in particular in the Netherlands. The most complicated issues related to IT, human resources, distribution and commercial agreements, as well as our capital structure. To facilitate the disentanglement process, all shared services, contracts, arrangements, co-

ownerships, cross-directorships, and all services provided and received (including those delivered by third parties) had to be analysed and either fully separated or covered in temporary or long-term service agreements.
By the end of 2010 a solution was created for most of the disentanglement projects. Consequently, from January 1, 2011, ING s bank and insurance/investment management businesses became operationally separate under the ING umbrella. Where an interim solution has been put in place, such as critical IT or HR services, a degree of interrelationship remains, which is mitigated through (signed) contracts and ring-fencing measures. In a limited number of instances, where these measures were not feasible due to high costs or time constraints, a documented exception was formalised. By the end of 2011, most interim solutions and documented exceptions that enabled operational separation will be replaced by permanent solutions; thus turning the operational separation into a full separation.
Where the resolution of a specific disentanglement project is expected after 2011 a long-term service agreement will be put in place. The outcome of a small number of projects depends on the details of the actual transaction(s). Hence, the implementation of these projects will be delayed until such details are available. The implementation of local end-state solutions as well as both the local temporary and long-term service agreements will be managed by the respective business units. Throughout ING, a new governance structure has been inaugurated to ensure that the to-be separated units operate at arm s-length. ING Bank and Insurance/Investment Management will continue to work together for commercial purposes. The bank will continue to sell insurance/investment management products, and the insurer/investment manager will continue to use bank services. Terms and conditions of this cooperation have been formalised and brought at arm s length.
Over the course of 2010, the vast majority of support functions were moved to the bank and the insurer/investment manager respectively. The activities that will remain at Group level until the completion of the separation process are those that relate to our responsibilities to shareholders. These include support functions which are vital to comply with material legal and regulatory requirements, and/or to ensure effective and efficient execution of Group control. Consequently, both businesses have their own head office, with their own corporate support functions from January 1, 2011.
With the operational separation thus formalised, our attention has shifted to the next step: how to actually separate our businesses and execute the divestment process. Building on an analysis of market and regulatory conditions, we formulated a base case scenario. While the option of one initial public offering (IPO) remains open, ING will prepare itself for a base case of two IPOs: one Europe-led IPO (including our activities in Asia) and one separate US-focused IPO. Hence, ING will in 2011 proceed with the operational disentanglement of its US and European/Asian Insurance/Investment Management operations.
More information on this matter and the envisaged end-state of the businesses after completion of the divestment process is included in the Group Strategy section.

GROUP STRATEGY

ING reached an important milestone in 2010 by formalising the operational separation of its banking and insurance/investment management operations in preparation for a full split of both businesses. The Group is concentrating on creating strong standalone businesses and repurchasing the remainder of the core Tier 1 securities issued to the Dutch State when prudent and possible. At the heart of the strategic redirection lies a strong resolve to earn trust. ING therefore aims at building sustainable, long-lasting client relationships based on operational excellence, sound business ethics and good corporate citizenship.
ING Bank will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing. It will focus on customer centricity, operational excellence, and top employment practices. Although the option of a single initial public offering (IPO) remains open, we intend to realise the divestment of our insurance and investment management operations through two IPOs. The Europe-led insurance business (including our activities in Asia) will combine the cash generation ability of the Benelux with the attractive growth markets of Central Europe and Asia. The US-focused business will build on its Retirement Services and Life Insurance franchises. We are still exploring strategic options to determine the future of the insurance business in Latin America.

ING Group s priorities: create strong businesses and ensure repayment of the Dutch State

2010 marked a significant turning point for ING. After two difficult years during which the global financial crisis had its impact on the company, we managed to structurally improve our operating and commercial performance while successfully executing the disentanglement of our banking and insurance/investment management operations. As the operational separation of the bank and the insurer/investment manager has been formalised

(as of January 1, 2011), they now operate at arm s-length from each other. We have thus achieved a first important milestone in the implementation of the Group s strategic decision to move towards a complete separation of both businesses, which was announced in October 2009 in recognition of the need to regain trust through increased transparency and simplicity.

Going forward, ING Group strives to create strong independent businesses and make certain that the interests of all ING businesses are equally served. In addition, assuming favourable economic conditions and availability of excess capital, the Group will concentrate on repurchasing the remaining core Tier 1 securities issued to the Dutch State. Moreover, in 2010, we determined a base case divestment scenario for the insurance and investment management operations, which is further outlined below.

In future, the bank and the insurer/investment manager will continue to work together for commercial purposes on an arm s-length basis. Hence, on the one hand, ING Bank will continue to sell ING Insurance/Investment Management products and, on the other hand, ING Insurance will continue to use ING Bank services. The bank and the insurer/investment manager will, however, develop their own organisations, building on their own culture and strategy. The strategic direction of the individual businesses is further explained below. We are striving to ultimately complete the divestment process before the end of 2013, and sooner whenever market circumstances are appropriate, and conduct it with the utmost diligence to protect stakeholders interests and optimise shareholder value.

Earning trust and increasing customer centricity in both banking and insurance

The financial crisis has demonstrated that the licence to operate for any financial institution is to be trusted by its stakeholders, in particular its customers. At the heart of the strategic redirection of ING Group thus lies our strong resolve to earn trust. By separating our banking and insurance operations, we will build more agile, simple and customer-centric businesses. Obviously, earning and maintaining trust is a challenging task at any time, but this is even more difficult in the current environment. After all, the financial crisis has fuelled a demand for greater simplicity and transparency.

In addition, prudential supervision and regulation are being tightened. Meanwhile, competition in financial markets continues to be strong, so efficiency remains imperative. In earning the trust of our customers, our employees are a very valuable asset. ING is therefore encouraging its employees to build sustainable, long-lasting client relationships based on operational excellence, sound business ethics and good corporate citizenship (see Human Resources for more information on these efforts). The operating leverage in this is obvious. For only a company pursuing a strategy focused on winning the hearts and minds of its customers, employees and other stakeholders, will achieve satisfactory financial performance for its shareholders.

Therefore, our Business Principles clearly prescribe the corporate values we pursue and the responsibilities we have towards society and the environment: we act with integrity, we are open and clear, we respect each other and we are socially and environmentally responsible. In addition, we have decided to increasingly embed two-way stakeholder exchange as an integral part of the overall strategy of both our banking and our insurance businesses. This means that we actively seek a continuous dialogue with our customers and other stakeholders on their demands regarding our products, services, business performance and/or other issues. This also includes efforts to more pro-actively and systematically measure and monitor customer satisfaction, as we want our customers to recommend ING to their friends, family, colleagues and peers. Hence, we are introducing Net Promoter Score in all our businesses across the globe.

Furthermore, we have taken significant steps to ensure that every customer gets the right products and services, via the right distribution channels, and at the right prices or returns. Therefore, we are evaluating our entire product portfolio and product approval procedures based on sharpened criteria for good customer care. Importantly, financial education an essential pillar of our corporate responsibility is embedded in our business strategy through tools and initiatives to improve the financial capabilities of our customers.

All in all, we are convinced that the changes we have set in motion will make us a stronger company and partner for our stakeholders that is better able to anticipate and address emerging issues. With a clearer focus on customer needs as the anchor of our business operations, we are not only building businesses that are financially sound and viable, but that also have the potential to become the supplier of choice for our customers.

Completing the separation of the Bank and the Insurer/Investment Manager

The operational separation of ING Bank and ING Insurance/Investment Management under the ING Group umbrella has been finalised. With the operational separation in place, ING is ready to move towards the next phase, including the full preparation for one or more transactions.

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Although the option of a single public offering remains on the table, we have determined the base case divestment scenario for our insurance and investment management operations as follows:

One separate public offering of our combined insurance operations in Europe and Asia, which rely on our solid cashgeneration ability in the Benelux, and attractive growth opportunities in Central Europe and Asia.

One separate public offering of our leading US franchise in life insurance and retirement services.

We are still exploring strategic options to determine the future of the insurance business in Latin America. The preference for two public offerings is driven by a number of factors. Firstly, such a scenario would facilitate optimal alignment of the timing and order of execution with the market environment in Europe and the US respectively. In addition to this increased flexibility, our preference for a two-IPO scenario relates to the uncertainty caused by the divergence in solvency regulations in the EU and the US, which will likely place European insurance companies with a presence in the US at a disadvantage vis-à-vis local US competitors. Lastly, a separate public offering of the US insurance operations is expected to improve the overall proceeds of the divestments, as US investors are generally more familiar than European investors with the US business (including variable annuities) and its valuation than European investors, given the existence of listed companies with similar business profiles in the US. The actual timing of the anticipated transactions will depend on market conditions and commercial performance.

Shaping the future of our banking business

ING Bank aims to build a leading international retail, direct and commercial bank serving a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments. It will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing. The banking strategy has been developed with the changing regulatory environment in mind

The bank will remain based in the Benelux and predominantly focused on Europe with key positions in selected growth markets in Central Europe, Turkey and Asia. The bank is starting from a good base. It is one of the largest retail savings banks in the world with a strong funding base; its direct service model is low-cost and internationally renowned and it has an extensive international network, especially for globally operating clients. In the future, ING will serve consumers, corporate clients and institutions with one balance sheet, one consistent brand, one management structure and one support organisation.

The bank will focus on customer centricity, operational excellence, and top employment practices, while fully integrating its various banking business lines. We have developed a prudent approach for resource allocation, which will not only result in a smaller balance sheet, but also envisages boosting profit and reducing risk. To achieve this, a number of priorities have been defined. In order to ensure a stable deposit base and increase cross-sell and cross-buy opportunities, the bank will concentrate on becoming the preferred bank for its customers. This means that we want our customers and potential customers to consider ING first for all their financial requirements.

We will increasingly bring loan growth in line with deposit growth, particularly focusing on deposits with attractive liquidity characteristics (e.g. term deposits and savings accounts) and an increased weighting on long-term public debt. Mortgage growth will be managed in the context of the bank s objectives with regard to deposit growth, and strengthening client relationships. In addition, the bank will seek to raise fee and commission income and originate higher yielding lending assets (e.g. consumer finance and mid-corporate lending), while reducing low yielding investments. This will include a diversification of asset classes in some regions, and efforts to further build commercial capabilities. Lastly, given regulatory changes and the desire to strengthen the funding base, the bank will adapt its asset-only strategies (e.g. in businesses like Structured Finance, Real Estate Finance, Lease) and mono-client businesses.

Shaping the future of our insurance business

As already mentioned, the future independence of ING Insurance/Investment Management is to be realised through two public offerings: a Europe-led IPO with solid cash flow combined with strong growth positions in developing markets; and a US-focused IPO with a leading franchise in retirement services.

The Europe-led business will combine the cash generation ability of the Benelux with the attractive growth markets of Central Europe and Asia. It will thus have an attractive growth profile in comparison with its life insurance peers. The

US-focused business will build on its strong Retirement Services and Life Insurance franchises, focus on the run-off of the closed variable annuities block, and restore profitability.

In preparing for the public offerings, ING Insurance will concentrate on further improving operational performance and building strong management teams. Moreover, it intends to sharpen its strategic direction, strengthen the capital base, improve investment results and review IT and procurement procedures. The product portfolio will be managed in an integrated way with a particular focus on capital consumption, e.g. through significantly reduced sales of variable annuities products and improved hedging capabilities. To enhance commercial performance, we will strengthen and further diversify our distribution capabilities (including tied agents, bank distribution, and direct distribution). The three key elements in improving performance include improving margins, containing costs and pursuing select growth opportunities to create strong global Insurance businesses, ready for IPOs ultimately by 2013.

Repayment of the Dutch State

In December 2009, ING repurchased the first half of the core Tier 1 securities of EUR 5 billion plus a total premium of EUR 605 million. Furthermore, at the next coupon reset date on May 13, 2011, ING intends to exercise its option for early repurchase of EUR 2 billion of the remaining core Tier 1 securities. The total payment in May 2011 will amount to EUR 3 billion and includes a 50% repurchase premium. ING will fund this repurchase from retained earnings. Provided that the strong capital generation continues, ING intends to repurchase the remaining EUR 3 billion of the core Tier 1 securities ultimately by May 2012 from retained earnings. The final decision on repurchase of these core Tier 1 securities will be made before the envisaged repayment date and will be conditional upon there having been no material changes regarding ING s capital requirements and/or ING s outlook on external market circumstances.

Conclusions and ambitions

With the operational separation of the banking and insurance/investment management operations completed in 2010, ING Group is now able to focus on creating more agile and customer-centric businesses and repaying the Dutch State. To earn trust, we will build the future of our businesses on sustainable profit based on sound business ethics and good corporate citizenship. We will continue along the path of intensifying our dialogue with our customers and other stakeholders on our products, services, business performance and/or other issues, as we consider it our responsibility to provide every customer with the right products and services, via the right distribution channels, and at the right prices or returns.

ING has the ambition to repay the Dutch State in full as soon as possible and intends to realise the divestment of its insurance and investment management operations through two public offerings. Looking at the future, ING bank has a promising starting position as a leading retail, direct and commercial bank. It aims to become the preferred bank for its customers and will focus on customer centricity, operational excellence, and top employment practices. While moving towards the public offerings of a Europe-led and a US-focused business, ING Insurance will initially concentrate on further improving its operational performance.

CORPORATE GOVERNANCE

Legislative and regulatory developments

On January 1, 2010, the Dutch Banking Code (Code Banken) became effective. For more information reference is made to the paragraph Corporate Governance Codes . On July 1, 2010, the bill on shareholders rights (wet aandeelhoudersrechten) came into force. The relevant provisions of this bill will apply for the first time at the 2011 annual General Meeting. In addition, several legislative proposals are under discussion in or were adopted in 2010 by the Lower House of the Dutch Parliament, or are under discussion in the Upper House of the Dutch Parliament. It concerns, among others things, the bill on revision and claw back of executive bonuses and profit-sharing of directors and the bill on management and supervision. If enacted, these legislative proposals may affect ING Group.

Transactions with the Dutch State

On November 12, 2008, ING Group issued one billion core Tier 1 securities (Securities) for a total consideration of EUR 10 billion to the Dutch State. Following the repurchase of 500 million Securities on December 21, 2009, another 500 million Securities representing EUR 5 billion remain outstanding. 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 the Note 33 of Note 2.1 to the consolidated financial statements. On January 26, 2009, ING Group reached an agreement with the Dutch State regarding the Illiquid Asset Back-up Facility (IABF) . During 2009, ING Bank N.V. issued various series of debt instruments under the 2008 Credit Guarantee Scheme of the Dutch State

(Bonds), for the first time on January 30, 2009. As part of these transactions, certain arrangements with respect to corporate governance and 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 IABF remains in place or any of the Bonds is outstanding (whichever expires last). These arrangements entail that the Dutch State may recommend two candidates

(State Nominees) for appointment to the Supervisory Board. Certain decisions of the Supervisory Board require approval of the State Nominees (these decisions are specified in the section on the Supervisory Board on page 66). Furthermore, in line with these arrangements a sustainable remuneration policy for the Executive Board and Senior Management was introduced in 2010, which continues certain specific arrangements in relation to the remuneration of members of the Executive Board.

Shareholder participation and position of ING Trust Office

During the years 2007-2010, participation of shareholders, excluding the ING Trust Office, and depositary-receipt holders in annual General Meetings consistently increased from 36.7% to 41.3%. Only the extraordinary General Meeting of November 25, 2009 showed a deviation from this trend with a markedly lower turnout of 31.1%. In view of the above, the Executive Board and the Supervisory Board evaluated the position of the ING Trust Office and ING Group s depositary-receipts structure, the outcome of which was discussed in the 2010 annual General Meeting. On the basis of this evaluation, the Executive Board and the Supervisory Board concluded that it would be premature to change or abolish ING Group s depositary-receipts structure in 2010 and that it would be more appropriate to reconsider this as part of a re-evaluation of ING Group s entire governance structure following the current restructuring of ING Group and the completion of the divestments approved in the 2009 extraordinary General Meeting.

CORPORATE GOVERNANCE CODES

Compliance with the Corporate Governance Code

For its corporate governance structure and practices, ING Group uses the Corporate Governance Code as reference. The Corporate Governance Code can be downloaded from the website of the Monitoring Commission Dutch Corporate Governance Code (www.commissiecorporategovernance.nl/Corporate Governance_Code). from the application of the Corporate Governance Code in 2010 is described in the publication ING s implementation of the Dutch Corporate Governance Code , dated April 2010, on the website of the Company (www.ing.com), which is to be read in conjunction with this section and is deemed to be incorporated into this section.

Dutch Banking Code

The Banking Code is applicable to ING Bank N.V. and not to ING Group. The Banking Code can be downloaded from the website of the Dutch Banking Association (www.nvb.nl). The principles of the Banking Code are considered as a reference by ING Bank N.V. and their application is described in the publication Application of the Dutch Banking Code by ING Bank N.V. on the website of the Company. However, ING Group voluntarily applies the principles of the Banking Code regarding remuneration with respect to the members of its Executive Board, and considers these principles as a reference for its own corporate governance. ING Group s remuneration policy for the Executive Board and Senior Management is in agreement with these principles. The remaining principles of the Banking Code are not considered as a reference for ING Group s own corporate governance, although the application thereof by ING Bank N.V. and its subsidiaries will be reflected to a certain extent in ING Group s own corporate governance structure and corporate governance practices.

NYSE Requirements

For an overview of what we believe to be the significant differences between our corporate governance practices and NYSE corporate governance rules applicable to US companies, see Item 16G. Corporate Governance . The summary of such significant differences is also available on the website of ING Group (www.ing.com).

CORPORATE ORGANIZATION

ING Groep N.V. has a Supervisory Board and an Executive Board. The Executive Board of ING Group, the Management Board Banking and the Management Board Insurance are responsible for the day-to-day management of the Group and its business lines (Retail Netherlands, Retail Belgium, ING Direct, Retail Central Europe, Retail Asia, Commercial Banking, Real Estate, Insurance Benelux, Insurance Central and Rest of Europe, Insurance US, Insurance US Closed Block VA, Insurance Latin America, Insurance Asia/Pacific and ING Investment Management). For more information about the Supervisory and Executive Boards, see Item 6. Directors, Senior Management and Employees .

Business Lines

The Executive Board of ING Group, the Management Board Banking and the Management Board Insurance set the performance targets and approve and monitor the budgets prepared by the business lines. Business lines formulate strategic, commercial, and financial policy in conformity with the strategy and performance targets set

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by the Executive Board, the Management Board Banking and the Management Board Insurance. 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 2010, 2009 and 2008.

RETAIL BANKING

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

RETAIL NETHERLANDS

ING combined ING Bank and Postbank under the ING brand in the first quarter of 2009. This combination services over 8,1 million retail clients and approximately 600,000 SME clients. The new bank has improved customer service by combining the direct banking model of Postbank with the professional advice capabilities of ING Bank.

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

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

As part of the Restructuring Plan and the EC Decision of 18 November 2009, ING has committed to carve out part of its retail banking business: WUH/Interadvies (WUB). WUB is commercially and operationally separated from ING Bank as per 18 November 2010. WUB is active in mortgages and consumer lending and is currently introducing consumer savings products.

RETAIL BELGIUM

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

ING DIRECT

ING Direct is a direct banking business, which is an important part of ING s international retail strategy. The strategy of ING Direct is to be a low-cost provider of financial services in large, mature markets by offering clients simple and transparent products and excellent service via call-centres, direct mail and the internet. The main products offered by ING Direct are saving accounts and mortgages. Payment accounts are offered in all countries except the UK. ING Direct also sells a focused range of financial products such as mutual funds, e-brokerage and pensions. ING Direct s direct banking business is active in nine countries: Canada, Spain, Australia, France, the United States, Italy, Germany, Austria and the United Kingdom and as of the end of 2010, provides services to almost 24 million customers.

ING Direct showed resilient commercial growth in 2010 bringing the total client balances (includes funds entrusted, retail lending and asset management/mutual funds) to EUR 398 billion at the end of December. ING Direct is focusing on maintaining an attractive customer offering in savings and term deposits while continuing to balance its mortgage portfolio growth. At year-end 2010 total funds entrusted to ING Direct worldwide amounted to EUR 238 billion and total retail lending amounted to EUR 148 billion.

ING remains committed to the ING Direct franchise, which ING expects to be an important contributor to ING s growth going forward.

RETAIL CENTRAL EUROPE

Retail Central Europe has a leading presence in Poland and strong positions in Romania and Turkey. It operates full-service banks in all three, combining retail and commercial banking products and services for its customers. These banks are also striving to become the customer s preferred bank through operational excellence, customer centricity and being a top employer. In 2010, ING Bank Slaski continued to modernise its branch network and optimise customer services by closer integration between its call centre, internet and branches. In Romania, ING has achieved its ambition to become the country s most preferred bank, serving over one million customers. ING Bank Romania made further progress in internet banking, in which it is a leader in terms of transaction numbers. Turkey is an important growth market for ING, and ING Bank Turkey completed various initiatives throughout 2010 to support its ambition to be the preferred bank for Turkish consumers. With 1.2 million customers, the bank is concentrating on improving customer service and offering smart products serving specific customer needs that differentiate ING from its principal competitors.

RETAIL ASIA

Retail Banking has a leading presence in the important Asian markets of India, China and Thailand. ING Vysya, in which ING has a 44% stake, serves over two million customers and is striving to increase its market share in the rapidly growing Indian banking market. TMB Bank, in which ING has a 30% stake, and is growing in both its Retail and Commercial banking businesses. Bank of Beijing (BoB) in which ING is the largest single shareholder (16.7%) is continuing its rapid growth in volumes and profits. BoB is the largest city commercial bank in China. In 2010, ING decided to renew the strategic alliance with BoB for a further five years (until 2015). As an extension to its strategic partnership, ING and BoB also signed a second five-year Technical Assistance Agreement in 2010. As with all other banking business units, Retail Asia is working hard to become the customer s preferred bank by focusing on operational excellence, customer centricity and being a top employer.

COMMERCIAL BANKING (EXCLUDING REAL ESTATE)

Commercial Banking offers core banking services such as lending and payments and cash management to corporate clients in more than 40 countries. It also provides tailored solutions in areas including corporate finance, structured finance, commercial finance, equity markets, financial markets and leasing. Clients range from medium-sized and large companies to major multinationals, as well as governments and financial institutions.

Throughout 2010, Commercial Banking focused investments and resources on achieving its Fitter, Focused, Further strategic goals: namely, to develop key market and product positions, improve client satisfaction by implementing client-centric initiatives, reduce costs and enhance operational excellence. It maintained its positions as No 1 bank in the Benelux and top 5 bank in its core Central & Eastern Europe markets, and demonstrated a leading and highly profitable financial markets franchise in developed and emerging markets. Commercial Banking s Structured Finance arm achieved its aim to be a top 10 player globally, as measured by ranking in the top 10 in various locations as a Mandated Lead Arranger (MLA) by number of deals.

Managing risk and costs remained key priorities for Commercial Banking in 2010. Risk costs fell significantly as a result of a resilient high-quality portfolio and better risk management. Commercial Banking s exposure to real estate was also steadily reduced.

Volumes in the Lending business remained under pressure in 2010 due to low demand, as companies continued deleveraging across key geographic and business markets.

PCM saw a large increase in outstanding balances in 2010, but the benefits were offset to some degree by lower margins due to low market interest rates. Other significant developments during the year included an increase in payment transactions compared to the previous year. ING is the market leader in payments processing in the Netherlands and a large player in Belgium.

Structured Finance, ING s specialised commercial lending business, continued to grow in 2010. Revenues were supported by margins that held up relatively well.

Leasing & Factoring s 2010 results showed a strong improvement on 2009, driven by a combination of stable volumes overall, higher margins, reduced risk costs and an excellent performance by ING Car Lease, which

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benefited from a sustained recovery in the second-hand car markets and an increasing order book from major corporate customers. Although the overall European leasing market shrunk by around 30% from 2008 to 2010 due to the economic downturn, Leasing & Factoring has maintained its market position in its core markets.

After a record year in 2009, income from Financial Markets trended downwards in 2010, but it was still FM s second best year on record. Client flows remained strong, but margins fell to lower levels. Revenues in developed markets were negatively impacted due to the sovereign debt crisis and the weaker client flows that the crisis caused. In combination with lower volatility, the crisis also significantly decreased flow trading.

Despite the subdued market conditions, ING continued to win some transformational mandates. An example was ING s joint bookrunner role in Deutsche Bank s EUR 10.2 billion rights issue, the largest rights issue ever for a German financial institution and the largest European equity issue to date. Commercial Banking also acted as mandated lead arranger and bookrunner on a EUR 1.2 billion syndicated facility for French mobile phone company SFR; Commercial Banking and ING Direct joined forces to share a final position in the facility of EUR 135 million. These deals illustrate that cross-selling is an integral part of ING s client offering and that businesses can work closely together to deliver highly tailored solutions to ING s clients.

Despite the challenging environment, 2010 was an excellent year for Commercial Banking. Although critical investment expenses were up, risk costs dropped significantly. Commercial Banking made solid progress in realising its goals and achieving leading market positions in selected geographies and products. Within the overall banking organisation, Commercial Banking intends to further develop its winning formula to help ING Bank realise its ambition to become the preferred bank for customers. It will do this by adopting a number of operational and strategic measures, including better leveraging its international network to benefit clients and enhancing its focus on customers, employees and operational excellence.

REAL ESTATE

ING continued to steadily reduce its exposure to real estate. ING Real Estate Finance (REF) successfully weathered the adverse environment, following prudent property financing for the last five years. ING Real Estate Development (RED) continued to reduce its risk and capital exposure. RED intends to concentrate on its core markets in the coming years and gradually reduce its development portfolios in non-core markets.

INSURANCE BENELUX

ING continued to make solid progress in becoming the most efficient and customer centric large insurance company in the Benelux. In the Netherlands and Luxembourg, a new 10 year distribution agreement with ING Bank was concluded as part of ING Benelux s initiatives undertaken during the year to prepare for the operational separation of Banking and Insurance at ING Group by January 2011.

In the Netherlands, the wider transformation of ING s insurance businesses is well underway. Operational costs reduced towards benchmark level and the integration of businesses towards new market-oriented business units showed first evidence of customer centricity. The launch of the revitalized Nationale-Nederlanden brand reflecting market developments and customer sentiment was well received. Blue prints for the new organization were approved and the roadmap for optimizing the distribution mix constructed.

ING s life insurance products in the Benelux consist of a broad range of traditional, unit-linked and variable annuity policies written for both individual and group customers. ING is also a prominent provider of (re-insured) company pension plans in the Netherlands. ING has a dedicated team to develop and grow its variable annuity business across Europe, servicing own and third party distributors in Luxembourg, Spain, Hungary, the Netherlands, Italy and Belgium.

ING Benelux non-life products, mainly in the Netherlands, include coverage for both individual and commercial/group clients for fire, motor, disability, transport and third party liability. Nationale-Nederlanden has also a central product manufacturing service for property & casualty insurance, which has developed products for ING Bank in Belgium and ING Bank 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 CENTRAL AND REST OF EUROPE

ING s life insurance products in (Central) Europe consist of a broad range of traditional, unit-linked and variable annuity policies written for both individual and group customers. The operating companies in these countries

have tailored their insurance products, investment and pension fund services for certain target markets and distribution channels. 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.

For Insurance Central and Rest of Europe, tied agents are the main distribution channel. It continues to enhance the effectiveness of its tied agents sales: giving customers professional advice and service. Besides, ING continues to strive towards a multi-distribution approach, especially with banks and brokers as additional channels.

Remaining the region s market leading life insurer and pension provider is an important goal towards building a sustainable growth engine. Sustainable indicates that it is meant for long-term success in the market. This means Insurance Central and Rest of Europe has to deliver good value-for-money to customers, good margins for shareholders, as well as, meet today s and tomorrow s compliance and risk requirements.

INSURANCE UNITED STATES (EXCLUDING US CLOSED BLOCK VA)

ING Insurance US (ING US) offers life insurance, retirement services (primarily defined contribution plans), fixed annuities, mutual funds, broker-dealer services and institutional financial products in the United States. ING US currently operates three core businesses: Retirement Services, Individual Retirement and Individual Life.

In 2010, the focus for ING US was on preparing the organization for separation from the global Banking operation and on preparing for a US-focused IPO. ING US efforts were directed at strengthening its capital position, improving operational results, managing administrative expenses and bolstering its leadership positions in its retirement services and life insurance businesses. To prepare for a successful US-focused IPO, ING US will focus on three key priorities in 2011: sales growth, expense management and improving investment margins.

Retirement Services offers a broad range of retirement solutions to all sizes and types of employers corporations, public and private school systems, state and local governments, hospitals and healthcare facilities, and not-for-profit organizations. It serves the full spectrum of the US market from pure recordkeeping services to fully bundled plan management and investment offerings. Retirement Services is the third largest provider of defined contribution (DC) retirement plans in the US based on assets under management and administration, the second largest based on the number of plan participants and the largest based on the number of retirement plans managed. ING US has a leadership position in delivering high-quality service and developing long-lasting, trusted relationships with distribution partners, retirement plan sponsors and their employees.

The vision of ING US is to be the leader in helping individuals and institutions grow, protect, and enjoy their wealth. As part of that strategy, ING US formed a new product line in 2010 Individual Retirement to focus on meeting the financial and retirement income needs of individuals. Individual Retirement offers a variety of products including rollover annuities that are part of a broad suite of simple, lower cost, lower risk investment vehicles. Individual Retirement also provides the Rollover IRA (individual retirement account, essentially an individually established defined contribution retirement fund) which is expected to be the fastest growing segment of the US retirement market. Individual Retirement will also leverage the capabilities of its affiliated broker-dealer, ING Financial Partners, to provide holistic advice and guidance to individuals over the phone or face-to-face. These products and services are aimed at capturing the growth opportunity that lies within the rapidly expanding market for retirees and people changing jobs.

Individual Life manufactures a range of products from low cost term in the middle market up through high end universal life (UL) sales in the affluent markets. The business has a strong multi-channel sales team with the breadth to touch every licensed life insurance agent in the US. It has over 80,000 independent producers and 1,500 intermediaries under contract or appointment. Its distribution organization boasts a best-in-class sales support and illustration system. This model has allowed Individual Life to create significant scale, become a top 5 writer of individual term life insurance, and develop into a major writer of permanent life insurance. Individual Life also distributes fixed annuities, including fixed index annuities as key product offering.

In order to focus on its core businesses, ING US is allowing the Institutional Financial Products business to reduce in size over time. This business line issues guaranteed investment contracts and funding agreements, which are primarily sold to institutional investors and corporate benefit plans, in support of a spread lending business.

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INSURANCE US CLOSED BLOCK VA

From October 1, 2010, ING implemented a number of key changes with regard to the US Closed Block VA business to increase transparency, improve reserve adequacy, reduce earnings volatility, and to bring accounting and hedging more into line with US peers as the company prepares for a potential US-focused IPO. As part of these changes, ING began to report the US Closed Block VA business as a separate business line within ING Insurance/IM to improve transparency for both the Closed Block and ongoing businesses.

ING US Closed Block VA consists of variable annuities issued in the US that are primarily owned by individuals and were designed to address the demand for tax-advantaged savings, retirement planning, and wealth-protection. These annuity contracts were sold in the US, primarily through independent third party distributors, including wirehouses and securities firms, independent planners and agents and banks. The management of the US Closed Block VA continues to assist existing individual annuity contract-owners invest their savings, manage their investments, and plan their financial future through asset accumulation and annuity payout options. With over 500,000 contract-owners and over USD 46 billion in assets under management, US Closed Block VA seeks to provide clients with strong customer service and financial security.

US Closed Block VA continues to share resources with ING US to leverage scale and capacity of administrative systems and product competencies.

INSURANCE LATIN AMERICA

ING Insurance has operations in six Latin American countries Mexico, Chile, Colombia, Peru, Brazil and Uruguay. ING s businesses are largely focused on pension and life insurance (with the exception of Brazil). ING also has banking operations in select countries. ING serves approximately 9.7 million customers and manages EUR 51 billion of assets. It also owns a 36% stake in Sul America the largest independent insurance company in Brazil, which serves an additional 6.3 million customers, primarily in the health and auto insurance segments. ING s Latin American businesses employ 6,900 people (excluding Brazil).

ING is the third largest private pension fund manager in Latin America as measured by assets under management: ING is no.2 in Peru, no.2 in Uruguay, no. 3 in Mexico and Chile and no. 5 in Colombia. ING is a leading life insurance company in the region with life insurance businesses in Chile, Peru and Brazil.

ING is the no.1 life insurance company in Chile as measured by AUM. ING also has a minority stake in a leading life insurance business in Peru. In Brazil, ING participates in the life insurance business through SulAmerica.

Roll-out of Wealth Management initiative across Latin America continues, this is a key source of earnings growth in the medium to long-term timeframes. During 2010 Mexico launched its Mutual Fund business, Chile, Colombia and Peru started late 2009.

Strong leadership, top talent development and effective communication, appropriate reward based on performance, a winning performance culture and social responsibility (as evidenced by our regional partnership with the Happy Hearts Foundation) are all key to creating a highly committed staff that is critical to executing the strategy and helping ING maintain a clear competitive advantage.

INSURANCE ASIA/PACIFIC

ING Insurance Asia/Pacific (IAP) is a leading provider of life insurance products and services. It is a leading international life insurer in the region, with nine life operations in seven markets. IAP has flagship operations in the mature and larger markets of Japan and South Korea, operates a dominant business in Malaysia, and is well positioned to secure an increasing share of future growth in the large and emerging markets of China, Hong Kong, India and Thailand, which are also among the fastest growing in Asia.

The Bank of Beijing replaced Beijing Capital Group as ING s joint venture partner in ING Capital Life Insurance Company Limited and the company was renamed ING-BoB Life Insurance Company Limited, effective 1 July 2010.

In the third quarter of 2010, ING Malaysia in conjunction with Public Bank Berhad and Public Islamic Bank Berhad received approval for a Family Takaful license from the Bank Negara Malaysia.

The 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.

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

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

ING INVESTMENT MANAGEMENT

ING Investment Management (IIM) is a leading globally coordinated asset manager. As of December 31, 2010, IIM manages approximately EUR 387 billion of assets for institutions and individual investors worldwide, and IIM serves as the principal asset manager of ING Group. With over 3,600 employees and an investment presence in 34 countries across the Americas, Asia-Pacific, Europe and the Middle East, IIM provides its clients with access to domestic, regional and global investment solutions.

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 and regulations, discussed more fully below.

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

A large number of national, regional and global bodies have presented in 2010 views and proposals of possible legislative and regulatory changes for the banking, insurance and investment industry, building on proposals in the previous years such as the 2009 Report by the High-Level Group on Financial Supervision in the EU chaired by Mr Jacques de Larosière. On the issue of supervisory architecture we have seen in 2010 the agreement on the establishment of three European supervisory agencies for each of the financial sectors and one Systemic Risk Board. The three European agencies replace the so-called Level 3 committees (CEBS, CESR and CEIOPS) and will have a broader mandate to directly influence supervision, which in itself will remain with local supervisory authorities. These new European bodies have established and started their mandate on 1 January 2011. The Systemic Risk Board will start working on detecting risks building up in the financial sector and the economy as a whole. In addition to changes to the regulatory architecture, significant changes to capital and liquidity standards were agreed and also on topics such as remuneration various national and international bodies have issued guidelines that need implementation.

In addition, a variety of proposals on a global level, in particular those made by the Financial Stability Board and the Basel Committee on Banking Supervision, as well various regional or national entities are expected to have a significant impact on the way financial institutions will operate going forward. In the US the adopted Dodd-Frank Act will have a significant effect on the regulatory framework governing the US financial sector, as discussed further below. As various parts of the Dodd-Frank Act will require further rule making it is not yet possible to assess fully the impact the Dodd-Frank Act will have on financial institutions such as ING. The aggregated impact and possible interaction of these proposals is hard to determine, and it may be difficult to reconcile them where they are not aligned. The financial industry has not stood silent and has also taken initiatives by means of guidelines and forms of self regulation. A prime example of this is the Banking Code as established by the Dutch Bankers Association, which entails a set of principles on corporate governance, risk management, audit and remuneration that Dutch banks will have to apply on a comply or explain basis. In 2010 the Association of Dutch Insurers followed suit and developed their own Code reflecting similar topics. Work has also been done on many other topics including deposit guarantee schemes and cross border crisis and resolution management. The latter discussion could have a significant impact on business models and capital structure of financial groups.

Financial institutions continue to be closely scrutinized 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 alleged 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. Over the past years ING has significantly increased its Compliance efforts, including a major staff increase, amendment of key policies and guidelines and the international rollout of several programmes for education, awareness and monitoring of compliance issues.

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. Each of these countries

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is subject to a variety of EU, US and other sanctions regimes. Cuba, Iran, Sudan, and Syria are identified by the US as state sponsors of terrorism and are subject to US economic sanctions and export controls.
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 remains in discussions with authorities in the US and in other jurisdictions concerning these matters, including ING Bank s compliance with Office of Foreign Asset Control requirements. ING Bank has received requests for information from US Government agencies including the US Department of Justice and the New York County District Attorney s Office. ING Bank is cooperating fully with the ongoing investigations. It is currently not feasible for ING Bank to determine how the ongoing investigations may be resolved or the timing of any such resolution, nor to estimate reliably the possible amount, of any resulting fines and/or penalties, if any, which could be significant.
In the U.S., the Dodd-Frank Wall Street Reform and Consumer Protection Act, which became law on July 21, 2010, creates a new agency, the Financial Stability Oversight Council (FSOC), an inter-agency body that is responsible for monitoring the activities of the US financial system and recommending a framework for substantially increased regulation of systemically significant financial services firms (a Systemically Significant Company), including large, interconnected bank holding companies and systemically important nonbank financial companies that could consist of securities firms, insurance companies and other providers of financial services, including non-US companies. If ING or its US operations, or any part thereof, were designated as such a Systemically Significant Company, then ING and its subsidiaries would be supervised by the Federal Reserve Board and would be subject to heightened prudential standards, including minimum capital requirements, liquidity standards, short-term debt limits, credit exposure requirements, management interlock prohibitions, maintenance of resolution plans, stress testing, and restrictions on proprietary trading. Failure to meet the requisite measures of financial condition applicable to a Systemically Significant Company could result in requirements for a capital restoration plan or capital raising; management changes; asset sales; and limitations and restrictions on capital distributions, acquisitions, affiliate transactions and/or product offerings. We cannot predict whether ING or the US operations will be designated as a Systemically Significant Company. In addition, Dodd-Frank also imposes a number of other requirements, some of which may have a material impact on our operations and results, as discussed further under Item 3. Key Information Risk Factors We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business .
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.

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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 regime of the insurance industry; the Solvency II project. Solvency II will introduce economic risk-based solvency requirements across all EU Member States. These new solvency requirements will be more risk-sensitive and more sophisticated than in the past, thus enabling a better coverage of the real risks run by any particular insurer. Also, Solvency II will introduce new governance requirements and requirements relating to supervisory reporting and disclosure. The European Parliament adopted and approved the Solvency II directive (level 1 text) on April 22, 2009. As regards the level 2 text (interpretations by CEIOPS) and level 3 text (interpretations by local regulators/guidance), the work is steadily advancing. Member States are required to apply Solvency II from January 1, 2013

Americas

United States

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

ING Insurance s U.S. operations are subject to Risk Based Capital (RBC) guidelines which provide a method to measure the adjusted capital (statutory capital and surplus plus other adjustments) that insurance companies should maintain, taking into account the risk characteristics of the company s investments and products. The RBC guidelines are used by state insurance regulators as an early warning regulatory tool to identify possibly inadequately capitalized insurers which may need additional regulatory oversight. Each of the companies comprising ING Insurance s U.S. operations was above its target and statutory minimum RBC ratios at year-end 2009.

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

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

Canada

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

Mexico

ING s annuities, mandatory pension, leasing, mortgage and mutual fund businesses in Mexico are subject to general rules and detailed regulations under federal law and are supervised by the National Insurance and

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Bonding Commission (CNSF) in the case of annuities, the National Retirement Savings System Commission (CONSAR) in the case of mandatory pensions and the National Banking and Securities Commission (CNBV) in the case of mortgage, leasing and mutual funds. The main legal framework applicable to the afore mentioned businesses includes the Insurance Companies Law, the Insurance Contract Law, Retirement Savings Systems Law, Stock Market Law, Fund Management Law and regulations issued by the relevant regulators (CONSAR, CNSF and CNBV).
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 these entities.
The Ministry of Finance has authority to grant or revoke licenses to conduct annuities, mandatory pensions, leasing, mortgage and mutual fund businesses in Mexico, and to prescribe rules on anti-money laundering. The regulators (CNSF, CONSAR, and CNBV), regulate ING business 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. Insurance, pension, mortgage, leasing and mutual funds companies are also subject to a mandatory annual audit of their financial statements and tax reports by independent auditors.

Argentina

In May 2009, ING sold 100% of its stake in the insurance annuities business in Argentina.
ING is in the process of liquidating Nationale-Nederlanden Cía de Seguros de Vida (INGIA) a legacy company which is a branch of the Nationale-Nederlanden Life in Holland. In late 2004, ING sold the insurance portfolio of this company. Currently INGIA is winding down the entire business which is in the final stage of liquidation process.
Private pension fund businesses in Argentina were nationalized on December 9, 2008, pursuant to law 26.425. This law ordered all Private Pension Fund Managers (AFJP) to transfer the pension funds they then held to the ANSES (Administración Nacional de la Seguridad Social), the Argentine State social security system. As a result of the nationalization of the Argentine pension fund system, ANSES has taken over control of the private pension funds and ING s Argentine AFJP will ultimately be liquidated. During this liquidation process, the AFJP is regulated by the General Inspection of Justice (Inspección General de Justicia).

Peru

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

Chile

ING s insurance business in Chile is subject to supervision by the Chilean Securities and Insurance Commission (SVS), the rules and directives issued by the SVS and the Insurance Law (Decree Law No. 251). The SVS is the authority that licenses and regulates insurers in Chile. Only Chilean corporations may operate an insurance business in Chile. The Insurance Law establishes requirements and regulations regarding the conduct of operations by insurance businesses, including rules regarding technical reserves, permitted investments and legal solvency requirements such as minimum solvency margins and limits on indebtedness.
ING s pension business in Chile is subject to supervision by the Chilean Superintendent of Pension (SP) (SP), regulations issued by the SP, Decree Law No. 3.500 of 1980 (DL 3.500) and by its regulation (Supreme Decree No. 57). The SP is the authority that licenses and regulates pension funds in Chile. According to DL 3.500, pension funds must be managed by corporations that are pension funds administrators (AFPs). The DL 3.500 regulates the structure of funds, investment limits, transactions with related parties, the transfer of pension members participations between AFPs, and other pension fund administrator rights and

obligations. AFPs are incorporated as stock corporations and ING s pension businesses are also subject to supervision by the Chilean Securities and Insurance Commission (SVS),

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

Colombia

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

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

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

Uruguay

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

Asia/Pacific

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

Japan

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

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

South Korea

ING Group s South Korean insurance companies are subject to supervision by the Financial Services Commission (FSC) and its executive arm, the Financial Supervisory Service (FSS). Another body, the Korean Insurance Development Institute (KIDI) established under the Insurance Business Law, calculates net insurance premium rates that insurance companies can apply and reports such premium rates to the FSC. The KIDI also confirms insurance companies methods of calculating insurance premiums and the liability reserve in relation to new products and revisions of existing products. Since April 2007, the FSS adopted the Risk Assessment and Application System to strengthen insurance risk management system of insurance companies.

Malaysia

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

BANKING

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

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

ING uses the Advanced IRB Approach for credit risk, an internal VaR model for its trading book exposures and the Advanced Measurement Approach for operational risk. During 2008 a Basel I regulatory floor of 90%, in 2009, 2010 and 2011 a floor of 80%, still applied. (A small number of portfolios are still reported under the Standardized Approach.

ING Bank files consolidated quarterly and annual reports of its financial position and results with DNB in the Netherlands. ING Bank s independent auditors audit these reports on an annual basis.

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 Corporation, 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.

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.

Financial institutions continue to be closely scrutinized 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 alleged 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. Over the past years ING has significantly increased its Compliance efforts, including a major staff increase, amendment of key policies and guidelines and the international rollout of several programmes for education, awareness and monitoring of compliance issues.

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. Each of these countries is subject to a variety of EU, US and other sanctions regimes. Cuba, Iran, Sudan, and Syria are identified by the US as state sponsors of terrorism and are subject to US economic sanctions and export controls.

Regulatory measures and law enforcement agencies investigations

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 remains in discussions with authorities in the US and in other jurisdictions concerning these matters, including ING Bank s compliance with Office of Foreign Asset Control requirements. ING Bank has received requests for information from US Government agencies including the US Department of Justice and the New York County District Attorney s Office. ING Bank is cooperating fully with the ongoing investigations. It is currently not feasible for ING Bank to determine how the ongoing investigations may be resolved or the timing of any such resolution, nor to estimate reliably the possible amount, of any resulting fines and/or penalties, if any, which could be significant.

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. Our regulators are closely monitoring the activities of financial institutions with a focus on ensuring the stability and integrity of the banking system, including issues such as: capital adequacy, consumer protection and transparency. In particular, legislation has been introduced to ensure plain language is used in disclosure for deposit

and lending products. OSFI has communicated its expectations regarding capital management and planning for banks. The Federal government is also pushing for a national securities regulator that will simplify the regulatory regime for securities and facilitate capital entering into Canada. In addition, Canada maintains a robust anti-money laundering regime where financial institutions are required to know and monitor their customers and their transactions.

ING Direct Canada manufactures and sells mutual funds through its wholly-owned subsidiaries. ING Direct Asset Management Limited manages three index-based mutual funds exclusively sold by ING Direct Funds Limited, a registered mutual fund dealer. Both entities are principally regulated by the Ontario Securities Commission. The dealership is also a member of the Mutual Fund Dealers 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.

BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES

Americas

United States

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

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

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

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

Canada

As noted above, 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. As a result, ING also no longer owns an interest in the former ING Investment Management, Inc. (now called Intact Investment Management).

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COMPETITION

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

During the financial crisis, governments around the globe have undertaken exceptional measures to support financial institutions. ING s management feels that these measures were important and necessary steps to restore confidence and bring stability and certainty to the financial system. ING itself entered into two transactions with the Dutch State: on the issuance of EUR 10 billion of core Tier 1 securities to the Dutch State (October 2008) and an Illiquid-Assets Back-up Facility (January 2009) with respect to 80% of ING s Alt-A residential mortgage backed securities.

Under European state-aid rules, all state-supported financial institutions need to demonstrate their long-term viability and take actions to prevent undue distortions of competition. As a result, and parallel to the introduction and implementation of the Back to Basics programme, ING was also required to develop and submit a restructuring plan to the EC. The negotiations with the EC on the Restructuring Plan have acted as a catalyst to accelerate the separation of our banking and insurance operations, and thereby eliminate our double leverage.

However, ING has had to accept a number of commitments to obtain the EC s approval for transactions with the Dutch State. One of these involves the divestment of ING Direct US. Also as part of the Restructuring Plan, a new company is being created in the Dutch retail market out of part of our current operations, by combining the Interadvies banking division (including Westland Utrecht and the mortgage activities of Nationale-Nederlanden) and the existing consumer lending portfolio of ING Retail. Furthermore, ING must refrain from being a price leader within the EU for certain retail and SME banking products, and must refrain from acquisitions of financial institutions that might slow down the repayment of the core Tier 1 securities.

In January 2010, ING lodged an appeal with the General Court of the European Union against specific elements of the European Commission s decision on ING s restructuring plan, which the Dutch State submitted to the EC in October 2009. ING has requested the Court to annul the decision of the European Commission, insofar as it qualifies the amendment to the core Tier 1 securities (that is the agreement between ING and the Dutch State to reduce the repayment premium for the first EUR 5 billion tranche of core Tier 1 securities) as additional State aid (of EUR 2 billion), requires price leadership bans and/or imposes disproportional restructuring measures. In parallel with ING s decision to lodge an appeal with the General Court, the Dutch state also lodged an appeal with the General Court to contest the core Tier 1 amendment.

ING believes it is in the interest of all its stakeholders to use the opportunities provided by law to let the General Court review these elements of the EC s decision. However, the appeal does not alter ING s commitment to execute its restructuring plan as announced on October 26, 2009 and stands firmly behind its strategic decision to separate its banking and insurance operations and divest the latter. A Court decision is expected in 2011.

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

RATINGS

We rely upon the short-term and long-term debt capital markets for funding, and the cost and availability of debt financing is significantly influenced by our credit ratings. Credit ratings are also important when we are competing in certain markets.

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

(with a stable outlook) by Fitch Ratings (Fitch).

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ING Verzekeringen N.V. s long-term senior debt is rated A- (with a negative outlook) by Standard & Poor s and Baa1 (with a negative outlook) by Moody s. Fitch rated ING Verzekeringen N.V. s long-term senior debt A- (with a negative outlook).
ING Bank N.V. s long-term senior debt held a A+ (with a stable outlook) rating by Standard & Poor s. Moody s rated ING Bank N.V. s long-term senior debt at Aa3 (with a stable outlook). Finally, ING Bank N.V. s long-term senior debt was rated A+ (with a stable outlook) by Fitch Ratings, Ltd.
ING Verzekeringen N.V. s short-term senior debt is rated A-2 by Standard & Poor s and Prime-2 (P-2) by Moody s. ING Verzekeringen held a F2 rating by Fitch.
ING Bank N.V. s short-term senior debt held a rating of A-1 by Standard & Poor s and Prime-1 (P-1) by Moody s. Fitch rated ING Bank N.V. s short-term senior debt F1+ .
All ratings are provided as of March 15, 2010, and are still current at date of filing.

DESCRIPTION OF PROPERTY

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

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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-IASB. Unless otherwise indicated, financial information for ING Group included herein is presented on a consolidated basis under IFRS-IASB.

FACTORS AFFECTING RESULTS OF OPERATIONS

ING Group s results of operations are affected by demographics (particularly with respect to life insurance) and by a variety of market conditions, including economic cycles, 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 exposed to fluctuations in equity markets. ING Bank maintains an internationally diversified and mainly client-related trading portfolio. Accordingly, market downturns are likely to lead to declines in securities trading and brokerage activities which we execute for customers and therefore to a decline in related commissions and trading results. In addition to this, ING Bank also maintains equity investments in its own non-trading books. Fluctuations in equity markets may affect the value of these investments.

Fluctuations in interest rates

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

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

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Fluctuations in exchange rates

ING Group is exposed to fluctuations in exchange rates. Our management of exchange rate sensitivity affects the results of our operations both through the trading activities for our own account and because that we prepare and 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 Canadian dollar, the Pound sterling, the Polish zloty, the Australian dollar, the Japanses yen, the Korean won and the Turkish lira into euros will impact our reported results of operations and cash flows from year to year. This exposure is mitigated by the fact that realized results in non-Euro currencies are translated into euro by monthly hedging. See Note 24 of Note 2.1 to the consolidated financial statements for a description of our hedging activities with respect to foreign currencies. Fluctuations in exchange rates will also impact the value (denominated in euro) of our investments in our non-Euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of our non-euro reporting subsidiaries are generally denominated in the same currencies. The translation risk is managed taking into account the effect of translation results on the core Tier-1 ratio.

The weakening of the euro against most currencies during 2010 had a positive impact of EUR 88 million on (underlying) net result. In 2009 and 2008 exchange rates influenced net result, respectively, by EUR 184 million positively and EUR 163 million negatively.

For the years 2010, 2009 and 2008, 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			
	4Q 2008	**3Q 2008**	**2Q 2008**	**1Q 2008**
U.S. dollar	1.345	1.511	1.566	1.514
Australian dollar	1.922	1.694	1.664	1.674
Canadian dollar	1.590	1.559	1.579	1.509
Pound sterling	0.844	0.796	0.792	0.761
Japanese yen	130.787	161.518	162.530	159.662
South Korean won	1,748.405	1,640.581	1,589.017	1,438.373
Turkish lira	1.995	1.825	1.973	1.838
Polish zloty	3.741	3.327	3.425	3.566

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

	4Q 2010	**3Q 2010**	**2Q 2010**	**1Q 2010**
U.S. dollar	1.347	1.290	1.285	1.386
Australian dollar	1.376	1.431	1.450	1.541

Canadian dollar	1.371	1.347	1.322	1.452
Pound sterling	0.857	0.834	0.856	0.884
Japanese yen	110.883	110.502	118.316	126.568
South Korean won	1,531.253	1,530.355	1,495.789	1,600.933
Turkish lira	2.000	1.957	1.976	2.097
Polish zloty	3.999	4.034	3.996	3.997

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	Year-end		
	2010	2009	2008
U.S. dollar	1.338	1.440	1.396
Australian dollar	1.314	1.602	2.026
Canadian dollar	1.334	1.514	1.710
Pound sterling	0.862	0.889	0.956
Japanese yen	108.745	133.057	126.354
South Korean won	1,500.388	1,679.614	1,758.273
Turkish lira	2.067	2.157	2.143
Polish zloty	3.959	4.106	4.175

Financial environment

2010 was a year marked by continued external challenges. Although economic conditions broadly improved, risks remained significant due to eurozone sovereign risk fears and a continued weak performance of the US economy. The financial sector was also confronted with proposed changes in the regulatory environment, as authorities launched proposals to increase capital, liquidity and risk requirements for banks and insurers. For details regarding the impact of the credit and liquidity crisis on ING s assets and results, see section Risk Management in Note 2.2.1 to the consolidated financial statements.

Critical Accounting Policies

See Note 2.1 to the consolidated financial statements.

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CONSOLIDATED RESULTS OF OPERATIONS

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

While these excluded items are significant components in understanding and assessing the Group s consolidated financial performance, ING Group believes that the presentation of underlying result before tax enhances the understanding and comparability of its segment performance by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. For example, we believe that trends in the underlying profitability of our segments can be more clearly identified without the effects of the realized gains/losses on divestitures as the timing is largely subject to the Company s discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Underlying result before tax is not a substitute for result before tax as determined in accordance with IFRS-IASB. ING Group s definition of underlying result before tax may differ from those used by other companies and may change over time. For further information on underlying result before tax as well as the reconciliation of our segment underlying result before tax to our result before taxation see Item 5. Operating and Financial Review and Prospects Segment Reporting and Note 51 of Note 2.1 to the consolidated financial statements. The following table sets forth the consolidated results of the operations of ING Group and its banking and insurance operations for the years ended December 31, 2010 and 2009:

	Banking		**Insurance**		**Eliminations[3)]**		**Total**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
				(EUR millions)				
Premium income			27,947	30,492			27,947	30,492
Interest result banking operations	13,416	12,539			93	164	13,323	12,375
Commission income	2,633	2,656	1,945	1,953			4,578	4,609
Investment and Other income	1,090	(3,558)	7,597	3,363	243	172	8,444	(367)
Total income	**17,139**	**11,637**	**37,488**	**35,808**	**336**	**336**	**54,292**	**47,109**
Underwriting expenditure			32,765	30,984			32,765	30,984
Other interest expenses			1,128	1,052	336	336	792	716
Operating expenses [(4)]	10,153	10,158	4,341	4,387			14,494	14,545
Addition to loan loss provision	1,751	2,973					1,751	2,973
Other			607	72			607	72
Total expenditure	**11,904**	**13,131**	**38,841**	**36,495**	**336**	**336**	**50,410**	**49,291**

Result before tax	**5,235**	**(1,494)**	**(1,353)**	**(687)**	**3,882**	**(2,181)**
Taxation	1,215	(556)	(215)	(83)	1,000	(639)
Minority interests	80	(141)	25	23	105	(118)
Net result	**3,939**	**(797)**	**(1,164)**	**(627)**	**2,777**	**(1,423)**
Result before tax	**5,235**	**(1,494)**	**(1,353)**	**(687)**	**3,882**	**(2,181)**
Gains/losses on divestments[1]	(389)		(9)	(63)	(398)	(63)
Result divested units	(35)	473	15	(48)	(20)	425
Special items [2]	456	1,727	829	594	1,285	2,321
Underlying result before tax	**5,267**	**705**	**(519)**	**(202)**	**4,749**	**502**

(1) Divestments Bank: sale Private Banking Swiss (EUR (69) million, 2010), sale Private Banking Asia (EUR (346) million, 2010), sale Summit Canada (EUR 26 million, 2010). Divestments Insurance: sale joint-venture Brasil (EUR (22) million, 2010) sale Industry Pension Funds (EUR (5) million, 2010, EUR 160 million, 2009), sale Greece Non-life (EUR 5 million, 2010, EUR (6) million, 2009), sale of Canada (EUR 38 million, 2009), sale of Argentina (EUR 7 million, 2009), sale of Australia (EUR (337) million, 2009), sale US (EUR 14 million, 2010, EUR 42 million, 2009), sale of Russia (EUR 2 million, 2009), sale of Chile Health/Annuities (EUR 23 million, 2009), sale of Mexico (EUR (2) million, 2009), sale Taiwan (EUR (1) million, 2009).

(2) Special items Bank: separation costs ING (EUR 58 million, 2010), Retail Netherlands strategy (EUR 242 million, 2010, EUR 222 million, 2009), not launching ING Direct Japan (EUR 39 million, 2009), transaction result on Alt-A portfolio (EUR (69) million, 2009), additional IABF payments (EUR 1,104 million, 2009), restructuring provisions (EUR 156 million, 2010, EUR 430 million, 2009). Special items Insurance: goodwill impairment US (EUR 537 million, 2010), restructuring provisions (EUR 292 million, 2010, EUR 331 million, 2009), transaction result on Alt-A portfolio (EUR 118 million, 2009), additional IABF payments (EUR 146 million, 2009).

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

(4) Including Intangibles amortisation and impairments banking operations.

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

	Banking		Insurance		Eliminations[3)]		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Premium income			30,492	43,812			30,492	43,812
Interest result banking operations	12,539	11,082			167	43	12,375	11,039
Commission income	2,656	2,820	1,953	2,139			4,609	4,959
Investment and Other income	(3,558)	(5,950)	3,363	8,970	169	248	(367)	2,772
Total income	**11,637**	**7,953**	**35,808**	**54,921**	**336**	**291**	**47,109**	**62,583**
Underwriting expenditure			30,984	49,485			30,984	49,485
Interest expenses			1,052	1,269	336	291	716	978
Operating expenses [(4)]	10,158	10,276	4,387	5,449			14,545	15,725
Addition to loan loss provision	2,973	1,280					3,045	1,590
Other			72	310				
Total expenditure	**13,131**	**11,556**	**36,495**	**56,513**	**336**	**291**	**49,291**	**67,778**
Result before tax	**(1,494)**	**(3,604)**	**(687)**	**(1,592)**			**(2,181)**	**(5,196)**
Taxation	(556)	(1,194)	(83)	(472)			(639)	(1,667)
Minority interests	(141)	(69)	23	31			(118)	(38)
Net result	**(797)**	**(2,341)**	**(627)**	**(1,151)**			**(1,423)**	**(3,492)**
Result before tax	**(1,494)**	**(3,604)**	**(687)**	**(1,592)**			**(2,181)**	**(5,196)**
Gains/losses on divestments[(1)]			(63)	(8)			(63)	(8)
Result divested units	473	187	(48)	152			425	339
Special items	1,727	301	594	93			2,321	394
Underlying result before tax	**705**	**(3,115)**	**(202)**	**(1,356)**			**502**	**(4,470)**

(1) Divestments Insurance: sale Industry Pension Funds (EUR 160 million, 2009), sale Greece Non-life (EUR 6 million, 2009), sale of Canada (EUR 38 million, 2009), sale of Argentina (EUR 7 million, 2009), sale of Australia (EUR (337) million, 2009), sale US (EUR 42 million, 2009), sale of Russia (EUR 2 million, 2009), sale

of Chile Health/Annuities (EUR 23 million, 2009, EUR 55 million in 2008), sale of Mexico (EUR (2) million, 2009, EUR 182 million, 2008), sale Taiwan (EUR (1) million, 2009, EUR (214) million, 2008), sale NRG (EUR (15) million, 2008).

(2) Special items Banking: Retail Netherlands strategy (EUR 222 million, 2009, EUR 271 million, 2008), not launching ING Direct Japan (EUR 39 million, 2009, EUR 30 million, 2008), transaction result on Alt-A portfolio (EUR (69) million, 2009), additional IABF payments (EUR 1,104 million, 2009), restructuring provisions (EUR 430 million, 2009) Special items Insurance: restructuring provisions (EUR 331 million, 2009, EUR 93 million, 2008), transaction result on Alt-A portfolio (EUR 118 million, 2009), additional IABF payments (EUR 146 million, 2009).

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

(4) Including Intangibles amortisation and impairments banking operations.

GROUP OVERVIEW

Year ended December 31, 2010 compared to year ended December 31, 2009

Although macro-economic conditions in 2010 broadly improved, risks remained significant due to eurozone sovereign risk fears and a continued weak performance of the US economy. Nevertheless, ING Group s results showed a strong improvement compared with previous year. Total result before tax increased by EUR 6,063 million from a loss of EUR (2,181) million in 2009 to a profit of EUR 3,882 million in 2010 and total underlying result before tax increased by EUR 4,247 million from EUR 502 million in 2009 to a profit of EUR 4,749 million in 2010. The increase in total result before tax is also impacted by divestments which resulted in a gain of EUR 398 million and EUR 63 million for 2010 and 2009, respectively, and special items in 2010 and 2009 influenced result before tax negatively by EUR 1,285 million and EUR 2,321 million, respectively.

Net result increased by EUR 4,200 million from a loss of EUR (1,423) million in 2009 to a profit of EUR 2,777million in 2010. This lower net profit increase, compared with the increase in result before tax, was due to higher taxation due to the reversal of losses in profit, which resulted in a change in taxation from EUR (639) million in 2009 to EUR 1,000 million in 2010.

Basic earnings per share increased to EUR 0.62 in 2010 from EUR (0.75) in 2009.

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. Adjusted equity includes core Tier-1 securities, hybrid capital and prudential filters. Adjusted equity also excludes the difference between IFRS-EU and IFRS-IASB, as capital ratios are based on IFRS-EU as primary accounting basis, which is also the basis for statutory and regulatory reporting. On this basis, the debt/equity ratio of ING Group increased to 13.3% in 2010 compared with 12.4% in 2009, reflecting the conversion of EUR 1.5 billion of hybrid debt securities from ING Group into equity in ING Verzekeringen NV. The Insurance Groups Directive ratio of ING Verzekeringen N.V. decreased to 250% of E.U. regulatory requirements at the end of 2010, compared with 247% at the end of 2009, as the required capital increased more than the Insurance Group Directive capital. The Tier 1 ratio of ING Bank N.V. stood at 12.2% at the end of 2010, up from 10.2% (both based on Basel II risk weighted assets) at the end of 2009, well above the 10% target. Tier 1 capital increased from EUR 34 billion to EUR 39 billion. This was driven by profits and a positive exchange rate impact. Risk weighted assets dropped from EUR 332.4 billion on December 31, 2009 to EUR 321.1 billion on December 31, 2010. More information on capital ratio s can be found in the Capital Management section of Note 2.2.2 to the consolidated financial statements.

BANKING OPERATIONS

Income

Total income from banking increased 47.3%, or EUR 5,502 million, to EUR 17,139 million in 2010 from EUR 11,637 million in 2009. This increase was largely attributable to a strong improvement of investment income, and other income as the negative effects from the US housing market and property markets became less severe, combined with higher interest results.

The net interest result increased by EUR 877 million, or 7.0%, to EUR 13,416 million in 2010 from EUR 12,539 million in 2009, driven by an improvement of the interest margin. The interest margin in 2010 was 1.42%, an increase of 10 basis points from 1.32% in 2009, mainly due to higher margins on savings and mortgages in Retail Netherlands and ING Direct and on the General Lending and Structured Finance activities within Commercial Banking.

Commission income decreased 0.9%, or EUR 23 million, to EUR 2,633 million in 2010 from EUR 2,656 million in 2009. The decrease in commission income was driven by the divestment of the Private Banking activities in Switzerland and Asia at the beginning of 2010 and the Summit portfolio in Canada in the fourth quarter. Excluding these divestments, commission income rose 3.6% driven principally by higher Structured Finance fees

Investment income improved by EUR 3,620 million from a loss of EUR 2,860 million in 2009 to a profit of EUR 760 million in 2010, which included a EUR 381 million gain on the sale of the Private Banking activities in Switzerland and Asia, and the Summit portfolio in Canada. Realized results on debt securities (including

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impairments) improved to EUR 4 million in 2010 from a loss of EUR 2,436 million in 2009. This strong improvement was mainly driven by lower impairments on the Alt-A RMBS portfolio in the US, while 2009 included a one-time charge of EUR 1,104 million before tax related to an accrual of additional payments for the IABF. Fair value changes on real estate investments improved by EUR 540 million to EUR (50) million in 2010, supported by the signs of stabilization in the property markets. Realized result on equity securities improved from EUR (25) million in 2009 to EUR 306 million in 2010, which included EUR 295 million of capital gains on the sale of two Asian equity positions. Next to this, rental income decreased by EUR 32 million.

Other income improved by EUR 1,028 million to EUR 330 million in 2010 from EUR (698) million in 2009. Net trading income increased EUR 314 million from EUR 803 million in 2009 to EUR 1,117 million in 2010. Valuation results from non-trading derivatives, for which hedge accounting is not applied under IFRS-IASB, improved by EUR 335 million to EUR (1,237) million in 2010. The share of profit from associates improved by EUR 492 million to EUR 104 million, mainly due to associates at ING Real Estate. This was in part offset by a decrease of EUR 112 million in other revenues to EUR 346 million in 2010.

Expenses

Total operating expenses decreased by EUR 5 million, to EUR 10,153 million in 2010 from EUR 10,158 million in 2009. In 2010, special items reported under expenses amounted to EUR 456 million, including EUR 242 million in provisions and costs related to the Retail Netherlands strategy (combining ING Bank and Postbank), EUR 156 million in provisions and costs for other restructuring and IT decommissioning and EUR 58 million of costs related to the separation of Banking and Insurance. In 2009, special items were EUR 725 million, including EUR 222 million in provisions and costs related to the Retail Netherlands Strategy and EUR 503 million in provisions and costs for restructurings (including EUR 31 million for not launching ING Direct Japan). Excluding these special items and the impact of the divested units, total operating expenses increased by EUR 422 million, or 4.6%, reflecting higher staff costs, increased marketing expenses and deposit guarantee costs as well as higher IT project costs.

The addition to the provision for loan losses

The total addition to the provision for loan losses in 2010 was EUR 1,751 million compared to EUR 2,973 million in 2009, a decrease of 41.1% or EUR 1,222 million. The decline was mainly driven by lower net additions at ING Direct (reflecting signs of stabilization in the US housing markets), ING Real Estate and in the Structured Finance and General Lending activities of Commercial Banking. As a percentage of average risk-weighted assets, the addition to the provision for loan losses in 2010 was 52 basis points compared with 87 basis points in 2009.

Result before tax and net result

Total result before tax improved by EUR 6,729 million, to EUR 5,235 million in 2010 from EUR (1,494) million in 2009. Special items (amongst others provisions and costs related to the Retail Netherlands Strategy, other restructuring and IT decommissioning) had in 2010 a negative impact of EUR 456 million on result before tax. The divestment of the Private Banking activities in Switzerland and Asia and the Summit portfolio in Canada resulted in a profit before tax of EUR 389 million in 2010, next to EUR 35 million of operational results on these divested units. In 2009, special items had a negative impact of EUR 1,727 million on the result before tax, while the divested units reported a loss of EUR 473 million.

Net result from banking improved by EUR 4,736 million from EUR (797) million in 2009 to EUR 3,939 million in 2010. The effective tax rate for ING s banking operations decreased from 37.2% in 2009 to 23.2% in 2010. The net result also included EUR 80 million of minority interests, mainly related to ING Real Estate, compared with EUR (141) million in 2009.

Underlying result before tax

Excluding special items and divestments, ING s banking operations showed an increase in underlying result before tax of EUR 4,562 million from EUR 705 million in 2009 to EUR 5,267 million in 2010.

INSURANCE OPERATIONS

Income

Total premium income decreased by 8.3%, or EUR 2,545 million from EUR 30,492 million in 2009 to EUR 27,947 million in 2010. Life premiums decreased 8.8%, or EUR 2,514 million from EUR 28,720 million in 2009 to EUR 26,206 million in 2010 largely driven by EUR 1,706 million lower premium income in US Closed Block VA

and EUR 527 million lower premium income in Insurance Benelux. In addition, divestments

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in 2009 of the Chile Annuity business and the life insurance and wealth management businesses in Australia and New Zealand resulted in a further decrease in premium income of EUR 83 million and EUR 230 million respectively. Non-life premiums decreased 1.7%, or EUR 31 million from EUR 1,772 million in 2009 to EUR 1,741 million in 2010. Investment and other income increased by 125.9%, or EUR 4,234 million, to EUR 7,597 million in 2010, driven by EUR 1,202 million lower investment losses in US Closed Block VA and EUR 911 million higher investment income in Benelux.

Underwriting Expenditure

Underwriting expenditure increased by EUR 1,781 million, or 5.7% from EUR 30,984 million in 2009 to EUR 32,765 million in 2010. The underwriting expenditure of the life insurance operations increased by EUR 1,732 million, or 5.8%, partly due to the unlocking and write down of DAC in the US Closed Block VA in 2010 for a total amount of EUR 1,459 million.

Expenses

Operating expenses from the insurance operations decreased 1.0%, or EUR 46 million to EUR 4,341 million in 2010, from EUR 4,387 million in 2009.

Result before tax and net result

Total result before tax of Insurance decreased by EUR 666 million, to a loss of EUR 1,353 million in 2010 from a loss of EUR 687 million in 2009. The impact of divestments amounted to EUR 9 million in 2010 and EUR 63 million in 2009. Divested units contributed a loss of EUR 15 million before tax in 2010 and a profit of EUR 48 million to result before tax in 2009. Special items had a negative impact of EUR 829 million in 2010 compared to a loss of EUR 594 million in 2009. The net result from Insurance decreased EUR 537 million to a loss of EUR 1,164 million in 2010 from a loss of EUR 627 million in 2009.

Underlying result before tax

The underlying result before tax (excluding the impact of divestments and special items) decreased EUR 317 million to a loss of EUR 519 million in 2010 from a loss of EUR 202 in 2009. The underlying result before tax from life insurance decreased EUR 350 million to a loss of EUR 842 million from a loss of EUR 492 million in 2009. Underlying result before tax from non-life insurance increased 11.7%, or EUR 34 million, to EUR 324 million from EUR 290 million in 2009.

GROUP OVERVIEW

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

Total result before tax increased by EUR 3,015 million from a loss of EUR (5,196) million in 2008 to a loss of EUR (2,181) million in 2009 and total underlying result before tax increased by EUR 4,977 million from EUR (4,475) million in 2008 to a profit of EUR 502 million in 2009. Throughout the year, market conditions remained challenging, but the second half of 2009 also brought the first signs of recovery leading to reduced losses in the banking operations as well a the insurance operations, although both still showed negative results but improved considerably compared to last year. The increase in total result before tax is also impacted by divestments which resulted in a gain of EUR 63 million and EUR 8 million for 2009 and 2008, respectively, and special items in 2009 and 2008 influenced result before tax negatively by EUR 2,321 million and EUR 394 million, respectively.

Net result increased by EUR 2,069 million from a loss of EUR (3,492) million in 2008 to a loss of EUR (1,423) million in 2009. This lower loss compared with the increase in result before tax was due to reduced taxation caused by lesser losses , which resulted in a change in taxation from EUR (1,667) million in 2008 to EUR (639) million in 2009. Basic earnings per share increased to EUR (0.75) in 2009 from EUR (1.31) in 2008.

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital (see the discussion under Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources ING Group Consolidated Cash Flows), which differs from total equity attributable to equity holders of the Company. Adjusted equity includes core Tier-1 securities, hybrid capital and prudential filters. Adjusted equity also excludes the difference between IFRS-EU and IFRS-IASB, as capital ratios are based on IFRS-EU as primary accounting basis, which is also the basis for statutory and regulatory reporting. On this basis, the debt/equity ratio of ING Group decreased to 12.4% in 2009 compared with 13.5% in 2008, benefiting from the EUR 7.5 billion rights issue and improving revaluation reserves, partly offset by

the repayment of half of the core Tier 1 securities. The capital

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coverage ratio of ING Verzekeringen N.V. increased to 270% of E.U. regulatory requirements at the end of 2009, compared with 256% at the end of 2008, as the required capital decreased more than the available capital ((9%) vs. (4%)). The Tier 1 ratio of ING Bank N.V. stood at 10.2% at the end of 2009, up from 9.3% (both based on Basel II risk weighted assets) at the end of 2008, well above the 9% target. Tier 1 capital increased from EUR 32 billion to EUR 34 billion. Roughly half of this was due to profits and a positive exchange rate impact and roughly half to an increase of hybrid capital from ING Group originally on-lent to ING Insurance, but since December on-lent to ING Bank. Risk weighted assets dropped from EUR 343.4 billion on December 31, 2008 to EUR 332.4 billion on December 31, 2009. More information on capital ratio s can be found in the Capital Management section of Note 2.2.2 to the consolidated financial statements.

BANKING OPERATIONS

Income

Total income from banking increased 46.3%, or EUR 3,684 million, to EUR 11,637 million in 2009 from EUR 7,953 million in 2008. This increase was largely attributable to the strong improvement in valuation results from non-trading derivatives and net trading income as well as higher interest results. These developments were partly offset by lower investment income and commission income.

The net interest result increased by EUR 1,457 million, or 13.1%, to EUR 12,539 million in 2009 from EUR 11,082 million in 2008, driven by higher interest results in all business lines, but especially in Commercial Banking and ING Direct. The interest margin in 2009 was 1.32%, an increase from 1.07% in 2008, supported by the de-leveraging of the balance sheet and due to higher margins in Commercial Banking (especially General Lending) and ING Direct (particularly influenced by lower central bank rates across the globe).

Commission income decreased 5.8%, or EUR 164 million, to EUR 2,656 million in 2009 from EUR 2,820 million in 2008. The decrease in commission income was primarily driven by EUR 151 million lower management fees (especially at ING Belgium and ING Real Estate). Fees from funds transfer decreased by EUR 45 million, but brokerage and advisory fees and insurance broking fees increased by EUR 22 million and EUR 9 million, respectively.

Investment income decreased by EUR 401 million to a loss of EUR 2,860 million in 2009 from a loss of EUR 2,459 million in 2008. Realized results on debt securities (including impairments) decreased from EUR (2,087) million in 2008 to EUR (2,436) million in 2009, which included a one-time charge of EUR 1,104 million before tax, related to an accrual of additional payments for the IABF as part of the overall agreement with the European Commission announced in October 2009. Fair value changes on real estate investments were EUR (589) million in 2009 compared with EUR (350) million in 2008. Realized results on equity securities (including impairments) improved by EUR 277 million to a loss of EUR 25 million in 2009 from a loss of EUR 302 million in 2008. Next to this, rental income decreased by EUR 38 million and dividend income dropped EUR 30 million.

Other income improved by EUR 2,793 million to EUR (698) million in 2009 from EUR (3,491) million in 2008. Net trading income increased EUR 1,208 million from a loss of EUR 405 million in 2008 to a profit of EUR 803 million in 2009. Valuation results from non-trading derivatives, for which hedge accounting is not applied under IFRS-IASB, improved by EUR 1,805 million to EUR (1,572) million in 2009. This was partly offset by a decrease of EUR 177 million of the share of profit from associates, mainly due to associates at ING Real Estate, and a decrease of EUR 42 million in other revenues, including lower income from operating lease.

Expenses

Total operating expenses decreased by EUR 118 million, or 1.1%, to EUR 10,158 million in 2009 from EUR 10,276 million in 2008. In 2009, special items reported under expenses amounted to EUR 725 million, including EUR 222 million in provisions and costs related to the Retail Netherlands strategy (combining ING Bank and Postbank), EUR 81 million in provisions and costs for other restructuring at Retail Netherlands, EUR 58 million at Retail Belgium, EUR 58 million at ING Direct (including EUR 31 million for not launching ING Direct Japan), EUR 27 million at Retail Central Europe and Asia, EUR 272 million at Commercial Banking and EUR 7 million on the Corporate Line. In 2008, special items were EUR 271 million in provisions and costs related to the Retail Netherlands Strategy and EUR 30 million impairment costs of not launching ING Direct Japan. Excluding these special items, total operating expenses decreased by EUR 542 million, or 5.4%, driven by the cost containment initiatives as part of the

Back to Basics program and despite higher impairments on real estate development projects, increased deposit insurance premiums at ING Direct and the provision taken for the deposits guarantee scheme in the Netherlands following the bankruptcy of DSB Bank.

The addition to the provision for loan losses

The total addition to the provision for loan losses in 2009 was EUR 2,973 million compared to EUR 1,280 million in 2008, an increase of 132.3% or EUR 1,694 million. Commercial Banking showed an increase by EUR 614 million, from EUR 596 million in 2008 to EUR 1,210 million in 2009, Retail Banking (excluding ING Direct) showed an increase by EUR 597 million, from EUR 401 million in 2008 to EUR 998 million in 2009, and ING Direct showed an increase by EUR 482 million, from EUR 283 million in 2008 to EUR 765 million in 2009. As a percentage of average risk-weighted assets, the addition to the provision for loan losses in 2009 was 87 basis points compared with 40 basis points in 2008.

Result before tax and net result

Total result before tax improved by EUR 2,110 million, to EUR (1,494) million in 2009 from EUR (3,604) million in 2008. Special items (amongst others the accrual of additional payments for the IABF-deal, the provisions and costs related to the Retail Netherlands Strategy and several restructuring provisions) and divested units had in 2009 a negative impact of EUR 2,200 million on result before tax. In 2008, these items had a negative impact of EUR 488 million on result before tax.

Net result from banking improved by EUR 1,544 million from EUR (2,341) million in 2008 to EUR (797) million in 2009. The effective tax rate for ING s banking operations increased from 33.1% in 2008 to 37.2% in 2009. The net result also included EUR (141) million of minority interests, mainly related to ING Real Estate, compared with EUR (69) million in 2008.

Underlying result before tax

Excluding special items and divestments, ING s banking operations showed an increase in underlying result before tax of EUR 3,820 million from a loss of EUR 3,115 million in 2008 to a profit of EUR 705 million in 2009.

INSURANCE OPERATIONS

Income

Total premium income decreased 30.4%, or EUR 13,320 million from EUR 43,812 million in 2008 to EUR 30,492 million in 2009. Life premiums decreased 26.1%, or EUR 10,149 million from EUR 38,869 million in 2008 to EUR 28,720 million in 2009. The decline reflects the lower sales of investment-oriented products in the US, Japan and Central Europe. Non-life premiums decreased 64.2%, or EUR 3,171 million from EUR 4,943 million in 2008 to EUR 1,772 million in 2009 largely as a result of divesting the Canadian non-life business which generated EUR 2,671 million premium income in 2008.

Investment and Other income decreased 62.5%, or EUR 5,607 million from EUR 8,970 million in 2008 to EUR 3,363 million in 2009, partly due to the EUR 2,564 million lower investment and Other income in Insurance Variable Annuity U.S. and EUR 1,116 million lower investment and Other income in Insurance Benelux. Commission income decreased 8.7%, or EUR 186 million from EUR 2,139 million in 2008 to EUR 1,953 million in 2009.

Underwriting Expenditure

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

Expenses

Operating expenses from the insurance operations decreased 19.5%, or EUR 1,062 million to EUR 4,387 million in 2009, from EUR 5,449 million in 2008. All business lines contributed to this decrease through cost-containment measures.

Result before tax and net result

Total result before tax from Insurance increased EUR 905 million, to a loss of EUR 687 million in 2009 from a loss of EUR 1,592 million in 2008. The increase reflects, the improved financial market conditions, the de-risking efforts, and the lower expenses. The impact of divestments amounted to a EUR 63 million in 2009 and EUR 8 million in 2008. Divested units contributed a profit of EUR 47 million before tax in 2009 and a loss of EUR 147 million to result before tax in 2008. Special items had a negative impact of EUR 594 million in 2009 (principally the IABF) compared to a loss of EUR 93 million in 2008. The net result from insurance improved EUR 524 million to a loss of EUR 627

million in 2009 from a loss of EUR 1,151 million in 2008.

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Underlying result before tax

The underlying result before tax (excluding the impact of divestments and special items) improved EUR 1,154 million to a loss of EUR 202 million in 2009 from a loss of EUR 1,356 in 2008. The increase in result was mainly due to the improvement of the financial markets, de-risking efforts, and lower expenses. The underlying result from life insurance increased EUR 1,303 million to a loss of EUR 492 million from a loss of EUR 1,795 in 2008. Underlying result before tax from non-life insurance decreased 34.1% to EUR 290 million from EUR 440 million in 2008.

CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s consolidated assets and liabilities for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
	(EUR billions, except amounts per share)		
Investments	234.2	212.1	258.3
Financial assets at fair value through the profit and loss account	263.9	233.2	280.5
Loans and advances to customers	608.9	575.3	616.8
Total assets	1,242.8	1,160.0	1,328.6
Insurance and investment contracts:			
Life	255.1	226.0	213.0
Non-life	3.6	3.5	6.8
Investment contracts	12.0	11.3	21.1
Total insurance and investment contracts	270.6	240.9	240.8
Customer deposits and other funds on deposits (1)	511.4	469.5	522.8
Debt securities in issue/other borrowed funds	157.9	143.1	127.7
Total liabilities (including minority interests)	1,200.6	1,124.8	1,301.9
Non-voting equity securities	5.0	5.0	10.0
Shareholders equity	38.4	31.1	15.1
Shareholders equity per Ordinary share (in EUR)	10.15	8.22	7.44

(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, 2010 compared to year ended December 31, 2009

Total assets increased in 2010 by 7.1%, or EUR 82.8 billion, to EUR 1,242.8 billion, mainly due a EUR 22.1 billion increase of investments, increased financial assets at fair value through the profit and loss account of EUR 30.7 billion and loans and advances to customers which rose by EUR 33.6 billion. The increase in Investments was almost entirely caused by the insurance operations, which rose by EUR 17.8 billion due to positive revaluations and favourable currency effects. The financial assets at fair value through the profit and loss account of the banking operations increased by EUR 12.3 billion, due to positive currency effects and higher trading and non-trading derivatives. The insurance operations increased by EUR 17.4 billion, mainly due to increased investments for risk of policyholders. The increase in loans and advances to customers was almost completely caused by the banking operations, which increased by EUR 35.1 billion almost entirely in residential mortgages at ING Direct and in the Beneux. Shareholders equity increased by 23.3% or EUR 7,249 million to EUR 38,370 million at December 31, 2010 compared to EUR 31,121 million at December 31, 2009. The increase is mainly due the net profit (EUR 2,775 million), unrealised revaluations debt securities (EUR 3,143 million) and exchange rate difference (EUR 2,890 million), partly offset by deferred interest crediting to life policyholders (EUR (1,644) million).

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

Total assets decreased in 2009 by 12.7%, or EUR 168.6 billion, to EUR 1,160.0 billion, mainly due a EUR 46.2 billion decrease of investments, decreased financial assets at fair value through the profit and loss account of

EUR 47.3 billion and loans and advances to customers which fell by EUR 41.5 billion. The decrease in

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

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

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SEGMENT REPORTING

ING Group segments are based on the management structure of the Group, which is different from its legal structure. As a result of changes in the internal management and reporting structure the operating segments have changed as from January 1, 2010. The years 2009 and 2008 are restated accordingly. The following table sets forth the contribution of ING s banking business lines and the corporate line Banking (CL) to underlying result before tax for each of the years 2010, 2009, and 2008. See Note 51 of Note 2.1 to the consolidated financial statements for further disclosure of our segment reporting.

2010 (EUR millions)	Retail Netherlands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Commercial Banking	Real Estate	CL	Total Banking
Total income	**4,333**	**2,123**	**3,782**	**977**	**640**	**4,354**	**875**	**55**	**17,139**
Total expenditure	**3,249**	**1,529**	**2,332**	**822**	**212**	**2,612**	**974**	**174**	**11,904**
Result before tax	**1,084**	**595**	**1,449**	**155**	**427**	**1,742**	**(99)**	**(119)**	**5,235**
Gains/losses divestments		(69)			(346)		26		(389)
Result divested units					(2)		(33)		(35)
Special items	311	20				43	42	40	456
Underlying result before tax	**1,396**	**545**	**1,449**	**155**	**80**	**1,784**	**(63)**	**(79)**	**5,267**

2009 (EUR millions)	Retail Netherlands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Commercial Banking	Real Estate	CL	Total Banking
Total income	**3,882**	**2,156**	**1,845**	**880**	**306**	**4,301**	**(253)**	**(1,480)**	**11,637**
Total expenditure	**3,301**	**1,615**	**2,487**	**802**	**375**	**3,082**	**1,177**	**292**	**13,131**
Result before tax	**580**	**541**	**(641)**	**78**	**(69)**	**1,219**	**(1,430)**	**(1,773)**	**(1,494)**
Gains/losses divestments									
Result divested units		(21)			93		401		473
Special items	303	58	(25)	7	2	231	40	1,110	1,727
Underlying result before tax	**883**	**578**	**(667)**	**85**	**25**	**1,450**	**(988)**	**(662)**	**705**

2008 (EUR millions)	Retail Netherlands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Commercial Banking	Real Estate	CL	Total Banking
Total income	**4,335**	**1,816**	**878**	**870**	**333**	**(49)**	**425**	**(654)**	**7,953**
Total expenditure	**3,348**	**1,488**	**2,033**	**861**	**282**	**2,750**	**722**	**73**	**11,556**
Result before tax	**987**	**328**	**(1,155)**	**9**	**50**	**(2,799)**	**(297)**	**(727)**	**(3,604)**

Gains/losses divestments									
Result divested units		(21)			(12)		221		187
Special items	271		30						301
Underlying result before tax	**1,258**	**306**	**(1,125)**	**9**	**38**	**(2,799)**	**(76)**	**(727)**	**(3,115)**

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The following table sets forth the contribution of ING s insurance business lines and the corporate line Insurance (CL) to underlying result before tax for each of the years 2010, 2009, and 2008. See Note 51 of Note 2.1 to the consolidated financial statements for further disclosure of our segment reporting.

2010 **(EUR millions)**	**Benelux**	**Central & Rest of Europe**	**United States**	**US VA closed block**	**Latin America**	**Asia/ Pacific**	**ING IM**	**CL**	**Elimina- tions**	**Total**
Total income	**10,179**	**2,607**	**14,564**	**251**	**898**	**7,429**	**912**	**1,567**	**(919)**	**37,488**
Total expenditure	**9,440**	**2,411**	**14,370**	**2,045**	**550**	**6,913**	**794**	**3,237**	**(919)**	**38,842**
Result before tax	**738**	**196**	**193**	**(1,793)**	**348**	**516**	**118**	**(1,670)**		**(1,353)**
Gains/losses divestments	(5)	5	13		(22)					(9)
Result divested units		(1)			16					15
Special items	41	54	101				55	577		829
Underlying result before tax	**775**	**253**	**308**	**(1,793)**	**342**	**516**	**173**	**(1,093)**		**519**

2009 **(EUR millions)**	**Benelux**	**Central & Rest of Europe**	**United States**	**US VA closed block**	**Latin America**	**Asia/ Pacific**	**ING IM**	**CL**	**Elimina- tions**	**Total**
Total income	**9,836**	**2,536**	**14,273**	**704**	**961**	**7,864**	**737**	**354**	**(1,458)**	**35,808**
Total expenditure	**9,862**	**2,272**	**14,168**	**1,358**	**717**	**7,160**	**605**	**1,810**	**(1,458)**	**36,495**
Result before tax	**(25)**	**264**	**105**	**(654)**	**244**	**704**	**132**	**(1,456)**		**(687)**
Gains/losses divestments	160	8	80		31	(337)		(4)		(63)
Result divested units		1	(23)		(4)	(23)		2		(48)
Special items	155	18	194		2	40	37	148		594
Underlying result before tax	**290**	**290**	**356**	**(654)**	**273**	**383**	**169**	**(1,309)**		**(202)**

2008 **(EUR millions)**	**Benelux**	**Central & Rest of Europe**	**United States**	**US VA closed block**	**Latin America**	**Asia/ Pacific**	**CL**	**Elimina- tions**	**Total**

							ING IM			
Total income	**10,957**	**2,959**	**16,504**	**7,971**	**2,428**	**11,551**	**844**	**3,199**	**(1,493)**	**54,921**
Total expenditure	**10,864**	**2,777**	**17,332**	**8,501**	**2,181**	**11,899**	**665**	**3,785**	**(1,493)**	**56,513**
Result before tax	**93**	**182**	**(828)**	**(530)**	**247**	**(348)**	**179**	**(586)**		**(1,592)**
Gains/losses divestments					(237)	214		15		(8)
Result divested units		4	(129)		139	131		6		152
Special items			89		3					93
Underlying result before tax	**92**	**187**	**(868)**	**(530)**	**152**	**(2)**	**179**	**(566)**		**(1,356)**

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

RETAIL NETHERLANDS

	Retail Netherlands		
(EUR millions)	**2010**	**2009**	**2008**
Interest result	3,795	3,278	3,564
Commission income	507	535	633
Investment income	7	4	27
Other income	24	64	112
Total income	**4,333**	**3,882**	**4,335**
Operating expenses	2,687	2,773	3,097
Additions to the provision for loan losses	561	529	251
Total expenditure	**3,249**	**3,301**	**3,348**
Result before tax	**1,084**	**580**	**987**
Gains/losses on divestments			
Result divested units			
Special items	311	303	271
Underlying result before tax	**1,396**	**883**	**1,258**

Year ended December 31, 2010 compared to year ended December 31, 2009

Income

Total income increased by 11.6%, or EUR 451 million, to EUR 4,333 million in 2010 from EUR 3,882 million in 2009. The interest result increased EUR 517 million or 15.8%, mainly driven by higher margins and volumes on mortgages and savings and despite lower demand for business lending. Commission income decreased EUR 28 million or 5.2%, mainly due to lower funds transfer fees. Investment and Other income decreased EUR 37 million or 54.4% to EUR 31 million in 2010.

Expenses

Operating expenses decreased by 3.1%, or EUR 86 million, to EUR 2,687 million in 2010 from EUR 2,773 million in 2009. In 2010, EUR 311 million of special items is included in operating expenses, including EUR 242 million in provisions and costs related to the Retail Netherlands Strategy (combining ING Bank and Postbank), other restructuring expenses and costs related to the operational and legal separation of WestlandUtrecht Bank. In 2009, EUR 303 million of special items is included related to the Retail Netherlands Strategy and the Group initiative to reduce operating expenses. Excluding these special items, operating expenses declined EUR 94 million or 3.8%, driven by the cost containment measures and the benefits of the merger of ING Bank and Postbank. The cost/income ratio improved to 62.0% in 2010 from 71.4% in 2009. Excluding special items, the underlying cost/income ratio improved to 54.8% from 63.6%.

The addition to the provision for loan losses increased by 6.0%, or EUR 32 million, to EUR 561 million in 2010 from EUR 529 million in 2009. The increase can be principally explained by the one-off impact of a model update for mortgages that reflects lower anticipated recovery rates. Risk costs for the mid-corporate and SME segment declined somewhat compared with previous year as a result of lower provisioning for sectors such as transport and greenhouse farming. The total addition equaled 108 basis points of average risk-weighted assets in 2010, compared to 107 basis points in 2009.

Result before tax and underlying result before tax

Result before tax improved by 86.9%, or EUR 504 million, to EUR 1,084 million in 2010 from EUR 580 million in 2009. Result before tax included EUR 311 million of special items in 2010 compared to EUR 303 million in 2009. Excluding special items, underlying result before tax increased by 58.1%, or EUR 513 million, to EUR 1,396 million in 2010 from EUR 883 million in 2009. This improvement was driven mainly by higher margins and volumes on mortgages and savings.

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

Income

Total income decreased by 10.4%, or EUR 453 million, to EUR 3,882 million in 2009 from EUR 4,335 million in 2008. The interest result decreased EUR 286 million or 8.0%, mainly driven by a decline in margins due to the

continued competition for savings. Commission income decreased EUR 98 million or 15.5%, driven by the deterioration of the equity markets. Investment and Other income decreased EUR 70 million or 51.1%, among others due to lower income on financial market related products in the business segment (SME and mid-corporates).

Expenses

Operating expenses decreased by 10.5%, or EUR 324 million, to EUR 2,773 million in 2009 from EUR 3,097 million in 2008. In 2009, EUR 303 million of special items is included in operating expenses, mainly related to the Retail Netherlands Strategy (combining ING Bank and Postbank), and restructuring costs and provisions related to the Group initiative to reduce operating expenses. In 2008, EUR 271 million of special items is included related to the Retail Netherlands Strategy. Excluding these special items, operating expenses declined EUR 356 million or 12.6%, driven by the cost containment measures and the benefits of the merger of ING Bank and Postbank. The cost/income ratio remained stable at 71.4%. Excluding special items, the underlying cost/income ratio improved to 63.6% from 65.2% in 2008.

The addition to the provision for loan losses doubled to EUR 529 million in 2009 from EUR 251 million in 2008, mainly due to higher risk costs in the mid-corporate and SME segments. The total addition equaled 107 basis points of average risk-weighted assets in 2009, compared to 57 basis points in 2008.

Result before tax and underlying result before tax

In the Netherlands, result before tax declined by 41.2%, or EUR 407 million, to EUR 580 million in 2009 from EUR 987 million in 2008. Result before tax included EUR 303 million of special items in 2009 compared to EUR 271 million in 2008. Excluding special items, underlying result before tax declined by 29.8%, or EUR 375 million, to EUR 883 million in 2009 from EUR 1,258 million in 2008. This deterioration was mainly due to lower interest results and higher risk costs, partly offset by lower operating expenses.

RETAIL BELGIUM

		Retail Belgium	
(EUR millions)	**2010**	**2009**	**2008**
Interest result	1,603	1,637	1,286
Commission income	347	407	473
Investment income	101	27	(4)
Other income	73	86	60
Total income	**2,123**	**2,156**	**1,816**
Operating expenses	1,369	1,416	1,455
Additions to the provision for loan losses	160	199	32
Total expenditure	**1,529**	**1,615**	**1,488**
Result before tax	**595**	**541**	**328**
Gains/losses on divestments	(69)		
Result divested units		(21)	(21)
Special items	20	58	___
Underlying result before tax	**545**	**578**	**306**

Year ended December 31, 2010 compared to year ended December 31, 2009

Income

Total income decreased by 1.5%, or EUR 33 million, to EUR 2,123 million in 2010 from EUR 2,156 million in 2009. The interest result decreased EUR 34 million or 2.1%, as the impact of higher volumes in most products as well as increased margins on mortgages and savings was offset by lower margins on business lending (due to stronger

competition) and current accounts (reflecting the low interest rate environment). Commission income decreased EUR 60 million or 14.7%, mainly due to lower commissions in the asset management and securities business following the sale of the Swiss Private Banking activities in the beginning of 2010. Investment and Other income increased EUR 61 million or 54.0% to EUR 174 million in 2010, driven by the EUR 69 million gain on the sale of the Swiss Private Banking activities.

Expenses

Operating expenses decreased by 3.3%, or EUR 47 million, to EUR 1,369 million in 2010 from EUR 1,416 million in 2009, driven by the divestment of the Swiss Private Banking activities. In 2010, EUR 20 million of special items is included in operating expenses, related to the domestic transformation program. In 2009, special items amounted to EUR 58 million. Excluding special items and the impact of the divestment, operating

expenses increased EUR 65 million or 5.1%, mainly due to higher deposit guarantee scheme costs. The cost/income ratio declined from 65.7% in 2009 to 64.5% in 2010. Excluding special items and divestments, the underlying cost/income ratio increased to 65.7% from 62.3%.

The addition to the provision for loan losses decreased by 19.6%, or EUR 39 million, to EUR 160 million in 2010 from EUR 199 million in 2009, mainly due to lower risk costs in the mid-corporate segment while risk costs on mortgages remained negligible. The total addition equaled 83 basis points of average risk-weighted assets in 2010, compared to 103 basis points in 2009.

Result before tax and underlying result before tax

In Belgium, result before tax increased 10.0%, or EUR 54 million, to EUR 595 million in 2010 from EUR 541 million in 2009. Excluding special items and the impact of the divestment of the Swiss Private Banking activities, underlying result before tax decreased 5.7%, or EUR 33 million, to EUR 545 million in 2010 from EUR 578 million in 2009.

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

Income

Total income increased by 18.7%, or EUR 340 million, to EUR 2,156 million in 2009 from EUR 1,816 million in 2008. The interest result increased EUR 351 million or 27.3%, mainly driven by higher margins and volumes on savings and deposits. Commission income decreased EUR 66 million or 14.0%, mainly due to deterioration of equity markets which affected management and securities fees. Investment and Other income increased EUR 56 million or 100%, due to higher investment income and an improvement in the valuation result non-trading derivatives.

Expenses

Operating expenses decreased by 2.7%, or EUR 39 million, to EUR 1,416 million in 2009 from EUR 1,455 million in 2008. In 2009, EUR 58 million of special items is included in operating expenses, mainly related to the domestic transformation program. In 2008, no special items were included. Excluding these special items, operating expenses declined EUR 97 million or 6.7%, driven by the cost containment measures and the benefits of the transformation program. The cost/income ratio improved to 65.7% from 80.2% in 2008. Excluding special items, the underlying cost/income ratio improved to 63.0% from 80.2%.

The addition to the provision for loan losses increased to EUR 199 million in 2009 from EUR 32 million in 2008, mainly due to higher risk costs in the mid-corporate and SME segment. The total addition equaled 103 basis points of average risk-weighted assets in 2009, compared to 17 basis points in 2008.

Result before tax and underlying result before tax

In Belgium, result before tax increased 64.9%, or EUR 213 million, to EUR 541 million in 2009 from EUR 328 million in 2008. Result before tax in 2009 contained EUR 58 million of special items in expenses. The operating result before tax of the divested Swiss Private Banking activities was in both years EUR 21 million. Excluding these items, underlying result before tax increased 88.9%, or EUR 271 million, to EUR 578 million in 2009 from EUR 306 million in 2008.

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ING DIRECT

		ING Direct	
(EUR millions)	**2010**	**2009**	**2008**
Interest result	3,774	3,136	2,517
Commission income	151	167	150
Investment income	(100)	(1,276)	(1,852)
Other income	(43)	(182)	63
Total income	**3,782**	**1,845**	**878**
Operating expenses	1,886	1,722	1,750
Additions to the provision for loan losses	446	765	283
Total expenditure	**2,332**	**2,487**	**2,033**
Result before tax	**1,449**	**(641)**	**(1,155)**
Gains/losses on divestments			
Result divested units			
Special items		(25)	30
Underlying result before tax	**1,449**	**(667)**	**(1,125)**

Year ended December 31, 2010 compared to year ended December 31, 2009

Income

Total income increased by 105%, or EUR 1,937 million, to EUR 3,782 million in 2010 from EUR 1,845 million in 2009, mainly due to the EUR 638 million higher interest result and the improvement of investment and other income by EUR 1,315 million. The latter was mainly driven by EUR 1,287 million lower impairments on debt securities (mainly on the Alt-A RMBS portfolio in the US), which declined to EUR 107 million in 2010 from EUR 1,394 million in 2009. The increase in the interest result was mainly driven by the improvement of the interest margin to 1.24% from 1.10% in 2009 supported by higher volumes. In 2010, total client balances grew by EUR 43.8 billion, or 12.4%, to EUR 397.6 billion at year-end. Commission income decreased by 9.6% to EUR 151 million.

Expenses

Operating expenses increased by 9.5%, or EUR 164 million, to EUR 1,886 million in 2010 from EUR 1,722 million in 2009. Excluding EUR 58 million of expenses in special items in 2009, for not launching ING Direct Japan and other restructuring costs, operating expenses rose by EUR 223 million or 13.4%. This increase was driven by higher marketing costs related to promotional campaigns, the roll out of payment accounts and higher staff costs. The cost/income ratio improved to 49.9% in 2010 from 93.3% in 2009. The number of full-time staff increased by 7.4% to 10,144 at the end of 2010 from 9,448 a year earlier.

The addition to the provision for loan losses decreased by 41.7%, or EUR 319 million, to EUR 446 million in 2010 from EUR 765 million in 2009 mainly driven by the US, where housing prices and the unemployment rate began to stabilize and delinquencies diminished. The addition in 2010 equaled 59 basis points of average risk-weighted assets, down from 112 basis points in 2009.

Result before tax and underlying result before tax

ING Direct s result before tax improved by EUR 2,090 million, to EUR 1,449 million in 2010 from EUR (641) million in 2009, primarily driven by higher interest results, lower impairments on debt securities and lower additions to the loan loss provisions, in part offset by higher expenses.

In 2009, result before tax included a profit of EUR 25 million in special items as additional expenses for not launching ING Direct Japan and other restructuring costs were more than offset by the result on the IABF transaction. In 2010,

no special items were included in the result. Excluding special items, underlying result before tax from ING Direct in 2010 improved by EUR 2,116 million, to a profit of EUR 1,449 million in 2010 from a loss of EUR 667 million in 2009.

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

Income

Total income increased by 110.1%, or EUR 967 million, to EUR 1,845 million in 2009 from EUR 878 million in 2008, mainly due to the EUR 619 million higher interest result and EUR 576 million improvement of investment income, partly offset by the EUR 245 million lower other income. The increase in the interest result was mainly driven by the improvement of the interest margin to 1.10% from 0.94% in 2008 supported by lower central bank

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rates across the globe and higher volumes. In 2009, total client balances grew by EUR 45.5 billion, or 14.8%, to EUR 353.8 billion at year-end. Commission income increased by 11.3% to EUR 167 million. Investment and other income was up EUR 332 million. This improvement was driven by EUR 497 million lower impairments on debt securities (mainly on the Alt-A RMBS portfolio in the US), EUR 82 million higher realized gains on the sale of bonds (including the results on the Illiquid Assets Back-up Facility transaction with the Dutch State) and higher net trading income, partly offset by lower valuation results non-trading derivatives.

Expenses

Operating expenses decreased by 1.6%, or EUR 28 million, to EUR 1,722 million in 2009 from EUR 1,750 million in 2008 despite a sharp increase in deposit insurance premiums in the US and Germany. The decline reflects strong cost containment, reduced marketing expenses and the cancellation of the Japan start up at the end of 2008. Excluding special items, impairments on debt securities, and other market impacts the underlying cost/income ratio decreased to 51.3% in 2009 from 62.1% in 2008. The number of full-time staff decreased by 5.3% to 9,448 at the end of 2009 from 9,980 a year earlier.

The addition to the provision for loan losses increased by 170%, or EUR 482 million, to EUR 765 million in 2009 from EUR 283 million in 2008 mainly driven by a higher rate of delinquencies in the US mortgage market. The addition in 2009 equaled 112 basis points of average risk-weighted assets, up from 55 basis points in 2008.

Result before tax and underlying result before tax

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

In 2008, result before tax included a charge of EUR 30 million in special items related to the decision not to launch ING Direct Japan. In 2009, special items resulted in a profit of EUR 25 million, as additional expenses for not launching ING Direct Japan and other restructuring costs were more than offset by the result on the IABF transaction. Excluding special items, underlying result before tax from ING Direct in 2009 improved by EUR 458 million, to a loss of EUR 667 million in 2009 from a loss of EUR 1,125 million in 2008.

RETAIL CENTRAL EUROPE

	Retail Central Europe		
(EUR millions)	**2010**	**2009**	**2008**
Interest result	670	675	589
Commission income	278	261	279
Investment income	2	8	10
Other income	27	(64)	(8)
Total income	**977**	**880**	**870**
Operating expenses	762	685	795
Additions to the provision for loan losses	61	117	65
Total expenditure	**822**	**802**	**861**
Result before tax	**155**	**78**	**9**
Gains/losses on divestments			
Result divested units			
Special items		7	
Underlying result before tax	**155**	**85**	**9**

Year ended December 31, 2010 compared to year ended December 31, 2009

Income

Total income increased by 11.0%, or EUR 97 million, to EUR 977 million in 2010 from EUR 880 million in 2009. The interest result decreased EUR 5 million or (0.7)%, mainly driven by pressure on margins in Turkey due to increased competition, while interest margins in Poland and Romania improved. Commission income increased EUR 17 million or 6.5%, largely attributable to Poland. Investment and Other income rose EUR 85 million, due to improvements in both Poland and Turkey despite increased negative fair value changes on derivatives not eligible for hedge accounting in Turkey.

Expenses
Operating expenses increased by 11.2%, or EUR 77 million, to EUR 762 million in 2010 from EUR 685 million in 2009. In 2010, no special items were included in operating expenses. In 2009, special items under expenses amounted to EUR 25 million, mainly related to the closure of the Ukraine retail activities. Excluding these special items, operating expenses increased EUR 102 million or 15.5%, reflecting business growth and increased staff costs. The cost/income ratio increased slightly from 77.8% in 2009 to 77.9% in 2010. Excluding special items, the underlying cost/income ratio increased to 77.9% from 76.7%.
The addition to the provision for loan losses decreased by 47.9%, or EUR 56 million, to EUR 61 million in 2010 from EUR 117 million in 2009, mainly the result of releases of specific provisions, lower delinquencies on the retail loan portfolios and improved data quality in Romania and Turkey. The total addition equaled 28 basis points of average risk-weighted assets in 2010, compared to 61 basis points in 2009.
Result before tax and underlying result before tax
Result before tax in Central Europe increased EUR 77 million, or 98.7%, to EUR 155 million in 2010 from EUR 78 million in 2009. Result before tax in Poland increased from EUR 16 million in 2009 to EUR 88 million in 2010, while Romania improved from EUR (14) million in 2009 to EUR 7 million in 2010. The result before tax in Turkey decreased from EUR 84 million in 2009 to EUR 56 million in 2010. The result before tax of the other retail activities in Central Europe improved from EUR (7) million in 2009 to EUR 4 million in 2010.
In 2010, no special items were included against EUR 7 million in 2009. Excluding special items, underlying result before tax of Central Europe increased EUR 70 million, or 82.4%, to EUR 155 million in 2010 from EUR 85 million in 2009.
Year ended December 31, 2009 compared to year ended December 31, 2008
Income
Total income increased by 1.1%, or EUR 10 million, to EUR 880 million in 2009 from EUR 870 million in 2008. The interest result increased EUR 86 million or 14.6%, mainly driven by volume growth and higher margins in Turkey. Commission income decreased EUR 18 million or 6.5%, mainly due to lower volumes in asset-management related products. Investment and Other income decreased EUR 58 million, among others due to losses on foreign exchange derivatives for mid-corporates in Poland and negative fair value changes on derivatives not eligible for hedge acounting in Turkey. This was in part offset by a EUR 19 million positive currency result related to the closure of the Ukraine retail activities (booked as a special item).
Expenses
Operating expenses decreased by 13.8%, or EUR 110 million, to EUR 685 million in 2009 from EUR 795 million in 2008. In 2009, EUR 25 million of special items is included in operating expenses, mainly related to the restructuring provision for the closure of the Ukraine retail activities. In 2008, no special items were included. Excluding these special items, operating expenses declined EUR 135 million or 17.0%, driven by both cost containment measures and favorable currency movements. The cost/income ratio decreased from 91.5% in 2008 to 77.8% in 2009. Excluding special items, the underlying cost/income ratio improved to 76.7% from 91.5%.
The addition to the provision for loan losses increased by 80.0%, or EUR 52 million, to EUR 117 million in 2009 from EUR 65 million in 2008. The total addition equaled 61 basis points of average risk-weighted assets in 2009, compared to 41 basis points in 2008.
Result before tax and underlying result before tax
Result before tax in Central Europe increased from EUR 9 million in 2008 to EUR 78 million in 2009, driven by higher income and lower expenses. Result before tax in Poland decreased from EUR 67 million in 2008 to EUR 16 million in 2009. In Turkey result before tax increased from EUR (17) million in 2008 to EUR 84 million in 2009. The result before tax of Romania improved to EUR (14) million from EUR (17) million in 2008 and the result of the other retail activities in Central Europe improved to EUR (7) million in 2009 from EUR (24) million in 2008.
Result before tax contained EUR 7 million of special items in 2009, mainly related to the closure of the Ukraine retail activities and nil in 2008. Excluding these items, underlying result before tax of Central Europe increased to EUR 85 million in 2009 from EUR 9 million in 2008.

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RETAIL ASIA

	Retail Asia		
(EUR millions)	**2010**	**2009**	**2008**
Interest result	171	148	118
Commission income	59	94	104
Investment income	374	17	32
Other income	37	47	79
Total income	**640**	**306**	**333**
Operating expenses	187	222	230
Additions to the provision for loan losses	26	153	52
Total expenditure	**212**	**375**	**282**
Result before tax	**427**	**(69)**	**50**
Gains/losses on divestments	(346)		
Result divested units	(2)	93	(12)
Special items		2	
Underlying result before tax	**80**	**25**	**38**

Year ended December 31, 2010 compared to year ended December 31, 2009

Income

Total income increased by 109%, or EUR 334 million, to EUR 640 million in 2010 from EUR 306 million in 2009. The increase is primarily driven by the EUR 346 million pre-tax gain on the sale of Private Banking Asia at the beginning of 2010. Excluding this gain and the operational results from the divested units, underlying income rose 44.7%, or EUR 88 million, to EUR 285 million in 2010 from EUR 197 million in 2009. The increase was mainly attributable to higher underlying interest results, which increased EUR 59 million or 53.6%, reflecting higher margins and volumes at ING Vysya Bank. Underlying commission income increased EUR 12 million or 27.9%. Underlying investment and Other income increased by EUR 19 million to EUR 62 million in 2010, due to the increased profit contribution from ING Bank s share in the result of TMB in Thailand and higher dividends from Bank of Beijing and Kookmin Bank.

Expenses

Operating expenses decreased by 15.8%, or EUR 35 million, to EUR 187 million in 2010 from EUR 222 million in 2009. Excluding the impact of the divestment of Private Bank Asia and EUR 2 million of special items in 2009, underlying operating expenses increased by 36.4%, or EUR 48 million, to EUR 180 million in 2010 from EUR 132 million in 2009, principally as a result of higher staff costs, additional pension provisions and business growth. The underlying cost/income ratio improved from 67.0% in 2009 to 63.0% in 2010.

The addition to the provision for loan losses decreased by 83.0%, or EUR 127 million, to EUR 26 million in 2010 from EUR 153 million in 2009. Excluding EUR 114 million of risk costs at Private Banking Asia in 2009, the underlying addition to the provision for loan losses risk costs decreased by 33.3%, or EUR 13 million to EUR 26 million in 2010, mainly as a result of releases of specific provisions at ING Vysya Bank. The addition equaled 28 basis points of average risk-weighted assets in 2010, compared to 163 basis points in 2009 (or 47 basis points excluding Private Banking Asia).

Result before tax and underlying result before tax

Result before tax of Retail Asia turned into a profit of EUR 427 million in 2010 driven by the gain on the sale of Private Banking Asia, compared with a loss of EUR 69 million in 2009, when the result included a EUR 93 million

loss from Private Banking Asia due to high risk costs. Excluding the impact of the divestment and EUR 2 million of special items in 2009, underlying result before tax of Retail Asia tripled to EUR 80 million in 2010 from EUR 25 million in 2009.

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

Income

Total income declined by 8.1%, or EUR 27 million, to EUR 306 million in 2009 from EUR 333 million in 2008. The interest result increased EUR 30 million or 25.4%, reflecting higher margins and volumes. Commission income decreased EUR 10 million or 9.6%, mainly due to lower asset management income. Investment and Other income decreased EUR 47 million, among others due to lower dividend income from equity investments.

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Expenses
Operating expenses decreased by 3.5%, or EUR 8 million, to EUR 222 million in 2009 from EUR 230 million in 2008. In 2009, EUR 2 million of special items was included in operating expenses. In 2008, no special items were included. Excluding these special items, operating expenses declined EUR 10 million or 4.3%. The cost/income ratio increased from 69.2% in 2008 to 72.6% in 2009.
The addition to the provision for loan losses increased by 194%, or EUR 101 million, to EUR 153 million in 2009 from EUR 52 million in 2008, mainly due to declining prices of assets that served as underlying collateral for loans in Private Banking. The addition to the provision for loan losses at ING Vysya Bank rose to EUR 39 million in 2009 from EUR 13 million in 2008. The total addition equaled 163 basis points of average risk-weighted assets in 2009, compared to 52 basis points in 2008.
Result before tax and underlying result before tax
Retail Asia experienced a loss before tax of EUR 69 million in 2009 compared to a profit of EUR 50 million in 2008, driven by higher additions to the provision for loan losses and lower income. Excluding the results of Private Banking Asia (divested in 2010) and EUR 2 million of special items in 2009, underlying result before tax of Retail Asia declined by EUR 13 million, or 34.2%, to EUR 25 million in 2009 from EUR 38 million in 2008. The decline was mainly due to lower dividend income from equity investments, while the result before tax of ING Vysya Bank was slightly up to EUR 18 million.
COMMERCIAL BANKING (excluding Real Estate)

	Commercial Banking excluding Real Estate		
(EUR millions)	**2010**	**2009**	**2008**
Interest result	3,153	3,420	3,008
Commission income	937	834	742
Investment income	55	(85)	(167)
Other income	209	132	(3,633)
Total income	**4,354**	**4,301**	**(49)**
Operating expenses	2,218	2,111	2,234
Additions to the provision for loan losses	395	971	516
Total expenditure	**2,612**	**3,082**	**2,750**
Result before tax	**1,742**	**1,219**	**(2,799)**
Gains/losses on divestments			
Result divested units			
Special items	43	231	
Underlying result before tax	**1,784**	**1,450**	**(2,799)**

Year ended December 31, 2010 compared to year ended December 31, 2009
Income
Total income increased by EUR 53 million, or 1.2%, to EUR 4,354 million in 2010 from EUR 4,301 million in 2009. The interest result decreased 7.8%, or EUR 267 million, to EUR 3,153 million in 2010 from EUR 3,420 million in 2009, driven by lower interest results within Financial Markets which more than offset higher interest results in the other product groups, especially in Structured Finance. Commission income increased 12.4%, or EUR 103 million, to EUR 937 million in 2010 from EUR 834 million in 2009. Investment and other income improved by EUR 217 million, to EUR 264 million in 2010 from EUR 47 million in 2009, principally as a result of lower negative market impacts.

Expenses

Operating expenses increased by EUR 107 million, or 5.1%, to EUR 2,218 million in 2010 from EUR 2,111 million in 2009. Excluding EUR 43 million of special items (mainly related to IT decommissioning) in 2010 and EUR 231 million of restructuring expenses in 2009, operating expenses increased by EUR 295 million or 15.7% to EUR 2,175 million, partly due to an accrual adjustment related to the deferral of incentive compensation in 2009. Including the EU IAS 39 hedge accounting carve-out, the cost/income ratio increased to 44.8% in 2010 compared with 42.6% in 2009. Also adjusted for the impact of special items, the underling cost/income ratio was 44.0% compared with 37.9% in 2009.

The addition to the provision for loan losses was EUR 395 million in 2010, a decrease of EUR 576 million or 59.3% compared with 2009, reflecting improving economic conditions. The addition in 2010 equaled 30 basis points of average risk-weighted assets (64 basis points in 2009).

Result before tax

Result before tax increased EUR 523 million, or 42.9%, to EUR 1,742 million in 2010 from EUR 1,219 million in 2009. In 2010, special items had a negative impact of EUR 43 million against EUR 231 million in 2009. Excluding these special items, underlying result before tax increased by EUR 334 million.

Underlying result before tax

Underlying result before tax from Commercial Banking excluding Real Estate increased by EUR 334 million, or 23.0%, to EUR 1,784 million in 2010 from EUR 1,450 million in 2009. As discussed below, higher underlying results before tax were recorded in Structured Finance (largely due to higher interest and commission income as well as lower risk costs), Leasing & Factoring and General Lending & PCM. Underlying results from both Financial Markets and Other Products declined.

General Lending & PCM

In General Lending & Payments and Cash Management (PCM), underlying result before tax increased 6.8%, or EUR 29 million, to EUR 455 million in 2010 from EUR 426 million in 2009, as somewhat lower income and higher expenses were more than offset by lower additions to the provision for loan losses. Total income decreased by 6.2%, or EUR 76 million, to EUR 1,159 million in 2010 from EUR 1,235 million in 2009, as a small increase in the interest result was offset by lower commission income and lower investment and other income. Operating expenses increased by 3.8%, or EUR 20 million, to EUR 540 million in 2010 from EUR 520 million in 2009. The addition to the provision for loan losses declined to EUR 164 million in 2010 from EUR 289 million in 2009.

Structured Finance

In Structured Finance, underlying result before tax increased by 227%, or EUR 651 million, to EUR 938 million in 2010 from EUR 287 million in 2009. Income increased by 28.3% or EUR 318 million, to EUR 1,440 million in 2010 from EUR 1,122 million in 2009, driven by higher volumes and interest margins and higher commission income. Operating expenses increased by 27.6%, or EUR 80 million, to EUR 370 million in 2010 from EUR 290 million in 2009, partly due to an accrual adjustment related to the deferral of incentive compensation in 2009. The addition to the loan loss provision declined by 75.6% from EUR 545 million in 2009 to EUR 133 million in 2010. Excluding the addition to the loan loss provision the underlying result before tax increased 28.6%.

Leasing & Factoring

In Leasing & Factoring, underlying result before tax doubled to EUR 133 million in 2010 from EUR 67 million in 2009. Total income increased by 12.7%, or EUR 51 million, to EUR 454 million in 2010 from EUR 403 million in 2009. Operating expenses increased by 10.4%, or EUR 21 million, to EUR 222 million in 2010 from EUR 201 million in 2009. The addition to the loan loss provisions decreased from EUR 135 million in 2009 to EUR 100 million in 2010.

Financial Markets

Underlying result before tax from Financial Markets decreased by EUR 309 million, from EUR 633 million in 2009 to EUR 324 million in 2010. Total income decreased by EUR 161 million, to EUR 1,106 million in 2010 from EUR 1,267 million in 2009, largely due to lower market volatility in 2010 as well as the wind down of the proprietary trading book in the US. The interest result decreased by 34.1% or EUR 498 million; this was in part offset by a EUR 337 million increase of the non-interest components. Operating expenses increased by 23.9%, or EUR 151 million, to EUR 781 million in 2010. The increase was mainly due to an accrual adjustment related to the deferral of incentive compensation in 2009 and higher investments in the business.

Other Products

Underlying result before tax from the Other Products declined from EUR 37 million in 2009 to EUR (65) million in 2010. Income decreased by EUR 80 million as 2009 included positive revaluations on participations in ING Investment Management in the US and on an equity swap position. In addition, income from Corporate Finance and Equity Markets decreased due to a lack of activity on the market. Operating expenses increased by EUR 24 million, mainly driven by higher staff expenses.

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

Income

Total income increased EUR 4,350 million to EUR 4,301 million in 2009 from EUR (49) million in 2008. The interest result increased 13.7%, or EUR 412 million, to EUR 3,420 million in 2009 from EUR 3,008 million in

2008, driven by higher margins in Structured Finance and General Lending. Commission income increased 12.4%, or EUR 92 million, to EUR 834 million in 2009 from EUR 742 million in 2008. Investment and other income improved by EUR 3,847 million, to EUR 47 million in 2009 from EUR (3,800) million in 2008. This strong improvement was due to Financial Markets, driven by EUR 3,614 million higher fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB.

Expenses

Operating expenses declined by EUR 123 million, or 5.5%, to EUR 2,111 million in 2009 from EUR 2,234 million in 2008. Excluding EUR 231 million restructuring expenses booked as special items in 2009, operating expenses decreased by EUR 354 million or 15.8% to EUR 1,880 million, partly caused by an accrual adjustment related to the deferral of incentive compensation in staff expenses in 2009. Including the EU IAS 39 hedge accounting carve-out, the cost/income ratio improved to 42.6% in 2009 compared with 61.0% in 2008. Also adjusted for the impact of special items, the underling cost/income ratio was to 37.9% in 2009.

The addition to the provision for loan losses was EUR 971 million in 2009, an increase by EUR 455 million or 88.2% compared with 2008, reflecting the worsening of the economic conditions. The addition in 2009 equaled 64 basis points of average risk-weighted assets compared with 33 basis points in 2008.

Result before tax

Result before tax increased EUR 4,018 million to EUR 1,219 million in 2009 from EUR (2,799) million in 2008. Special items in 2009 (restructuring costs and provisions) had a negative impact of EUR 231 million. Excluding these special items, underlying result before tax increased by EUR 4,249 million.

Underlying result before tax

Underlying result before tax from Commercial Banking excluding Real Estate increased EUR 4,249 million, to EUR 1,450 million in 2009 from EUR (2,799) million in 2008. Higher underlying results before tax were recorded in Financial Markets (largely due to higher fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB), General Lending & PCM and Other Products. As discussed further below, underlying results from Structured Finance and Leasing & Factoring both declined, fully attributable to the higher addition to the provision for loan losses.

General Lending & PCM

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

Structured Finance

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

Leasing & Factoring

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

leasing.

Financial Markets

Underlying result before tax from Financial Markets increased by EUR 3,987 million, from a loss of EUR 3,354 million in 2008 to a profit of EUR 633 million in 2009. Total income increased by EUR 3,911 million, to EUR 1,267 million in 2009 from EUR (2,644) million in 2008, largely due to EUR 3,614 million higher fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB. Furthermore interest result

increased by 4.7% or EUR 66 million, investment income improved by EUR 143 million and commission income improved by EUR 98 million. Operating expenses decreased by 10.7%, or EUR 76 million, largely due to an accrual adjustment related to the deferral of incentive compensation in 2009.

Other Products

Underlying result before tax from the Other Products turned into a profit of EUR 37 million in 2009 from a loss of EUR 190 million in 2008. Income increased by EUR 126 million supported by positive revaluations on participations in ING Investment Management in the US and on equity swap positions. Operating expenses declined by EUR 103 million due to cost containment initiatives and EUR 30 million of restructuring costs taken in 2008.

ING REAL ESTATE

		ING Real Estate	
(EUR millions)	**2010**	**2009**	**2008**
Interest result	404	401	229
Commission income	367	365	443
Investment income	(30)	(446)	(147)
Other income	134	(572)	(100)
Total income	**875**	**(253)**	**425**
Operating expenses	871	937	642
Additions to the provision for loan losses	102	239	80
Total expenditure	**974**	**1,177**	**722**
Result before tax	**(99)**	**(1,430)**	**(297)**
Gains/losses on divestments	26		
Result divested units	(33)	401	221
Special items	42	40	
Underlying result before tax	**(63)**	**(988)**	**(76)**

Year ended December 31, 2010 compared to year ended December 31, 2009

Income

Total income increased EUR 1,128 million to EUR 875 million in 2010 from EUR (253) million in 2009. This strong improvement was driven principally by investment and other income, which increased by EUR 1,122 million, to EUR 104 million in 2010 from EUR (1,018) million in 2009, supported by the signs of stabilization in the property markets. Negative fair value changes on real estate investments (including associates) and impairments on property held for sale improved to EUR (71) million in 2010 from EUR (1,236) million in 2009. The divestment of the Summit portfolio in Canada in the last quarter of 2010 resulted in a loss of EUR 26 million. The interest result and commission income was slightly higher compared with 2009.

Expenses

Operating expenses declined by EUR 66 million, or 7.0%, to EUR 871 million in 2010 from EUR 937 million in 2009. Expenses included EUR 42 million of restructuring expenses in 2010, while in 2009 special items under expenses amounted to EUR 40 million. Excluding these special items, operating expenses decreased by EUR 68 million, or 7.6%, to EUR 829 million. This decrease was fully driven by lower impairments on development projects, which declined to EUR 383 million in 2010 from EUR 451 million in 2009.

The addition to the provision for loan losses was EUR 102 million in 2010, a decrease of EUR 137 million or 57.3% compared with 2009, reflecting improving economic conditions. The addition in 2010 equaled 58 basis points of average risk-weighted assets compared to 117 basis points in 2009.

Result before tax and underlying result before tax

ING Real Estate s result before tax improved from a loss of EUR 1,430 million in 2009 to a loss of EUR 99 million in 2010, mainly driven by less negative revaluations on real estate investments and lower impairments on development projects.

Excluding special items and the impact of the divestment of Summit, underlying result before tax of ING Real Estate improved by EUR 925 million, to a loss of EUR 63 million in 2010 from a loss of EUR 988 million in 2009. The Investment Portfolio posted an underlying loss before tax of EUR 84 million in 2010 compared to a loss of EUR 762 million in 2009, reflecting lower negative revaluations. The underlying result before tax of the Investment Management activities decreased by 27.0%, or EUR 17 million to EUR 46 million in 2010, following

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lower fee income and increased costs. Result before tax at the Finance activities increased by 106% to EUR 373 million in 2010, driven by lower additions to the loan loss provision and an 11.1% increase in income. Result from Real Estate Development improved from a loss of EUR 470 million in 2009 to a loss of EUR 398 million in 2010, mainly attributable to lower impairments on development projects.

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

Income

Total income of ING Real Estate declined to EUR (253) million in 2009 from EUR 425 million in 2008 mainly caused by declining property values. The interest result increased 75.1%, or EUR 172 million, to EUR 401 million in 2009 from EUR 229 million in 2008, driven by higher margins in Real Estate Finance and lower funding costs in other business lines. Commission income declined 17.6%, or EUR 78 million, to EUR 365 million in 2009 from EUR 443 million in 2008. Investment and other income declined by EUR 771 million, to EUR (1,018) million in 2009 from EUR (247) million in 2008. This strong decline was mainly due to increased negative fair value changes on real estate investments and impairments on property held for sale (reported under income), which deteriorated from EUR (664) million in 2008 to EUR (1,236) million in 2009.

Expenses

Operating expenses increased by EUR 295 million, or 46.0%, to EUR 937 million in 2009 from EUR 642 million in 2008. This increase was driven by higher impairments on development projects, which increased from EUR 66 million in 2008 to EUR 451 million in 2009, next to EUR 40 million of restructuring expenses included in special items. Excluding impairments and special items, expenses declined EUR 131 million, driven by cost containment initiatives.

The addition to the provision for loan losses was EUR 239 million in 2009, an increase of EUR 159 million compared with 2008, reflecting worsened economic conditions. The addition in 2009 equaled 117 basis points of average risk-weighted assets compared with 39 basis points in 2008.

Result before tax and underlying result before tax

ING Real Estate s result before tax declined from EUR (297) million in 2008 to EUR (1,430) million in 2009, driven by negative revaluations on real estate investments and impairments on development projects.

Excluding special items and the impact of the divestment of Summit, underlying result before tax of ING Real Estate decreased by EUR 912 million, to a loss of EUR 988 million in 2009 from a loss of EUR 76 million in 2008. The Investment Portfolio posted a loss before tax of EUR 762 million in 2009 compared to a loss of EUR 464 million in 2008, reflecting higher negative revaluations. Underlying result before tax of the Investment Management activities decreased by 8.7%, or EUR 7 million to EUR 63 million in 2009, due to lower fee income. Result before tax at the Finance activities decreased by 24.6% to EUR 181 million in 2009, as higher margins could not compensate for the drop in volumes and higher additions to the loan loss provision. Result from Real Estate Development turned from a profit of EUR 78 million in 2008 to a loss of EUR 470 million in 2009, mainly attributable to higher impairments on real estate projects.

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INSURANCE BENELUX

	2010	Insurance Benelux 2009 (EUR millions)	2008
Premium income	7,177	7,721	7,707
Commission income	46	70	89
Investment and Other income	2,956	2,045	3,161
Total income	**10,179**	**9,836**	**10,957**
Underwriting expenditure	8,305	8,382	9,141
Interest expenses	152	295	469
Operating expenses	983	1,184	1,255
Other			
Total expenditure	**9,440**	**9,862**	**10,864**
Result before tax	**738**	**(25)**	**92**
Gains/losses on divestments	(5)	160	
Result divested units			
Special items	41	155	
Underlying result before tax	**775**	**290**	**92**

Year ended December 31, 2010 compared to year ended December 31, 2009

Income

Total premium income decreased by 7.0%, or EUR 544 million, to EUR 7,177 million in 2010. Life premiums in the Netherlands decreased by EUR 488 million as a result of tough market conditions, increased competition by Bank saving products and prioritising value creation over volume growth. In Belgium, life premiums decreased by EUR 38 million partly as a result of the low interest rate environment. Non-life premiums decreased by EUR 18 million to EUR 1,672 million. Investment and other income increased by EUR 911 million from EUR 2,045 million in 2009 to EUR 2,956 million in 2010 driven by EUR 379 million less negative real estate revaluations and EUR 59 million less negative losses and impairments on real estate. Furthermore, EUR 358 million lower losses on derivatives, mainly equity hedges related to separate account pension contracts and higher dividend income (EUR 47 million) contributed to the increase in investment income.

Expenses

Operating expenses decreased by 17.0%, or EUR 201 million, to EUR 983 million in 2010 as a result of the difference between the restructuring provision set up in 2009 (EUR 132 million) and 2010 (EUR 30 million). Furthermore staff expenses decreased due to lower full-time employee levels.

Result before tax and underlying result before tax

The result before tax increased by EUR 763 million to EUR 738 million in 2010 from a loss of EUR 25 million in 2009 driven by EUR 379 million lower negative real estate revaluations, EUR 59 million lower negative realised gains on real estate, EUR 201 million lower operating expenses and a EUR 89 million higher investment margin, further assisted by the EUR 160 million loss in 2009 on the divestment of the so-called industry pension fund portfolio of Nationale-Nederlanden and partly offset by the EUR 43 million lower technical margin. After a period of strong declining real estate values, the ING Insurance Real Estate Portfolio benefited from both the continuing recovery of the UK real estate market and stabilizing yields in Continental Europe. Underlying result before tax in the Benelux increased EUR 485 million to EUR 775 million in 2010 mainly as a result of adjusting the underlying result for the

aforementioned divestment loss of EUR 160 million and the EUR 132 million restructuring provision in 2009, classified as special item.

The Netherlands

Underlying result before tax in the Netherlands increased by 156.8%, or EUR 472 million, to EUR 773 in 2010, due to EUR 422 million higher revaluations (mainly due to real estate) and EUR 77 million lower operating expenses.

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Belgium/Luxemburg
Underlying result before tax in Belgium and Luxembourg increased EUR 10 million to EUR 2 million in 2010 due to a higher investment margin in Belgium and higher fees and premium based revenues in Luxembourg following higher sales.

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

Income
Total premium income increased by 0.2%, or EUR 14 million, to EUR 7,721 million in 2009. Life premiums decreased 0.5%, or EUR 29 million, to EUR 6,031 million and non-life premiums increased by 2.6%, or EUR 43 million, to EUR 1,690 million. In the Netherlands, premiums declined despite the one-time favourable impact of EUR 127 million from a change in group pension premium recognition, due to lower salary indexation on group contracts and fierce competition on the market for retail immediate annuities. Premium income in Belgium and Luxembourg showed an increase due to the sales of the recently introduced VA products.

Expenses
Operating expenses decreased by 5.7%, or EUR 71 million, to EUR 1,184 million in 2009. In 2009, significant expenses related to restructuring initiatives were made to bring the cost structure more in line with the new economic circumstances. In 2009, an internal staff reduction of 1,138 full-time equivalents was achieved.

Result before tax and underlying result before tax
The result before tax decreased by EUR 118 million to a loss of EUR 25 million in 2009 from a profit of EUR 93 million in 2008. In 2009, the result before tax was impacted by the divestment of the so-called industry pension fund portfolio of Nationale-Nederlanden (EUR 160 million loss). The underlying result before tax in 2009 increased to EUR 290 million from EUR 92 million in 2008.

The Netherlands
Underlying result before tax in the Netherlands increased to EUR 301 million from 66 million in 2008. The underlying result in 2009 was positively impacted by EUR 420 million higher private equity revaluations, a EUR 190 million improvement in the change in the provision for guarantees on separate account pension contracts (net of hedging), EUR 74 million lower operating expenses and the EUR 132 million restructuring provision formed in 2009 and classified as special item. These positive elements were offset by EUR 479 million lower public equity income due to lower corporate profits as well as ING s de-risking policy through equity securities divestments. In addition, the profit sharing for policyholders in the Netherlands increased by EUR 99 million, the result on equity index options that hedge equity investments fell by EUR 68 million, and the non-life underwriting result decreased EUR 93 million.

Belgium/Luxemburg
Underlying result before tax in Belgium and Luxemburg decreased to a loss of EUR 12 million in 2009 from a profit of EUR 27 million in 2008 mainly due to EUR 70 million capital losses and impairments on debt securities.

INSURANCE CENTRAL AND REST OF EUROPE

		Insurance CRE	
	2010	**2009**	**2008**
		(EUR millions)	
Premium income	2,115	2,029	2,486
Commission income	147	158	168
Investment and Other income	344	349	304
Total income	**2,607**	**2,536**	**2,959**
Underwriting expenditure	2,082	1,941	2,414
Interest expenses		37	23
Operating expenses	324	295	338
Other	4		1
Total expenditure	**2,411**	**2,272**	**2,777**
Result before tax	**196**	**264**	**182**
Gains/losses on divestments	5	8	
Result divested units	(1)	1	4
Special items	54	18	
Underlying result before tax	**253**	**290**	**187**

Year ended December 31, 2010 compared to year ended December 31, 2009

Income

Total premium income increased by 4.2%, or EUR 86 million, to EUR 2,115 million from EUR 2,029 million in 2009. Life premiums increased EUR 100 million to EUR 2,095 million primarily as a result of EUR 101 million in higher premiums, especially single premium products, in Poland. Non-life premiums decreased by EUR 14 million to EUR 20 million as a direct result of the divestment of the non-life business in Greece.

Expenses

Operating expenses increased by 9.8%, or EUR 29 million, to EUR 324 million in 2010 from EUR 295 million in 2009. Main drivers for this increase were the EUR 34 million higher expenses related to the Vision for Growth program, EUR 16 million tax on financial institutions in Hungary and EUR 8 million currency effect, partly compensated by EUR 18 million of restructuring provisions formed in 2009 and EUR 8 million lower expenses in Russia as a result of liquidating the life insurance business.

Result before tax and underlying result before tax

The result before tax decreased by 25.8%, or EUR 68 million, to EUR 196 million in 2010 from EUR 264 million in 2009. Besides the EUR 29 million higher operating expenses, the increase is further explained by the release in the provision for rider reserve in Poland and Hungary for an amount of EUR 23 million in 2009, EUR 12 million lower revenues in the pension fund in Poland, EUR 12 million lower revenues in the life company in Czech Republic and a lower realised result on surrenders. The underlying result before tax decreased by 12.7%, or EUR 37 million, to EUR 253 million in 2010, mainly as a result of EUR 52 million Vision for Growth program expenses classified as special item in 2010.

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

Income

Total premium income decreased by EUR 457 million to EUR 2,029 million from EUR 2,486 million in 2008. Life premiums decreased EUR 451 million to EUR 1,995 million and non-life premiums decreased by EUR 6 million to

EUR 35 million. The decrease was mainly concentrated in Spain, Hungary and Poland due to lower single premium sales and was partly explained by the lower exchange rates of Central European currencies (EUR 147 million) as offset by a large group contract signed in Spain in 2008 (EUR 70 million).

Expenses

Operating expenses decreased by 12.7%, or EUR 43 million, to EUR 295 million in 2009. In 2009, significant expenses related to restructuring initiatives were made (EUR 18 million) to bring the cost structure down. Excluding these restructuring expenses, operating expenses decreased EUR 61 million, partly helped by the depreciation of Central European currencies against the euro (EUR 28 million).

Result before tax and underlying result before tax
The result before tax increased by 45.1%, or EUR 82 million, to EUR 264 million in 2009. In line with ING s Back to Basics strategy, ING sold its pension business in Russia as well as the non-life operations in Greece (EUR 8 million loss). In addition, the life business in Russia was put into liquidation. The underlying result before tax in 2009 increased by 55.1%, or EUR 103 million, to EUR 290 million.

INSURANCE UNITED STATES

	Insurance United States		
	2010	**2009**	**2008**
		(EUR millions)	
Premium income	11,285	11,430	14,331
Commission	270	350	310
Investment and Other income	3,008	2,493	1,863
Total income	**14,564**	**14,273**	**16,504**
Underwriting expenditure	13,075	12,885	15,439
Interest expenses	76	114	201
Operating expenses	1,220	1,169	1,689
Other			3
Total expenditure	**14,370**	**14,168**	**17,332**
Result before tax	**193**	**105**	**(828)**
Gains/losses on divestments	13	80	
Result divested units		(23)	(129)
Special items	101	194	89
Underlying result before tax	**308**	**356**	**(868)**

Year ended December 31, 2010 compared to year ended December 31, 2009

Income
Total premium income decreased by 1.3%, or EUR 145 million, to EUR 11,285 million in 2010 mainly due to lower sales of Non-Registered Fixed Annuities partially offset by changes in currency. Investment and other income in 2010 increased by 20.7%, or EUR 515 million, to EUR 3,008 million in 2010 for a large part due to higher revaluations, higher investment yields due to reinvestments into fixed income securities and changes in currency.

Expenses
Operating expenses increased 4.4%, or EUR 51 million, to EUR 1,220 million in 2010, driven by a EUR 43 million currency impact.

Result before tax and underlying result before tax
Result before tax in 2010 includes total losses on divestments of EUR 13 million, compared to EUR 80 million losses on divestment in 2009. Result before tax increased by 83.8%, or EUR 88 million, to EUR 193 million in 2010, partly due to EUR 67 million higher losses on divestments in 2009 and EUR 93 million higher special items in 2009, which mostly related to restructuring charges in the US, integration expenses for CitiStreet acquisition and costs related to the Alt-A transaction with the Dutch state. Underlying result before tax decreased by 13.5%, or EUR 48 million, to EUR 308 million in 2010 mainly as a result of unfavourable DAC and reserve adjustments related to Fixed Annuities.

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

Income

Total premium income decreased by 20.2%, or EUR 2,901 million, to EUR 11,430 million in 2009, for the largest part attributable to divestment of the Canada non-life business in 2009 which generated EUR 2,671 premium income in 2008. Investment and other income increased by 33.8%, or EUR 630 million, to EUR 2,493 million in 2009 as a result of EUR 536 million lower investment losses and impairments and EUR 204 million higher income from investments, primarily from positive revaluations.

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Expenses
Underwriting expenditure decreased by 16.5%, or EUR 2,554 million, to 12,885 in 2009 largely driven by the divestment of the Canada non-life business which incurred EUR 2,115 million underwriting expenses in 2008. Operating expenses declined 30.8%, or EUR 520 million, to EUR 1,169 million in 2009 as a result of the divestment of the Canada non-life business which incurred EUR 544 million operating expenses in 2008.
Result before tax and underlying result before tax
Result before tax of 2009 includes total losses on divestments of EUR 80 million, which includes transaction costs associated with the sale of the Group Reinsurance business and losses associated with the divestment of Canada s non-life business and the US independent retail broker dealer units. In addition, the special items in 2009 mainly reflect restructuring charges in the US, integration expenses for CitiStreet acquisition in the US and cost related to the Alt-A transaction with the Dutch state. Underlying result before tax increased by EUR 1,224 million to EUR 356 million driven by lower DAC unlocking, mainly in Retirement Services, lower investment losses and impairments, and lower operating expenses.

INSURANCE US CLOSED BLOCK VA

	Insurance US Closed Block VA		
	2010	**2009**	**2008**
		(EUR millions)	
Premium income	676	2,382	7,076
Commission	181	132	140
Investment and Other income	(607)	(1,809)	755
Total income	**251**	**704**	**7,971**
Underwriting expenditure	1,950	1,216	8,318
Interest expenses	5	5	(1)
Operating expenses	90	138	184
Other			
Total expenditure	**2,045**	**1,358**	**8,501**
Result before tax	**(1,793)**	**(654)**	**(530)**
Gains/losses on divestments			
Result divested units			
Special items			
Underlying result before tax	**(1,793)**	**(654)**	**(530)**

Year ended December 31, 2010 compared to year ended December 31, 2009
Income
Total premium income decreased by 71.6%, or EUR 1,706 million, to EUR 676 million in 2010 as a result of the decision to stop selling variable annuities after March 31, 2010. Investment and other income increased 66.4%, or EUR 1,202 million, to a loss of EUR 607 million in 2010 primarily due to lower hedge losses in 2010.
Expenses
Underwriting expenditure increased by 60.4%, or EUR 734 million, to EUR 1,950 million in 2010 largely driven by the unlocking and write down of DAC in 2010 of EUR 1,459 million, compared to DAC unlocking of EUR 472 million in 2009. The operating expenses declined 34.8%, or EUR 48 million, to EUR 90 million in 2010, mainly

due to the reduction or redeployment of product distribution and support services resulting from the strategic decision to cease sales of the variable annuities.

Result before tax and underlying result before tax

Result before tax in 2010 decreased by 174,2%, or EUR 1,139 million, to a loss of EUR 1,793 million due to reductions in the DAC balance in 2010, partially offset by lower hedge losses. Underlying result before tax for both 2010 and 2009 equalled to the result before tax.

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

Income

Total premium income decreased by 66.3%, or EUR 4,694 million, to EUR 2,382 million in 2009. The decrease was mainly due to lower variable annuity sales, where sales were intentionally reduced by increasing charges and reducing benefit guarantees. Investment and other income decreased 339.6%, or EUR 2,564 million, to a negative EUR 1,809 million in 2009 as a result of hedge losses in 2009 compared to hedge gains in 2008.

Expenses

Underwriting expenditure decreased by 85.4%, or EUR 7,102 million, to EUR 1,216 million in 2009 as a direct result of the aforementioned EUR 4,695 lower premium income and an increase in the DAC balance in 2009 compared to a reduction in the DAC balance in 2008. Operating expenses declined 25.0%, or EUR 46 million, to EUR 138 million in 2009 mainly as a result of EUR 27 million lower staff expenses due to lower sales.

Result before tax and underlying result before tax

Result before tax decreased by 23.4%, or EUR 124 million, to a loss of EUR 654 million in 2009 due higher costs of hedging and hedge losses, partially offset by an increase in the DAC balance. Underlying result before tax for both 2009 and 2008 equalled to the result before tax.

INSURANCE LATIN AMERICA

	Insurance Latin America		
	2010	**2009**	**2008**
		(EUR millions)	
Premium income	161	244	1,141
Commission	398	350	395
Investment and Other income	340	367	892
Total income	**898**	**961**	**2,428**
Underwriting expenditure	245	400	1,557
Interest expenses	67	101	18
Operating expenses	239	216	399
Other			207
Total expenditure	**550**	**717**	**2,181**
Result before tax	**348**	**244**	**247**
Gains/losses on divestments	(22)	31	(237)
Result divested units	16	(4)	139
Special items		2	3
Underlying result before tax	**342**	**273**	**152**

Year ended December 31, 2010 compared to year ended December 31, 2009

Income

Total premium income decreased by 34.0%, or EUR 83 million, to EUR 161 million in 2010. This decrease is primarily attributable to the divestment of the Chile Annuity business in 2009. Excluding this divestment premium income remained stable at EUR 161 million. Commission income increased by 13.7%, or EUR 48 million, to EUR 398 million in 2010 reflecting a higher fee income in Mexico associated with positive pension fund growth, which more than offset a decrease in fee level agreed with the regulator, and a higher fee income in Peru and Colombia as a result of economic growth and wage inflation.

Expenses

Underwriting expenditure decreased by 38.8%, or EUR 155 million to EUR 245 million in 2010, largely as a result of the divestment of the Chile Annuity business in 2009. Operating expenses increased 10.6%, or EUR 23 million, to EUR 239 million in 2010, primarily attributable to investments to roll out wealth management projects throughout the region.

Result before tax and underlying result before tax

Result before tax for 2010 increased by 42.6%, or EUR 104 million to EUR 348 million in 2010 and includes the result of the divestments of ING s stake in Brasilvehiculos a joint venture with Banco de Brasil for an amount of EUR

22 million. The increase in result is otherwise driven by the EUR 155 million lower underwriting expenditure partly compensated by lower premium income, both largely attributable to the divestment of the Chile Annuity business in 2009. In Latin America underlying result before tax increased by 25.3%, or EUR 69 million, to EUR 342 million in 2010, mostly as a result of adjusting the result before tax for both the gains and losses on divestments and the results of these divestments.

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

Income

Total premium income decreased by 78.6%, or EUR 897 million, to EUR 244 million in 2009. Commission income decreased 11.4%, or 45 million, to 350 million in 2009. Investment and other income decreased 58.9%, or EUR 525 million, to 367 million in 2009. The aforementioned decrease in premium income, commission income and investment and other income is caused by the divestment of non-core businesses in Chile, Argentina and Mexico.

Expenses

Operating expenses declined 45.9%, or EUR 183 million, to EUR 216 million in 2009 as a result of the divestment of non-core businesses in Chile, Argentina and Mexico.

Result before tax and underlying result before tax

Underlying result before tax improved 79.6% to EUR 273 million as recovery of equity markets through the region led to an improvement on legally-required investments in the pension business. Additionally, higher pension fee income and lower operating expenses also contributed to the profit improvement. Underlying result before tax in 2009 included a total gain on divestments of EUR 31 million, including those associated with Chile s annuity, mortgage and consumer credit businesses, compared to a EUR 237 million loss on divestments in 2008.

INSURANCE ASIA/PACIFIC

	Insurance Asia/Pacific		
	2010	**2009**	**2008**
		(EUR millions)	
Premium income	6,506	6,653	11,040
Commission	12	147	210
Investment and Other income	911	1,064	301
Total income	**7,429**	**7,864**	**11,551**
Underwriting expenditure	6,369	6,482	10,908
Interest expenses	3	14	64
Operating expenses	541	664	927
Other		1	
Total expenditure	**6,913**	**7,160**	**11,899**
Result before tax	**516**	**704**	**(348)**
Gains/losses on divestments		(337)	214
Result divested units		(23)	131
Special items		40	
Underlying result before tax	**516**	**383**	**(2)**

Year ended December 31, 2010 compared to year ended December 31, 2009

Total income

Premium income declined 2.2%, or EUR 147 million, to EUR 6,506 million in 2010 as a result of the sale of ING s stake in the life insurance and wealth management businesses in Australia and New Zealand. Excluding EUR

230 million premium income in 2009 related to the aforementioned sale would result in an increase in premium income by 1.3%, or EUR 84 million. Investment and other income decreased by 14.4%, or EUR 153 million, to EUR 911 million as a result of the divestment in Australia and New Zealand which generated EUR 366 million of investment and other income in 2009, partly off-set by higher investment income in 2010 in South Korea and Malaysia of EUR 114 million and EUR 48 million respectively.

Expenses

Operating expenses decreased 18.5%, or EUR 123 million, to EUR 541 million in 2010, again as a result of the divestments of life insurance and wealth management businesses in Australia and New Zealand which led to EUR 108 million lower expenses in 2010.

Result before tax and underlying result before tax

The result before tax decreased 26.7%, or EUR 188 million, to EUR 516 million in 2010 for the largest part driven by the EUR 337 million profit before tax in 2009 on the sale of the life insurance and wealth management businesses in Australia and New Zealand, partly offset by higher results before tax in 2010 in South Korea, Japan and Malaysia of EUR 42 million, EUR 34 million and EUR 24 million respectively. The underlying result before tax increased by 34.7%, or EUR 133 million, to EUR 516 million in 2010, mostly as a result of excluding the EUR 337 million profit before tax on the aforementioned sale.

South Korea

In South Korea underlying result increased by 18.3%, or EUR 42 million, to EUR 271 million from EUR 229 million in 2009.

Japan

In Japan underlying result increased by 24.8%, or EUR 34 million, to EUR 171 million from EUR 137 million in 2009.

Malaysia

In Malaysia underlying result increased by 37.5%, or EUR 24 million, to EUR 88 million from EUR 64 million in 2009.

Rest of Asia

Underlying result for the Rest of Asia increased by EUR 33 million to a loss of EUR 13 million from a loss of EUR 46 million in 2009.

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

Total income

Gross premium income declined 39.7% or EUR 4,387 million to EUR 6,653 million in 2009 from EUR 11,040 million in 2008. The decrease was partly due to the 40.8% lower premium income in Japan, as a result of the cessation of the SPVA business as of July 31, 2009. Excluding the discontinued SPVA business in Japan, premium income fell 32.2% due to the sale of the Taiwanese life insurance business in the 4th quarter of 2008 and the drop in new sales in South Korea on an overall weaker demand for investment-linked products in 2009, partly offset by higher premium income from robust new business growth in Malaysia, Hong Kong and Thailand.

Expenses

Operating expenses were down 28.4% or EUR 263 million to EUR 664 million from a year earlier driven by ongoing regional and business unit cost containment initiatives and efforts and by the sale of the Life Insurance business in Taiwan in the 4th quarter of 2008. In particular, operating expenses in South Korea declined 21.8% as structural, mostly administrative expenses, shrank, on lower fixed personnel costs due to ongoing staff rationalization and business and organizational restructuring.

Result before tax and underlying result before tax

On 30 November 2009, ING closed the sale of its stakes in its life insurance and wealth management businesses in Australia and New Zealand. The transaction generated a profit before tax of EUR 337 million. The results of the divested units are excluded from the underlying results in both periods. The result before tax was EUR 704 million, up EUR 1,052 million in 2009 from a loss of EUR 348 million in 2008. The underlying result before tax was EUR 383 million in 2009 compared with EUR (2) million in 2008.

South Korea

In South Korea, underlying result before tax increased by 87.6%, to EUR 229 million in 2009 from EUR 122 million in 2008. 2008 results were mainly affected by market related impacts, comprising negative revaluations on an equity derivative fund and credit linked securities and impairments on fixed income securities. Premium income decreased by 17.0% to EUR 2,731 million in 2009 from EUR 3,291 million in 2008 due to a decline in new sales that was partly offset by favourable in-force persistency. Operating expenses in 2009 decreased by 21.8% to EUR 171 million,

mainly as a result of restructuring and other cost containment measures implemented throughout the year.

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Japan

In Japan, the underlying result before tax was EUR 137 million in 2009, up EUR 211 million from a loss of EUR 74 million in 2008.

Malaysia

In Malaysia, the underlying result before tax rose 57.8% to EUR 64 million in 2009 compared with EUR 40 million in 2008. Operating expenses declined 1.8% to EUR 46 million despite strong new sales growth.

Rest of Asia

In Rest of Asia, the underlying loss before tax was EUR 46 million in 2009 compared with a loss of EUR 91 million in 2008. Operating expenses declined 44.0% to EUR 271 million.

ING INVESTMENT MANAGEMENT

	ING Investment Management		
	2010	**2009**	**2008**
		(EUR millions)	
Commission	887	762	850
Investment and Other income	25	(25)	(6)
Total income	**912**	**737**	**844**
Underwriting expenditure	3	3	4
Interest expenses	5	9	26
Operating expenses	786	594	633
Other			2
Total expenditure	**794**	**605**	**665**
Result before tax	**118**	**132**	**179**
Gains/losses on divestments			
Result divested units			
Special items	55	37	
Underlying result before tax	**173**	**169**	**179**

Year ended December 31, 2010 compared to year ended December 31, 2009

Total income

Commission income increased 16.4%, or EUR 125 million, to EUR 887 million in 2010 from EUR 762 million in 2009. Excluding currency effects of EUR 32 million, commission income rose 11.7%, driven by the 12.8% increase in AuM and the introduction of a fixed service fee in 3Q 2010 related to the transfer of funds to the Luxembourg platform. As of the third quarter of 2010, expenses of these funds are no longer recorded as negative fee income.

Eexpenses

Operating expenses increased 32.3% or EUR 192 million to EUR 786 million in 2010. The increase is in part due to accrual adjustments related to the deferral of incentive compensation, which lowered expenses in the fourth quarter of 2009 by EUR 34 million. Excluding these accrual adjustments and currency effects, expenses rose 21.0% compared with 2009. This increase was mainly due to the introduction of a fixed service fee (EUR 17 million) and higher staff costs.

Result before tax and underlying result before tax

The result before tax decreased by 10.6%, or EUR 14 million, to EUR 118 million in 2010 from EUR 132 million in 2009, mainly as a result of the EUR 193 million higher operating expenses only partly compensated by the EUR

125 million higher commission income. The underlying result before tax in 2010 increased by 2.4%, or EUR 4 million, to EUR 173 million in 2010.

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

Total income

Commission income declined 10.4%, or EUR 88 million, to EUR 762 million in 2009 driven by the EUR 13 billion net outflow of AuM in 2009.

Operating expenses

Operating expenses declined 6.2%, or EUR 39 million, to EUR 594 million in 2009 as a result of the EUR 34 million deferral of incentive compensation in the 4th quarter of 2009.

Result before tax and underlying result before tax

The result before tax decreased by 26.3%, or EUR 47 million, to EUR 132 million in 2009 from EUR 179 million in 2008 principally as a result of the EUR 87 million lower commission income that was only partly offset by EUR 39 million lower operating expenses. The underlying result before tax in 2009 shows an increase of EUR 37 million compared to the result before tax as a direct result of the reorganisation expenses, due to the restructuring of the business, being classified as a special item.

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LIQUIDITY AND CAPITAL RESOURCES

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

As a holding company, ING Groep N.V. s principal sources of funds are funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends received from its subsidiaries. ING Groep N.V. s total debt and capital securities outstanding to third parties at December 31, 2010 was EUR 18,377 million, at December 31, 2009, EUR 17,684 million and at December 31, 2008, EUR 18,841. The EUR 18,377 million of debt and capital securities outstanding at December 31, 2010, consisted of subordinated loans of EUR 11,766 million and debenture loans of EUR 6,571 million, both specified below :

Interest rate (%)	Year of issue	Due date	Balance sheet value
		(EUR millions)	
9.000	2008	Perpetual	10
8.500	2008	Perpetual	1,469
8.000	2008	Perpetual	1,485
7.375	2007	Perpetual	1,111
6.375	2007	Perpetual	773
5.140	2006	Perpetual	692
5.775	2005	Perpetual	741
6.125	2005	Perpetual	504
4.176	2005	Perpetual	498
Variable	2004	Perpetual	994
6.200	2003	Perpetual	363
Variable	2003	Perpetual	729
7.200	2002	Perpetual	748
7.050	2002	Perpetual	528
8.439	2000	December 31, 2030	1,121
			11,766

Interest rate (%)	Year of issue	Due date	Balance sheet value
		(EUR millions)	
5.625	2008	September 3, 2013	1,072
4.699	2007	June 1, 2035	117

4.75	2007	May 31, 2017	1,890
Variable	2006	June 28, 2011	749
Variable	2006	April 11, 2016	997
4.125	2006	April 11, 2016	746
6.125	2000	January 4, 2011	1,000
			6,571

At December 31, 2010, 2009 and 2008, ING Groep N.V. also owed EUR 737 million, EUR 800 million and EUR 1,319 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. Of the EUR 737 million owed by ING Groep N.V. to ING Group companies at December 31, 2010, EUR 0 million was owed to ING Insurance companies, EUR 737 million was owed to ING Bank companies and EUR 0 million was owed to direct subsidiaries of ING Group companies, as a result of normal intercompany transactions.

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

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At December 31, 2010, 2009 and 2008, ING Groep N.V. had EUR 72 million, EUR 183 million and EUR 33 million of cash, respectively. Dividends paid to the Company by its subsidiaries amounted to EUR 200 million, EUR 350 million and EUR 7,050 million in 2010, 2009 and 2008, 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 0 million, EUR 350 million and EUR 2,800 million were received from ING Insurance in 2010, 2009 and 2008, respectively; EUR 200 million, EUR 0 million and EUR 4,250 million were received from ING Bank in 2010, 2009 and 2008, respectively. On the other hand, the Company injected EUR 1,500 million, EUR 700 million and EUR 12,720 million into its direct subsidiaries during the reporting year 2010, 2009 and 2008, respectively. Of the amounts injected by the Company, EUR 1,500 million, EUR 550 million and EUR 5,450 million were injected into ING Insurance in 2010, 2009 and 2008, respectively; EUR 0 million, EUR 150 million and EUR 7,200 million were injected into ING Bank in 2010, 2009 and 2008, respectively. ING and its Dutch subsidiaries are subject to legal restrictions on the amount of dividends they can pay to their shareholders. The Dutch Civil Code provides that dividends can only be paid by Dutch companies up to an amount equal to the excess of a company s shareholders equity over the sum of (1) paid-up capital and (2) shareholders reserves required by law. Further, certain of the Group companies are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to ING Groep N.V.

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

ING Group Consolidated Cash Flows

ING s Risk Management, including liquidity, is discussed in Risk Management of Note 2.2.1 to the consolidated financial statements.

Year ended December 31, 2010 compared to year ended December 31, 2009

Net cash flow from operating activities amounted to EUR (4,775) million for the year ended December 31, 2010, compared with EUR (27,400) million for the year ended December 31, 2009. This increase was mainly due trading assets/trading liabilities and banks, loans and funds entrusted. The cash flow generated through the customer deposits and other funds on deposit and loans and advances was EUR 21,202 million and EUR (16,926) million respectively, offset by lower banks (amounts due from/to banks not available on demand). The cash flow employed in lending decreased from a cash inflow of EUR 11,552 million in 2009 to a cash outflow of EUR (16,926) million in 2010.

Net cash flow from investment activities in 2010 was EUR (3,349) million, compared to EUR 3,239 million in 2009. The decrease was mainly caused by higher disposals and redemptions of group companies, available-for-sale investments and investments for risk of policyholders.

Net cash flow from financing activities was EUR 7,640 million in 2010, compared to EUR 13,853 million in 2009. The decrease of EUR 6,213 million in net cash flow from financing activities is mainly due to lower 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 2010 of EUR 20,740 million, compared with EUR 20,959 million at year-end 2009, a decrease of EUR 219 million from 2009 levels

	2010	**2009**
	(EUR millions)	
Treasury bills and other eligible bills	4,441	3,182
Amounts due from/to banks	3,227	2,387
Cash and balances with central banks	13,072	15,390
Cash and cash equivalents at end of year	**20,740**	**20,959**

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

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

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

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

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

	2009	**2008**
	(EUR millions)	
Treasury bills and other eligible bills	3,182	7,009
Amounts due from/to banks	2,387	2,217
Cash and balances with central banks	15,390	22,045
Cash and cash equivalents at end of year	**20,959**	**31,271**

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, 2010 compared to year ended December 31, 2009

At December 31, 2010 and 2009, ING Bank had EUR 17,188 million and EUR 18,170 million, respectively, of cash and cash equivalents. The decrease in Cash and Cash Equivalents is mainly attributable to the cash and bank balance positions with Central banks.

Specification of cash position (EUR millions):

	2010	**2009**
	(EUR millions)	
Cash	9,519	12,602
Short dated government paper	4,442	3,181
Banks on demand	3,227	2,386
Cash balance and cash equivalents	**17,188**	**18,170**

The EUR 24,634 million increase in ING Bank s operating activities, consist of EUR 11,086 million cash outflow for the year ended December 31, 2010, compared to EUR 35,720 million cash outflow for the year ended December 31, 2009.
The cash flow from operating activities was largely affected by cash flows from Amounts due to and from Banks (cash outflow of EUR 14,164 million compared to a cash outflow in 2009 of EUR 58,799 million) and a cash outflow of loans and advances to customers of EUR 19,655 million compared to a cash inflow in 2009 of EUR 9,489).
Net cash flow for investment activities was EUR 1.303 million cash inflow (2009: EUR 4,819 million cash inflow).
Investment in interest-earning securities was EUR 89,614 million and EUR 58,424 million in 2010 and 2009, respectively. Dispositions and redemptions of interest-earning securities was EUR 88,333 million and EUR 62,669 million in 2010 and 2009, respectively.
Net cash inflow from financing activities in 2010 amounted to EUR 8,224 million compared to a cash inflow in 2009 of EUR 21,681 million, and is mainly attributable to less on balance cash inflow from debt securities in issue.
The operating, investment and financing activities described above resulted in a negative cash flow of EUR (1,559) in 2010 compared to a negative net cash flow of EUR (9,220) million in 2009.

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

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

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

The EUR 47,975 million decrease in ING Bank s operating activities, consist of EUR 35,720 million cash outflow for the year ended December 31, 2009, compared to EUR 12,255 million cash inflow for the year ended December 31, 2008.
The cash flow from operating activities was largely affected by cash flows from Trading (cash outflow in 2009 of EUR 6,473 million compared to cash inflow in 2008 of EUR 36,836 million), from Amounts due to and from Banks (cash outflow of EUR 58,799 million compared to a cash inflow in 2008 of EUR 20,372 million) and offset by a cash inflow of loans and advances to customers of EUR 9,489 million (cash outflow in 2008 of EUR 76,154).
Net cash flow for investment activities was EUR 4,819 cash inflow and EUR 4,101 million cash outflow in 2009 and 2008, respectively. Investment in interest-earning securities was EUR 58,424 million and EUR 95,036 million in 2009 and 2008, respectively. Dispositions and redemptions of interest-earning securities was EUR 62,669 million and EUR 94,976 million in 2009 and 2008, respectively.
Net cash inflow from financing activities in 2009 amounted to EUR 21,681 compared to a cash inflow in 2008 of EUR 39,048 million, and is mainly attributable to less on balance cash inflow from debt securities in issue.
The operating, investment and financing activities described above resulted in a negative cash flow of EUR (9,220) in 2009 compared to a positive net cash flow of EUR 47,202 million in 2008.

Capital Adequacy

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

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The following table sets forth the capital position of ING Bank N.V. as of December 31, 2010, 2009 and 2008.

Capital position of ING Bank

	2010	2009	2008
		In EUR millions	
Shareholders equity (parent)	31,266	27,480	20,635
Difference IFRS-IASB and IFRS-EU	3,185	2,742	2,254
Minority interests	749	960	1,198
Subordinated loans qualifying as Tier 1 capital [(1)]	8,438	8,057	7,085
Goodwill and intangibles deductible from Tier 1	(1,645)	(1,636)	(1,636)
Deductions Tier 1	(1,069)	(1,073)	(1,040)
Revaluation reserve [(2)]	(1,592)	(2,516)	3,523
Available capital Tier 1	**39,332**	**34,015**	**32,019**
Supplementary capital Tier 2 [(3)]	10,882	11,789	12,910
Available Tier 3 funds			
Deductions	(1,069)	(1,073)	(1,040)
BIS capital	**49,145**	**44,731**	**43,889**
Risk-weighted assets	321,103	332,375	343,388
Tier 1 ratio	12.25%	10.23%	9.32%
BIS ratio	15.30%	13.46%	12.78%
Required capital based on Basel I floor [(4)]	29,860	28,709	34,369
BIS ratio based on Basel I floor [(4)]	13.17%	12.46%	10.22%

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

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

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

(4) Using 80% in 2010 and 2009 and 90% in 2008 of Basel I Risk Weighted Assets .

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

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

ING Insurance Cash Flows

The principal sources of funds for ING Insurance are premiums, net investment income and proceeds from sales or maturity of investments, while the major uses of these funds are to provide life policy benefits, pay surrenders and profit sharing for life policyholders, pay non-life claims and related claims expenses, and pay other operating costs. ING Insurance generates a substantial cash flow from operations as a result of most premiums being received in

advance of the time when claim payments or policy benefits are required. These positive operating cash flows, along with that portion of the investment portfolio that is held in cash and highly liquid securities, have historically met the liquidity requirements of ING Insurance s operations, as evidenced by the growth in investments. See Risk Management of Note 2.2.1 to the consolidated financial statements.

Year ended December 31, 2010 compared to year ended December 31, 2009

Premium income and Investment and Other income totaled EUR 27,947 million and EUR 7,597 million in 2010, respectively, and EUR 30,492 million and EUR 3,363 million in 2009. 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 32,765 million, EUR 4,341 million and EUR 1,128 million in 2010 and EUR 30,984 million, EUR 4,387 million and EUR 1,052 million, respectively in 2009.

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 8,646 million at December 31, 2010 and EUR 9,425 million at December 31, 2009.

	2010	2009
	(EUR millions)	
Cash and bank balances	4,057	3,752
Short term deposits	4,589	5,673
Total	**8,646**	**9,425**

Net cash provided by operating activities was EUR 2,857 million in 2010 and EUR 3,876 million in 2009.
Net cash used by ING Insurance in investment activities was EUR (4,466) million in 2010 and EUR (1,590) million in 2009.
Cash provided by ING Insurance s financing activities amounted to EUR 1,140 million and EUR (7,303) million in 2010 and 2009, respectively.

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

Premium income and Investment and Other income totaled EUR 30,492 million and EUR 3,363 million in 2009, respectively, and EUR 43,812 million and EUR 8,970 million in 2008. Uses of funds by ING Insurance include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims and profit sharing by life policyholders) and employee and other operating expenses, as well as interest expense on outstanding borrowings. Underwriting expenditures, employee and other operating expenses and interest expense for ING Insurance totaled EUR 30,984 million, EUR 4,387 million and EUR 1,052 million in 2009 and EUR 49,485 million, EUR 5,449 million and EUR 1,269 million in 2008.
ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 9,425 million at December 31, 2009 and EUR 14,440 million at December 31, respectively,in 2008.

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

Net cash provided by operating activities was EUR 3,876 million in 2009 and EUR 13,129 million in 2008.
Net cash used by ING Insurance in investment activities was EUR (1,590) million in 2009 and EUR (8,034) million in 2008.
Cash provided by ING Insurance s financing activities amounted to EUR (7,303) million and EUR 6,275 million in 2009 and 2008, respectively.

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Adjusted Equity

ING calculates certain capital ratios on the basis of adjusted equity . Adjusted equity differs from Shareholders equity in the consolidated balance sheet. The main differences are that adjusted equity excludes unrealized gains and losses on debt securities, goodwill and the cash flow hedge reserve and includes hybrid capital and the core Tier 1 Securities. Adjusted equity also excludes the difference between IFRS-EU and IFRS-IASB, as capital ratios are based on IFRS-EU as primary accounting basis, which is also the basis for statutory and regulatory reporting. Adjusted equity for 2010, 2009 and 2008 is reconciled to shareholders equity as follows:

	2010	**2009**	**2008**
		(EUR millions)	
Shareholders equity	38,370	31,121	15,080
Difference between IFRS-IASB and IFRS-EU	3,185	2,742	2,254
Core Tier 1 Securities	5,000	5,000	10,000
Group hybrid capital	12,039	11,478	11,655
Revaluation reserves debt securities and other	(3,425)	(1,291)	6,769
Adjusted equity	**55,169**	**49,050**	**45,758**

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

Revaluation reserves debt securities and other includes unrealized gains and losses on available-for-sale debt securities and revaluation reserve crediting to policyholders of EUR 330 million in 2010, EUR 2,325 million in 2009 and EUR 11,221 million in 2008, the cash flow hedge reserve of EUR (847) million in 2010, EUR (372) million in 2009 and EUR (1,177) million in 2008 and capitalized goodwill of EUR (2,908) million in 2010, EUR (3,244) million in 2009 and EUR (3,275) million in 2007.

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

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

To the extent our debt/equity ratio (based on adjusted equity) increases or the components thereof change significantly period over period, we believe that rating agencies and regulators would all view this as material information relevant to our financial health and solvency. On the basis of adjusted equity, the debt/equity ratio of ING increased to 13.3% in 2010 from 12.4% in 2009. The debt/equity ratio of ING Group between December 31, 2002 and December 31, 2010 has been in the range of 19.9% to 9.0%. Although rating agencies take many factors into account in the ratings process and any of those factors alone or together with other factors may affect our rating, we believe that an increase of our debt/equity ratio in a significant way, and for an extended period of time, could result in actions from rating agencies including a possible downgrade of the financial strength ratings of our operating subsidiaries. Similarly, although regulatory authorities do not currently set any explicit leverage requirements for ING Group, such an increase of our debt/equity ratio could also likely result in greater scrutiny by regulatory authorities. Over the last year, ING has targeted a 15% debt/equity ratio for ING Group currently, but management aims to reduce the Group debt/equity ratio to 10% in the near term. In addition, ING stated in its Restructuring Plan as presented on October 26, 2009 that in the coming years, as insurance units are divested, ING wants to reduce its core Debt to zero, thereby

eliminating the double leverage. These targets are reviewed at least once a year and approved by the Executive Board. During the yearly review, many factors are taken into account to establish this target, such as rating agency guidance, regulatory guidance, peer review, risk profile and strategic objectives. During the year, the ratio is managed by regular reporting, forecasting and capital management actions. Management has full discretion to change the target ratio if circumstances change.

Off-Balance-Sheet-Arrangements

See Note 27 of Note 2.1 to the consolidated financial statements.

	Total 2010	Less than one year	More than one year	Total 2009	Less than one year	More than one year
			(EUR millions)			
Insurance operations						
Commitments concerning investments in land and buildings	22	22		17	17	
Commitments concerning fixed-interest securities	1,120	1,115	5	634	609	25
Guarantees	678	114	564	955		955
Other commitments	848	661	187	995	726	269
Banking operations						
Contingent liabilities in respect of:						
- discounted bills	3	3		1	1	
- guarantees	21,711	17,159	4,552	21,545	15,912	5,633
- irrevocable letters of credit	15,540	15,317	223	12,352	11,063	1,289
- other contingent liabilities	428	419	9	202	190	12
Irrevocable facilities	90,027	59,885	30,142	85,835	62,174	23,661
Total	**130,377**	**94,695**	**35,682**	**122,536**	**90,692**	**31,844**

Contractual obligations

The table below shows the cash payment requirements, due by period, from specified contractual obligations outstanding as of December 31, 2010 and 2009. Reference is made to Note 21 Other liabilities in Note 2.1 for information about future payments in relation to pension benefit liabilities.

	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(EUR millions)		
2010					
Operating lease obligations	1,088	199	345	264	280
Subordinated loans of Group companies	13,780	2,647	2,357	1,167	7,609
Preference shares of Group companies	1,121				1,121
Debenture loans	135,604	77,525	23,316	18,205	16,558
Loans contracted	3,740	2,055		73	1,612
Loans from credit institutions	3,650	2,677	59	188	726
Insurance provisions [1]	163,864	11,883	18,291	16,995	116,695

Total	**322,847**	**96,986**	**44,368**	**36,892**	**144,601**
2009					
Operating lease obligations	1,079	209	350	388	132
Subordinated loans of Group companies	14,430	1,107	5,241	762	7,320
Preference shares of Group companies	1,040				1,040
Debenture loans	119,981	75,015	16,636	17,333	10,997
Loans contracted	4,695	2,985		74	1,636
Loans from credit institutions	2,986	2,046	233	53	654
Insurance provisions [(1)]	148,901	11,808	15,906	17,164	104,023
Total	**293,112**	**93,170**	**38,366**	**35,774**	**125,802**

(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, 2010. 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.

Item 6. Directors, Senior Management and Employees

Appointment and dismissal

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

Members of the Supervisory Board may be suspended or dismissed at any time by a majority resolution of the General Meeting. A resolution to suspend or dismiss members of the Supervisory Board that 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 more than one-third of the issued share capital.

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

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

- the candidate is not fit and proper to discharge his duties as a Supervisory Board member;
- upon appointment the composition of the Supervisory Board would not be appropriate and/or not be in accordance with the Supervisory Board Profile;
- appointment would be incompatible with any provision of the Articles of Association, the Supervisory Board Charter, any principle or best-practice provision of the 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 for the appointment of the relevant candidate.

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

Function of the Supervisory Board

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

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

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

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

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

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

d. the entry into or termination of lasting cooperation between ING Group or a dependent company and another legal entity or partnership or as general partner in a limited partnership or general partnership where such cooperation or termination thereof has material significance for ING Group, i.e. amounting to one-quarter or more of ING Group 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 Securities issue);

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

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

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

Profile of members of the Supervisory Board

The Supervisory Board has drawn up a profile to be used as a basis for its composition. The profile was submitted for discussion to the General Meeting in 2010. It is available on the website of ING Group (www.ing.com) and at the ING Group head office.

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

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

Term of appointment of members of the Supervisory Board

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

Ancillary positions /Conflicting interests

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

In accordance with the Corporate Governance Code, members of the Supervisory Board are to disclose material conflicts of interest and potential conflicts of interest and to provide all information relevant thereto. Thereupon the Supervisory Board without the member concerned taking part decides whether a conflict of

interest exists. In special circumstances, the Supervisory Board may deviate from this rule and decide that, notwithstanding the fact that the matter would entail a conflict of interest according to the Corporate Governance Code, a conflict of interest does not exist. This concerns in particular situations in which the conflict of interest is based on a marriage that exists no longer, to allow for situations where there is no material family relation. In case of a conflict of interest, the relevant member of the Supervisory Board, as the Corporate Governance Code recommends, abstains from discussions and decision-making on the topic or the transaction in relation to which he or she has a conflict of interest with ING Group.

Transactions involving actual or potential conflicts of interest

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

Independence

Annually, the members of the Supervisory Board are requested to assess whether the criteria of dependence set out in the Corporate Governance Code do not apply to them and to confirm this in writing. On the basis of these criteria, all members of the Supervisory Board are to be regarded as independent on December 31, 2010. Members of the Supervisory Board to whom the independence criteria of the Corporate Governance Code do not apply, and members of the Supervisory Board to whom the criteria do apply but who can explain why this does not undermine their independence, are deemed to be independent.

Company secretary

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

Committees of the Supervisory Board

On December 31, 2010, the Supervisory Board had five standing committees: the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. The organisation, powers and conduct of the Supervisory Board are detailed in the Supervisory Board Charter. Separate charters have been drawn up for the Audit Committee, Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. These charters are available on the website of ING Group (www.ing.com). A short description of the duties for the five Committees follows below.

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, ING Verzekeringen N.V. and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements and in monitoring the independence and performance of ING s internal and external auditors. On December 31, 2010, the members of the Audit Committee were: Jackson Tai (chairman), Tineke Bahlmann, Henk Breukink, Godfried van der Lugt and Jeroen van der Veer. The Supervisory Board has determined that Aman Mehta, appointed to the Audit Committee as of February 14, 2011, is a financial expert as referred to in the Corporate Governance Code. He has gathered his experience by serving as chief executive officer of Hong Kong & Shanghai Banking Corporation (HSBC) in Hong Kong.

The Risk Committee assists and advises the Supervisory Board in monitoring the risk profile of ING Group as well as the structure and operation of the internal risk management and control systems. On December 31, 2010, the members of the Risk Committee were: Peter Elverding (chairman), Tineke Bahlmann, Claus Dieter Hoffmann, Piet Klaver, Godfried van der Lugt and Jackson Tai.

The Remuneration Committee advises the Supervisory Board, among other things, on the terms and conditions of employment (including remuneration) of the members of the Executive Board and on the policies and general principles on which the terms and conditions of employment of the members of the Executive Board and of senior managers of ING and its subsidiaries are based. On December 31, 2010, the members of the Remuneration Committee were: Jeroen van der Veer (chairman), Peter Elverding, Piet Klaver, Joan Spero and Lodewijk de Waal.

The Nomination Committee advises the Supervisory Board, among other things, on the composition of the Supervisory Board and Executive Board. On December 31, 2010, the members of the Nomination Committee were: Peter Elverding (chairman), Piet Klaver, Joan Spero, Jeroen van der Veer and Lodewijk de Waal.
The Corporate Governance Committee assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting thereon in the Annual Report and to the General Meeting and advises the Supervisory Board on improvements. On December 31, 2010, the members of the Corporate Governance Committee were: Peter Elverding (chairman), Henk Breukink, Claus Dieter Hoffmann, Aman Mehta and Lodewijk de Waal.
The current composition of the Supervisory Board Committees can be found on the Company s website (www.ing.com), which is updated on a regular basis.

Remuneration and share ownership

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

INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD

Peter A.F.W. Elverding (chairman)

(*Born 1948, Dutch nationality, male; appointed in 2007, term expires in 2011*)
Former chairman of the Managing Board of Directors of Koninklijke DSM N.V. Former vice-chairman of the Supervisory Board of De Nederlandsche Bank N.V. (Dutch central bank). Other business activities: chairman of the Supervisory Board of Océ N.V. (listed company). Member of the Supervisory Board of SHV Holdings N.V. Chairman of the Supervisory Board of Q-Park N.V. Member of the Supervisory Board of Koninklijke FrieslandCampina N.V. Chairman of the Supervisory Board of Oostwegel Holding BV. Member of the Board of Stichting Instituut GAK.

Jeroen van der Veer (vice -chairman)

(*Born 1947, Dutch nationality, male; appointed in 2009, term expires in 2013*)
Former chief executive officer of Royal Dutch Shell plc. Other business activities: vice-chairman and senior independent director of Unilever N.V., non-executive director of Royal Dutch Shell plc and member of the Supervisory Board of Koninklijke Philips Electronics N.V. (listed companies). Member of the Supervisory Board of Het Concertgebouw N.V. Chairman of Platform Bètatechniek. Chairman of the Supervisory Council of Nederlands Openluchtmuseum. Member of the Board of Nationale Toneel (theatre).

J.P. (Tineke) Bahlmann

(*Born 1950, Dutch nationality, female; appointed in 2009, term expires in 2013*)
Professor in Business Administration, University of Utrecht. Chairman of the Dutch Media Authority. Other business activities: vice-chairman of the Supervisory Board of N.V. Nederlandsche Apparatenfabriek Nedap (listed company). Member of the Board of Maatschappelijk Verantwoord Ondernemen Nederland (CSR). Chairman of Stichting Max Havelaar. Member of the Board of De Baak Management Centre VNO-NCW. Member of the Board of Toneelgroep Amsterdam (theatre).

Henk W. Breukink

(*Born 1950, Dutch nationality, male; appointed in 2007, term expires in 2011*)
Former managing director of F&C and country head for F&C Netherlands (asset management firm). Other business activities: non-executive/vice-chairman of VastNed Offices/Industrial (real estate fund) and non-executive director of F&C hedge funds, Ireland (listed companies). Non-executive director of Brink Groep BV. Non-executive chairman of Heembouw Holding B.V. Chairman of the Supervisory Board of Omring (health care institution). Member of the Supervisory Board of HaagWonen (housing corporation). Senior executive coach.

Claus Dieter Hoffmann

(*Born 1942, German nationality, male; appointed in 2003, term expires in 2011*)
Former chief financial officer of Robert Bosch GmbH. Managing partner of H+H Senior Advisors, Stuttgart. Other business activities: chairman of the Supervisory Board of EnBW AG (listed company). Member of the Supervisory

Board of de Boer Structures Holding B.V. Member of the Supervisory Board of C.A. Leuze GmbH & Co. KG. Chairman of the Charlottenklinik Foundation (hospital).

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Piet C. Klaver
(*Born 1945, Dutch nationality, male; appointed in 2006, term expires in 2014*)
Former chairman of the Executive Board of SHV Holdings N.V. Other business activities: chairman of the Supervisory Board of TNT N.V. (listed company). Chairman of the Supervisory Board of each of Dekker Hout Groep B.V., Jaarbeurs Holding B.V., Dura Vermeer Groep N.V., Blokker Holding B.V., Credit Yard Group B.V. and Utrecht School of Arts. Member of the Supervisory Board of SHV Holdings N.V. Member of the Board of African Parks Foundation.

Godfried J.A. van der Lugt
(*Born 1940, Dutch nationality, male; appointed in 2001, resigned on January 24, 2011)*
Former chairman of the Executive Board of ING Group (retired in May 2000). Other business activities: chairman of the Supervisory Board of Stadsherstel Amsterdam N.V. Chairman of the Advisory Board of Kasteel De Haar and R.C. Oude Armenkantoor. Member of the Investment Advisory Committee of Stichting Instituut GAK.

Aman Mehta
(*Born 1946, Indian nationality, male; appointed in 2008, term expires in 2012*)
Former chief executive officer of Hong Kong & Shanghai Banking Corporation (HSBC) in Hong Kong. Other business activities: non-executive director of each of Tata Consultancy Services, Jet Airways Ltd., PCCW Ltd., Vedanta Resources Plc, Wockhardt Ltd., Godrej Consumer Products Ltd., Cairn India Ltd., Emaar MGF Land Ltd. and Max India Ltd. Member of the governing board of Indian School of Business. Member of the International Advisory Council of INSEAD.

Joan E. Spero
(*Born 1944, American nationality, female; appointed in 2008, term expires in 2012*)
Former executive vice-president Corporate Affairs and Communications of American Express Company. Former Under Secretary Economic Business & Agricultural Affairs, US State Department. Former president Doris Duke Charitable Foundation. Other business activities: non-executive director of IBM Corporation. Trustee of Council on Foreign Relations, Wisconsin Alumni Research Foundation, Morgridge Institute for Research. Trustee Emerita of Columbia University and Amherst College.

Jackson P. Tai
(*Born 1950, American nationality, male; appointed in 2008, resigned on January 6, 2011*)
Former vice-chairman and chief executive officer of DBS Group Holdings. Former managing director in the Investment Banking Division of JP Morgan. Other business activities: non-executive director of each of NYSE Euronext, MasterCard Incorporated, CapitaLand and Bank of China Limited (pending regulatory approval). Non-executive chairman and director of Brookstone, Inc. Trustee of Rensselaer Polytechnic Institute.

Lodewijk J. de Waal
(*Born 1950, Dutch nationality, male; appointed in 2009, term expires in 2013*)
Former general manager of Humanitas. Other business activities: member of the Supervisory Board of PGGM N.V. Member of the Advisory Board of Zorgverzekeraars Nederland. Chairman of the Supervisory Council of SNV. Chairman of the Advisory Board of Stichting Nationaal Fonds Kunstbezit. Member of the Netherlands National Contact Point (NCP) of the OECD. Chairman of the Supervisory Council of Museum Volkenkunde.

Changes in the composition
At the 2010 annual General Meeting Piet Klaver was reappointed as member of the Supervisory Board. In addition, Piet Hoogendoorn, Harish Manwani and Karel Vuursteen retired from the Supervisory Board at the end of the 2010 annual General Meeting. The current terms of appointment of Henk Breukink, Peter Elverding and Claus Dieter Hoffmann will expire at the end of the 2011 annual General Meeting. At this meeting, Henk Breukink and Peter Elverding will be nominated for reappointment. Claus Dieter Hoffmann has decided to retire from the Supervisory Board at the end of the 2011 annual General Meeting. In view of his proposed appointment as a non-executive director of the Bank of China, Jackson Tai resigned as a Supervisory Board member, effective January 6, 2011. Godfried van der Lugt resigned for personal reasons as a Supervisory Board member, effective January 24, 2011. The Supervisory Board has nominated three candidates for appointment: Sjoerd van Keulen, Joost Kuiper and Luc Vandewalle. More information can be found in the convocation for the 2011 annual General Meeting, available on the

website of ING Group (www.ing.com).

EXECUTIVE BOARD

Appointment and dismissal

Members of the Executive Board are appointed by the General Meeting from a binding list to be drawn up by the Supervisory Board. Pursuant to the Dutch law, this list is to mention at least two candidates for each

vacancy, and if not, the list will be non-binding. With respect to the second candidate, ING Group s policy is to propose retired senior managers or other high ranking officers who, in view of the forthcoming abolition of this requirement, do not have to meet the requirements of the Executive Board Profile. The list will also be non-binding pursuant to a resolution of the General Meeting to that effect adopted by an absolute majority of the votes cast which majority represents more than one-third of the issued share capital.

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

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

Function of the Executive Board

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

Profile of members of the Executive Board

The Supervisory Board has drawn up a profile to be used as a basis for selecting members of the Executive Board. This Executive Board profile was submitted for discussion to the General Meeting in 2010. It is available on the website of ING Group (www.ing.com) and at the ING Group head office.

Remuneration and share ownership

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

Ancillary positions/Conflicting interests

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

Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions with members of the Executive Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation of the Corporate Governance Code however, this does not apply if (i) disclosure would be against the law; (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents disclosure; and/or (iii) the information is so competition-sensitive that the disclosure could damage the competitive position of ING Group.

Significant conflicting interests are considered to be absent and are not reported if a member of the Executive Board obtains financial products and services, other than loans, which are provided by ING Group subsidiaries in the ordinary course of their business on terms that apply to all employees. In connection with the foregoing, loans does not include financial products in which the granting of credit is of a subordinated nature, e.g. credit cards and overdrafts in current account, because of a lack of materiality.

INFORMATION ON MEMBERS OF THE EXECUTIVE BOARD

Jan H.M. Hommen, chief executive officer

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

Jan Hommen graduated with a master s degree in Business Economics from Tilburg University. He was appointed a member of the Executive Board on 27 April 2009. He is also CEO of ING Bank N.V. and CEO of ING Verzekeringen N.V. Jan Hommen was a member of the Supervisory Board of ING Group as of June 1, 2005 and became chairman of the Supervisory Board of ING Group in January 2008. Until May 1, 2005, he was vice-chairman and chief financial

officer of Koninklijke Philips Electronics N.V. From 1975 to 1997, he worked for Alcoa Inc. From 1978, he worked at the Alcoa head office in the US, becoming chief financial officer in 1991.

Jan Hommen is a member of the board of Royal Concertgebouw Orchestra. Six Group staff departments report directly to Jan Hommen: Corporate Legal Department, Corporate Human Resources, Corporate Development, Corporate Communications & Affairs, Public & Government Affairs and Corporate Audit Services.

Patrick G. Flynn, chief financial officer

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

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

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

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

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

Changes in the composition

In 2010 there were no changes in the composition of the Executive Board. The current term of appointment of Koos Timmermans will expire at the end of the 2011 annual General Meeting. At this meeting he will be nominated for reappointment.

REMUNERATION REPORT

This section sets out the remuneration for the Executive Board and the Supervisory Board. The remuneration policy for the Executive Board was adopted by the annual General Meeting (AGM) on April 27, 2010. The Supervisory Board proposes to amend the remuneration policy in order to comply with the Capital Requirements Directive III (CRDIII) issued by the European Union This amendment will be submitted to the AGM on May 9, 2011. Following adoption of this amendment, the amended remuneration policy will become effective as of compensation year 2011. The Remuneration section also provides an outline of how the Remuneration Committee is applying the new policy in 2011. In addition, the Remuneration report provides information on the remuneration paid for 2010. Furthermore, 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.

REMUNERATION POLICY

The primary objective of the remuneration structure is to enable ING to retain and recruit qualified and expert leaders, senior staff and other high-qualified employees, who have a drive for excellence in serving the interests of the company s various stakeholders. ING endeavours to match compensation of the company s leadership appropriately against a variety of factors, such as the complexity of functions, the scope of responsibilities, the alignment of risks and rewards, and the long-term objectives of the company and its stakeholders, which is all the more important given the changing international standards regarding responsible remuneration. These factors differ for each role, line of business and country. This is especially the case for ING with its operations in over 40 countries and over 100,000 employees of whom around 73,000 are based outside the Netherlands (over 60% of senior management is non-Dutch). As much as possible for a global financial institution of this size, ING aims to take account of all these differences and also of the standards applied within similar financial institutions in the various countries in which it operates.

REMUNERATION POLICY FOR THE EXECUTIVE BOARD ADOPTED IN 2010

According to the remuneration policy of the Executive Board as adopted by the annual General Meeting on April 27, 2010, remuneration of Executive Board members consists of a combination of fixed compensation (base salary) and variable compensation (together total direct compensation), pension arrangements and benefits as described below.

Total direct compensation: moderation and reduced emphasis on variable remuneration

Total direct compensation levels are based on market data that include peers both inside and outside the financial sector in the international context in which ING operates. Total direct compensation is benchmarked against a peer

group of companies that, in the opinion of the Supervisory Board, are comparable with ING in

terms of size and scope. In line with the foregoing, the Supervisory Board has determined that the peer group consists of the companies in the Dow Jones EURO STOXX 50 index. These are 50 companies, in a range of financial and non-financial industries, which are based in countries within the economic and monetary union of the European Union. In accordance with the Dutch Banking Code, ING s new remuneration policy for the Executive Board aims for total direct compensation levels slightly below market median levels for comparable positions in the relevant markets. In addition, the remuneration policy provides for a balanced mix between fixed and variable compensation. Variable compensation will not exceed 100% of fixed salary at the time of allocation. Fixed compensation (i.e. the base salary levels) will be determined in line with the relevant market environment as an integral part of total direct compensation, and will be reviewed from time to time by the Supervisory Board. The policy provides for an at target variable compensation of 40% in cash and 40% in stock (in total 80%) of base salary if performance criteria are met. If performance criteria (as predetermined by the Supervisory Board) are exceeded, the variable component can be increased from target to maximum, not exceeding 100% of base salary at the time of allocation.

Increased emphasis on long-term value creation

The remuneration policy for the Executive Board combines the short and long-term variable components into one structure. This structure intends to support both long-term value creation and short-term company objectives. The emphasis on long-term performance indicators within the variable component of the compensation package is increased by means of deferral, a reasonableness test and claw back mechanisms.

The allocation of variable compensation is conditional on the achievement of a number of performance objectives. The short-term component, at maximum 50% of total variable compensation, is paid in cash the year following the performance year. The other 50% of the total variable compensation is deferred. This long-term component is allocated in stock in order to ensure alignment of the Executive Board s interests with the interests of shareholders. It also intends to serve the objective of retaining the members of the Executive Board for a longer period of time. The value of the stock award is set such that total variable compensation at the time that the maximum number of shares to be granted is determined stays within the 100% limit.

The stock awards will vest on the third anniversary of the grant date, subject to a reasonableness test by the Supervisory Board to determine whether application of the predetermined criteria does not result in undesired outcomes. Adjustments to the number of shares will only be considered in extraordinary circumstances. Executive Board members are not allowed to sell depositary receipts obtained within a period of five years from the grant date. However, they are allowed to sell part of their depositary receipts at the date of vesting to pay tax over the vested share award.

Increased focus on risk and non-financial performance

Variable compensation is increasingly linked to risk consideration and non-financial performance and will take into account both individual and company performance criteria. Performance measurement will account for estimated risks and costs of capital. In addition to financial indicators, performance will also be assessed based on non-financial drivers, by means of a number of targets regarding economic, environmental, customer satisfaction and social criteria.

Pensions Executive Board members

Members of the Executive Board who are employed on the basis of a Dutch employment contract, will participate in the new defined contribution pension plans introduced in 2010 as part of the remuneration policy. Individual board members participating in the pension plan that existed before the introduction of the new plans were given the choice to keep their existing pension arrangement. The existing pension arrangement, approved by the 2006 General Meeting, is based on a defined contribution plan. Alternatively, they can also switch to the new arrangements. Members of the Executive Board will be required to pay a contribution to their pension premium in line with the contributions under ING s Collective Labour Agreement in the Netherlands. Members of the Executive Board working on a non-Dutch employment contract, will be offered pensions in line with local practices.

Benefits

Executive Board members will continue to be eligible for a range of additional benefits (e.g. the use of company cars, contributions to company savings plans and, if applicable, expatriate allowances). Executive Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that apply to most other comparable employees of ING. In addition, tax and financial planning services will be

provided to ensure compliance with the relevant legislative requirements.

Tenure

The contract of employment for Executive Board members provides for an appointment for a period of four years and allows for re-appointment by the General Meeting. In the case of an involuntary exit, Executive Board members are entitled to an exit-arrangement limited to one year base salary.

OTHER ITEMS FOR SUPERVISORY BOARD DISCRETION

Claw back and adjustments

The Supervisory Board has the authority to reclaim variable remuneration allocated to a member of the Executive Board based on inaccurate data and/or behaviour that led to significant harm to the company. The Supervisory Board also has the authority to adjust variable remuneration if application of the predetermined performance criteria results in undesired outcomes. Accordingly, the Supervisory Board has decision authority in situations not addressed in the policy.

Special employment conditions

Special employment conditions, such as commitments made to secure the recruitment of new executives, may be used in exceptional circumstances subject to strict control by the Supervisory Board.

Supervisory Board discretion to review the policy and the remuneration paid

ING as a company is expected to go through significant changes during the coming year. Moreover, the relevant international employment market is very much in flux. In order to ensure that ING can adapt to these two uncertain factors, the Supervisory Board will re-evaluate in 2012, or earlier should regulatory developments require this, whether the new remuneration policy (adopted in 2010) will be in line with the long term objectives of the company, the relevant international context, as well as the societal perception of ING as a company. Should it become clear, after such evaluation, that the new remuneration policy has led to an unintended or inequitable outcome, the Supervisory Board will have the discretion to correct the previously allocated variable remuneration. However, it is understood that any such correction could not lead to a deviation from the requirement that variable compensation cannot exceed 100% of base salary during any year, as required under the Dutch Banking Code. The remuneration policy is leading in the international financial markets in terms of moderation of pay. The Supervisory Board and the Executive Board also have an obligation to safeguard the continuity of the company. The Supervisory Board will therefore evaluate from time to time how these two responsibilities relate to each other. If and when appropriate, it can make adjustments.

PROPOSED AMENDMENTS TO REMUNERATION POLICY ADOPTED IN 2010

In 2010 the European Union issued the Capital Requirements Directive III which contained significant regulations in relation to remuneration for certain categories of employees in banks and asset managers. The implementation date is January 1, 2011 and in the Netherlands incorporation into law took place by means of a decree. The Dutch central bank (DNB), which is responsible for the day-to-day supervision, published its final guidelines in December 2010. Many of the specific requirements under CRDIII relate to executive remuneration and therefore affect the current Executive Board remuneration policy.

In order to comply with the Capital Requirements Directive III, it is proposed to amend the Executive Board remuneration policy with respect to the allocation of variable compensation as set out hereinafter.

The short-term component of total variable compensation will be reduced by 10% to a maximum of 40% (was: 50%) and will be equally divided between cash and stock (was: cash only) and paid in the year following the performance year. The remaining 60% of the total variable compensation (was: 50%) will be deferred. This long-term component will also be equally divided between cash and stock (was: stock only) and conditionally granted in the year following the performance year.

The deferred cash and deferred stock awards will be subject to tiered vesting at the first, second and third anniversary of the grant date (one-third per annum). Vesting is conditional on an ex-post assessment by the Supervisory Board. The ex-post assessment cannot lead to an upward adjustment of the value of the cash deferred portion or the number of deferred shares.

Executive Board members are not allowed to sell depositary receipts obtained within a period of five years from the grant date. However, they are allowed to sell part of their depositary receipts at the date the stock becomes unconditionally theirs in order to pay tax over these share awards.

These amendments to the current remuneration policy for the Executive Board will be put forward for adoption at the 2011 annual General Meeting. If adopted, it will become effective as of compensation year 2011. The

general principles underlying the adjustments to the remuneration policy for the Executive Board will also be applied in the remuneration of members of the Management Boards and other senior managers throughout the organisation.
The Capital Requirements Directive III has been implemented in most European Union Members States. However, due to the short timeframe, not everything has been clarified yet at this moment. The proposed amendments to the Executive Board remuneration policy as set out above are based on the current interpretation of the Directive. Should it become clear, after everything has been clarified that further amendments are mandatory, the policy is amended accordingly.

EXECUTIVE BOARD REMUNERATION STRUCTURE 2011

With regard to the remuneration for 2011, the Supervisory Board continues to build upon the remuneration policy adopted in 2010. However the policy will now include the proposed amendments to the allocation of variable compensation effective 2011, as outlined above.

Executive Board base salary 2011

A market competitive analysis is conducted from time to time to ensure market competitiveness. As outlined in the 2009 Annual Report, the total remuneration levels are significantly below the market median of the Dow Jones EURO STOXX 50. In light of the concerns of the competitiveness of the executive compensation levels as well as internal and external developments, for 2011 the Supervisory Board has concluded to increase the base salary levels by 2% for the Executive Board members. The 2011 base salary for members of the Executive Board amounts to EUR 765,000 and for the CEO to EUR 1,380,500. Total remuneration levels in 2011 will continue to be significantly below the relevant market median.

Executive Board variable compensation 2011

The 2011 target variable compensation of 80% of base salary remains the same as for 2010. The actual payout may vary between 0% and 125% of the target level (i.e. between 0% and 100% of base salary). In connection herewith, the Supervisory Board performed an analysis of various scenarios which were considered relevant. Financial and non-financial performance indicators will be individually set for each Executive Board member and agreed by the Supervisory Board.

There will be financial parameters for each Executive Board member to measure the performance at Bank and Insurance levels. These financial parameters include for Bank: underlying net result, underlying net ROE, cost/income ratio, risk weighted assets, core Tier 1 ratio, loan-to-deposit ratio; and for Insurance: underlying net result, operating result, financial leverage ratio, sales, administrative expenses and net pension & asset management inflow. The quantitative elements of the targets are considered stock price sensitive and competition sensitive; accordingly these are not disclosed.

For 2011, at least 40% of total variable compensation will be based on predefined non-financial performance indicators. The incorporation of non-financial indicators in the overall assessment is particularly aimed at further improving sustainable business practices within ING. These indicators depend on the specific responsibilities of the individual Executive Board member. For each Executive Board member a number of performance objectives are formulated relating to customer relationships, improving sustainable business practices/ corporate responsibility, execution of the restructuring and separation plans, employee engagement, leadership and talent.

Variable compensation for members of the Executive Board will only be awarded as long as ING Group has a positive net underlying profit in 2011. The Supervisory Board will review the remuneration paid over time, in line with the policy.

The vesting of deferred cash and deferred stock awards is conditional and subject to an ex-post assessment by the Supervisory Board. The ex-post assessment is based on factors such as trailing liabilities stemming from prior decisions made by each Board member; whether the company suffered a significant failure in risk management; and/or, for as long as ING has not paid back the Dutch State, whether there has been a significant change in the economic or regulatory capital base.

REMUNERATION POLICY FOR SENIOR MANAGEMENT

As much as possible for a global financial institution of this size, ING aims to take account of all the differences and standards applied within similar financial institutions in the various countries in which it operates. The remuneration of members of the Management Boards and senior management will be in line with the general

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principles of the amended remuneration structure for the Executive Board, taking into account international and local practices.

Total direct compensation

Total direct compensation levels will be based on benchmark data in the international context in which ING operates. ING aims for compensation levels to be set at market median levels. Total compensation levels will be determined in line with the relevant market.

Increased focus on long-term value creation, risk and non-financial performance

Variable compensation is increasingly linked to long term value creation and risk. It is determined based on individual, business and company performance criteria. Performance measurement will increasingly account for estimated risks and costs of capital. There will be increased emphasis on long term value creation by means of long term incentives, deferral and claw back mechanisms. Furthermore, and in addition to financial indicators, performance is also assessed based on non-financial drivers. The incorporation of non-financial indicators in the overall assessment is particularly aimed at further improving sustainable business practices within ING. Therefore, a number of action targets have been formulated regarding ING s performance in the area of e.g. workforce diversity, customer satisfaction, stakeholder engagement and sustainable product development.

SENIOR MANAGEMENT REMUNERATION STRUCTURE 2011

Given the differences in the regulatory requirements for banking and insurance and the separation of ING s banking and insurance activities, the remuneration structures for senior management in ING s banking and insurance operations were determined separately in 2010.

The remuneration policy for the Executive Board will apply in full to members of the Management Board Banking. For senior management in Banking, a gradual shift to a more balanced mix of fixed and variable remuneration, in line with the remuneration policy for the Executive Board, was initiated in 2010 and will continue during the coming two years. Exceptions may exist for high value specialists and senior management working in certain divisions and/or geographical areas.

The remuneration for a select group of employees will be reviewed and amended as necessary in order to comply with the Capital Requirements Directive III. The amendments relate to the allocation of variable compensation. Moreover, compensation packages related to control functions (such as risk management functions) will be structured such that they provide for a reduced emphasis on variable compensation. To ensure the autonomy of the individual, financial performance metrics will depend on objectives determined at the divisional level (i.e. not at the level of the relevant business unit). In addition, performance assessments will not only be determined by business unit management, but also by the functional line.

For the Management Board Insurance and senior management in ING s insurance operations, remuneration will be in line with the general principles of the new remuneration policy for the Executive Board. However, changes in the mix between fixed salary and variable pay as well as the allocation of variable compensation will need to be weighted in light of the different regulatory requirements within the international insurance industry and the separation of ING s banking and insurance activities.

The regulatory environment is still in development and not everything has been clarified yet at this moment. The structure as set out above is based on information currently available. Should it become clear, after everything has been clarified, that amendments are necessary, ING will amend the structure as deemed appropriate.

2010 REMUNERATION

REMUNERATION EXECUTIVE BOARD

The Executive Board remuneration for 2010 is based on the remuneration policy approved by the 2010 annual General Meeting.

Executive Board base salary 2010

The base salary of all Executive Board members was set at the time of the introduction of the remuneration policy in 2010.

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Executive Board variable compensation 2010

The target variable compensation is set at 80% of base salary. The actual payout may vary between 0% and 125% of the target level (i.e. between 0% and 100% of base salary). For 2010, at least 40% of total variable compensation is based on predefined non-financial performance indicators. The incorporation of non-financial indicators in the overall assessment is particularly aimed at improving business performances within ING. These indicators depend on the specific responsibilities of the individual Executive Board member. For each Executive Board member a number of performance objectives were formulated relating to customer satisfaction, improve sustainable business practices, the diversity of the workforce, employee engagement and corporate responsibility. Early in 2011, the Remuneration Committee conducted an evaluation of each Executive Board member s individual and collective performance against predefined objectives. Each Executive Board member was allotted a performance score, which was approved by the Supervisory Board. This performance score determined the payout factor. The Remuneration Committee concluded that 2010 was a good year in which above target financial performance had been achieved. The performance overall was at or above target for non-financial objectives, too. In general, all the Executive Board members performed well in their respective areas of responsibility. The overall bottom line results were well-balanced and either at or above target, which led to a payout of respectively 80% and 92% of base salary as shown in the table below.

The short-term component, 50% of total variable compensation, is paid in cash the year following the performance year. The other 50% of the total variable compensation will be deferred. This long-term component is allocated in stock.

Compensation of the individual members of the Executive Board

The table below shows the compensation of the individual members of the Executive Board.

	2010		2009		2008	
	amount	number of shares[1]	amount	number of options/shares	amount	number of options/shares
			(amounts in EUR thousands)			
Jan Hommen						
Base salary [2]	1,353		923			
Variable compensation in cash	623		0			
Variable compensation in stock	623[3]	69,878	0			
Patrick Flynn [3]						
Base salary	750		454			
Variable compensation in cash	300		0			
Variable compensation in stock	300[3]	33,671	0			
Koos Timmermans						
Base salary	750		665		665	
Variable compensation in cash	345		0		0	
Variable compensation in stock	345[3]	38,721	0		0	

(1) The number of shares is based on the average ING stock price on the day on which the 2010 year-end results were published. The maximum number of shares to be granted to the Executive Board members will be tabled for approval at the General Meeting. The shares will be awarded in May.

(2) Jan Hommen was appointed to the Executive Board on April 27, 2009. Jan Hommen has been remunerated as of April 27, 2009 in accordance with the new remuneration policy adopted by the General Meeting in 2010. The figure for 2009 reflects a partial year as Executive Board Member and was paid in 2010 after the new remuneration policy was adopted. Jan Hommen did not receive variable remuneration for 2009.

(3) This amount of variable compensation is deferred. This long-term component is allocated in stock. These stock awards will vest on the third anniversary of the grant date, subject to a reasonableness test by the Supervisory Board to determine whether application of the predetermined criteria does not result in undesired outcomes.

(4) Patrick Flynn was appointed to the Executive Board on April 27, 2009. The figures for this member reflect compensation earned in the capacity as Executive Board member. Thus, the figure for 2009 reflects a partial year as Executive Board member.

Compensation of former members of the Executive Board amounted to nil for 2010, EUR 2,842,000 for 2009 and EUR 6,387,000 for 2008.

Pension costs

The table below shows the pension costs of the individual members of the Executive Board

	2010	**2009**	**2008**
		(EUR thousands)	
Jan Hommen (1)	0	0	
Patrick Flynn (2)	134	78	
Koos Timmermans	158	115	247

(1) Jan Hommen does not participate in the pension plan.

(2) Patrick Flynn was appointed to the Executive Board on April 27, 2009. The 2009 pension costs for this member reflect the partial year as Executive Board member.

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Pension costs of former members of the Executive Board amounted to nil in 2010, EUR 742,000 in 2009 and EUR 3,333,000 in 2008.

Long-term incentives awarded in previous years

The long-term incentive plan (LTIP) at ING in place until 2010 includes both stock options and performance shares. The ING stock options have a total term of ten years and a vesting period of three years after which they can be exercised for the remaining seven years. 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, 2010 is shown in the table below [(1)].

number of options	Outstanding as at 31 December 2009	**Granted in 2010**	**Exercised in 2010**	**Waived or expired in 2010[(1)]**	**Outstanding as at 31 December 2010**	Exercise price in euros	Vesting date	Expiry date
Jan Hommen		0	0	0	0			
Patrick Flynn		0	0	0	0			
Koos Timmermans	13,674	0	0	0	13,674	22.57	Mar 11, 2005	Mar 11, 2012
	7,814	0	0	0	7,814	14.37	Mar 15, 2007	Mar 15, 2014
	11,460	0	0	0	11,460	17.88	Mar 30, 2008	Mar 30, 2015
	8,504	0	0	0	8,504	25.16	Mar 23, 2009	Mar 23, 2016
	46,157	0	0	0	46,157	24.72	Mar 22, 2010	Mar 22, 2017
	56,405	0	0	0	56,405	19.53	May 15, 2011	May 15, 2018
	20,675	0	0	0	20,675	14.36	Sept. 17, 2011	Sept. 17, 2018

(1) The number of options and the strike prices of these options reflect the number and strike prices adjusted for the effects of the rights issue of December 2009.

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

Performance shares were conditionally granted. The number of ING depositary receipts that would ultimately be granted at the end of a three-year performance period depended on ING s Total Shareholder Return (TSR) performance over three years (return in the form of capital gains and reinvested dividends that shareholders received in that period) relative to the TSR performance of a predefined peer group.

ING s TSR ranking within this group of companies determines the final number of performance shares that vest at the end of the three-year performance period. The performance shares granted in 2007 had a three-year performance period of 2007-2009 and vested in 2010. The actual results of 43% are based upon ING s TSR ranking of 15th within the designated peer group. The performance shares granted in 2008 have a three-year performance period of 2008-2010 and will vest in 2011. The actual results of 57% are based upon ING s TSR ranking of 14th within the designated peer group. The results were determined by an independent third party. ING s external auditor has reviewed the calculations performed.

For Koos Timmermans a number of 4,152 performance shares vested in 2010 (43% of the 9,656 shares awarded). The value at vesting amounted to EUR 29,894. In 2011 a number of 10,411 performance shares will vest (57% of the 18,266 shares awarded).The number of performance shares reflect the number adjusted for the effects of the rights

issue of December 2009.

Patrick Flynn received a conditional grant of restricted stock in 2009 to a maximum of 130,230 shares. The cumulative value of the conditional share award is capped at EUR 1.3 million. The first vesting in the amount of 39,069 shares occurred on April 27, 2010. The value at vesting amounted to EUR 288,329. A second vesting of 39,069 shares will occur at the annual General Meeting in 2011, and the remaining 52,092 shares will vest at the annual General Meeting in 2012, subject to satisfactory performance and the aforementioned cumulative value cap of EUR 1.3 million. The number of shares reflect the number adjusted for the effects of the rights issue of December 2009.

The Executive Board members are not allowed to sell depositary receipts obtained 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.

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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, 2010, 2009 and 2008 . 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. The table below shows the Loans and advances to the individual members of the Executive Board.

	Amount outstan-ding	Average Interest rate	Repay-ments	Amount outstan-ding	Average Interest rate	Repay-ments	Amount outstan-ding	Average Interest rate	Repay-ments
					(EUR thousands)				
		December 31, 2010			December 31, 2009			December 31, 2008	
Jan Hommen	1,588	3.4%							
Koos Timmermans	380	4.6%		380	4.6%		380	4.6%	

ING depositary receipts for shares held by Executive Board members

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

	Number of (depositary receipts for) shares		
	2010	2009	2008
Jan Hommen	76,426	46,426	
Patrick Flynn	25,793		
Koos Timmermans	16,504	14,457	2,546

REMUNERATION SUPERVISORY BOARD

The annual remuneration of the Supervisory Board members as adopted by the General Meetings in 2006 and 2008 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.

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.

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Remuneration Supervisory Board 2010

The table below shows the remuneration, expense allowances and attendance fees per Supervisory Board member for 2010 and previous years.

	2010 (1)	2009 (1) (EUR thousands)	2008 (1)
Peter Elverding 2)	84	79	68
Jeroen van der Veer 3)	74	35	
Tineke Bahlmann 4)	69	46	
Henk Breukink	69	61	61
Claus Dieter Hoffmann	74	78	67
Piet Klaver	68	65	62
Godfried van der Lugt	69	67	70
Aman Mehta 5)	114	113	62
Joan Spero 5)	104	105	55
Jackson Tai 5)	139	152	89
Lodewijk de Waal 6)	66	50	
Piet Hoogendoorn 7)	20	64	70
Harish Manwani 8)	40	69	51
Karel Vuursteen 9)	20	61	62

(1) In 2010, 2009 and 2008 the remuneration and attendance fees for the membership of a committee have not been paid to the chairman and vice- chairman of the Supervisory Board. Effective 2011, remuneration and attendance fees for the membership of a committee will be paid to the chairman and vice-chairman of the Supervisory Board.

(2) Peter Elverding has been chairman of the Supervisory Board since April 2009.

(3) Jeroen van der Veer is a member of the Supervisory Board as of July 2009. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board. Jeroen van der Veer has been vice-chairman of the Supervisory Board since October 2009.

(4) Tineke Bahlmann is a member of the Supervisory Board as of April 2009. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board.

(5) Aman Mehta, Joan Spero and Jackson Tai are members of the Supervisory Board as of April 2008. The compensation figures for 2008 reflect the partial year as members of the Supervisory Board.

(6) Lodewijk de Waal is a member of the Supervisory Board as of April 2009. He has been acting as an observer in the Supervisory Board as of November 2008. The compensation figure for 2009 reflects the partial year as member of the Supervisory Board. Up to the appointment date Lodewijk de Waal has received remuneration, expense allowances and attendance fees in line with the remuneration of the Supervisory Board.

(7) Piet Hoogendoorn retired in April 2010. The compensation figure for 2010 reflects the partial year as member of the Supervisory Board.

(8) Harish Manwani retired in April 2010. The compensation figure for 2010 reflects the partial year as member of the Supervisory Board.

(9) Karel Vuursteen retired in April 2010. The compensation figure for 2010 reflects the partial year as member of the Supervisory Board.

Compensation of former members of the Supervisory Board who are not included in the above table amounted to nil in 2010, EUR 83,000 in 2009 and EUR 269,000 in 2008.

Loans and advances to Supervisory Board members

Supervisory Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that are customary in the sector. The table below presents the loans and advances to Supervisory Board members outstanding on 31 December 2010, 2009 and 2008.

	Amount outstan-ding	Average Interest rate	Repay-ments	Amount outstan-ding	Average Interest rate	Repay-ments	Amount outstan-ding	Average Interest rate	Repay-ments
						(EUR thousands)			
	December 31, 2010			December 31, 2009			December 31, 2008		
Jeroen van der Veer [(1)]	282	8.6%		282	8.6%				

(1) The amount reflects a housing mortgage loan granted in 1992, well before Jeroen van der Veer s appointment to the Supervisory Board (effective as of July 1, 2009).

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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 2010.

	Number of (depositary receipts for) shares		
	2010	**2009**	**2008**
Piet Klaver	43,796	13,796	7,430
Godfried van der Lugt	24,142	24,142	
Jeroen van der Veer [2)]	99,469	99,469	

1) The numbers of depositary receipts for shares reflect the shares held by the member of the Supervisory Board and their partners.

2) Jeroen van der Veer is a member of the Supervisory Board as of July 2009.

EMPLOYEES

The number of staff employed on a full time equivalent basis of ING Group averaged 104,219 in 2010, of which 26,850 or 26%, were employed in the Netherlands. The geographical distribution of employees with respect to the Group s insurance operations and banking operations over 2010 was as follows (average full time equivalents):

	Insurance operations			Banking operations			Total		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
The Netherlands	8,335	8,234	9,300	19,415	19,678	20,326	27,750	27,912	29,626
Belgium	331	321	301	10,407	10,479	10,647	10,738	10,800	10,948
Rest of Europe	3,694	3,823	3,972	25,897	26,902	26,298	29,591	30,727	30,270
North America	9,039	10,322	16,368	4,112	4,125	4,239	13,151	14,447	20,607
Latin America	6,961	6,776	10,806	248	280	352	7,209	7,056	11,158
Asia	6,292	6,759	9,494	10,119	10,050	10,498	16,411	16,809	19,992
Australia	154	1,456	1,574	1,088	1,066	1,056	1,242	2,522	2,630
Other	47	7	53				47	7	53
Total	**34,853**	**37,700**	**51,868**	**71,286**	**72,580**	**73,416**	**106,139**	**110,280**	**125,285**

In addition, the number of staff employed by joint ventures included in the Group s consolidated accounts averaged 1,996 in 2010, 2,691 in 2009 and 3,703 in 2008. The Group does not employ significant numbers of temporary workers. 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.

Further information is provided in Note 45 of Note 2.1 to the consolidated financial statements.

Item 7. Major shareholders and related party transactions

As of December 31, 2010, Stichting ING Aandelen (the Trust) held 3,830,227,027 ordinary shares of ING Groep N.V., which represents over 99.97% of the ordinary shares outstanding, and ING Groep N.V. and its subsidiaries held 47,626,774. These holdings give the Trust voting control of ING Groep N.V. subject to the right of holders of bearer depositary receipts to vote according to their own discretion on the basis of a proxy as set out below under Voting of the 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 Trust Conditions (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, 2010, there were 143,740,532 American Depositary Shares or ADSs outstanding, representing an equal number of bearer receipts. The ADSs were held by 840 record holders. Because certain of the ADSs were held by brokers or other nominees and the depositary receipts are held in bearer form and due to the impracticability of obtaining accurate residence information for all such holders, 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 depositary receipts, which are negotiable instruments under Netherlands law, are issuable by the Trust pursuant to the terms of the Trust Agreement. Each bearer depositary receipt represents financial interests in one ordinary share held by the Trust, as described herein. Holders of bearer depositary receipts (including those bearer depositary receipts for which ADSs have been issued) do not have any voting rights with respect to the ordinary shares underlying the bearer depositary 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 depositary 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 depositary 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 holder of bearer depositary receipts 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 holder(s) of bearer receipts 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 depositary receipts is affected by book-entry through the facilities of Euroclear Nederland and its participants pursuant to the Netherlands Act on Book-Entry Transactions. Holders of bearer depositary 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 depositary receipts as a proxy of the Trust

Holders of bearer depositary 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 depositary 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 depositary receipts held by such holder of bearer depositary receipts.

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

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

- the relevant holder of bearer depositary 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.;

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the relevant holder of bearer depositary receipts may delegate the powers conferred upon him by means of the voting proxy, provided that the relevant holder of bearer depositary 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 depositary receipts of ordinary shares to the Trust

Holders of bearer depositary 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 depositary receipts held by the relevant holder of bearer depositary 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 depositary 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 voting proxies to holders of bearer depositary receipts and has not received any voting instructions. Under the Trust Agreement, the Trust is required to be guided primarily the interests of all holders of bearer depositary receipts, irrespective of whether they attend the general meetings, also taking into account the interests of ING Groep N.V. and the businesses of ING Groep N.V. and its group companies.

Shareholder participation and position of the Trust

During the years 2007-2010, participation in annual General Meetings of shareholders, excluding the ING Trust Office, and depositary receipt holders consistently increased from 36.7% to 41.3%. Only the extraordinary General Meeting of 25 November 2009 deviates from this trend with a markedly lower turnout of 31.1%. In view of this, the Executive Board and the Supervisory Board evaluated the position of the ING Trust Office and ING Group s depositary receipts structure, the outcome of which was discussed in the 2010 annual General Meeting. On the basis of this evaluation, the Executive Board and the Supervisory Board concluded that it would be premature to change or abolish ING Group s depositary receipts structure in 2010 and that it would be more appropriate to reconsider this as part of a re-evaluation of ING Group s entire governance structure following the current restructuring of ING Group and the completion of the divestments approved in the 2009 extraordinary General Meeting.

Administration of the Trust

The 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 Board of the Trust will be appointed by the Board of the Trust 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 member of the Board of the Trust. Members of the Board of the Trust are appointed for a term of maximum 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 members of the Board of the Trust 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 members of the Board of the Trust are present or represented. Only a fellow Board member who is authorized in writing may represent a member of the Board of the Trust. All resolutions of the Board of the Trust shall be passed by an absolute majority of the votes.

The legal relationship between holders of bearer depositary 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 depositary 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 depositary receipts may elect to obtain free of charge, shares. In no case shall the administration be terminated without ING Groep N.V. s approval.

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

To the best of our knowledge, as of December 31, 2010, no holder of depositary receipts held more than 5% of all bearer depositary receipts outstanding.

On December 31, 2010, ING Groep N.V. and its subsidiaries held 51,300,101 bearer receipts, representing 1.33% of the bearer depositary receipts and underlying ordinary shares outstanding. These bearer depositary receipts were acquired, among others, pursuant to ING Groep N.V. s delta hedging activities in respect of its employee options, which activities are now terminated. ING Groep N.V. does not have voting rights in respect of shares and bearer depositary receipts it holds or which are held by its subsidiaries.

The voting rights of the majority of ordinary shares are held by the Trust. Pursuant to section 5.3 of the Dutch Financial Supervision Act, shareholders and holders of depositary receipts 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% and 95%. As a result, other than information that may be ascertained from public filings available under the applicable laws of any other jurisdiction, ING Groep N.V. is not, nor would it likely to be, aware of any changes in the ownership of bearer depositary receipts between the thresholds levels mentioned in the previous sentence.

Information available to ING Groep N.V. showed that as of December 31, 2010, institutional holders in the Netherlands held approximately 587 million bearer depositary receipts, or 25% of the total number of bearer depositary receipts then outstanding and institutional holders in the United States held approximately 888 million bearer depositary receipts (including ADSs), or 38% of the total number of bearer depositary receipts then outstanding.

On December 31, 2010, 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 depositary receipts. As of December 31, 2010, members of the Supervisory Board and their related third parties held 167,407 bearer receipts. If members of the Supervisory Board hold ING options that were granted in their former capacity as member of the Executive Board, these options are part of the ING Stock option plan described in Note 2.1 to the consolidated financial statements.

On December 31, 2010, ING Groep N.V. is not a party to any material agreement that becomes effective, or is amended or terminated subject to the condition of a change of control of ING Groep N.V. following a public bid as defined in the Dutch Financial Supervision Act (Wet op het financieel toezicht). ING Groep N.V. subsidiaries have customary change of control arrangements included in contracts related to various business activities, such as joint venture agreements, letters of credit and other credit facilities, reinsurance contracts and futures and option trading contracts. Following a change of control of ING Groep N.V. (whether or not as the result of a public bid or otherwise), such contracts may be amended or terminated, leading, for example, to an obligatory transfer of the interest in the joint venture, early repayment of amounts due, loss of credit facilities or reinsurance cover and liquidation of outstanding futures and option trading positions.

Related Party Transactions

As of December 31, 2010, the amount outstanding in respect of loans and advances, mostly mortgages, made to members of the Supervisory Board was EUR 0.3 million at an average interest rate of 8.6%. The amount outstanding in respect of loans and advances, mostly mortgages, to members of the Executive Board was EUR 2.0 million at an average interest rate of 3.6%. The largest aggregate amount of loans and advances outstanding to the members of the Supervisory Board and the Executive Board during 2010 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.

In addition, ING Group has entered into transactions with the Dutch State. For more information, see Item 4. Information on the Company Recent Developments and Note 33 to the consolidated annual accounts.

Item 8. Financial information

Legal Proceedings, Consolidated Statements and Other Financial Information

See Note 31 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, the Company s management is of the opinion that neither it nor any of its subsidiaries is aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have in the recent past had a significant effect on the financial position or profitability of the Company.

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 recognised.

Proceedings in which ING is involved, include complaints and lawsuits concerning the performance of certain interest sensitive products that were sold by a former subsidiary of ING in Mexico. Proceedings also include lawsuits that have been filed by former employees of an Argentina subsidiary, whose employment was terminated as a result the Republic of Argentina s nationalization of the mandatory pension business. Litigation has been filed by the purchaser of certain ING Mexican subsidiaries who claims that the financial condition of the subsidiaries was not accurately depicted. Further, purported class litigation has been filed in the United States District Court for the Southern District of New York alleging violations of the federal securities laws with respect to disclosures made in connection with the 2007 and 2008 offerings of ING s Perpetual Hybrid Capital Securities. The Court has determined that the claims relating to the 2007 offerings were without merit and has dismissed them. The challenged disclosures that survived the Court s ruling relate solely to the June 2008 offering, and primarily to ING Group s investments in certain residential mortgage-backed securities. Additional purported class litigation challenges the operation of the ING Americas Savings Plan and ESOP and the ING 401(k) Plan for ILIAC Agents. Recently, an administrator of an ERISA plan filed a lawsuit seeking to represent a class of ERISA plan administrators claiming that an ING subsidiary had breached certain of its ERISA duties. These matters are being defended vigorously; however, at this time, ING is unable to assess their final outcome. Subject to court approval, litigation involving the interest crediting methodology used in connection with certain annuity products and disclosures about that methodology, in which a state court of appeals determined a nationwide class could be maintained, has been resolved.

In November 2006, the issue of amongst others the transparency of unit-linked 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 organisations. In mid-November 2008 ING reached an outline agreement with consumer organisations in the Netherlands to resolve a dispute regarding individual unit-linked products sold to customers in the Netherlands by ING s Dutch insurance subsidiaries. It was agreed that ING s Dutch insurance subsidiaries would offer compensation to policyholders where individual unit-linked 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. Implementation will start in 2011. However, no agreement about implementation could be reached with one consumer protection organisation

In January 2010 ING lodged an appeal with the General Court of the European Union against specific elements of the European Commission s decision regarding ING s restructuring plan. In its appeal, ING contests the way the Commission has calculated the amount of state aid ING received and the disproportionality of the price leadership restrictions specifically and the disproportionality of restructuring requirements in general.

In January 2011 the Association of Stockholders (Vereniging van Effectenbezitters, VEB) has issued a writ alleging that investors were misled by the prospectus that was issued with respect to the September 2007 rights issue of Fortis

N.V. (now: Ageas N.V.) against Ageas N.V., the underwriters of such rights issue, including ING Bank, and former directors of Fortis N.V. According to the VEB the prospectus shows substantive incorrect and misleading information. The VEB states that the impact and the risks of the subprime crisis for Fortis and Fortis

liquidity position have been reflected incorrectly in the prospectus. The VEB requests a declaratory decision stating that the summoned parties have acted wrongfully and are therefore responsible for the damages suffered by the investors in Fortis. The amount of damages of EUR 18 billion has not been substantiated yet. ING will defend itself against this claim; at this time ING is not able to assess the future outcome.

In March 2011, ING Groep N.V. was informed of the decision of the board of Stichting Pensioenfonds ING (the Dutch ING Pension Fund) to institute arbitration against ING s decision not to provide funding for indexing pensions. While it is not feasible to predict the ultimate outcome of these arbitration proceedings, the Company s management is of the opinion that these will not have a significant effect on the financial position or profitability of the Company.

Dividends

ING Group s profit retention and distribution policy is determined by its internal financing requirements and its growth opportunities as well as the dividend expectations of capital providers. On the one hand, ING Group s internal funding needs are determined partly by statutory solvency requirements and capital ratios, compliance with which is essential to its existence. Credit ratings are similarly important to ING Group, because they directly affect the company s financing costs and as a result profitability. On the other hand, the capital providers expect a dividend, which reflects ING Group s financial results and is relatively predictable.

It is ING s policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends will only be paid when the Executive Board considers such a dividend appropriate. Given the uncertain financial environment, increasing regulatory requirements and ING s priority to repurchase the remaining outstanding core Tier 1 securities, the Executive Board will not propose to pay a dividend over 2010 at the annual General Meeting.

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 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 Cumulative Preference shares 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.

Cash distributions on ING Groep N.V. s Ordinary shares and bearer depositary 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 depositary 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 depositary 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 depositary receipts the right to subscribe for additional bearer depositary receipts of such shares on the same basis.

If the Trust has the option to receive such distribution either in cash or in shares, the Trust will give notice of such option by advertisement and give holders of bearer depositary 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. In the absence of such choice by holders of depositary receipts, the Trust will make the choice as it sees fit in the interests of the holders of depositary receipts concerned. 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 depositary 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

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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, 2010, 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. 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, 2010, there were 143,740,532 ADSs outstanding, representing an equal number of bearer receipts. The ADSs were held by 840 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, 2010, approximately 25% of the bearer receipts were held by Dutch investors, approximately 17% by investors in the U.K. and approximately 38% by investors in the United States (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 (not restated for the rights issue of December 2009), for the period 2006 January 31, 2011:

	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**	
2006	35.96	27.82	2,319.4	45.35	33.61	107.6
2007	34.69	24.38	3,266.9	47.18	36.41	177.7
2008	26.21	5.21	4,904.8	40.67	6.37	436.3
2009						
First quarter	8.58	2.50	1,209.1	11.73	3.02	129.3
Second quarter	8.40	4.51	1,190.9	11.60	5.46	110.9
Third quarter	12.20	6.39	1,040.2	18.04	8.81	103.8
Fourth quarter	12.56	5.61	2,243.1	18.89	8.26	282.5
2010						
First quarter	7.98	5.98	1,715.6	11.25	8.20	181.3
Second quarter	7.94	5.34	2,097.9	10.67	6.80	310.4
Third quarter	7.98	5.95	1,565.5	10.63	7.37	158.4

Fourth quarter	8.28	6.59	1,428.4	11.45	8.65	163.0
2010 and 2011						
September 2010	7.98	6.98	481.5	10.63	9.14	41.8
October 2010	8.18	7.36	414.8	11.45	10.05	57.5
November 2010	8.28	6.59	588.8	11.35	8.65	67.1
December 2010	7.82	6.85	424.8	10.44	9.28	38.3
January 2011	8.60	7.21	559.1	11.66	9.33	50.2
February 2011	9.32	8.30	535.7	12.65	11.60	36.8

Item 10. Additional information

Articles of Association

ING Groep N.V. is a holding company organized under the laws of the Netherlands. Its object and purpose, as set forth in article 3 of its 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 under file number 33231073 with the Trade Register of the Chamber of Commerce and the 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 or to accept guarantees from ING Groep N.V. or any of its subsidiaries. Loans that already exist upon appointment as a member of the Supervisory Board 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 members of the Supervisory Board. 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.

The 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 for members of the Executive Board under the (Dutch) pension plan is the first day of the month that the individual reaches the age of 65.

Members of the Executive Board are 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 reappointed for two terms subject to the requirement in the charter of the Supervisory Board that a member of the Supervisory Board retires from the Board in the year in which he or she turns 70 (provided that the Supervisory Board does not decide otherwise taking into account specific circumstances). 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 resolution passed by an absolute majority of the votes cast, which majority represents 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 call option to acquire cumulative preference shares has been granted to Stichting Continuiteit ING (ING Continuity Foundation). 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 outstanding may not exceed one-third of the total issued share capital of ING Groep N.V. The purpose of the call option is to protect the independence, the continuity and the identity of ING Groep N.V. against influences which are contrary to the interests of ING Groep N.V., its enterprise and the enterprises of its subsidiaries and all stakeholders (including, but not limited to, hostile take-overs). The ordinary shares are used solely for funding purposes. These shares, which are all registered shares, are not listed on a stock exchange.

The Board of ING Continuity Foundation currently comprises four members who are independent of ING Group. No Executive Board members or former Executive Board members, Supervisory Board members or former Supervisory Board members, ING Group employees or former ING Group employees or permanent advisors or former permanent

advisors are on the Board of ING Continuity Foundation. The Board of ING Continuity Foundation appoints its own members, after consultation with the Supervisory Board of ING Group, but without any requirement for approval by ING Group.

Description of Shares

A description of the Shares, and other information with respect to shareholders, annual general 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 IABF 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, January 26, 2009 and October 26, 2009 and the restructuring requirements pursuant to these transactions with the Dutch State as announced by ING Groep N.V. in its press release dated November 18, 2009.

Documents on Display

ING Groep N.V. is subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, ING Groep N.V. files 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 ING Groep N.V. s SEC reports and other information located at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, or on the website of ING Groep N.V. (www.ing.com).

Exchange controls

Cash distributions, if any, payable in Euros on ordinary shares, bearer depositary 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 bearer depositary receipts for ordinary shares in the share capital of ING Groep N.V. issued by the Trust, which holds the ordinary shares for which such bearer depositary receipts are issued. See Item 7. Major Shareholders and Related Party Transactions . The Trust is the holder of all ordinary shares underlying the bearer depositary receipts. Only holders of shares (including the Trust) may vote at general meetings.

Holders of bearer depositary receipts are entitled to attend and speak at general meetings of the ING Groep N.V. However, holders of bearer depositary 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 depositary 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 depositary receipts held by him. Based on such a proxy the holder of bearer depositary receipts may vote according to its own discretion.

Holders of bearer depositary receipts may surrender the bearer depositary receipts in exchange for ordinary shares. The Trust charges a fee for exchanging bearer depositary receipts for ordinary shares of one eurocent (EUR 0.01) per bearer depositary receipt, with a minimum of twenty-five Euros (EUR 25.00) per exchange transaction.

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 depositary receipts, ordinary shares, ADSs, 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 or administrative-law sanctions. 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 the 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 the Articles of Association. Meetings are convened by public notice via the website of ING Group (www.ing.com) no later than on the forty-second day before the day of the general meeting. 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 this website and at the ING Group head office. This information includes the notice for the general meeting, the agenda, the place and time of the meeting, the address of the website of ING Group, the verbatim text of the proposals with an explanation and instructions on how to participate in the meeting (either in person or by proxy), as well as the reports of the Executive Board and the Supervisory Board. More complex proposals such as amendments to the Articles of Association are normally not included in the notice but are made available separately on the website of ING Group and at the ING Group head office.

Proposals by shareholders and holders of bearer depositary receipts

Proposals to include items on the agenda for a general meeting can be made by shareholders and holders of depositary receipts representing a joint total of at least 0.1% of the share capital or representing together, on the basis of the stock prices on Euronext Amsterdam by NYSE Euronext, 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 al least 50 days before the date of the meeting. Properly submitted proposals will be included on the agenda for the general meeting.

Record date

Pursuant to the Dutch Law, the record date for attending a general meeting and voting on the proposals in that general meeting is the twenty-eighth day before the day of the general meeting. Shareholders and holders of depositary receipts who hold shares and/or depositary receipts for shares 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 for shares. The record date is published in the notice for the general meeting. In accordance with US requirements, the depositary sets a record date for the American Depositary Shares (ADSs), which date determines which ADSs are entitled to give voting instructions. This record date can differ from the record date set by ING Group for shareholders and holders of depositary receipts.

Attending general meetings

For logistical reasons, attendance at a general meeting by shareholders and holders of depositary receipts, either in person or by proxy, is subject to the requirement that ING Group is notified in advance. Instructions to that effect are included in the notice for the general meeting. General meetings are webcasted via the Company s website (www.ing.com), so that shareholders and holders of depositary receipts who do not attend the general meeting in person, may nevertheless follow the course of affairs in the meeting by internet webcast.

Voting rights

Each share entitles the holder to cast one vote at the general meeting. The Articles of Association do not restrict the voting rights on any class of shares. ING Group is not aware of any agreement pursuant to which voting rights on any class of its shares are restricted.

Issue of shares

ING Groep N.V. 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 if the Articles of Association

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are amended. The General Meeting is authorized to resolve to amend the Articles of Association, provided that the resolution is adopted on a proposal of the Executive Board, which has been approved by the Supervisory Board. Such a resolution of the General Meeting requires a majority of at least two-thirds of the votes cast at a general meeting at which at least two-thirds of the issued share capital is represented. An amendment of 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. For reasons of flexibility, ING Group seeks to set the authorised capital in the Articles of Association at the highest level permitted by law again in the future.

Share issues have to be approved by the General Meeting, which may also delegate its authority. Each year, the General Meeting is asked to delegate authority to the Executive Board to issue new ordinary shares or to grant rights to subscribe for new ordinary shares, both with and without pre-emptive rights for existing shareholders. The powers thus delegated to the Executive Board are limited:

- in time: powers are delegated for a period of 18 months;

- 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.

In view of the importance of flexibility with respect to the issue of shares, the Executive Board and the Supervisory will periodically evaluate the delegation of authority to issue shares and, if necessary, make adjusted proposals to the General Meeting. Following such an evaluation, it will be proposed to the 2011 annual General Meeting to authorize also the issue of ordinary shares up to 20% of the issued share capital if this is necessary to protect or to conserve the capital position of the Company.

Shareholders structure

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

Under the terms of the Dutch Financial Supervision Act, a declaration of no objection from the Dutch Minister of Finance is to be obtained by anyone wishing to obtain or hold a participating interest of at least 10% in ING Groep N.V. and to exercise control attached to such a participating interest. 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 our bearer receipts or American Depositary Shares (ADSs) by U.S. Shareholders (as defined below) who hold bearer receipts or ADSs as capital assets. 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.

This summary is based on the United States Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, the laws of the Netherlands, and the income

tax treaty between the Netherlands and the United States (the Treaty), all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. The information provided below is neither intended as tax advice nor purports to describe all of the tax considerations that may be relevant to investors and 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 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., investors that hold bearer receipts or ADSs as part of a straddle or a hedging or conversion transaction, or investors that own bearer receipts or ADSs through a partnership), some of which may be subject to special rules.

Moreover, this summary does not discuss the Dutch tax treatment of a holder of bearer receipts or ADSs:

1. that holds a substantial interest in ING Groep N.V.; or
2. that is an individual who 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.

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.

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. In general, for United States federal income tax and Netherlands tax purposes, holders of bearer receipts or ADSs will be treated as the owners of the Ordinary shares underlying the bearer receipts or 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 income tax 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 limitation on benefits provisions 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, an entity resident in a member state of the European Union or certain member states of the European Economic Area, 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 entities that are not a resident of the Netherlands, the European Union or certain European Economic Area countries, 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;

- § 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 dividends

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. 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 profits as determined for United States federal income tax purposes. 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 a U.S. Shareholder s basis in the bearer receipts or ADSs and thereafter as capital gain. Because ING Groep N.V. does not keep account of its earnings and profits, as determined for United States federal income tax purposes, any distribution should generally be treated as a dividend for US federal income tax purposes.

For foreign tax credit purposes, dividends will generally be income from sources outside the United States and will, depending on the circumstances of the U.S. Shareholder, be either passive or general income for purposes of computing the foreign tax credit allowable to the shareholder. A dividend will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Dividends paid to a non-corporate U.S. Shareholder in taxable years beginning before January 1, 2013 that are qualified dividend income will be taxable to the shareholder at a maximum tax rate of 15% provided that the shareholder holds 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 paid by ING Groep N.V. with respect to the bearer receipts or ADSs generally will be qualified dividend income.

Subject to certain limitations, a U.S. Shareholder may generally deduct from income, or credit against its United States federal income tax liability, the amount of any Netherlands 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. 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 and will not be eligible for the special tax rate applicable to qualified dividend income. 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 is generally taxed at preferential rates. In general, gain or loss from a sale or exchange of bearer receipts or ADSs by a U.S. Shareholder will be treated as income or loss from sources within the United States for 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 made 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 ratably 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. Dividends received by a U.S. Shareholder will not be eligible for the special tax rates applicable to qualified dividend income if ING Groep N.V. were to be treated as a PFIC with respect to the shareholder either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

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 2.2.1 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

Fees and Charges Payable by a Holder of ADSs

JP Morgan Chase Bank, N.A., as ADR depositary, collects fees for delivery and surrender of ADSs directly from investors, or from intermediaries acting for them, depositing ordinary shares or surrendering ADSs for the purpose of withdrawal. The ADR depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of the distributable property to pay the fees.

The charges of the ADR depositary payable by investors are as follows:

Type of Service	ADR Depositary Actions	Fee
ADR depositary or substituting the underlying shares	Issuance of ADSs against the deposit of ordinary shares, including deposits and issuances in respect of: Share distributions, stock splits, rights, merger Exchange of securities or other transactions or event or other distribution affecting the ADSs or deposited securities	\$5.00 or less per 100 ADSs (or portion thereof) evidenced by the new ADSs delivered
Receiving or distributing cash dividends	Distribution of cash dividends	No fee

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Type of Service	ADR Depositary Actions	Fee
Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	$5.00 or less per each 100 ADSs (or portion thereof)
Withdrawing an underlying ordinary share	Acceptance of ADSs surrendered for withdrawal of deposited ordinary shares	$5.00 or less for each 100 ADSs (or portion thereof) evidenced by the ADSs surrendered
General depositary services, particularly those charged on an annual basis	Other services performed by the ADS depositary in administering the ADS program	No fee
Expenses of the ADR depositary	Expenses incurred on behalf of Holders in connection with: Taxes and other governmental charges Cable, telex and facsimile transmission/delivery Transfer or registration fees, if applicable, for the registration of transfers or underlying ordinary shares Expenses of the Depositary in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency) Any other charge payable by ADR depositary or its agents	Expenses payable at the sole discretion of the ADR depositary by billing Holders or by deducting charges from one or more cash dividends or other cash distributions

Fees and Payments made by the ADR depositary to ING

The ADR depositary has agreed to reimburse certain ING expenses related to ING s ADR program and incurred by ING in connection with the program. In the year ended December 31, 2010, the ADR depositary reimbursed to ING, or paid amounts on its behalf to third parties, a total sum of $950,000

The table below sets forth the types of expenses that the ADR depositary has agreed to reimburse and the amounts reimbursed in the year ended December 31, 2010:

Category of expense reimbursed to ING		Amount Reimbursed for the year ended December 31, 2010
Investor relations, including upfront contribution	$	950,000
Total	$	950,000

The ADR depositary has paid certain expenses directly to third parties on behalf of ING.The table below sets forth those expenses that the ADR depositary paid directly to third parties in the year ended December 31, 2010.

Category of expense paid directly to third parties		Amount paid in the year ended December 31, 2010
Third-party expenses paid directly	$	0

Fees waived	$	350,000
Total	$	350,000

Under certain circumstances, including removal of the ADR depositary or termination of the ADR program by ING, ING is required to repay the ADR depositary certain amounts reimbursed and/or expenses paid to or on behalf of ING.

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 1, 2011 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 1, 2011.

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, 2010. 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, 2010.
Our independent registered public accounting firm has audited and issued their report on ING s internal control over financial reporting, which appears on the following page.

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, 2010, 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, 2010, 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, 2010 and 2009, and the related consolidated profit and loss accounts, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for each of the three years in the period ended December 31, 2010 and our report dated March 14, 2011 expressed an unqualified opinion thereon.

Amsterdam, the Netherlands
March 14, 2011
Ernst & Young Accountants LLP

Item 16A. Audit Committee Financial Expert

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, 2010, the members of the Audit Committee were: Jackson Tai (chairman), Tineke Bahlmann, Henk Breukink, Godfried van der Lugt and Jeroen van der Veer. The Supervisory Board has determined that Aman Mehta, appointed to the Audit Committee as of February 14, 2001, is a financial expert as referred to in the Corporate Governance Code. He has gathered his experience by serving as chief executive officer of Hong Kong & Shanghai Banking Corporation (HSBC) in Hong Kong. This audit committee financial expert is independent in accordance with the relevant Sarbanes-Oxley regulations.

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 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)

At the annual General Meeting held 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 on December 2010.

In the 2012 annual General Meeting it will be proposed to extend the appointment of Ernst & Young by two more years, that is for the financial years 2012 and 2013. The external auditor attended the meetings of the Audit Committee and the 2010 annual General Meeting.

After a maximum period of five years of performing the financial audit of ING Group or 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 external audit firm. The Audit Committee provides recommendations to the Supervisory Board regarding these replacements based, among other things, on an annual evaluation of the provided services. In line with this requirement, the lead audit partner of Ernst & Young was succeeded after the year-end audit 2006. The rotation of other partners involved with the audit of the financial statements of ING is subject to applicable independence legislation.

The external auditor may be questioned at the annual general meeting in relation to its audit opinion on the annual accounts. The external auditor will therefore attend and be entitled to address this meeting. The external auditor may only provide audit and non-audit services to ING Group and its subsidiaries with the permission of the Audit Committee. The Audit Committee generally pre-approves certain types of audit, audit-related, tax and non-audit services to be provided by the external auditor on an annual basis. Services that have not been generally pre-approved by the Audit Committee should not be provided by the external auditor unless they are specifically pre-approved by the Audit Committee at the recommendation of local management.

The Audit Committee also sets the maximum annual amount that may be spent for pre-approved services. Throughout the year the external auditor 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. More information on ING Group s policy on external auditor independence is available on the website of ING Group (www.ing.com).

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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 47 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 47 of Note 2.1 to the consolidated financial statements for audit, audit-related, tax and all other fees paid to the external auditors in 2010 and 2009.

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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	Maximum number of Shares that may be purchased
Purchases						
January	1/1/10	1/31/10	20	7.57		
February	2/1/10	2/28/10	55	6.66		
March	3/1/10	31/3/10	9,808	7.35		
April	4/1/10	30/4/10	4,442	7.71		
May	5/1/10	5/31/10	98	6.61		
June	6/1/10	6/30/10	2,110	6.34		
July	7/1/10	7/31/10	2	6.88		
August	8/1/10	8/31/10	93	7.14		
September	9/1/10	9/30/10	123	7.36		
October	10/1/10	10/31/10	2	8.06		
November	11/1/10	11/30/10	329	7.98		
December	12/1/10	12/31/10	23	7.38		
Total 1)			**17,105**	**7.32**		
January	1/1/09	1/31/09				
February	2/1/09	2/28/09				
March	3/1/09	31/3/09	7,839	4.31		
April	4/1/09	30/4/09				
May	5/1/09	5/31/09	272	6.58		
June	6/1/09	6/30/09	153	6.30		
July	7/1/09	7/31/09	3	6.35		
August	8/1/09	8/31/09	50	6.30		
September	9/1/09	9/30/09	10	10.71		
October	10/1/09	10/31/09	252	6.30		
November	11/1/09	11/30/09	901	6.32		
December	12/1/09	12/31/09	11,189	6.53		
Total 1)			**20,669**	**5.68**		

(1) 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

In conformity with regulation from the US Securities and Exchange Commission, ING Group as a foreign private issuer whose securities are listed on the New York Stock Exchange (NYSE) must disclose in this Annual Report on Form 20 F any significant differences between its corporate governance practices and those applicable to US domestic companies under the NYSE listing standards.

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 public limited liability company (naamloze vennootschap) has an Executive Board as its management body and a Supervisory Board which advises and supervises the Executive Board. In general, members of the Executive Board 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 Corporate Governance Code, all members of the Supervisory Board with the exception of not more than

one person must be independent. All members of ING Group s Supervisory Board are independent within the meaning of the Corporate Governance Code. The definitions of independence under the Corporate Governance 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, Risk Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of ING Group are comprised of members of the Supervisory Board.

In contrast to the Sarbanes-Oxley Act of 2002, the Corporate Governance Code contains an apply-or-explain principle, offering the possibility to deviate from the Corporate Governance 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 Corporate Governance Code.

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

The articles of association of ING Group (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 Corporate Governance Code differ from those applicable to US companies which are subject to the NYSE s listing rules. Under Dutch company law and the Corporate Governance 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. Consolidated Financial Statements

See pages F-1 to F-207 and the Schedules on F-217 to F-220

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 (incorporated by reference to Exhibit 1.1 of ING Groep N.V. s Annual Report on Form 20-F for the year ended December 31, 2008, File No. 1-14642 filed on March 19, 2009)
Exhibit 1.2	Amended and Restated Trust Agreement (English Translation), dated October 7, 2010
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)

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	Eight 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 (incorporated by reference to Exhibit 2.10 of ING Groep N.V. s Annual Report on Form 20-F for the year ended December 31, 2008, File No. 1-14642 filed on March 19, 2009)
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

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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/ P. Flynn
P. Flynn
Chief Financial Officer

Date: March 14, 2011

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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 2010, 2009 and 2008 is set forth under IFRS-IASB. 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 in this section.

	Year ended December 31,		
	2010	**2009**	**2008**
Return on equity of the banking operations*	13.4%	(3.3)%	(10.0)%
Return on equity of ING Group*	8.0%	(6.2)%	(13.2)%
Dividend pay-out ratio of ING Group	n.a.	n.a.	n.a.
Return on assets ING Group	0.2%	(0.1)%	(0.3)%
Equity to assets of ING group	3.5%	3.2%	2.0%
Net interest margin of the banking operations	1.4%	1.3%	1.1%

* net profit divided by average equity

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								
	2010			2009			2008		
	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	13,814	110	0.8	12,306	200	1.6	22,685	895	3.9
foreign	27,318	833	3.1	23,429	420	1.8	40,557	1,764	4.3
Loans and advances									
domestic	237,122	9,608	4.1	264,472	10,120	3.8	308,796	12,926	4.2
foreign	385,423	14,375	3.7	362,637	14,364	4.0	339,812	17,577	5.2
Interest-earning securities[(1)]									
domestic	30,926	1,014	3.3	29,790	1,082	3.6	30,398	1,234	4.1
foreign	107,564	4,287	4.0	106,673	4,807	4.5	158,844	8,747	5.5
Other interest-earning assets									
domestic	12,191	182	1.5	11,014	168	1.5	13,713	547	4.0
foreign	20,535	183	0.9	22,572	222	1.0	14,844	540	3.6
Total	**834,893**	30,592	**3.6**	**832,893**	31,383	**3.8**	**929,649**	44,230	**4.8**
Non-interest earning assets	54,008			60,073			73,994		
Derivatives assets	**62,585**			**66,750**			**49,042**		
Total assets[(1)]	**951,486**			**959,716**			**1,052,685**		
Percentage of assets applicable to foreign operations		64,9%			61.8%			59.7%	
Interest income									
on derivatives		38,356			48,828			53,037	
other		740			935			933	
Total interest income		**69,688**			**81,146**			**98,200**	

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

LIABILITIES

	Interest-bearing liabilities								
	2010			2009			2008		
	Average balance (EUR millions)	Interest expense	Average yield %	Average balance (EUR millions)	Interest expense	Average yield %	Average balance (EUR millions)	Interest expense	Average yield %
Time deposits from banks									
domestic	26,922	249	0.9	32,892	596	1.8	49,198	2,020	4.1
foreign	22,363	370	1.7	27,716	634	2.3	43,046	2,176	5.1
Demand deposits(5)									
domestic	40,100	125	0.3	64,220	117	0.2	115,827	1,574	1.4
foreign	55,505	383	0.7	50,236	599	1.2	46,832	766	1.6
Time deposits(5)									
domestic	24,897	221	0.9	32,101	619	1.9	35,048	1,449	4.1
foreign	20,064	364	1.8	26,848	694	2.6	33,303	1,671	5.0
Savings deposits(5)									
domestic	72,830	1,459	2.0	64,817	1,835	2.8	57,537	1,630	2.8
foreign	269,115	5,107	1.9	243,080	6,047	2.5	229,149	9,070	3.9
Short term debt									
domestic	16,233	135	0.8	14,791	208	1.4	11,511	558	4.8
foreign	50,221	699	1.4	48,246	732	1.5	40,760	1,927	4.7
Long term debt									
domestic	42,364	1,681	4.0	33,657	1,465	4.4	20,379	1,110	5.4
foreign	27,424	1,180	4.3	23,682	999	4.2	23,325	1,277	5.5
Subordinated liabilities									
domestic	22,287	1,031	4.6	21,558	999	4.6	20,238	1,124	5.6
foreign	1,114	61	5.5	1,113	59	5.3	1,293	61	4.7
Other interest-bearing liabilities									
domestic	47,047	279	0.6	51,811	642	1.2	92,042	3,174	3.4
foreign	57,419	514	0.9	64,863	793	1.2	100,179	3,527	3.5
Total	795,905	13,858	1.7	801,631	17,038	2.1	919,667	33,114	3.6
Non-interest bearing liabilities	55,417			57,913			62,947		
Derivatives liabilities	69,751			73,694			48,243		
Total Liabilities	921,073			933,238			1,030,858		
Group Capital	30,413			26,478			21,828		
Total liabilities and capital	**951,486**			**959,716**			**1,052,685**		

Percentage of liabilities applicable to foreign operations	63.3%	60.6%	57.0%
Other interest expense:			
interest expenses on derivatives	41,333	50,334	52,790
other	1,081	1,235	1,211
Total interest expense	**56,272**	**68,607**	**87,115**
Total net interest result	**13,416**	**12,539**	**11,085**

(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.

	2010 over 2009 Increase (decrease) due to changes in			2009 over 2008 Increase (decrease) due to changes in		
	Average volume	**Average rate**	**Net change**	**Average volume**	**Average rate**	**Net change**
		(EUR millions)			**(EUR millions)**	
Interest-earning assets						
Time deposits to banks						
domestic	24	(114)	(90)	(410)	(285)	(695)
foreign	70	343	413	(745)	(599)	(1,344)
Loans and advances						
domestic	(975)	463	(512)	(1,757)	(1,049)	(2,806)
foreign	902	(891)	11	1,181	(4,394)	(3,213)
Interest-earning securities						
domestic	41	(109)	(68)	(25)	(127)	(152)
foreign	40	(560)	(520)	(2,873)	(1,067)	(3,940)
Other interest-earning assets						
domestic	18	(4)	14	(108)	(271)	(379)
foreign	(20)	(19)	(39)	281	(599)	(318)
Interest income						
domestic	(892)	236	(656)	(2,300)	(1,732)	(4,032)
foreign	992	(1,127)	(135)	(2,156)	(6,659)	(8,815)
Total	**100**	**(891)**	**(791)**	**(4,456)**	**(8,391)**	**(12,847)**
Other interest income			(10,666)			(4,207)
Total interest income			**(11,457)**			**(17,054)**

The following table shows the interest spread and net interest margin for the past two years.

	2010 Average rate %	**2009 Average rate** %
Interest spread		
domestic	1.9	1.6
foreign	1.9	1.7

Total	1.9	1.6
Net interest margin		
domestic	1.9	1.6
foreign	2.0	1.8
Total	2.0	1.7

	2010 over 2009 Increase (decrease) due to changes in			2009 over 2008 Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
	(EUR millions)			(EUR millions)		
Interest-bearing liabilities						
Time deposits from banks						
domestic	(108)	(239)	(347)	(669)	(755)	(1,424)
foreign	(122)	(142)	(264)	(775)	(767)	(1,542)
Demand deposits						
domestic	(44)	52	8	(702)	(755)	(1,457)
foreign	63	(279)	(216)	56	(223)	(167)
Time deposits						
domestic	(139)	(259)	(398)	(122)	(708)	(830)
foreign	(175)	(155)	(330)	(323)	(654)	(977)
Savings deposits						
domestic	227	(603)	(376)	206	(1)	205
foreign	647	(1,587)	(940)	552	(3,575)	(3,023)
Short term debt						
domestic	20	(93)	(73)	159	(509)	(350)
foreign	30	(63)	(33)	354	(1,549)	(1,195)
Long term debt						
domestic	379	(163)	216	723	(368)	355
foreign	158	23	181	20	(298)	(278)
Subordinated liabilities						
domestic	34	(2)	32	73	(198)	(125)
foreign	0	2	2	(9)	7	(2)
Other interest-bearing liabilities						
domestic	(59)	(304)	(363)	(1,388)	(1,144)	(2,532)
foreign	(91)	(188)	(279)	(1,243)	(1,491)	(2,734)
Interest expense						
domestic	310	(1,611)	(1,301)	(1,720)	(4,438)	(6,158)
foreign	510	(2,389)	(1,879)	(1,368)	(8,550)	(9,918)
Total	**820**	**(4,000)**	**(3,180)**	**(3,088)**	**(12,988)**	**(16,076)**
Other interest expense			(9,156)			(2,432)
Total interest expense			**(12,336)**			**(18,508)**
Net interest						
domestic	(1,202)	1,847	645	(580)	2,706	2,126

foreign	482	1,262	1,744	(788)	1,891	1,103
Net interest	**(720)**	**3,109**	**2,389**	**(1,368)**	**4,597**	**3,229**
Other net interest result			(1,510)			(1,775)
Net interest result			**879**			**1,454**

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INVESTMENTS OF THE GROUP S BANKING OPERATIONS

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

	Year ended December 31		
	2010	2009	2008
		(EUR millions)	
Debt securities available for sale			
Dutch government	6,135	3,796	6,726
German government	6,929	5,230	5,789
Central banks	1,578	332	219
Belgian government	7,543	7,814	8,198
Other governments	27,861	28,402	29,435
Banks and financial institutions	27,411	27,200	37,486
Other corporate debt securities	891	859	1,417
U.S. Treasury and other U.S. Government agencies	1,505	575	56
Other debt securities	16,606	14,292	42,176
Total debt securities available for sale	96,459	88,500	131,502
Debt securities held to maturity			
Dutch government			
German government	583	585	787
Other governments	367	701	819
Banks and financial institutions	9,637	11,963	12,929
Other corporate debt securities			39
U.S. Treasury and other U.S. Government agencies			36
Other debt securities	1,106	1,160	830
Total debt securities held to maturity	11,693	14,409	15,440
Shares and convertible debentures	2,741	3,682	1,863
Land and buildings [1]	1,891	3,647	4,331
Total	**112,784**	**110,238**	**153,136**

(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 70% 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	629		3,315		2,191	
German government	409		3,834		2,190	
Central banks	1,578		0		0	
Belgian government	788		4,665		2,015	
Other governments	4,444		12,497		8,351	
Banks and financial institutions	7,233		16,240		3,739	
Other corporate debt securities	458		362		62	
U.S. Treasury and other U.S. Government agencies	0		772		733	
Other debt securities	633		3,889		3,301	
Total debt securities available for sale	**16,172**	3.4	**45,574**	3.6	**22,582**	3.8

	Over 10 years Book value (EUR millions)	Yield[1] %	Total Book value (EUR millions)
Debt securities available for sale			
Dutch government	0		6,135
German government	496		6,929
Central banks	0		1,578
Belgian government	75		7,543
Other governments	2,569		27,861
Banks and financial institutions	199		27,411
Other corporate debt securities	9		891
U.S. Treasury and other U.S. Government agencies	0		1,505
Other debt securities	8,783		16,606
Total debt securities available for sale	**12,131**	5.3	**96,459**

(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.

	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	50		533			
Belgian government						
Central banks						
Other governments	16		351			
Banks and financial institutions	1,983		7,306		348	
Corporate debt securities						
U.S. Treasury and other U.S. Government agencies						
Other debt securities	301		596		190	
Total debt securities held to maturity	**2,350**	3.1	**8,786**	3.9	**538**	3.4

	Over 10 years Book value (EUR millions)	Yield[1] %	Total Book value (EUR millions)
Debt securities held to maturity			
Dutch government			
German government			583
Belgian government			
Central banks			
Other governments			367
Banks and financial institutions			9,637
Corporate debt securities			
U.S. Treasury and other U.S. Government agencies			
Other debt securities	19		1,106
Total debt securities held to maturity	**19**	6.0	**11,693**

(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, 2010, ING Group also held the following securities for the banking operations that exceeded 10% of shareholders equity:

	2010	
	Book value	Market value
	(EUR millions)	
Belgian government	7,543	7,543
German government	7,512	7,524

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.

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Loans and Loan loss provisions

See Note 5 of Note 2.1 to the consolidated financial statements.

Loans and Loan loss provisions	2010	2009
	(EUR millions)	
Loans past due 90 days	10,464	8,307
Other impaired loans	4,188	2,849
Total impaired loans (loans with a loan loss provision)	14,652	11,156
Potential problem loans	7,647	10,873
Total Impaired loans and potential problem loans	22,299	22,029
Loans neither impaired nor potential problem loans	616,703	573,077
Total	**639,002**	**595,106**
This amount is presented in the balance sheet as:		
Amounts due from Banks	49,056	39,742
Loans and advances to customers	589,946	555,364
Total	**639,002**	**595,106**
Loan loss provisions included in:		
Amounts due from Banks	21	46
Loans and advances to customers	5,174	4,353
Total loan loss provisions	**5,195**	**4,399**

Loans and advances by customer type:	**2010**	**2009**
Loans secured by public authorities	55,953	51,082
Loans secured by mortgages	330,473	303,803
Loans guaranteed by credit institutions	5,768	6.696
Personal lending	21,743	19,960
Asset backed securities	18,605	21,831
Corporate loans	157,404	151,992
Total	**589,946**	**555,364**

Loan loss provisions by customer type:	**2010**	**2009**
Loans secured by public authorities	3	3
Loans secured by mortgages	1,599	1,356
Loans guaranteed by credit institutions	23	47
Personal lending	667	690
Asset backed securities	0	15
Corporate loans	2,903	2,288
Total	**5,195**	**4,399**

Increase in Loan loss provision by customer type:	**2010**	**2009**
Loans secured by public authorities	0	1
Loans secured by mortgages	243	764
Loans guaranteed by credit institutions	(24)	(38)
Personal lending	(23)	37
Asset backed securities	(15)	15
Corporate loans	615	1,009
Total	**796**	**1,788**

The net increase in Loan loss provision includes:		
Increase in loan loss provision (P&L)	1,751	2,973
Write-offs and other	(955)	(1,185)
Total	**796**	**1,788**

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The following table sets forth the gross loans and advances to banks and customers as of December 31, 2010, 2009, 2008, 2007 and 2006 under IFRS-IASB.

IFRS-IASB

	Year ended December 31				
	2010	**2009**	**2008**	**2007**	**2006**
			(EUR millions)		
By domestic offices:					
Loans guaranteed by public authorities	28,671	28,149	16,288	14,679	16,450
Loans secured by mortgages	157,671	156,319	155,846	141,314	120,753
Loans to or guaranteed by credit institutions	14,704	9,569	15,528	16,347	6,747
Other private lending	5,125	4,972	7,158	6,975	6,484
Asset backed securities	0	0	0	0	0
Other corporate lending	53,784	52,888	126,773	105,808	90,182
Total domestic offices	**259,955**	**251,897**	**321,593**	**285,123**	**240,616**
By foreign offices:					
Loans guaranteed by public authorities	27,282	22,933	10,099	8,961	9,503
Loans secured by mortgages	172,802	147,484	145,090	132,614	87,457
Loans to or guaranteed by credit institutions	40,120	36,869	23,099	31,211	32,072
Other private lending	16,618	14,988	20,389	17,784	16,422
Asset backed securities	18,605	21,831	11,766	13,082	
Other corporate lending	103,620	99,104	109,903	88,237	89,547
Total foreign offices	**379,047**	**343,209**	**320,346**	**291,889**	**235,001**
Total gross loans and advances to banks and customers	**639,002**	**595,106**	**641,939**	**577,012**	**475,617**

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, 2010.

	1 year or less	**1 year to 5 years**	**After 5 years**	**Total**
		(EUR millions)		
By domestic offices:				
Loans guaranteed by public authorities	884	12,555	15,232	28,671
Loans secured by mortgages	8,732	14,086	134,853	157,671
Loans guaranteed by credit institutions	11,964	2,700	40	14,704
Other private lending	3,107	559	1,459	5,125
Asset backed securities	0	0	0	0
Other corporate lending	29,100	13,652	11,032	53,784

Total domestic offices	**53,787**	**43,552**	**162,616**	**259,955**
By foreign offices:				
Loans guaranteed by public authorities	12,494	5,243	9,545	27,282
Loans secured by mortgages	14,387	35,274	123,141	172,802
Loans guaranteed by credit institutions	25,914	10,429	3,777	40,120
Other private lending	9,416	4,467	2,735	16,618
Asset backed securities	3,046	11,500	4,059	18,605
Other corporate lending	41,281	40,173	22,166	103,620
Total foreign offices	**106,538**	**107,086**	**165,423**	**379,047**
Total gross loans and advances to banks and customers	**160,325**	**150,638**	**328,039**	**639,002**

The following table analyzes loans and advances to banks and customers by interest rate sensitivity by maturity as of December 31, 2010.

	1 year or less	Over 1 year	Total
		(EUR millions)	
Non-interest earning	2,973	1,717	4,690
Fixed interest rate	73,845	138,864	212,709
Semi-fixed interest rate(1)	5,772	190,801	196,573
Variable interest rate	78,700	146,330	225,030
Total	**161,290**	**477,712**	**639,002**

(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, 2010:

	Total outstanding
Private Individuals	40.0%
Commercial Banks	11.2%
Non-Bank Financial Institutions	11.1%

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-IASB. 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-IASB, the non-accrual loan status is no longer used to identify ING Group s risk elements. 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, 2010, 2009, 2008, 2007 and 2006 under IFRS-IASB.

	Year ended December 31				
	2010	2009	2008	2007	2006
IFRS-IASB			(EUR millions)		
Loans past due 90 days and still accruing interest					
Domestic	5,758	3,865	2,799	1,159	1,317
Foreign	4,705	4,793	2,634	1,892	2,426
Total loans past due 90 days and still accruing interest	**10,463**	**8,658**	**5,433**	**3,051**	**3,743**

As of December 31, 2010, EUR 10,459 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 14,648 million as of December 31, 2010.

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.

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The following table sets forth the outstanding balances of the troubled debt restructurings as of December 31, 2010, 2009, 2008, 2007 and 2006 under IFRS-IASB.

	Year ended December 31				
IFRS-IASB	**2010**	**2009**	**2008**	**2007**	**2006**
			(EUR millions)		
Troubled debt restructurings:					
Domestic	1,253	782	51	45	163
Foreign	2,165	1,271	354	47	199
Total troubled debt restructurings	**3,418**	**2,053**	**405**	**92**	**362**

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, 2010 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, 2010.

	Year ended December 31, 2010 (EUR millions)		
	Domestic Offices	Foreign Offices	Total
Interest income that would have been recognized under the original contractual terms	14	65	79
Interest income recognized in the profit and loss account	14	67	81

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 7,647 million as of December 31, 2010. Of this total, EUR 4,883 million relates to domestic loans and EUR 2,764 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, 2010, 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, 2010, 2009 and 2008 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, 2010					
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial	Other	Total	Cross-border Commitments
	(EUR millions)					
United Kingdom	188	12,398	19,347	1,042	32,975	4,046
United States	49	4,749	7,952	4,363	17,113	10,309
France	9,113	13,051	3,565	1,170	26,899	3,282
Germany	7,138	5,560	2,850	3,379	18,927	6,846
Italy						
Spain						
Belgium						

	Year ended December 31, 2009					
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial	Other	Total	Cross-border Commitments
	(EUR millions)					
United Kingdom	125	12,285	22,023	1,599	36,032	4,292
United States	46	2,245	9,132	7,405	18,828	10,153
France	7,758	9,541	4,178	1,955	23,432	2,184
Germany	5,736	5,533	4,399	3,459	19,127	7,347
Italy	11,211	4,812	3,360	934	20,317	1,890
Spain	2,289	8,010	5,583	106	15,988	1,404
Belgium	1,916	5,959	7,197	2,383	17,455	15,411

	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

On December 2010 Italy, Spain and Belgium have cross-border outstandings between 0.75% and 1% of total assets. In 2009 there were no 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.

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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 2010, 2009, 2008, 2007 and 2006 under IFRS-IASB.

IFRS-IASB	2010	2009	Calendar period 2008 (EUR millions)	2007	2006
Balance on January 1	4,399	2,611	2,001	2,642	3,313
Change in the composition of the Group		(3)	1	98	(101)
Charge-offs:					
Domestic:					
Loans guaranteed by public authorities					
Loans secured by mortgages	(86)	(79)	(34)	(22)	(32)
Loans to or guaranteed by credit institutions	(30)	(55)	(36)	(11)	(11)
Other private lending	(65)	(140)	(126)	(115)	(108)
Other corporate lending	(277)	(229)	(133)	(189)	(136)
Foreign:					
Loans guaranteed by public authorities	(8)	(12)	(16)	(25)	
Loans secured by mortgages	(56)	(5)	(6)	(11)	(26)
Loans to or guaranteed by credit institutions	(5)	(1)		(2)	(5)
Other private lending	(404)	(259)	(114)	(104)	(70)
Other corporate lending	(235)	(437)	(263)	(473)	(303)
Total charge-offs	(1,166)	(1,217)	(728)	(952)	(691)
Recoveries:					
Domestic:					
Loans guaranteed by public authorities					
Loans secured by mortgages	23	2			
Loans to or guaranteed by credit institutions				2	4
Other private lending	29	101	36	3	11
Other corporate lending	9	4			1
Foreign:					
Loans guaranteed by public authorities					
Loans secured by mortgages	1			1	
Loans to or guaranteed by credit institutions	3				
Other private lending	29	24	27	30	49
Other corporate lending	11	17	27	23	21
Total recoveries	105	148	90	59	86

Net charge-offs	(1,061)	(1,069)	(638)	(893)	(605)
Additions and other adjustments (included in value Adjustments to receivables of the Banking operations)	1,857	2,860	1,247	154	35
Balance on December 31	**5,195**	**4,399**	**2,611**	**2,001**	**2,642**
Ratio of net charge-offs to average loans and advances to banks and customers	0.17%	0.17%	0.10%	0.16%	0.12%

The developments in loan loss provisions are a reflection of the economic conditions of the past (five) years. Benign economic circumstances in the years 2006 and 2007 led to historically low (net) additions to the loan loss provisions, while the results of the work out and liquidation of defaulted loans in earlier years are reflected in still relevant numbers in net charge-offs. The strong increase in loan loss provisions as a result of the global economic crisis becomes visible in 2008, reaches highest levels in 2009, and then sees a slowly reducing trend in 2010. In these very distressed economic circumstances, additional provisions are being built up, leading to the new historically high provision buffers that are presented by the year 2009 and 2010, respectively. The net charge-offs show a relatively lower increase, as restructuring and work out activities take time, and the definite

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credit losses (net charge-offs) are only visible once all remedies are depleted and where applicable collateral has been liquidated.

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 2010, 2009, 2008, 2007 and 2006 under IFRS-IASB.

	Year ended December 31									
IFRS-IASB	**2010**		**2009**		**2008**		**2007**		**2006**	
	EUR	**%(1)**	**EUR**	**%(1)**	**EUR**	**%(1)**			**EUR**	**%(1)**
					(EUR millions)					
Domestic:										
Loans guaranteed by public authorities	0	4.47		4.72		2.54		2.56		3.46
Loans secured by mortgages	416	25.24	290	27.54	167	24.76	96	24.62	96	25.40
Loans to or guaranteed by credit institutions	17	2.29		1.61	68	2.42	11	2.85		1.42
Other private lending	131	0.80	254	0.83	120	1.12	181	1.21	357	1.36
Other corporate lending	1,385	8.13	917	7.70	474	19.24	377	17.91	280	18.93
Total domestic	1,949	40.93	1,461	42.4	829	50.08	665	49.15	733	50.57
Foreign:										
Loans guaranteed by public authorities	3	4.25	3	3.85	2	1.57	1	1.56	2	2.00
Loans secured by mortgages	1,183	26.93	1,066	23.90	425	22.61	203	23.10	177	18.40
Loans to or guaranteed by credit institutions	6	6.7	47	6.78	17	4.02	3	5.56	6	6.75
Other private lending	536	2.59	436	2.52	533	3.18	374	3.10	408	3.45
Mortgage backed securities	0	2.37	15	2.99						
Other corporate lending	1,518	16.23	1,371	17.56	805	18.54	755	17.53	1,316	18.83
Total foreign	3,246	59.07	2,938	57.60	1,782	49.92	1,336	50.85	1,909	49.43

Total	**5,195**	**100.00**	**4,399**	**100.00**	**2,611**	**100.00**	**2,001**	**100.00**	**2,642**	**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) decreased by 1.1% to EUR 585.340 million for 2010, compared to 2009. 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 40% of the category Debt securities (42% at the end of 2009). These instruments are issued as part of liquidity management with maturities generally of less than three months. The following table includes the average deposit balance by category of deposit and the related average rate.

	2010		2009		2008	
	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	5,646		6,006		9,797	
interest bearing	4,646	1.0	5,556	1.0	11,821	3.8
Time	26,926	0.9	32,941	1.8	49,147	3.7
Other	9,681	1.5	10,869	1.7	12,213	3.6
Total domestic offices	46,899		55,372		82,978	
In foreign offices:						
Demand non-interest bearing	1,468		1,599		3,374	
interest bearing	5,932	1.0	5,553	1.4	12,175	3.9
Time	21,648	1.7	26,532	2.3	40,425	5.1
Other	14,832	3.8	26,455	4.3	31,121	4.8
Total foreign offices	43,880		60,139		87,095	
Total deposits by banks	**90,779**		**115,511**		**170,073**	
Customer accounts						
In domestic offices:						
Demand non-interest bearing	723		12,005		15,041	
interest bearing	43,536	0.3	57,162	0.3	108,589	1.7
Savings	72,717	2.0	64,731	2.8	57,475	2.8
Time	24,738	0.9	31,867	1.9	34,856	4.1
Other	8,614	0.5	6,965	1.3	7,202	3.6
Total domestic offices	150,328		172,730		223,163	
In foreign offices:						
Demand non-interest bearing	6,295		6,160		4,581	

interest bearing	56,865	0.8	50,956	1.2	52,089	2.8
Savings	269,115	1.9	243,080	2.5	229,149	3.9
Time	19,794	1.8	26,529	2.6	33,018	5.0
Other	6,296	3.9	2,618	5.9	2,486	4.9
Total foreign offices	358,365		329,343		321,323	
Total customers accounts	**508,693**		**502,073**		**544,486**	
Debt securities						
In domestic offices:						
Debentures	36,522	3.1	27,705	3.4	13,379	4.8
Certificates of deposit	11,546	0.8	10,406	1.2	8,887	4.6
Other	4,719	0.9	4,449	1.8	2,691	5.4
Total domestic offices	52,787		42,560		24,957	
In foreign offices:						
Debentures	10,886	4.9	8,343	3.5	8,552	6.0
Certificates of deposit	35,748	1.3	33,322	1.8	25,665	5.4
Other	19,111	1.3	19,263	1.6	18,611	3.5
Total foreign offices	65,745		60,928		52.828	
Total debt securities	**118,532**		**103,488**		**77,785**	

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For the years ended December 31, 2010, 2009 and 2008, the aggregate amount of deposits by foreign depositors in domestic offices was EUR 47,019 million, EUR 47,229 million and EUR 77,958 million, respectively.
On December 31, 2010, 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	9,752	72.4	46,076	83.8
6 months or less but over 3 months	2,070	15.4	5,084	9.3
12 months or less but over 6 months	1,610	12.0	2,638	4.8
Over 12 months	28	0.2	1,138	2.1
Total	**13,460**	**100**	**54,936**	**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, 2010.

	(EUR millions)
Time certificates of deposit	34,300
Other time deposits	64,979
	99,279

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		
IFRS-IASB	**2010**	**2009**	**2008**
	(EUR millions, except % data)		
Commercial paper:			
Balance at the end of the year	20,517	18,225	18,444
Monthly average balance outstanding during the year	19,176	19,264	17,949
Maximum balance outstanding at any period end during the year	21,370	22,531	19,319
Weighted average interest rate during the year	1.70%	1.07%	3.80%
Weighted average interest rate on balance at the end of the year	1.38%	1.13%	3.70%
Securities sold under repurchase agreements:			
Balance at the end of the year	61,468	67,193	110,202
Monthly average balance outstanding during the year	79,927	92,523	148,613
Maximum balance outstanding at any period end during the year	96,496	138,528	178,185

Weighted average interest rate during the year	0.73%	1.30%	3.17%
Weighted average interest rate on balance at the end of the year	0.94%	1.80%	4.27%

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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, 2010 and 2009, and the related consolidated profit and loss accounts, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for each of the three years in the period ended December 31, 2010. 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 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 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, 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, 2010 and 2009, and the consolidated results of its operations, and it cash flows for each of the three years in the period ended December 31, 2010, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. 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.

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, 2010, 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 14, 2011 expressed an unqualified opinion thereon.

Amsterdam, the Netherlands
March 14, 2011
Ernst & Young Accountants

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CONSOLIDATED BALANCE SHEET OF ING GROUP
AS AT DECEMBER 31

	Amounts in millions of euros	
	2010	**2009**
ASSETS		
Cash and balances with central banks [1]	13,072	15,390
Amounts due from banks [2]	51,828	43,397
Financial assets at fair value through profit and loss [3]		
- trading assets	125,675	111,444
- investments for risk of policyholders	120,481	104,597
- non-trading derivatives	11,722	11,632
- designated as at fair value through profit and loss	6,016	5,517
Investments [4]		
- available-for-sale	222,547	197,703
- held-to-maturity	11,693	14,409
Loans and advances to customers [5]	608,938	575,275
Reinsurance contracts [17]	5,789	5,480
Investments in associates [6]	3,925	3,699
Real estate investments [7]	1,900	3,638
Property and equipment [8]	6,132	6,119
Intangible assets [9]	5,372	6,021
Deferred acquisition costs [10]	10,604	11,398
Assets held for sale [11]	681	5,024
Other assets [12]	36,469	39,229
Total assets	**1,242,844**	**1,159,972**
EQUITY		
Shareholders equity (parent) [13]	38,370	31,121
Non-voting equity securities [13]	5,000	5,000
	43,370	**36,121**
Minority interests	729	915
Total equity	**44,099**	**37,036**
LIABILITIES		
Subordinated loans [14]	10,645	10,099
Debt securities in issue [15]	135,604	119,981
Other borrowed funds [16]	22,291	23,151
Insurance and investment contracts [17]	270,582	240,858
Amounts due to banks [18]	72,852	84,235
Customer deposits and other funds on deposit [19]	511,362	469,508
Financial liabilities at fair value through profit and loss [20]		
- trading liabilities	108,050	98,245
- non-trading derivatives	17,782	20,070

- designated as at fair value through profit and loss	12,707	11,474
Liabilities held for sale [11)]	424	4,890
Other liabilities [21)]	36,446	40,425
Total liabilities	**1,198,745**	**1,122,936**
Total equity and liabilities	**1,242,844**	**1,159,972**

References relate to the notes starting on page F-31. These form an integral part of the consolidated annual accounts.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP
AS AT DECEMBER 31

Amounts in millions of euros

	2010	2010	2009	2009	2008	2008
Interest income banking operations	68,334		79,850		97,011	
Interest expense banking operations	(55,011)		(67,475)		(85,969)	
Interest result banking operations [35)]		13,323		12,375		11,042
Gross premium income [36)]		27,947		30,492		43,812
Investment income [37)]		7,563		3,342		4,664
Net result on disposals of group companies [38)]		310		264		17
Gross commission income	6,303		6,790		7,504	
Commission expense	(1,725)		(2,177)		(2,539)	
Commission income [39)]		4,578		4,613		4,965
Valuation results on non-trading derivatives [40)]		(1,005)		(5,332)		(1,409)
Net trading income [41)]		627		1,125		(749)
Share of profit from associates [6)]		314		(461)		(404)
Other income [42)]		635		691		644
Total income		**54,292**		**47,109**		**62,582**
Gross underwriting expenditure [43)]	44,998		50,440		18,831	
Investment result for risk of policyholders	(10,492)		(17,742)		32,408	
Reinsurance recoveries	(1,741)		(1,714)		(1,754)	
Underwriting expenditure [43)]		32,765		30,984		49,485
Addition to loan loss provisions [5)]		1,751		2,973		1,280
Intangible amortization and other impairments [44)]		1,112		568		464
Staff expenses [45)]		7,771		7,338		8,764
Other interest expenses [46)]		792		716		978
Other operating expenses [47)]		6,219		6,711		6,807
Total expenses		**50,410**		**49,290**		**67,778**
Result before tax		**3,882**		**(2,181)**		**(5,196)**
Taxation [48)]		1,000		(640)		(1,667)

Net result (before minority interests)	**2,882**	**(1,541)**	**(3,529)**
Attributable to:			
Equityholders of the parent	2,777	(1,423)	(3,492)
Minority interests	105	(118)	(37)
	2,882	**(1,541)**	**(3,529)**

			Amounts in euros
	2010	**2009**	**2008**
Basic earnings per ordinary share [49)]	0.62	(0.75)	(1.31)
Diluted earnings per ordinary share [49)]	0.62	(0.75)	(1.31)
Dividend per ordinary share [50)]	0.00	0.00	0.74

References relate to the notes starting on page F-31. These form an integral part of the consolidated annual accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF ING GROUP
For the years ended December 31

	Amounts in millions of euros		
	2010	**2009**	**2008**
Net result	**2,882**	**(1,541)**	**(3,529)**
Unrealized revaluations after taxation[1]	2,603	11,867	(18,485)
Realized gains/losses transferred to profit and loss[1]	86	1,554	2,476
Changes in cash flow hedge reserve	475	(805)	746
Transfer to insurance liabilities/DAC	(1,644)	(2,079)	2,193
Exchange rate differences	2,884	59	(1,086)
Other revaluations	(3)	(9)	(23)
Total amount recognized directly in equity (other comprehensive income)	**4,401**	**10,587**	**(14,179)**
Total comprehensive income	**7,283**	**9,046**	**(17,708)**
Comprehensive income attributable to:			
Equity-holders of the parent	7,191	9,177	(17,466)
Minority interests	92	(131)	(242)
	7,283	**9,046**	**(17,708)**

(1) Reference is made to Note 13 Shareholders equity (parent)/non-voting equity securities for a breakdown of the individual components.

The Unrealized revaluations after taxation comprises EUR (2) million (2009: EUR 15 million; 2008: EUR 218 million) related to the share of other comprehensive income of associates.

The Exchange rate differences comprises EUR 251 million (2009: EUR 131 million; 2008: EUR (214) million) related to the share of other comprehensive income of associates.

Reference is made to Note 48 Taxation for the disclosure on the income tax effects on each component of the other comprehensive income.

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CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP
For the years ended December 31

	Amounts in millions of euros		
	2010	**2009**	**2008**
Result before tax	**3,882**	**(2,181)**	**(5,196)**
Adjusted for:			
- depreciation	1,723	1,701	1,492
- deferred acquisition costs and value of business acquired	1,296	(1,131)	(444)
- increase in provisions for insurance and investment contracts	3,860	3,829	16,363
- addition to loan loss provisions	1,751	2,973	1,280
- other	3,047	6,015	6,955
Taxation paid	(503)	(412)	(49)
Changes in:			
- amounts due from banks, not available on demand	(4,333)	8,611	7,162
- trading assets	(14,782)	47,963	32,386
- non-trading derivatives	(1,590)	864	(2,020)
- other financial assets at fair value through profit and loss	832	2,196	3,174
- loans and advances to customers	(16,331)	12,208	(72,506)
- other assets	2,003	6,948	(11,847)
- amounts due to banks, not payable on demand	(9,831)	(67,410)	13,210
- customer deposits and other funds on deposit	21,202	21,073	6,831
- trading liabilities	9,804	(54,366)	3,501
- other financial liabilities at fair value through profit and loss	1	(5,798)	13,016
- other liabilities	(6,806)	(10,483)	(485)
Net cash flow from operating activities	**(4,775)**	**(27,400)**	**12,823**
Investments and advances:			
- group companies		(5)	(1,725)
- associates	(165)	(181)	(1,034)
- available-for-sale investments	(163,038)	(165,771)	(228,291)
- held-to-maturity investments	(141)		(314)
- real estate investments	(73)	(130)	(905)
- property and equipment	(527)	(640)	(708)
- assets subject to operating leases	(1,284)	(1,034)	(1,401)
- investments for risk of policyholders	(52,370)	(65,362)	(64,735)
- other investments	(372)	(338)	(881)
Disposals and redemptions:			
- group companies	1,757	2,643	1,590
- associates	232	294	972
- available-for-sale investments	154,640	167,075	225,539
- held-to-maturity investments	2,620	1,675	1,640
- real estate investments	295	656	415
- property and equipment	96	82	137
- assets subject to operating leases	53	93	428
- investments for risk of policyholders	54,817	64,158	59,251
- other investments	111	24	19

Net cash flow from investing activities [53)]	**(3,349)**	**3,239**	**(10,003)**
Proceeds from issuance of subordinated loans			2,721
Proceeds from borrowed funds and debt securities	412,804	437,772	391,915
Repayments of borrowed funds and debt securities	(405,120)	(425,182)	(354,015)
Issuance of ordinary shares		7,276	448
Issuance of non-voting equity securities			10,000
Repayment of non-voting equity securities		(5,000)	
Payments to acquire treasury shares	(136)	(101)	(2,388)
Sales of treasury shares	92	118	252
Dividends paid [(1)]		(1,030)	(3,207)
Net cash flow from financing activities	**7,640**	**13,853**	**45,726**
Net cash flow [54)]	**(484)**	**(10,308)**	**48,546**
Cash and cash equivalents at beginning of year	20,959	31,271	(16,811)
Effect of exchange rate changes on cash and cash equivalents	265	(4)	(464)
Cash and cash equivalents at end of year [55)]	**20,740**	**20,959**	**31,271**

(1) 2009 includes payments on non-voting equity securities (payment of the 2008 coupon of EUR 425 million, the repayment premium of EUR 346 million and the coupon in the repayment of EUR 259 million). 2008 includes dividends paid on ordinary shares.

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CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP
For the years ended December 31

As at December 31, 2010 Cash and cash equivalents includes cash and balances with central banks of EUR 13,072 million (2009: EUR 15,390 million; 2008: EUR 22,045 million). Reference is made to Note 55 Cash and Cash equivalents .

References relate to the notes starting on page F-31. These form an integral part of the consolidated annual accounts.

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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 share holders equity (parent)	Non-voting equity securities	Minority interests	Total equity
Balance as at January 1, 2008	**534**	**8,739**	**28,445**	**37,718**		**2,323**	**40,041**
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
Exchange rate differences			(952)	(952)		(134)	(1,086)
Other revaluations						(23)	(23)
Total amount recognized directly in equity			**(13,974)**	**(13,974)**		**(205)**	**(14,179)**
Net result			(3,493)	(3,493)		(37)	(3,530)
			(17,467)	(17,467)		(242)	(17,709)
Issuance costs incurred			(20)	(20)			(20)
Employee stock option and share plans			31	31			31
Issue of non-voting equity securities					10,000		10,000
Changes in the composition of the group						(455)	(455)
Dividends [1]			(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**	**5,403**	**15,080**	**10,000**	**1,594**	**26,674**

Unrealized revaluations after taxation			11,874	11,874		(7)	11,867
Realized gains/losses transferred to profit and loss			1,554	1,554			1,554
Changes in cash flow hedge reserve			(805)	(805)			(805)
Transfer to insurance liabilities/DAC			(2,079)	(2,079)			(2,079)
Exchange rate differences			56	56		3	59
Other revaluations						(9)	(9)
Total amount recognized directly in equity			10,600	10,600		(13)	10,587
Net result			(1,423)	(1,423)		(118)	(1,541)
			9,177	9,177		(131)	9,046
Issuance costs incurred		(222)		(222)			(222)
Employee stock option and share plans			64	64			64
Repayment of non-voting equity securities					(5,000)		(5000)
Changes in the composition of the group						(546)	(546)
Dividend and repayment premium [2]			(605)	(605)		(2)	(607)
Proceeds from rights issue	424	7,074		7,498			7,498
Purchase/sale of treasury shares			129	129			129
Balance as at December 31, 2009	**919**	**16,034**	**14,168**	**31,121**	**5,000**	**915**	**37,036**

(1) 2007 final dividend of EUR 0.82 per ordinary share, 2008 interim dividend of EUR 0.74 per ordinary share and final dividend of EUR 0.425 per non-voting equity security.

(2) The 2009 amount of EUR 605 million includes the coupon (EUR 259 million) and repayment premium (EUR 346 million) on the repayment of EUR 5 billion non-voting equity securities.

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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 share holders equity (parent)	Non-voting equity securities	Minority interests	Total equity
Balance as at January 1, 2010	**919**	**16,034**	**14,168**	**31,121**	**5,000**	**915**	**37,036**
Unrealized revaluations after taxation			2,607	2,607		(4)	2,603
Realized gains/losses transferred to profit and loss			86	86			86
Changes in cash flow hedge reserve			475	475			475
Transfer to insurance liabilities/DAC			(1,644)	(1,644)			(1,644)
Exchange rate differences			2,890	2,890		(6)	2,884
Other revaluations						(3)	(3)
Total amount recognized directly in equity			4,414	4,414		(13)	4,401
Net result			2,777	2,777		105	2,882
			7,191	7,191		92	7,283
Employee stock option and share plans			36	36			36
Changes in the composition of the group						(272)	(272)
Dividend						(6)	(6)
Purchase/sale of treasury shares			22	22			22
Balance as at December 31, 2010	**919**	**16,034**	**21,417**	**38,370**	**5,000**	**729**	**44,099**

Reserves include Revaluation reserve of EUR 4,752 million (2009: EUR 2,466 million; 2008: EUR (8,502) million), Currency translation reserve of EUR 105 million (2009: EUR (2,008) million; 2008: EUR (1,918) million) and Other reserves of EUR 16,560 million (2009: EUR 13,710 million; 2008: EUR 15,823 million). Changes in individual components are presented in Note 13 Shareholders equity (parent)/non-voting equity securities .

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

2.1 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1.1 ACCOUNTING POLICIES FOR THE CONSOLIDATED ANNUAL ACCOUNTS OF ING GROUP

AUTHORIZATION OF ANNUAL ACCOUNTS

The consolidated annual accounts of ING Groep N.V. (ING Group) for the year ended December 31, 2010 were authorized for issue in accordance with a resolution of the Executive Board on March 14, 2011. The Executive Board may decide to amend the annual accounts as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the annual accounts, but may not amend these. ING Groep N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principal activities of ING Group are described in Item 4 Information on the Company .

BASIS OF PRESENTATION

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

The following new or revised standards, interpretations and amendments to standards and interpretations became effective in 2010:

- Amendment to IFRS 1 First-time adoption of IFRS ;
- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended);
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items ;
- IFRIC 17 Distributions of Non-cash Assets to Owners ;
- 2009 Annual improvements to IFRS;
- Amendment to IFRS 2 Group Cash-settled Share-based Payment Transactions ;
- Amendments to IFRS 1 Additional Exemptions for First-time Adopters .

The following new or revised standards and interpretations were issued by the IASB, which become effective for ING Group as of 2011 (unless otherwise indicated)

- Classification of Rights Issues (Amendment to IAS 32);
- Amendment to IAS 24 Related Party Disclosures ;
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement ;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments ;
- Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters ;
- 2010 Annual Improvements to IFRS;
- Amendments to IFRS 7 Disclosures Transfers of Financial Assets , effective as of 2012.

ING Group does not expect the adoption of these new or revised standards and interpretations to have a significant effect on the consolidated financial statements.

Furthermore, in 2009 IFRS 9 Financial Instruments was issued, which is effective as of 2013. Implementation of IFRS 9 may have a significant impact on equity and/or result of ING Group.

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 or (for changes in comparative information) to better align with the current period presentation. Operating segments have changed in 2010 to reflect changes in internal management reporting. The impact of these changes is explained in the relevant notes when significant.

The published 2010 Annual Accounts of ING Group are prepared in accordance with IFRS-EU. IFRS-EU refers to International Financial Reporting Standards (IFRS) as adopted by the European Union

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

(EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU. IFRS-EU differs from IFRS-IASB in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk.

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

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

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

A reconciliation between IFRS-EU and IFRS-IASB is included below.

Both IFRS-EU and IFRS-IASB differ in several areas from accounting principles generally accepted in the United States of America (US GAAP).

Reconciliation shareholders equity and net result under IFRS-IASB and IFRS-EU:

		Shareholders equity				Net result
	2010	2009	2008	2010	2009	2008
In accordance with IFRS-IASB	43,370	36,121	25,080	2,777	(1,423)	(3,492)
Adjustment of the EU IAS 39 carve-out	4,266	3,671	3,015	595	656	3,709
Tax effect of the adjustment	(1,081)	(929)	(761)	(152)	(168)	(946)
Effect of adjustment after tax	**3,185**	**2,742**	**2,254**	**443**	**488**	**2,763**
In accordance with IFRS-EU	**46,555**	**38,863**	**27,334**	**3,220**	**(935)**	**(729)**

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, deferred acquisition costs and value of business acquired, the loan loss provision, the determination of the fair values of real estate and 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 judgments 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 judgments 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 .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

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 behavior 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 expenditure. 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 behavior, mortality and morbidity trends and other factors. 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 behavior, and mortality and morbidity trends. The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expenditure.

The process of defining methodologies and assumptions for insurance provisions, DAC and VOBA is governed by ING Insurance risk management as described in the Risk management section.

Reference is made to 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.

LOAN LOSS PROVISIONS

Loan loss provisions are recognized based on an incurred loss model. Considerable judgment is exercised in determining the extent of the loan loss provision (impairment) and is based on the management s evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit, industry, geographical and concentration trends. Changes in such judgments 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 processes 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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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 a 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 valuations.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values of financial assets and liabilities are determined using quoted market prices where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices may be 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 judgment. The choice of different prices could produce significantly 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 and credit ratings) and customer behavior 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.

Valuation techniques are subjective in nature and significant judgment 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 significantly 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.

Reference is made to Note 34 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 judgments and uncertainties that may have a significant impact on 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 and 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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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 the 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 and 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 cannot 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 impairment may have occurred. Goodwill is tested for impairment by comparing the book value (including goodwill) of the reporting unit to the best estimate of the recoverable amount of that reporting unit. The book value is determined as the IFRS-IASB net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount. A reporting unit is the lowest level at which goodwill is monitored. Intangible assets are tested for impairment by comparing the book value with the best estimate of the 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 judgment 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.

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. If such is the case the excess is then amortized over the employees expected average remaining working lives. Reference is made to Note 21 Other liabilities for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

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 29 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 Group 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 held for sale disposal group if certain conditions are met. Disposal groups (and Non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable and the disposal group (or asset) is available for immediate sale in its present condition; management must be committed to the sale, which should be expected to occur within one year from the date of classification as held for sale.

All intercompany transactions, balances and unrealized surpluses and deficits on transactions between group companies are eliminated. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of ING Groep N.V.

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

USE OF ESTIMATES AND ASSUMPTIONS

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

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

SEGMENT REPORTING

An operating segment is a distinguishable component of the Group, engaged in providing products or services, subject to risks and returns that are different from those of other operating segments. A geographical area is a distinguishable

component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated.

ANALYSIS OF INSURANCE BUSINESS

Where amounts in respect of insurance business are analyzed into life and non-life , health and disability insurance business which is similar in nature to life insurance business is included in life .

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is ING Group s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

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

Exchange rate differences in the profit and loss account are generally included in Net trading income. Reference is made to Note 41 Net trading income , which discloses the amounts included in the profit and loss account. Exchange rate differences relating to the disposal of Available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognized in Investment income. As mentioned in Group companies below any exchange rate difference deferred in equity is recognized in the profit and loss account in Net result on disposals of group companies. Reference is also made to Note 13 Shareholders equity (parent)/non-voting equity securities , which discloses the amounts included in the profit and loss account.

Group companies

The results and financial positions of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet;
- Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange rate differences are recognized in a separate component of equity.

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

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial instruments are based on quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by the Group is the current bid price; the quoted market price

used for financial liabilities is the current ask price.

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The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Reference is made to Note 34 Fair value of financial assets and liabilities for the basis of the determination of the fair value of financial instruments.

FINANCIAL ASSETS

Recognition of financial assets

All purchases and sales of financial assets classified as fair value through profit and loss, held-to-maturity and available-for-sale that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) are recognized at trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognized at settlement date, which is the date on which the Group receives or delivers the asset.

Derecognition of financial assets

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

Realized gains and losses on investments

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

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include equity securities, debt securities, derivatives, loans and receivables and other, and comprise the following sub-categories: trading assets, non-trading derivatives, financial assets designated at fair value through profit and loss by management and investments for risk of policyholders.

A financial asset is classified as at fair value through profit and loss if acquired principally for the purpose of selling in the short term or if so designated by management. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

Investments for risk of policyholders are investments against insurance liabilities for which all changes in fair value of invested assets are offset by similar changes in insurance liabilities. Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit and loss is recognized in Interest income from banking operations and Investment income in the profit and loss account, using the effective interest method.

Dividend income from equity instruments classified as at fair value through profit and loss is generally recognized in Investment income in the profit and loss account when dividend has been declared. Investment result from investments for risk of policyholders is recognized in investment result for risk of policyholders. For derivatives reference is made to the Derivatives and hedge accounting section. For all other financial assets classified as at fair value through profit and loss changes in fair value are recognized in Net trading income.

Investments

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

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liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets include available-for-sale debt securities and available-for-sale equity securities. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortized. Interest income is recognized using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available-for-sale is recognized in Interest income from banking operations and Investment income in the profit and loss account using the effective interest method. Dividend income from equity instruments classified as available-for-sale is generally recognized in Investment income in the profit and loss account when the dividend has been declared. Unrealized gains and losses arising from changes in the fair value are recognized in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as investment income. For impairments of available-for-sale financial assets reference is made to the section Impairments of other financial assets . Investments in prepayment sensitive securities such as Interest-Only and Principal-Only strips are generally classified as available-for-sale.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the positive intent and ability to hold to maturity and which are designated by management as held-to-maturity assets are initially recognized at fair value plus transaction costs. Subsequently, they are carried at amortized cost using the effective interest method less any impairment losses. Interest income from debt securities classified as held-to-maturity is recognized in Interest income in the profit and loss account using the effective interest method. Held-to-maturity investments include only debt securities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs. Subsequently, they are carried at amortized cost using the effective interest method less any impairment losses. Loans and receivables include: Cash and balances with central banks, Amounts due from banks, Loans and advances to customers and Other assets and are reflected in these balance sheet lines. Interest income from loans and receivables is recognized in Interest income and Investment income in the profit and loss account using the effective interest method.

Credit risk management classification

Credit risk management disclosures are provided in the section Risk management . The relationship between credit risk classifications in that section and the consolidated balance sheet classifications above is explained below:

Lending risk arises when ING Group grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the balance sheet classification Loans and advances to customers and off balance sheet items e.g. obligations under financial guarantees and letters of credit;

Investment risk comprises the credit default and migration risk that is associated with ING Group s investment portfolio and mainly relates to the balance sheet classification Investments (available-for-sale and held-to-maturity);

Money market risk arises when ING Group places short term deposits with a counterparty in order to manage excess liquidity and among others relates to the balance sheet classifications Amounts due from banks and Loans and advances to customers;

Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Group has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavorable) market price. The pre-settlement risk classification mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and to securities financing;

Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING Group has paid or delivered its side of the trade. Settlement risk mainly relates to the risk arising on disposal of financial instruments that are classified in the balance sheet as Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and Investments (available-for-sale and held-to-maturity).

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DERIVATIVES AND HEDGE ACCOUNTING

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

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

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit and loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognized in the profit and loss account. An assessment is carried out when the Group first becomes party to the contract. A reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

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

At the inception of the transaction ING Group documents the relationship between hedging instruments and hedged items, its risk management objective, together with the methods selected to assess hedge effectiveness. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedges

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

Cash flow hedges

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

Net investment hedges

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

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Non-trading derivatives that do not qualify for hedge accounting

Derivative instruments that are used by the Group as part of its risk management strategies, but which do not qualify for hedge accounting under ING Group s accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to the profit and loss account.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset, and the net amount reported, in the balance sheet when the Group has a current legally enforceable right to set off the recognized amounts and intends to either settle on a net basis or to realize the asset and settle the liability simultaneously. Offsetting is applied to certain interest rate swaps for which the services of a central clearing house are used. Furthermore, offsetting is also applied to certain current accounts for which the product features and internal procedures allow net presentation under IFRS.

REPURCHASE TRANSACTIONS AND REVERSE REPURCHASE TRANSACTIONS

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

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

IMPAIRMENTS OF LOANS AND ADVANCES TO CUSTOMERS (LOAN LOSS PROVISIONS)

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

- The borrower has sought or has been placed in bankruptcy or similar protection and this leads to the avoidance of or delays in repayment of the financial asset;
- The borrower has failed in the repayment of principal, interest or fees and the payment failure has remained unsolved for a certain period;
- The borrower has demonstrated significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset;
- The credit obligation has been restructured for non-commercial reasons. ING Group has granted concessions, for economic or legal reasons relating to the borrower s financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset; and
- Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by the Group s credit risk systems.

The Group does not consider events that may be expected to occur in the future as objective evidence, and consequently they are not used as a basis for concluding that a financial asset or group of assets is impaired.

In determining the impairment, expected future cash flows 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 currently exist. Losses expected as a result of future events, no matter how likely, are not recognized.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for

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an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors ability to pay all amounts due according to the contractual terms of the assets being evaluated. The collective evaluation of impairment includes the application of a loss confirmation period to default probabilities. The loss confirmation period is a concept which recognizes that there is a period of time between the emergence of impairment triggers and the point-in-time at which those events are captured by the Group s credit risk systems. Accordingly, the application of the loss confirmation period ensures that impairments that are incurred but not yet identified are adequately reflected in the Group s loan loss provision. Although the loss confirmation periods are inherently uncertain, the Group applies estimates to sub-portfolios (e.g. large corporations, small and medium size enterprises and retail portfolios) that reflect factors such as the frequency with which customers in the sub-portfolio disclose credit risk sensitive information and the frequency with which they are subject to review by the Group s account managers. Generally, the frequency increases in relation to the size of the borrower. Loss confirmation periods are based on historical experience and are validated, and revised where necessary, through regular back-testing to ensure that they reflect recent experience and current events.

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

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

IMPAIRMENT OF OTHER FINANCIAL ASSETS

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the specific case of equity investments classified as available-for-sale, (the combination of) a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. Significant and prolonged are interpreted on a case-by-case basis for specific equity securities; generally 25% and 6 months are used as triggers. If any objective evidence exists for available-for-sale debt and equity investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in net result is removed from equity and recognized in the profit and loss account. Impairment losses recognized on equity instruments can never be reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit and loss account, the impairment loss is reversed through the profit and loss account.

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INVESTMENTS IN ASSOCIATES

Associates are all entities over which the Group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:

- Representation on the board of directors;
- Participation in the policymaking process; and
- Interchange of managerial personnel.

Investments in associates are initially recognized at cost and subsequently accounted for using the equity method of accounting.

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

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group s interest in the associates. Unrealized losses are also eliminated unless they provide evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting dates of all material associates are consistent with the reporting date of the Group.

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

REAL ESTATE INVESTMENTS

Real estate investments are stated at fair value at the balance sheet date. Changes in the carrying amount resulting from revaluations are recognized in the profit and loss account. On disposal the difference between the sale proceeds and book value is recognized in the profit and loss account.

The fair value of real estate investments is based on regular appraisals by independent qualified valuers. Each year 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 made by the Group, are monitored as part of the procedures to back test the indexation methodology. All properties are valued independently at least every five years.

The valuations are based on the assumption that the properties are let and sold to third parties based on the actual letting status. Valuations drawn up earlier in the year are updated if necessary to reflect the situation at year end. The fair values are based on market values, being 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. Market values are based on appraisals using valuation methods such as: comparable market transactions, capitalization of income methods or discounted cash flow calculations, based on calculations of the future rental income and expenses in accordance with the terms in existing leases and estimations of the rental values when leases expire.

Any gain or loss arising from a change in fair value is recognized in the income statement. Subsequent expenditures are charged to the asset s carrying amount only when it is probable that future economic benefits associated with the item will flow to ING Group and the cost of an item can be measured reliably. All other repairs and maintenance costs are charged to the income statement.

PROPERTY AND EQUIPMENT

Property in own use

Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying amount arising on revaluation of land and buildings held for own use are credited to the revaluation reserve in shareholders equity. Decreases in the carrying amount that offset previous

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increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognized in net result are recognized in the profit and loss account. Depreciation is recognized based on the fair value and the estimated useful life (in general 20 50 years). Depreciation is calculated on a straight-line basis. On disposal the related revaluation reserve is transferred to retained earnings.

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

Property obtained from foreclosures

Property obtained from foreclosures is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Property obtained from foreclosures is included in Other assets - Property development and obtained from foreclosures.

Property development

Property developed and under development for which ING Group has the intention to sell the property after its completion is included in Other assets Property development and obtained from foreclosures.

Property developed and under development for which ING Group has the intention to sell the property under development after its completion and where there is not yet a specifically negotiated contract is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and ING Group s own directly attributable development and supervision expenses less any impairment losses. Profit is recognized using the completed contract method (on sale date of the property). Impairment is recognized if the estimated selling price in the ordinary course of business, less applicable variable selling expenses is lower than bookvalue.

Property under development for which ING Group has the intention to sell the property under development after its completion and where there is a specifically negotiated contract is valued using the percentage of completion method (pro rata profit recognition). The stage of completion is measured by reference to costs incurred to date as percentage of total estimated costs for each contract.

Property under development is stated at fair value (with changes in fair value recognized in profit and loss) if ING Group has the intention to recognize the property under development after completion as real estate investments.

Equipment

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

Assets under operating leases

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

Disposals

The difference between the proceeds on disposal and net book value is recognized in the profit and loss account under Other income.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs are determined at the weighted average cost of capital of the project.

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LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date.

The Group as the lessee

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

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

The Group as the lessor

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

ACQUISITIONS, GOODWILL AND OTHER INTANGIBLE ASSETS

Acquisitions and goodwill

ING Group s acquisitions are accounted for using the acquisition method of accounting. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and the Group s interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalized as an intangible asset. The results of the operations of the acquired companies are included in the profit and loss account from the date control is obtained.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs, taking into account the initial accounting period below. Changes in the fair value of the contingent consideration classified as equity are not recognized.

As of 2010, following changes to IFRS 3 Business Combinations , where a business combination is achieved in stages, ING Group s previously held interests in the assets and liabilities of the acquired entity are remeasured to fair value at the acquisition date (i.e. the date ING Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of. Acquisition-related costs are recognized in profit or loss as incurred and presented in the profit and loss account as Other operating expenses.

Until 2009, before IFRS 3 Business Combinations was revised the accounting of previously held interests in the assets and liabilities of the acquired entity were not remeasured at the acquisition date and the acquisition-related costs were considered to be part of the total consideration.

The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value can be complex and the time between the acquisition and the preparation of the Annual Accounts can be limited. The initial accounting shall be completed within a year after acquisition.

Goodwill is only capitalized on acquisitions after the implementation date of IFRS-IASB (January 1, 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on these acquisitions were charged directly to shareholders equity. Goodwill is allocated to reporting units for the purpose of impairment testing. These reporting units represent the lowest level at which goodwill is monitored for internal management purposes. This test is performed

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annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the reporting units (including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

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

Computer software

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

Value of business acquired (VOBA)

VOBA is an asset that reflects the present value of estimated net cash flows embedded in the insurance contracts of an acquired company, which existed at the time the company was acquired. It represents the difference between the fair value of insurance liabilities and their book value. VOBA is amortized in a similar manner to the amortization of deferred acquisition costs as described in the section Deferred acquisition costs .

Other intangible assets

Other intangible assets are capitalized and amortized over their expected economic life, which is generally between three and ten years. Intangible assets with an indefinite life are not amortized.

DEFERRED ACQUISITION COSTS

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

For traditional life insurance contracts, certain types of flexible life insurance contracts, and non-life contracts, DAC is amortized over the premium payment period in proportion to the premium revenue recognized.

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

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

For certain products DAC is adjusted for the impact of unrealized results on allocated investments through equity.

TAXATION

Income tax on the net result for the year comprises current and deferred tax. Income tax is recognized in the profit and loss account but it is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognized as an asset where it is probable that future taxable profits will be available against which these losses can be utilized.

Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognized in the profit and loss account together with the deferred gain or loss.

FINANCIAL LIABILITIES

Financial liabilities at amortized cost

Financial liabilities at amortized cost include the following sub-categories: preference shares, other borrowed funds, debt securities in issue, subordinated loans, amounts due to banks and customer deposits and other funds on deposit. Borrowings are recognized initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

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

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss comprise the following sub-categories: trading liabilities, non-trading derivatives and other financial liabilities designated at fair value through profit and loss by management. Trading liabilities include equity securities, debt securities, funds on deposit and derivatives. Designation by management will take place only if it eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. ING Group has designated an insignificant part of the issued debt, related to market-making activities, at fair value through profit and loss. This issued debt consists mainly of own bonds. The designation as fair value through profit and loss eliminates the inconsistency in the timing of the recognition of gains and losses. All other financial liabilities are measured at amortized cost.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are initially recognized at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognized less cumulative amortization to reflect revenue recognition principles.

INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Insurance contracts

Insurance policies which bear significant insurance risk and/or contain discretionary participation features are presented as insurance contracts. Provisions for liabilities under insurance contracts represent estimates of future payouts that will be required for life and non-life insurance claims, including expenses relating to such claims. For some insurance contracts the measurement reflects current market assumptions. Unless indicated otherwise below all changes in the insurance provisions are recognized in profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

Provision for life insurance

The Provision for life insurance is calculated on the basis of a prudent prospective actuarial method, taking into account the conditions for current insurance contracts. Specific methodologies may differ between business units as they may reflect local regulatory requirements and local practices for specific product features in the local markets.

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

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

The as yet unamortized interest rate rebates on periodic and single premium contracts are deducted from the Provision for life insurance. Interest rate rebates granted during the year are capitalized and amortized in conformity with the anticipated recovery pattern and are recognized in the profit and loss account.

In 2009, the methodology for determining the liability for insurance contracts in Japan was revised. The liability for certain guarantees is now measured at the fair value. The impact of this change in accounting policy (at January 1, 2009 and on prior year comparatives) was not material to shareholders equity and the net result of ING Group.

Provision for unearned premiums and unexpired insurance risks

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

Claims provision

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

Deferred profit sharing

For insurance contracts with discretionary participation features a deferred profit sharing amount is recognized for the full amount of the unrealized revaluation on allocated investments. Upon realization, the profit sharing on unrealized revaluation is reversed and a deferred profit sharing amount is recognized for the share of realized results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing amount is reduced by the actual allocation of profit sharing to individual policyholders. The change in the deferred profit sharing amount on unrealized revaluation (net of deferred tax) is recognized in equity in the Revaluation reserve.

Provisions for life insurance for risk of policyholders

For insurance contracts for risk of policyholders the provisions are generally shown at the balance sheet value of the associated investments.

Reinsurance contracts

Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in the same way as the original contracts for which the reinsurance was concluded. If the reinsurers are unable to meet their obligations, the Group remains

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectible.

Adequacy test

The adequacy of the Provision for life insurance, net of unamortized interest rate rebates, DAC and VOBA (the net insurance liabilities), is evaluated regularly by each business unit for the business originated in that business unit. The test considers current estimates of all contractual and related cash flows, and future developments. It includes investment income on the same basis as it is included in the profit and loss account.

If, for any business unit, it is determined, using a best estimate (50%) confidence level, that a shortfall exists, and there are no offsetting amounts within other business units in the Business Line, the shortfall is recognized immediately in the profit and loss account.

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

If the net insurance liabilities are determined to be adequate at above the 90% confidence level, no reduction in the net insurance liabilities is recognized.

As at December 31, 2009, the Legacy Variable Annuity business in the US was inadequate at the 90% confidence level. As there were offsetting amounts within other Group business units, the Group remained adequate at the 90% confidence level. In line with the above policy, specific measures were defined to mitigate the inadequacy in the Legacy Variable Annuity business in the US. These specific measures are effective as of 2010 and result in a limitation of additions to DAC that would otherwise result from negative amortization and unlocking. This limitation of DAC is applied on a quarterly basis and in any year if and when a reserve inadequacy existed at the start of the year. The impact on 2010 was EUR 610 million lower DAC and consequently lower result before tax. In addition, reserve adequacy in Insurance US Closed Block VA improved through the DAC write-down as disclosed in Note 51 Operating segments .

Investment contracts

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

OTHER LIABILITIES

Employee benefits pension obligations

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

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains and losses, and unrecognized past service costs. The defined benefit obligation is calculated annually by internal and external actuaries using the projected unit credit method.

The expected value of the assets is calculated using the expected rate of return on plan assets. Differences between the expected return and the actual return on these plan assets and actuarial changes in the deferred benefit obligation are not recognized in the profit and loss account, unless the

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accumulated differences and changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets.

The excess is charged or credited to the profit and loss account over employees remaining working lives. The corridor was reset to nil at the date of transition to IFRS-IASB.

The value of any plan asset recognized is restricted to the sum of any past service costs not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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

Other post-employment obligations

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

Other provisions

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

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

INCOME RECOGNITION

Gross premium income

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

Interest

Interest income and expense are recognized in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the clean fair value are included in Net trading income and Valuation results on non-trading derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Fees and commissions

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

Lease income

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

EXPENSE RECOGNITION

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

Share-based payments

Share-based payment expenses are recognized as the employees provide the service. A corresponding increase in equity is recognized if the services are received in an equity-settled share-based payment transaction. A liability is recognized if the services are acquired in a cash-settled share-based payment transaction. The cost of acquiring the services is expensed as a staff expense. The fair value of equity-settled share-based payment transactions is measured at the grant date and the fair value of cash-settled share-based payment transactions is measured at each balance sheet date.

GOVERNMENT GRANTS

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, the grant is recognized over the period necessary to match the grant on a systematic basis to the expense that it is intended to compensate. In such case, the grant is deducted from the related expense in the profit and loss account.

EARNINGS PER ORDINARY SHARE

Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding:

- Own shares held by group companies are deducted from the total number of ordinary shares in issue;
- The computation is based on daily averages;
- In case of exercised warrants, the exercise date is taken into consideration.

The non-voting equity securities are not ordinary shares, because their terms and conditions (especially with regard to coupons and voting rights) are significantly different. Therefore, the weighted average number of ordinary shares outstanding during the period is not impacted by the non-voting equity securities.

Due to the rights issue in 2009, the 2008 earnings per share figures have been restated. Reference is made to Note 49 Earnings per ordinary share for a further explanation on the nature and the effect of this restatement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

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

Share options with fixed or determinable terms are treated as options in the calculation of diluted earnings per share, even though they may be contingent on vesting. They are treated as outstanding on the grant date. Performance-based employee share options are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time.

FIDUCIARY ACTIVITIES

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

STATEMENT OF CASH FLOWS

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

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

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

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

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

2.1.2 NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF ING GROUP

ASSETS

1 Cash and balances with central banks

Cash and balances with central banks:

	2010	2009
Amounts held at central banks	7,983	10,989
Cash and bank balances	4,264	3,965
Short term deposits insurance operations	825	436
	13,072	**15,390**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

2 Amounts due from banks

Amounts due from banks:

	Netherlands		International		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Loans and advances to banks	14,416	9,101	34,640	30,641	49,056	39,742
Cash advances, overdrafts and other balances	1,754	2,550	1,039	1,151	2,793	3,701
	16,170	**11,651**	**35,679**	**31,792**	**51,849**	**43,443**
Loan loss provisions			(21)	(46)	(21)	(46)
	16,170	**11,651**	**35,658**	**31,746**	**51,828**	**43,397**

As at December 31, 2010, Amounts due from banks included receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 4,621 million (2009: EUR 2,458 million) and receivables related to finance lease contracts amounting to EUR 82 million (2009: EUR 64 million).
As at December 31, 2010, the non-subordinated receivables amounted to EUR 51,788 million (2009: EUR 43,396 million) and the subordinated receivables amounted to EUR 40 million (2009: EUR 1 million).
No individual amount due from banks has terms and conditions that materially affect the amount, timing or certainty of consolidated cash flows of the Group. For details on significant concentrations see Risk management section.

3 Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss:

	2010	**2009**
Trading assets	125,675	111,444
Investments for risk of policyholders	120,481	104,597
Non-trading derivatives	11,722	11,632
Designated as at fair value through profit and loss	6,016	5,517
	263,894	**233,190**

Trading assets by type:

	2010	**2009**
Equity securities	5,861	2,732
Debt securities	27,979	25,287
Derivatives	42,390	41,450
Loans and receivables	49,445	41,975
	125,675	**111,444**

As at December 31, 2010, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 69 million (2009: EUR 175 million) and nil (2009: nil), respectively. As at December 31, 2010, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 65 million (2009: EUR 325 million) and EUR 667 million (2009: EUR 353 million),

respectively.

As at December 31, 2010, Trading assets included receivables of EUR 47,894 million (2009: EUR 40,940 million) with regard to reverse repurchase transactions.

Investments for risk of policyholder by type:

	2010	**2009**
Equity securities	109,191	93,268
Debt securities	8,944	8,215
Loans and receivables	2,346	3,114
	120,481	**104,597**

The cost of investments for risk of policyholders as at December 31, 2010 was EUR 113,879 million (2009: EUR 106,904 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

Investments in investment funds (with underlying investments in debt, equity securities, real estate and derivatives) are included under equity securities.

Non-trading derivatives by type:

	2010	2009
Derivatives used in:		
- fair value hedges	4,127	2,727
- cash flow hedges	4,440	5,521
- hedges of net investments in foreign operations	81	38
Other non-trading derivatives	3,074	3,346
	11,722	**11,632**

Other non-trading derivatives include mainly interest rate swaps for which no hedge accounting is applied.

Designated as at fair value through profit and loss by type:

	2010	2009
Equity securities	392	392
Debt securities	3,672	3,478
Loans and receivables	570	524
Other	1,382	1,123
	6,016	**5,517**

Included in the Financial assets designated as at fair value through profit and loss is a portfolio of loans and receivables which is economically hedged by credit derivatives. The hedges do not meet the criteria for hedge accounting and the loans are recorded at fair value to avoid an accounting mismatch. The maximum credit exposure of the loans and receivables included in Financial assets designated as at fair value through profit and loss approximates its carrying value. The cumulative change in fair value of the loans attributable to changes in credit risk amounts to a gain of EUR 29 million (2009: EUR 24 million) and the change for the current year is EUR 5 million.

The notional value of the related credit derivatives is EUR 205 million (2009: EUR 79 million). The change in fair value of the credit derivatives attributable to changes in credit risk since the loans were first designated was nil (2009: nil) and the change for the current year was nil (2009: nil).

The changes in fair value of the (designated) loans attributable to changes in credit risk have been calculated by determining the changes in credit spread implicit in the fair value of bonds issued by entities with similar credit characteristics.

Other includes investments in private equity funds, hedge funds, other non-traditional investment vehicles and limited partnerships.

4 Investments

Investments by type:

	2010	2009
Available-for-sale		
- equity securities	9,754	8,853
- debt securities	212,793	188,850
	222,547	**197,703**

Held-to-maturity		
- debt securities	11,693	14,409
	11,693	**14,409**
	234,240	**212,112**

The fair value of the securities classified as held to maturity amounts to EUR 11,854 million as at December 31, 2010 (2009: EUR 14,809 million).

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Changes in investments available-for-sale and held-to-maturity:

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity			Total
	2010	2009	2010	2009	2010	2009	2010	2009
Opening balance	8,853	8,822	188,850	234,030	14,409	15,440	212,112	258,292
Additions	2,381	1,590	160,658	161,312	141		163,180	162,902
Amortization			(103)	84	(13)	(30)	(116)	54
Transfers and reclassifications	12	19	282	(29,651)	(282)	689	12	(28,943)
Changes in the composition of the group and other changes	(5)	(1,354)	(23)	(4,223)			(28)	(5,577)
Changes in the unrealized revaluations	642	3,151	5,001	14,994			5,643	18,145
Impairments	(75)	(409)	(735)	(2,077)			(810)	(2,486)
Reversal of impairments			10	2			10	2
Disposals and redemptions	(2,228)	(3,052)	(150,569)	(186,968)	(2,620)	(1,675)	(155,417)	(191,695)
Exchange rate differences	174	86	9,422	1,347	58	(15)	9,654	1,418
Closing balance	**9,754**	**8,853**	**212,793**	**188,850**	**11,693**	**14,409**	**234,240**	**212,112**

Included in transfers and reclassifications of available-for-sale and held-to-maturity investments:

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity			Total
	2010	2009	2010	2009	2010	2009	2010	2009
To/from held-to-maturity			282	(689)			282	(689)
To/from available-for-sale					(282)	689	(282)	689
To/from loans and advances to customers/amounts due from banks		10		(28,962)				(28,952)
To/from investments in associates	12	9					12	9
	12	**19**	**282**	**(29,651)**	**(282)**	**689**	**12**	**(28,943)**

Held-to-maturity debt securities sale and reclassification to available-for-sale investments (2010)

In the second quarter of 2010 EUR 51 million of Greek government bonds that were classified as held-to-maturity investments were sold. Furthermore, EUR 282 million of Greek government bonds were reclassified from held-to-maturity to available-for-sale investments. As the decisions to sell and reclassify were based on the significant deterioration in the issuer s creditworthiness compared to the credit rating at initial recognition, this sale and reclassification does not impact the intent for the remainder of the held-to-maturity investment portfolio.

Reclassifications to investments held to maturity (2009)

In 2009 ING Group reclassified EUR 689 million of available-for-sale investments to held-to-maturity. The reclassification resulted from reduction in market liquidity for these assets; ING Group has the intent and ability to hold these assets until maturity.

Reclassifications to Loans and advances to customers and Amounts due from banks (2009 and 2008)

Reclassifications out of available-for-sale investments to loans and receivables are allowed under IFRS-IASB as of the third quarter of 2008. In the second and first quarter of 2009 and in the fourth quarter of 2008 ING Group reclassified certain financial assets from Investments available-for-sale to Loans and advances to customers and Amounts due from banks. The Group identified assets, eligible for reclassification, for which at the reclassification date it had an intent to hold for the foreseeable future. The table below provides information on the three reclassifications made in the fourth quarter of 2008 and the first and second quarter of 2009. Information is provided for each of the three reclassifications (see columns) as at the date of reclassification and as at the end of the subsequent reporting periods (see rows). This information is disclosed under IFRS-IASB as long as the reclassified assets continue to be recognized in the balance sheet.

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Reclassifications to loans and advances to customers and amounts due from banks:

	Q2 2009	Q1 2009	Q4 2008
As per reclassification date			
Fair value	6,135	22,828	1,594
Effective interest rate (weighted average)	1.4% - 24.8%	2.1% - 11.7%	4.1% - 21%
Expected recoverable cash flows	7,118	24,052	1,646
Unrealized fair value losses in shareholders equity (before tax)	(896)	(1,224)	(69)
Recognized fair value gains (losses) in shareholders equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	173	nil	(79)
Recognized impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil	nil	nil
2010			
Carrying value as at December 31	6,418	16,906	857
Fair value as at December 31	6,546	16,099	889
Unrealized fair value losses recognized in shareholders equity (before tax) as at December 31	(491)	(633)	(65)
Effect on shareholders equity (before tax) if reclassification had not been made	128	(807)	32
Effect on result (before tax) if reclassification had not been made	nil	nil	nil
Effect on result (before tax) for the year (mainly interest income)	78	467	34
Recognized impairments (before tax)	nil	nil	nil
Recognized provision for credit losses (before tax)	nil	nil	nil
2009			
Carrying value as at December 31	6,147	20,551	1,189
Fair value as at December 31	6,472	20,175	1,184
Unrealized fair value losses in shareholders equity (before tax) as at December 31	(734)	(902)	(67)
Effect on shareholders equity (before tax) if reclassification had not been made	325	(376)	(5)
Effect on result (before tax) if reclassification had not been made	nil	nil	nil
Effect on result (before tax) after the reclassification until December 31 (mainly interest income)	54	629	n/a
Effect on result (before tax) for the year (mainly interest income)	n/a	n/a	47
Recognized impairments (before tax)	nil	nil	nil
Recognized provision for credit losses (before tax)	nil	nil	nil

2008			
Carrying value as at December 31			1,592
Fair value as at December 31			1,565
Unrealized fair value losses recognized in shareholders equity (before tax) as at December 31	(971)	(192)	(79)
Effect on shareholders equity (before tax) if reclassification had not been made	n/a	n/a	(28)
Effect on result (before tax) if reclassification had not been made	n/a	n/a	nil
Effect on result (before tax) after the reclassification until December 31 (mainly interest income)	n/a	n/a	9
Recognized impairments (before tax)	nil	nil	nil
Recognized provision for credit losses (before tax)	n/a	n/a	nil
2007			
Unrealized fair value losses recognized in shareholders equity (before tax) as at December 31			(20)
Recognized impairments (before tax)			nil

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Derecognition of Available-for-sale debt securities Transaction with the Dutch State (2009)

ING Group and the Dutch government (State) reached an agreement on an Illiquid Assets Back-Up Facility (IABF) on January 26, 2009; the transaction closed on March 31, 2009. Under the IABF, ING has transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. This portfolio was included in Available-for-sale debt securities. Reference is made to Note 33 Related parties for more details.

Available-for-sale equity securities by banking and insurance operations:

		Listed		Unlisted		Total
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Banking operations	2,159	3,209	582	473	2,741	3,682
Insurance operations	4,438	3,257	2,575	1,914	7,013	5,171
	6,597	**6,466**	**3,157**	**2,387**	**9,754**	**8,853**

Debt securities by banking and insurance operations:

	Available-for-sale		Held-to-maturity			Total
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Banking operations	96,459	88,500	11,693	14,409	108,152	102,909
Insurance operations	116,334	100,350			116,334	100,350
	212,793	**188,850**	**11,693**	**14,409**	**224,486**	**203,259**

As at December 31, 2010, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 3,302 million (2009: EUR 6,853 million) and EUR 14,617 million (2009: EUR 20,900 million), respectively.

Investments in connection with the insurance operations with a combined carrying value of EUR 6 million (2009: EUR 26 million) did not produce any income for the year ended December 31, 2010.

Exposure to debt securities

ING Group s exposure to debt securities is included in the following balance sheet lines:

Debt securities:

	2010	**2009**
Available-for-sale investments	212,793	188,850
Held-to-maturity investments	11,693	14,409
Loans and advances to customers	34,251	38,391
Due from banks	8,122	8,720
Available-for-sale investments and Assets at amortised cost	**266,859**	**250,370**
Trading assets	27,979	25,287
Investments for risk of policyholders	8,944	8,215
Designated as at fair value through profit and loss	3,672	3,477
Financial assets at fair value through profit and loss	**40,595**	**36,979**
	307,454	**287,349**

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ING Group s total exposure to debt securities included in available-for-sale investments and assets at amortized cost of EUR 266,859 million (2009: EUR 250,373 million) is specified as follows by type of exposure and by banking and insurance operations:

Debt securities by type and by banking and insurance operations:

	Banking operations		Insurance operations		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Government bonds	51,960	47,955	48,455	41,417	100,415	89,372
Covered bonds	28,947	31,986	1,327	1,605	30,274	33,591
Corporate bonds	1,066	978	38,404	29,611	39,740	30,589
Financial institution bonds	25,863	25,727	13,047	13,696	38,910	39,423
Bond portfolio (excluding ABS)	**107,836**	**106,646**	**101,233**	**86,329**	**209,069**	**192,975**
US agency RMBS	10,930	8,280	4,799	4,347	15,729	12,627
US prime RMBS	706	877	1,625	1,310	2,331	2,187
US Alt-A RMBS	2,431	2,560	358	336	2,789	2,896
US subprime RMBS	87	59	1,560	1,368	1,647	1,427
Non-US RMBS	14,677	16,836	5,174	4,569	19,851	21,405
CDO/CLO	574	575	731	936	1,305	1,511
Other ABS	4,490	5,542	2,429	2,222	6,919	7,764
CMBS	2,409	2,507	4,810	5,071	7,219	7,578
ABS portfolio	**36,304**	**37,236**	**21,486**	**20,159**	**57,790**	**57,395**
	144,140	**143,882**	**122,719**	**106,448**	**266,859**	**250,370**

Further comments on the ABS portfolio and the Bond portfolio (excluding ABS), including pressurized ABS and pressurized Greek and Irish Government and Financial Institution bonds, is provided in the Risk management section under Impact on pressurized asset classes .

5 Loans and advances to customers

Loans and advances to customers by banking and insurance operations:

	2010	**2009**
Banking operations	584,773	551,011
Insurance operations	31,065	29,060
	615,838	**580,071**
Eliminations	(6,900)	(4,796)
	608,938	**575,275**

Loans and advances to customers by type banking operations:

	Netherlands		International		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Loans to, or guaranteed by, public authorities	28,671	28,149	27,282	22,933	55,953	51,082
Loans secured by mortgages	157,672	156,319	172,801	147,484	330,473	303,803
Loans guaranteed by credit institutions	308	468	5,460	6,228	5,768	6,696
Personal lending	5,125	4,972	16,618	14,988	21,743	19,960
Asset backed securities			18,605	21,831	18,605	21,831
Corporate loans	53,785	52,888	103,620	99,104	157,405	151,992
	245,561	**242,796**	**344,386**	**312,568**	**589,947**	**555,364**
Loan loss provisions	(1,932)	(1,461)	(3,242)	(2,892)	(5,174)	(4,353)
	243,629	**241,335**	**341,144**	**309,676**	**584,773**	**551,011**

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Loans and advances to customers analyzed by subordination banking operations:

	2010	2009
Non-subordinated	579,350	550,596
Subordinated	5,423	415
	584,773	**551,011**

Loans and advances to customers by type insurance operations:

	Netherlands		International			Total
	2010	2009	2010	2009	2010	2009
Policy loans	47	50	3,180	2,853	3,227	2,903
Loans secured by mortgages	6,594	6,700	7,169	7,368	13,763	14,068
Unsecured loans	3,046	2,228	3,137	2,072	6,183	4,300
Asset backed securities	6,385	6,138			6,385	6,138
Other	442	427	1,182	1,335	1,624	1,762
	16,514	**15,543**	**14,668**	**13,628**	**31,182**	**29,171**
Loan loss provisions	(71)	(52)	(46)	(59)	(117)	(111)
	16,443	**15,491**	**14,622**	**13,569**	**31,065**	**29,060**

As at December 31, 2010, Loans and advances to customers included receivables with regard to securities which have been acquired in reverse repurchase transactions related to the banking operations amounting to EUR 1,609 million (2009: EUR 2,409 million).

No individual loan or advance has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group. For details on significant concentrations see Risk management section.

Loans and advances to customers and Amounts due from banks include finance lease receivables, are detailed as follows:

Finance lease receivables:

	2010	2009
Maturities of gross investment in finance lease receivables:		
- within 1 year	5,060	5,163
- more than 1 year but less than 5 years	9,700	9,739
- more than 5 years	6,089	6,041
	20,849	**20,943**
Unearned future finance income on finance leases	(3,328)	(3,783)
Net investments in finance leases	**17,521**	**17,160**

Maturities of net investment in finance lease receivables:

- within 1 year	4,363	4,365
- more than 1 year but less than 5 years	8,294	8,088
- more than 5 years	4,864	4,707
	17,521	**17,160**
Included in Amounts due from banks	82	64
Included in Loans and advances to customers	17,439	17,096
	17,521	**17,160**

The allowance for uncollectible finance lease receivables included in the loan loss provisions amounted to EUR 177 million as at December 31, 2010 (2009: EUR 161 million).

No individual finance lease receivable has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group.

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Loan loss provisions analyzed by type banking operations:

	Netherlands		International		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Loans to, or guaranteed by, public authorities			3	3	3	3
Loans secured by mortgages	416	290	1,183	1,066	1,599	1,356
Loans guaranteed by credit institutions	1		22	47	23	47
Personal lending	131	254	536	436	667	690
Asset backed securities				15		15
Corporate loans	1,384	917	1,519	1,371	2,903	2,288
	1,932	**1,461**	**3,263**	**2,938**	**5,195**	**4,399**
The closing balance is included in:						
- Amounts due from banks			21	46	21	46
- Loans and advances to customers	1,932	1,461	3,242	2,892	5,174	4,353
	1,932	**1,461**	**3,263**	**2,938**	**5,195**	**4,399**

Changes in loan loss provisions:

	Banking operations		Insurance operations		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Opening balance	4,399	2,611	111	59	4,510	2,670
Changes in the composition of the group		(3)		(3)		(6)
Write-offs	(1,166)	(1,217)	(42)	(13)	(1,208)	(1,230)
Recoveries	105	148	1	1	106	149
Increase in loan loss provisions	1,751	2,973	41	67	1,792	3,040
Exchange rate differences	155	(47)	6		161	(47)
Other changes	(49)	(66)			(49)	(66)
Closing balance	**5,195**	**4,399**	**117**	**111**	**5,312**	**4,510**

The increase in loan loss provisions relating to insurance operations is presented under Investment income. The increase in the loan loss provisions relating to banking operations is presented under Addition to loan loss provisions on the face of the profit and loss account.

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6 Investments in associates

Investments in associates:

2010	Interest held (%)	Fair value of listed Investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30	773	565	14,055	12,826	321	262
Sul America S.A.	36	948	388	5,223	4,178	3,749	3,307
ING Dutch Retail Master Fund C.V.	15		201	1,643	267	146	34
ING Dutch Office Master Fund C.V.	16		195	1,480	268	67	24
ING Retail Property Fund Iberica LP	29		144	1,635	1,122	149	86
ING Dutch Residential Master Fund C.V.	13		111	1,004	180	52	20
ING Real Estate Asia Retail Fund	28		107	782	450	51	53
ING Dutch Office Master Fund II C.V.	16		101	755	129	45	29
ING Lionbrook Property Partnership LP	21		96	620	171	77	19
ING Vastgoed Kantoren C.V.	10		90	945	46	75	40
ING Vastgoed Winkels C.V.	10		89	900	5	90	20
Lion Properties Fund	4		86	3,412	1,428	1,606	1,150
Lion Industrial Trust	8		85	2,691	1,583	247	130
ING Industrial Fund Australia	8	81	85	1,830	756	162	86
ING Real Estate French Residential Fund C.V.	45		76	233	63	20	8
ING Property Fund Central Europe LP	25		74	806	510	66	37
Steadfast Capital Fund II LP	68		74	145		3	2
ING Retail Property Fund France Belgium C.V.	15		70	1,382	916	102	56
Lion Value Fund	30		69	341	109	53	10
	13		63	612	143	22	18

ING Dutch Residential Master Fund II C.V.							
ING Real Estate Nordic Property Fund FGR	15		61	940	543	81	59
ING REI Investment DOF B.V.	3		59	2,235	414	199	175
ING Retail Property Partnership Southern Europe C.V.	21		52	1,001	759	48	67
ING Real Estate European Industrial Fund C.V.	15		50	647	308	42	28
Other investments in associates			934				
			3,925				

Other investments in associates represents a large number of associates with an individual balance sheet value of less than EUR 50 million.
Accumulated impairments of EUR 71 million (2009: EUR 59 million) have been recognized.
For the above associates in which the interest held is below 20%, significant influence exists based on the combination of ING Group s financial interest for own risk and its role as investment manager. For the above associates in which the interest held is above 50%, control is held by other parties through agreements. ING Group can exercise significant influence over such investments.
The values presented in the table above could differ from the values presented in the individual annual accounts of the associates, due to the fact that the individual values have been brought in line with ING Group s accounting principles.
In general, the reporting dates of all material associates are consistent with the reporting date of the Group. However, for practical reasons, the reporting dates of certain associates differ slightly from with the reporting date of the Group, but, in any case, the difference between the reporting date of the associates and that of the Group is no more than three months.

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Where the listed fair value is lower than the balance sheet value, an impairment review and an evaluation of the going concern basis has been performed.

Investments in associates:

2009	Interest held (%)	Fair value of listed Investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30	338	457	11,474	10,503	309	281
Sul America S.A.	36	694	288	4,714	3,904	3,360	3,138
ING Dutch Retail Master Fund C.V.	16		210	1,642	310	56	37
ING Dutch Office Master Fund C.V.	16		201	1,527	285	(12)	30
ING Lionbrook Property Partnership LP	33		151	572	148	27	20
ING Retail Property Fund Iberica LP	30		140	1,635	1,156	(51)	50
ING Dutch Residential Master Fund C.V.	13		111	1,019	194	(34)	22
ING Retail Property Fund Australia	29		107	886	479	20	65
ING Dutch Office Master Fund II C.V.	16		104	775	129	31	27
ING Real Estate Asia Retail Fund	28		99	723	417	(46)	140
ING Vastgoed Kantoren C.V.	10		89	952	44	10	33
ING Vastgoed Winkels C.V.	10		87	870	5	53	19
ING Industrial Fund Australia	8	61	78	2,265	1,343	344	387
Lion Industrial Trust	10		72	2,374	1,640	(174)	729
ING Retail Property Fund France Belgium C.V.	15		71	1,381	909	2	87
ING Real Estate French Residential Fund C.V.	45		67	233	83	(1)	8
ING Property Fund Central Europe LP	25		67	806	540	(25)	52
ING REI Investment DOF B.V.	3		66	2,402	514	(215)	266
	13		65	626	141	(25)	26

ING Dutch Residential Master Fund II C.V. Lion Properties Fund	5	65	2,766	1,506	(226)	1,167
ING Real Estate Nordic Property Fund FGR	16	56	940	588	(7)	52
Steadfast Capital Fund II LP	68	56	83		2	6
ING Retail Property Partnership Southern Europe C.V.	21	55	1,001	745	(27)	69
ING Logistics Property Fund Europe C.V.	25	51	467	263	(22)	23
Other investments in associates		886				
		3,699				

Changes in investments in associates:

	2010	2009
Opening balance	3,699	4,355
Additions	165	180
Changes in the composition of the group	(29)	(96)
Transfers to and from Investments	(12)	(9)
Revaluations	(2)	19
Share of results	317	(458)
Dividends received	(229)	(126)
Disposals	(232)	(294)
Impairments	(3)	(3)
Exchange rate differences	251	131
Closing balance	**3,925**	**3,699**

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In 2010, share of results of EUR 317 million (2009: EUR (458) million) and impairments of EUR (3) million (2009: EUR (3) million) are presented in the profit and loss account in Share of profit from associates for EUR 314 million (2009: EUR (461) million).

7 Real estate investments

Changes in real estate investments:

	2010	2009
Opening balance	3,638	4,300
Additions	73	130
Changes in the composition of the group	(1,632)	(54)
Transfers to and from Property in own use		58
Transfers to and from Other assets	(23)	322
Fair value gains/(losses)	(98)	(713)
Disposals	(295)	(656)
Exchange rate differences	237	251
Closing balance	**1,900**	**3,638**

In 2010, Changes in the composition of the group comprises the sale of ING Summit Industrial Fund LP. Reference is made to Note 30 Companies acquired and companies disposed .

Real estate investments by banking and insurance operations:

	2010	2009
Banking operations	837	2,569
Insurance operations	1,063	1,069
	1,900	**3,638**

The total amount of rental income recognized in the profit and loss account for the year ended December 31, 2010 was EUR 304 million (2009: EUR 345 million). The total amount of contingent rent recognized in the profit and loss account for the year ended December 31, 2010 was EUR 14 million (2009: EUR 8 million).

The total amount of direct operating expenses (including repairs and maintenance) incurred from Real estate investments that generated rental income for the year ended December 31, 2010 was EUR 113 million (2009: EUR 87 million). The total amount of direct operating expenses (including repairs and maintenance) incurred from Real estate investments that did not generate rental income for the year ended December 31, 2010 was EUR 6 million (2009: EUR 46 million).

Real estate investments by year of most recent appraisal by independent qualified valuers:

in percentages	2010
Most recent appraisal in 2010	97
Most recent appraisal in 2009	3
	100

ING Group s exposure to real estate is included in the following balance sheet lines:

Real estate exposure:

	2010	2009
Real estate investments	1,900	3,638
Investments in associates	2,568	2,580
Other assets property development and obtained from foreclosures	2,153	2,515
Property and equipment property in own use	1,642	1,686
Investments available-for-sale	633	689
	8,896	**11,108**

Furthermore, the exposure is impacted by third party interests, leverage in funds and off-balance commitments, resulting in an overall exposure of EUR 11.1 billion (2009: EUR 13.1 billion) of which EUR 5.2 billion (2009: EUR 7.0 billion) relates to banking operations and EUR 5.9 billion (2009: EUR 6.1 billion) relates to insurance operations. Reference is made to the section Risk management .

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8 Property and equipment

Property and equipment by type:

	2010	2009
Property in own use	1,642	1,686
Equipment	1,435	1,442
Assets under operating leases	3,055	2,991
	6,132	**6,119**

Property in own use by banking and insurance operations:

	2010	2009
Banking operations	1,329	1,364
Insurance operations	313	322
	1,642	**1,686**

Changes in property in own use:

	2010	2009
Opening balance	1,686	1,841
Additions	51	46
Changes in the composition of the group		(2)
Transfers to and from Real estate investments		(58)
Transfers to and from Other assets	(4)	(24)
Depreciation	(31)	(33)
Revaluations	(20)	(51)
Impairments	(27)	(8)
Reversal of impairments	5	12
Disposals	(43)	(37)
Exchange rate differences	25	(1)
Other changes		1
Closing balance	**1,642**	**1,686**
Gross carrying amount as at December 31	2,487	2,574
Accumulated depreciation as at December 31	(700)	(764)
Accumulated impairments as at December 31	(145)	(124)
Net book value	**1,642**	**1,686**
Revaluation surplus		
Opening balance	531	606
Revaluation in year	(3)	(3)

Released in year		(72)
Closing balance	**528**	**531**

The cost or the purchase price amounted to EUR 1,959 million (2009: EUR 2,043 million). Cost less accumulated depreciation and impairments would have been EUR 1,114 million (2009: EUR 1,155 million).
Property in own use by year of most recent appraisal by independent qualified valuers:

in percentages	**2010**
Most recent appraisal in 2010	51
Most recent appraisal in 2009	14
Most recent appraisal in 2008	25
Most recent appraisal in 2007	2
Most recent appraisal in 2006	8
	100

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Changes in equipment:

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Opening balance	344	320	1,098	1,087	1,442	1,407
Additions	192	189	284	407	476	596
Changes in the composition of the group	(4)	(9)	(7)	(88)	(11)	(97)
Disposals	(12)	(13)	(41)	(32)	(53)	(45)
Depreciation	(167)	(155)	(262)	(261)	(429)	(416)
Impairments	(1)				(1)	
Exchange rate differences	12	6	20	4	32	10
Other changes	12	6	(33)	(19)	(21)	(13)
Closing Balance	**376**	**344**	**1,059**	**1,098**	**1,435**	**1,442**
Gross carrying amount as at December 31	1,707	1,593	2,642	3,084	4,349	4,677
Accumulated depreciation as at December 31	(1,330)	(1,249)	(1,583)	(1,986)	(2,913)	(3,235)
Accumulated impairments as at December 31	(1)				(1)	
Net book value	**376**	**344**	**1,059**	**1,098**	**1,435**	**1,442**

Changes in assets under operating leases:

	Cars		Other leased-out assets		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Opening balance	2,986	3,140	5	8	2,991	3,148
Additions	1,284	1,034			1,284	1,034
Changes in the composition of the group	(3)				(3)	
Disposals	(53)	(93)			(53)	(93)
Depreciation	(784)	(789)	(3)	(3)	(787)	(792)
Exchange rate differences	13	28			13	28
Transfer and other changes	(390)	(334)			(390)	(334)
Closing Balance	**3,053**	**2,986**	**2**	**5**	**3,055**	**2,991**
Gross carrying amount as at December 31	4,617	4,516	18	27	4,635	4,543
	(1,564)	(1,530)	(16)	(22)	(1,580)	(1,552)

Accumulated depreciation as at December 31						
Net book value	**3,053**	**2,986**	**2**	**5**	**3,055**	**2,991**

Transfer and other changes relates mainly to the transfer of cars under operating lease to Other assets due to the expiration of the lease contract.
Depreciation of assets under operating leases is included in the profit and loss account in Other income as a deduction from operating lease income.
No individual operating lease has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group.
The Group leases assets to third parties under operating leases as lessor. The future minimum lease payments to be received under non cancellable operating leases are as follows:
Future minimum lease payments by maturity:

	2010	**2009**
Within 1 year	1,155	1,094
More than 1 year but less than 5 years	1,887	1,893
More than 5 years	13	4
	3,055	**2,991**

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9 Intangible assets

Changes in intangible assets:

	Value of Business acquired		Goodwill		Software		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Opening balance	1,502	2,084	3,071	3,070	803	881	645	880	6,021	6,915
Additions				39	223	188	1	3	224	230
Capitalized expenses	90	79			148	132			238	211
Amortization and unlocking	(113)	(120)			(358)	(342)	(118)	(120)	(589)	(582)
Impairments			(540)		(31)			(9)	(571)	(9)
Effect of unrealized revaluations in equity	(286)	(482)							(286)	(482)
Changes in the composition of the group		(11)	3	(94)	(49)	(62)	(31)	(143)	(77)	(310)
Exchange rate differences	127	(48)	238	62	13	10	48	36	426	60
Disposals			(7)	(6)	5	(4)	(12)	(2)	(14)	(12)
Closing Balance	**1,320**	**1,502**	**2,765**	**3,071**	**754**	**803**	**533**	**645**	**5,372**	**6,021**
Gross carrying amount as at December 31	2,449	2,518	3,370	3,136	2,557	2,217	1,013	1,007	9,389	8,878
Accumulated amortization as at December 31	(1,129)	(1,016)			(1,751)	(1,393)	(426)	(308)	(3,306)	(2,717)
Accumulated impairments as at December 31			(605)	(65)	(52)	(21)	(54)	(54)	(711)	(140)
Net book value	**1,320**	**1,502**	**2,765**	**3,071**	**754**	**803**	**533**	**645**	**5,372**	**6,021**

Amortization of software and other intangible assets is included in the profit and loss account in Other operating expenses and Intangible amortization and other impairments. Amortization of VOBA is included in Underwriting expenditure.

Goodwill

Changes in Goodwill

There were no additions to goodwill in 2010. Additions to Goodwill in 2009 mainly relate to the consolidation of 3W Holding BV (EUR 26 million) and to the extension of ING Group s Interhyp AG share of EUR 7 million. A goodwill impairment of EUR 540 million was recognized in 2010. The impairment relates to the reporting unit Insurance US. There was no goodwill impairment in 2009. All other changes in goodwill are mainly caused by foreign exchange rate differences.

Allocation of Goodwill to reporting units

Goodwill is allocated to reporting units as follows:

Goodwill allocation to reporting units:

	2010	**2009**
Retail Central Europe	870	834
Retail Belgium	49	49
Retail Netherlands	1	1
ING Direct	468	460
Commercial Banking Lease	68	66
ING Real Estate	31	39
Commercial Banking Other	15	14
Insurance Benelux	48	48
Insurance Central & Rest of Europe	123	122
Insurance Latin America	680	591
Insurance US*		483
Insurance Asia/Pacific South Korea	192	171
Insurance Asia/Pacific Rest of Asia	2	2
ING Investment Management	218	191
	2,765	**3,071**

* Excluding US Closed Block VA

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As of 2010 ING Investment Management is a separate reporting unit following the change in operating segments as explained in Note 51 Operating Segments .

Goodwill impairment testing

Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes. This level is defined as the so called reporting units as set out above. Goodwill is tested for impairment by comparing the book value of the reporting unit to the best estimate of the recoverable amount of that reporting unit. The book value is determined as the IFRS-IASB net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount.

As a first step of the impairment test, the best estimate of the recoverable amount of reporting units to which goodwill is determined separately for each relevant reporting unit based on Price to Earnings, Price to Book, and Price to Assets under management ratios. The main assumptions in this valuation are the multiples for Price to Earnings, Price to Book and Price to Assets under management; these are developed internally but are either derived from or corroborated against market information that is related to observable transaction in the market for comparable businesses. Earnings and book values are equal to or derived from the relevant measure under IFRS-IASB. If the outcome of this first step indicates that the difference between recoverable amount and book value may not be sufficient to support the amount of goodwill allocated to the reporting unit, an additional analysis is performed in order to determine a recoverable amount in a manner that better addresses the specific characteristics of the relevant reporting unit.

More details on this additional analysis and the outcome thereof are presented below for each of the relevant reporting units. For other reporting units, the goodwill allocated to these reporting units was fully supported in the first step.

Insurance US

Due to the unfavorable market circumstances for Insurance, including the low interest rate environment, there were indications in the third quarter of 2010 that the recoverable amount of the reporting unit Insurance US had fallen below book value. As a result, a full goodwill impairment review was performed for the reporting unit Insurance US in the third quarter of 2010. The reporting unit Insurance US equals the segment Insurance US as disclosed in Note 51 Operating segments . The 2009 impairment test for Insurance US showed that the recoverable amount based on fair value (using market multiples for Price/Book and Price/Earnings of listed peer companies) was at least equal to book value. The outcome of the impairment test performed in the third quarter of 2010 indicated that the fair value has become less than book value by an amount that exceeded the goodwill of Insurance US, indicating that the full amount of goodwill relating to Insurance US is impaired. Further analysis of the recoverable amount confirmed the impairment. As a result, the goodwill of EUR 540 million (pre-tax) was written down. The related charge is included in the profit and loss account in the line Intangibles amortization and other impairments . Goodwill is recognized in the Corporate Line segment and, therefore, this charge is included in the segment reporting in the Corporate Line Insurance segment.

Retail Central Europe

For the reporting unit Retail Central Europe the recoverable amount is determined as the sum of the recoverable amounts of the most important components. For certain components, a market price is available based on listed equity securities. In such case, the listed market price is used to determine the recoverable amount. For certain components, a full internal valuation was performed upon acquisition. In such case, the recoverable amount is determined by updating the acquisition model for business and market related developments. The most important assumptions in the acquisition model are the estimated short term expected profit, the terminal growth rate (3.5% approximately) and the discount rate (between 10.8% and 12.8%). Based on this determination of recoverable amount, it was concluded that the goodwill allocated to Retail Central Europe is not impaired.

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10 Deferred acquisition costs

Changes in deferred acquisition costs:

	Investment contracts		Life Insurance		Non-life insurance		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Opening balance	0	89	11,355	11,489	43	265	11,398	11,843
Capitalized		9	1,550	1,609	12	12	1,562	1,630
Amortization and unlocking		(11)	(2,821)	(435)	(13)	(12)	(2,834)	(458)
Effect of unrealized revaluations in equity			(765)	(1,140)			(765)	(1,140)
Changes in the composition of the group		(104)	(5)	58		(231)	(5)	(277)
Exchange rate differences		17	1,246	(227)		9	1,246	(201)
Disposal of portfolios			2	1			2	1
Closing balance	**0**	**0**	**10,562**	**11,355**	**42**	**43**	**10,604**	**11,398**

For flexible life insurance contracts the growth rate assumption used to calculate the amortization of the deferred acquisition costs for 2010 is 8.3% gross and 4.8% net of investment management fees (2009: 8.2% gross and 5.6% net of investment management fees).

Amortization and unlocking in 2010 includes a EUR 975 million DAC write-off as explained in Note 51 Operating segments . The remaining amount includes unlocking of EUR (538) million (2009: EUR (461) million), which mainly relates to Insurance US and amortization of EUR (1,321) million (2009: EUR 3 million).

11 Assets and liabilities held for sale

Assets and liabilities held for sale include disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This relates to businesses for which a sale is agreed upon or a sale is highly probable at the balance sheet date but for which the transaction has not yet fully closed.

For December 31, 2010 this relates mainly to Pacific Antai Life Insurance Company Ltd. (PALIC), ING Arrendadora, S.A. de C.V. in Mexico, ING Real Estate Investment Management (ING REIM) and Clarion Real Estate Securities.

For December 31, 2009 this relates mainly to the Swiss and Asian Private Banking business, PALIC, and three US independent retail broker-dealer units. Reference is made to Note 30 Companies acquired and companies disposed for more details.

Assets held for sale:

	2010	2009
Cash and balances with central banks	28	264
Amounts due from banks		474
Financial assets at fair value through profit and loss	16	389
Available-for-sale investments	144	458
Loans and advances to customers	244	3,242
Reinsurance contracts		3
Investments in associates	43	
Property and equipment	12	37

Intangible assets	15	3
Deferred acquisition costs	43	35
Other assets	136	119
	681	**5,024**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Liabilities held for sale:

	2010	2009
Other borrowed funds	35	
Insurance and investments contracts	217	191
Amounts due to banks		31
Customer deposits and other funds on deposit		4,480
Financial liabilities at fair value through profit and loss		36
Other liabilities	172	152
	424	**4,890**

Cumulative other comprehensive income includes EUR 7 million (2009: EUR 13 million) related to Assets held for sale.

In addition to the entities presented as Held for sale above, ING is considering potential divestments, including those that are listed under the European Commission Restructuring plan in Note 33 Related parties . However, none of these businesses qualify as held for sale as at December 31, 2010 as the potential divestments are not yet available for immediate sale in their present condition and / or a sale is not yet highly probable to occur.

12 Other assets

Other assets by type:

	2010	2009
Reinsurance and insurance receivables	2,201	2,125
Deferred tax assets	3,425	3,969
Property development and obtained from foreclosures	2,153	2,515
Income tax receivable	527	836
Accrued interest and rents	16,194	18,306
Other accrued assets	2,888	2,497
Pension assets	3,458	3,143
Other	5,623	5,838
	36,469	**39,229**

Other includes EUR 1,875 million (2009: EUR 2,058 million) related to transactions still to be settled at balance sheet date.

Disclosures in respect of deferred tax assets and pension assets are provided in Note 21 Other liabilities .

Accrued interest and rents includes EUR 7,113 million (2009: EUR 6,956 million) accrued interest on assets measured at amortized cost under the IAS 39 classification Loans and receivables.

The total amount of borrowing costs relating to Property development and obtained from foreclosures, capitalized in 2010 is EUR 18 million (2009: EUR 98 million).

Reinsurance and insurance receivables:

	2010	2009
Receivables on account of direct insurance from:		
- policyholders	1,272	1,443
- intermediaries	108	113
Reinsurance receivables	821	569

	2,201	**2,125**

The allowance for uncollectible reinsurance and insurance receivables amounted to EUR 52 million as at December 31, 2010 (2009: EUR 47 million). The allowance is deducted from this receivable.

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Property development and obtained from foreclosures:

	2010	2009
Property under development	821	1,438
Property developed	1,024	917
Property obtained from foreclosures	308	160
	2,153	**2,515**
Gross carrying amount as at December 31	3,240	3,228
Accumulated impairments as at December 31	(1,087)	(713)
Net book value	**2,153**	**2,515**

EQUITY

13 Shareholders equity (parent) / Non-voting equity securities

	2010	2009	2008
Share capital	919	919	495
Share premium	16,034	16,034	9,182
Revaluation reserve	4,752	2,466	(8,502)
Currency translation reserve	105	(2,008)	(1,918)
Other reserves	16,560	13,710	15,823
Shareholders equity (parent)	**38,370**	**31,121**	**15,080**

The Revaluation reserve, Share of associates reserve (included in Other reserves), Currency translation reserve and the part of the Other reserves that relates to the former Stichting Regio Bank cannot be freely distributed.

As at December 31, 2010, Other reserves included an amount of EUR 741 million (2009: EUR 645 million; 2008: EUR 566 million) related to the former Stichting Regio Bank.

Share capital:

						Ordinary shares (par value EUR 0.24)
			Number x 1,000			Amount
	2010	2009	2008	2010	2009	2008
Authorized share capital	4,500,000	4,500,000	4,500,000	1,080	1,080	1,080
Unissued share capital	668,439	668,439	2,436,852	161	161	585
Issued share capital	**3,831,561**	**3,831,561**	**2,063,148**	**919**	**919**	**495**

Changes in issued share capital:

Ordinary shares

Number x

	1,000	(par value EUR 0.24) Amount
Issued share capital as at January 1, 2008	**2,226,445**	**534**
Issue of shares	1,848	
Buy-back of shares	(183,158)	(44)
Exercise of B warrants	18,013	5
Issued share capital as December 31, 2008	**2,063,148**	**495**
Issue of shares	1,768,413	424
Issued share capital as December 31, 2009	**3,831,561**	**919**

No changes have occurred in the issued share capital in 2010.

Share premium

Changes in Share premium are disclosed in the Consolidated statement of changes in equity of ING Group.

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Rights issue (2009)

On November 27, 2009 existing holders of (depositary receipts for) ordinary shares were offered rights entitling to subscribe for new (depositary receipts for) ordinary shares subject to applicable securities laws. Eligible rights holders could subscribe for 6 new (depositary receipts for) ordinary shares in relation to every 7 subscription rights that they hold. The issue price was set at EUR 4.24 per share. This represented a discount of 37.3% to the Theoretical Ex-Rights Price (TERP), based on the closing price of EUR 8.92 of ING Groep N.V. s, (depositary receipts for) shares on Euronext Amsterdam and on Euronext Brussels on November 26, 2009.

A total of 1,768,412,544 (depositary receipts for) ordinary shares were offered and sold, of which approximately 97% through the exercise of rights and the remainder through placements to institutional investors. As a result, ING received approximately EUR 7.3 billion in proceeds, net of fees and expenses.

Share buy-back programme (2007/2008)

In May 2007, ING Group announced a plan to adopt a buy-back programme under which it planned to purchase (depositary receipts for) ordinary shares with a total value of EUR 5 billion over a period of 12 months, beginning in June 2007. On May 23, 2008 this programme was terminated as ING Group had almost reached the legal limit then in force for the acquisition of its own shares (10% of the issued share capital). In total, 183.2 million (depositary receipts for) ordinary shares were repurchased under this programme at an average price of EUR 26.77 and a total consideration of EUR 4.9 billion (98% of the total amount of the share buy back programme as announced).

Repurchased ordinary shares and depositary receipts are included in the table Changes in treasury shares .

These ordinary shares repurchased, were cancelled in two blocks, effective on June 25, 2008 and October 7, 2008 respectively. These now form part of the unissued share capital.

Ordinary shares

All ordinary shares are in registered form. No share certificates have been issued. Ordinary shares may be transferred by means of a deed of transfer. A transfer of ordinary shares requires written acknowledgement by ING Groep N.V. The par value of ordinary shares is EUR 0.24. The authorized ordinary share capital of ING Groep N.V. currently consists of 4,500 million ordinary shares; it increased in 2008 from 3,000 million shares to 4,500 million shares as a result from an amendment made to the Articles of Association on October 8, 2008. As at December 31, 2010, 3,832 million of ordinary shares were issued and fully paid.

Depositary receipts for ordinary shares

More than 99.9% of the ordinary shares issued by ING Groep N.V. are held by Stichting ING Aandelen (ING Trust Office). In exchange for these shares, ING Trust Office has issued depositary receipts in bearer form for these shares. The depositary receipts are listed on various stock exchanges. Depositary receipts can be exchanged upon request of the holders of depositary receipts for (non-listed) ordinary shares without any restriction, other than payment of an administrative fee of EUR 0.01 per depositary receipt with a minimum of EUR 25 per exchange transaction.

The holder of a depositary receipt is entitled to receive from ING Trust Office payment of dividends and distributions corresponding to the dividends and distributions received by ING Trust Office on an ordinary share.

In addition, the holder of a depositary receipt is entitled to attend and to speak at the General Meeting of Shareholders of ING Groep N.V. either in person or by proxy. A holder of a depositary receipt, who thus attends the General Meeting of Shareholders, is entitled to vote as a proxy of the ING Trust Office but entirely at his own discretion for a number of shares equal to the number of his depositary receipts.

A holder of depositary receipts who does not attend the General Meeting of Shareholders in person or by proxy is entitled to give a binding voting instruction to the Trust Office for a number of shares equal to the number of his depositary receipts.

Depositary receipts for ordinary shares held by ING Group (Treasury shares)

As at December 31, 2010, 51.3 million (2009: 47.0 million; 2008: 36.5 million) depositary receipts for ordinary shares ING Groep N.V. with a par value of EUR 0.24 were held by ING Groep N.V. or its subsidiaries. These depositary receipts for ordinary shares were purchased to hedge option rights

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granted to the Executive Board members and other employees. In December 2010 ING Groep N.V. announced that it will no longer rebalance its hedge portfolio. This decision is an effort to simplify the management and administration of ING s various employee share and option programmes. The remaining shares in the hedge portfolio will be used to fund the obligations arising out of exercise and vesting. Once all shares in the hedge portfolio are used ING will fund these obligations by issuing new shares.

Restrictions with respect to dividend and repayment of capital

ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its ordinary shares. Pursuant to the Dutch Civil Code, dividends can only be paid up to an amount equal to the excess of the company s own funds over the sum of the paid-up capital, and reserves required by law.

Moreover, ING Groep N.V. s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries and associates. ING Groep N.V. is legally required to create a non-distributable reserve insofar profits of its subsidiaries and associates are subject to dividend payment restrictions which apply to those subsidiaries and associates themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V. Furthermore there can be restrictions as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, or other limitations which may exist in certain countries.

Without prejudice to the authority of the Executive Board to allocate profits to reserves and to the fact that the ordinary shares are the most junior securities issued by ING Groep N.V., no specific dividend payment restrictions with respect to ordinary shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of ordinary shares. Capital may be repaid to the holders of ordinary shares pursuant to an amendment of ING Groep N.V. s Articles of Association whereby the ordinary shares are written down.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V. s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

On a distribution of a dividend ING Groep N.V. is in principle required to withhold an income tax on dividends at a rate of 15%.

B warrants (2008)

In 1998, ING Groep N.V. authorized the issue of a maximum of 17,317,132 B warrants, of which 17,220,200 were issued. On January 5, 2008 of the remaining 9,266,097 warrants, 259,484 warrants expired and 9,006,613 were exercised. Accordingly no B warrants were outstanding as at December 31, 2010 (2009 and 2008: nil). B warrant holders were entitled to obtain from ING Groep N.V., for a fixed price, depositary receipts for ordinary shares in the proportion of one B warrant to two depositary receipts. B warrant holders could exercise their rights at their own discretion but no later than January 5, 2008.

The closing date for exercising warrants B was January 5, 2008. The exercise price of warrants B was EUR 49.92 for two depositary receipts.

Changes in revaluation reserve:

2010	**Property revaluation reserve**	**Available-for-sale reserve**	**Cash flow hedge reserve**	**Total**
Opening balance	411	1,683	372	2,466
Unrealized revaluations after taxation	(32)	3,401		3,369
Realized gains/losses transferred to profit and loss		86		86
Changes in cash flow hedge reserve			475	475
Transfer to insurance liabilities/DAC		(1,644)		(1,644)

Closing balance	**379**	**3,526**	**847**	**4,752**

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Changes in revaluation reserve:

2009	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	461	(10,140)	1,177	(8,502)
Unrealized revaluations after taxation	(50)	12,496		12,446
Realized gains/losses transferred to profit and loss		1,406		1,406
Changes in cash flow hedge reserve			(805)	(805)
Transfer to insurance liabilities/DAC		(2,079)		(2,079)
Closing balance	**411**	**1,683**	**372**	**2,466**

Changes in revaluation reserve:

2008	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	439	4,067	431	4,937
Unrealized revaluations after taxation	22	(18,876)		(18,854)
Realized gains/losses transferred to profit and loss		2,476		2,476
Changes in cash flow hedge reserve			746	746
Transfer to insurance liabilities/DAC		2,193		2,193
Closing balance	**461**	**(10,140)**	**1,177**	**(8,502)**

Transfer to insurance liabilities/DAC includes the change in the deferred profit sharing liability (net of deferred tax). Reference is made to Note 17 Insurance and investment contracts, reinsurance contracts .

Changes in currency translation reserve:

	2010	2009	2008
Opening balance	(2,008)	(1,918)	(1,354)
Unrealized revaluations after taxation	(777)	(294)	388
Realized gains/losses transferred to profit and loss		148	156
Exchange rate differences	2,890	56	(1,108)
Closing balance	**105**	**(2,008)**	**(1,918)**

The unrealized revaluations after taxation relate to changes in the value of hedging instruments that are designated as net investment hedges.

Changes in other reserves:

2010	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total

Opening balance	19,163	645	(737)	(5,361)	13,710
Result for the year	2,777				2,777
Unrealized revaluations after taxation	(156)	171			15
Changes in treasury shares			22		22
Transfer to share of associates reserve	(91)	91			
Employee stock options and share plans	36				36
Closing balance	**21,729**	**907**	**(715)**	**(5,361)**	**16,560**

Changes in other reserves:

2009	**Retained earnings**	**Share of associates reserve**	**Treasury shares**	**Other reserves**	**Total**
Opening balance	20,978	726	(866)	(5,015)	15,823
Result for the year	(1,423)				(1,423)
Unrealized revaluations after taxation	(273)	(5)			(278)
Changes in treasury shares			129		129
Transfer to share of associates reserve	76	(76)			
Dividend and repayment premium	(259)			(346)	(605)
Employee stock options and share plans	64				64
Closing balance	**19,163**	**645**	**(737)**	**(5,361)**	**13,710**

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Dividend and repayment premium includes the coupon (EUR 259 million) and repayment premium (EUR 346 million) on the repayment of EUR 5 billion non-voting equity securities.

Changes in other reserves:

2008	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	27,535	1,202	(3,740)	(135)	24,862
Result for the year	(3,124)	(369)			(3,493)
Unrealized revaluations after taxation	(77)	106			29
Changes in treasury shares			(2,030)		(2,030)
Dividend	(3,387)	(213)			(3,600)
Employee stock options and share plans	31				31
Issuance costs incurred				(20)	(20)
Cancellation of shares			4,904	(4,860)	44
Closing balance	**20,978**	**726**	**(866)**	**(5,015)**	**15,823**

Changes in treasury shares:

			Amount			Number
	2010	2009	2008	2010	2009	2008
Opening balance	737	866	3,740	47,047,225	36,457,118	126,759,829
Purchase/sold	48	47	2,159	6,393,739	11,648,765	94,105,700
Rights issue		(64)				
Cancelled			(4,904)			(183,158,017)
Share-based payments	(23)	(27)	(22)	(2,140,863)	(1,058,658)	(1,250,394)
Other	(47)	(85)	(107)			
Closing balance	**715**	**737**	**866**	**51,300,101**	**47,047,225**	**36,457,118**

Non-voting equity securities (Core Tier 1 securities)

On November 12, 2008, ING Groep N.V. issued one billion non-voting equity securities to the Dutch State at EUR 10 per non-voting equity security, resulting in an increase of ING Group s core Tier 1 capital of EUR 10 billion. The nominal value of each security is EUR 0.24. On December 21, 2009 ING repurchased EUR 5 billion of these securities. The non-voting equity securities do not form part of ING Group s share capital; accordingly they do not carry voting rights in the General Meeting.

These non-voting equity securities are deeply subordinated and rank pari-passu with ordinary shares in a winding up of ING Group.

On these non-voting equity securities a coupon was and is payable of the higher of:

EUR 0.85 per security, payable annually in arrears, with a first coupon of EUR 0.425 per security paid on May 12, 2009; and

110% of the dividend paid on each ordinary share over 2009 (payable in 2010);

120% of the dividend paid on each ordinary share over 2010 (payable in 2011);

125% of the dividend paid on each ordinary share over 2011 onwards (payable in 2012 onwards).

Since ING Groep N.V. had already paid an interim dividend of EUR 0.74 per ordinary share in August 2008, ING recognized a coupon payable of EUR 425 million to the Dutch State as of December 31, 2008. This coupon was paid

out on May 12, 2009.

Further coupons are to be paid on May 12 of each year (the coupon date) in cash if the dividend on ordinary shares is paid in cash or to be paid in scrip securities in the event of a scrip dividend on ordinary shares. Coupons are only due and payable, on a non-cumulative basis and if a dividend is paid on ordinary shares over the financial year preceding the coupon date, either on an interim or a final dividend basis, provided that ING Group s capital adequacy position is and remains satisfactory both before and after payment in the opinion of the Dutch central bank.

In December 2009, ING repurchased the first half of the non-voting equity securities (core Tier 1 securities) of EUR 5 billion plus a total premium of EUR 605 million. In March 2011, ING announced that, at the next coupon reset date on May 13, 2011, ING intends to exercise its option for early repurchase of EUR 2 billion of the remaining non-voting equity securities (core Tier 1 securities). The total payment in May 2011 will amount to EUR 3 billion and includes a 50% repurchase premium. ING will fund this repurchase from retained earnings. Provided that the strong capital generation continues,

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ING intends to repurchase the remaining EUR 3 billion non-voting equity securities (core Tier 1 securities) ultimately by May 2012 from retained earnings. The final decision on repurchase of these non-voting equity securities (core Tier 1 securities) will be made before the envisaged repayment date and will be conditional upon there having been no material changes regarding ING s capital requirements and/or ING s outlook on external market circumstances. The terms for the remaining non-voting equity securities, including restrictions on remuneration and corporate governance, remained unchanged. Reference is made to Note 33 Related parties .

Cumulative preference shares

Pursuant to the Articles of Association of ING Groep N.V. as amended on October 8, 2008, the authorized cumulative preference share capital consists of 4.5 billion cumulative preference shares, of which none have been issued. The par value of these cumulative preference shares is EUR 0.24.

The cumulative preference shares rank before the ordinary shares in entitlement to dividend and to distributions upon liquidation of ING Groep N.V.

The dividend on the cumulative preference shares will be equal to a percentage, calculated on the amount compulsorily paid up or yet to be paid up. This percentage shall be equal to the average of the Euro OverNight Index Average (EONIA) as calculated by the European Central Bank. During the financial year for which the distribution is made, this percentage is weighted on the basis of the number of days for which it applies, increased by 2.5 percentage points.

If and to the extent that the profit available for distribution is not sufficient to pay the dividend referred to above in full, the shortfall will be made up from the reserves insofar as possible. If, and to the extent that, the dividend distribution cannot be made from the reserves, the profits earned in subsequent years shall first be used to make up the shortfall before any distribution may be made on shares of any other category.

ING Groep N.V. s Articles of Association make provision for the cancellation of cumulative preference shares. Upon cancellation of cumulative preference shares and upon liquidation of ING Groep N.V., the amount paid up on the cumulative preference shares will be repaid together with the dividend shortfall in preceding years, insofar as this shortfall has not yet been made up.

Cumulative preference shares Restrictions with respect to dividend and repayment of capital

ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its cumulative preference shares, when issued. Pursuant to the Dutch Civil Code, dividends can only be paid up to an amount equal to the excess of the company s own funds over the sum of the paid-up capital, and reserves required by law.

Moreover, ING Groep N.V. s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries. ING Groep N.V. is legally required to create a non-distributable reserve insofar profits of its subsidiaries are subject to dividend payment restrictions which apply to those subsidiaries themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V. or may be the result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, or other limitations which may exist in certain countries.

Without prejudice to the fact that the cumulative preference shares, when issued, will be junior securities of ING Groep N.V., no specific dividend payment restrictions with respect to the cumulative preference shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of cumulative preference shares. Capital may be repaid to the holders of cumulative preference shares pursuant to (i) an amendment of ING Groep N.V. s articles of association whereby the cumulative preference shares are written down or (ii) a resolution to redeem and cancel the cumulative preference shares.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V. s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

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LIABILITIES

14 Subordinated loans

Interest rate	Year of issue	Due date	Notional amount in original currency		Balance sheet value 2010	2009
9.000%	2008	Perpetual	EUR	10	10	10
8.500%	2008	Perpetual	USD	2,000	1,469	1,357
8.000%	2008	Perpetual	EUR	1,500	1,485	1,479
7.375%	2007	Perpetual	USD	1,500	1,111	1,022
6.375%	2007	Perpetual	USD	1,045	773	713
5.140%	2006	Perpetual	GBP	600	692	670
5.775%	2005	Perpetual	USD	1,000	741	690
6.125%	2005	Perpetual	USD	700	504	472
4.176%	2005	Perpetual	EUR	500	498	498
Variable	2004	Perpetual	EUR	1,000	994	999
6.200%	2003	Perpetual	USD	500	363	337
Variable	2003	Perpetual	EUR	750	729	731
7.200%	2002	Perpetual	USD	1,100	748	656
7.050%	2002	Perpetual	USD	800	528	465
					10,645	**10,099**

Subordinated loans consist of perpetual subordinated bonds issued by ING Groep N.V. These bonds have been issued to raise hybrid capital for ING Verzekeringen N.V. and Tier 1 capital for ING Bank N.V. Under IFRS-IASB these bonds are classified as liabilities. They are considered capital for regulatory purposes. Except for the 9% 2008 perpetual of EUR 10 million (a private placement), EUR 750 million of the 8% 2008 perpetual and USD 1,000 million of the 5.775% 2005 perpetual (2009: the 9% 2008 perpetual of EUR 10 million), these loans have been subsequently provided as subordinated loans by ING Groep N.V. to ING Verzekeringen N.V. and ING Bank N.V. under the same conditions as the original bonds as follows:

Subordinated loans provided by ING Groep N.V. to ING Bank N.V. and ING Verzekeringen N.V.:

	2010	2009
ING Bank N.V.	7,147	6,822
ING Verzekeringen N.V.	2,003	3,267
	9,150	**10,089**

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15 Debt securities in issue

Debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on floating interest rate levels, such as certificates of deposit and accepted bills issued by ING Group, except for subordinated items. Debt securities in issue do not include debt securities presented as Financial liabilities at fair value through profit and loss. ING Group does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

Debt securities in issue maturities:

	2010	2009
Fixed rate debt securities		
Within 1 year	63,518	64,994
More than 1 year but less than 2 years	7,518	2,376
More than 2 years but less than 3 years	7,925	6,551
More than 3 years but less than 4 years	9,580	4,938
More than 4 years but less than 5 years	5,648	9,542
More than 5 years	10,987	8,151
Total fixed rate debt securities	**105,176**	**96,552**
Floating rate debt securities		
Within 1 year	14,007	10,021
More than 1 year but less than 2 years	4,321	6,545
More than 2 years but less than 3 years	3,552	1,164
More than 3 years but less than 4 years	2,113	1,375
More than 4 years but less than 5 years	864	1,478
More than 5 years	5,571	2,846
Total floating rate debt securities	**30,428**	**23,429**
Total debt securities	**135,604**	**119,981**

As of December 31, 2010, ING Group had unused lines of credit available including the payment of commercial paper borrowings relating to debt securities in issue of EUR 6,518 million (2009: EUR 7,029 million).

ING Bank issued 3 year government guaranteed senior unsecured bonds amounting to USD 6 billion in January 2009. USD 5 billion of the issue was priced at a fixed rate of 80 basis points over mid-swaps. USD 1 billion was priced at a variable rate of 80 basis points over 3 month LIBOR.

ING Bank issued a 5 year EUR 4 billion fixed rate government guaranteed senior unsecured bond in February 2009. The issue was priced at a fixed rate of 3.375%, 75 basis points over mid-swaps.

ING Bank issued a 5 year USD 2 billion fixed rate government guaranteed senior unsecured bond in March 2009. The issue was priced at a fixed coupon of 3.90%, 145 basis points over USD mid-swaps.

All were issued under the Credit Guarantee Scheme of the State of the Netherlands and are part of ING Group s regular medium-term funding operations. ING Group pays a fee of 84 basis points over the issued bonds to the Dutch State to participate in the Credit Guarantee Scheme.

16 Other borrowed funds

Other borrowed funds by remaining term:

2010	**2011**	**2012**	**2013**	**2014**	**2015**	**There after**	**Total**
Subordinated loans of group companies	2,647	1,673	684	81	1,086	7,609	13,780
Preference shares of group companies						1,121	1,121
Loans contracted	2,055			73		1,612	3,740
Loans from credit institutions	2,677	29	30	29	159	726	3,650
	7,379	**1,702**	**714**	**183**	**1,245**	**11,068**	**22,291**

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Other borrowed funds by remaining term:

	2010	2011	2012	2013	2014	There after	Total
Subordinated loans of group companies	1,107	3,570	1,671	681	81	7,320	14,430
Preference shares of group companies						1,040	1,040
Loans contracted	2,985				74	1,636	4,695
Loans from credit institutions	2,046	201	32	29	24	654	2,986
	6,138	**3,771**	**1,703**	**710**	**179**	**10,650**	**23,151**

Subordinated loans of group companies relate to capital debentures and private loans which are subordinated to all current and future liabilities of ING Bank N.V.

Preference shares of group companies comprise non-cumulative guaranteed Trust Preference Securities which are issued by wholly owned subsidiaries of ING Groep N.V. These securities have a liquidation preference of a certain amount plus any accrued interest and unpaid dividend. Dividends with regard to these preference securities are presented as an interest expense in the profit and loss account. These trust preference securities have no voting rights.

17 Insurance and investment contracts, reinsurance contracts

The provisions for insurance and investment contracts, net of reinsurance (i.e. the provision for ING Group s own account) is presented in the balance sheet gross under Insurance and investment contracts and Reinsurance contracts .

Insurance and investment contracts, reinsurance contracts :

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2010	2009	2010	2009	2010	2009
Provision for non-participating life policy liabilities	80,144	69,641	5,150	4,798	85,294	74,439
Provision for participating life policy liabilities	51,191	50,102	173	200	51,364	50,302
Provision for (deferred) profit sharing and rebates	3,432	1,600	3	3	3,435	1,603
Life insurance provisions excluding provisions for risk of policyholders	**134,767**	**121,343**	**5,326**	**5,001**	**140,093**	**126,344**
Provision for life insurance for risk of policyholders	114,603	99,299	359	374	114,962	99,673
Life insurance provisions	**249,370**	**220,642**	**5,685**	**5,375**	**255,055**	**226,017**
Provision for unearned premiums and unexpired risks	345	361	4	4	349	365

Reported claims provision	2,606	2,580	97	96	2,703	2,676
Claims incurred but not reported (IBNR)	497	493	3	5	500	498
Claims provisions	**3,103**	**3,073**	**100**	**101**	**3,203**	**3,174**
Total provisions for insurance contracts	**252,818**	**224,076**	**5,789**	**5,480**	**258,607**	**229,556**
Investment contracts for risk of company	5,991	5,896			5,991	5,896
Investment contracts for risk of policyholders	5,984	5,406			5,984	5,406
Total provisions for investment contracts	**11,975**	**11,302**			**11,975**	**11,302**
Total	**264,793**	**235,378**	**5,789**	**5,480**	**270,582**	**240,858**

The deferred profit sharing amount on unrealized revaluation is included in Provision for (deferred) profit sharing and rebates and amounts to EUR 1,706 million as at December 31, 2010 (2009: EUR 313 million).

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Changes in life insurance provisions:

	Provision net of reinsurance (excluding provision for life insurance for risk of policyholders)		Provision for life insurance for risk of policyholders (net of reinsurance)		Reinsurance contracts		Life insurance provisions	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Opening balance	121,343	122,533	99,299	84,279	5,375	5,582	226,017	212,394
Changes in the composition of the group	(24)	(2,887)	(2)	23		(65)	(26)	(2,929)
	121,319	**119,646**	**99,297**	**84,302**	**5,375**	**5,517**	**225,991**	**209,465**
Current year provisions	11,843	12,864	7,500	8,734	415	574	19,758	22,172
Change in deferred profit sharing	1,422	1,476					1,422	1,476
Prior year provisions:								
- benefit payments to policyholders	(11,938)	(13,207)	(10,681)	(7,984)	(557)	(452)	(23,176)	(21,643)
- interest accrual	4,466	4,311			35	39	4,501	4,350
- valuation changes for risk of policyholders			10,468	16,652			10,468	16,652
- effect of changes in discount rate assumptions	5	(2)					5	(2)
- effect of changes in other assumptions	356	102	21	(5)	6	(2)	383	95
	(7,111)	**(8,796)**	**(192)**	**8,663**	**(516)**	**(415)**	**(7,819)**	**(548)**
Exchange rate differences	7,222	(1,364)	8,488	(1,911)	375	(124)	16,085	(3,399)
Other changes	72	(2,483)	(490)	(489)	36	(177)	(382)	(3,149)
Closing balance	**134,767**	**121,343**	**114,603**	**99,299**	**5,685**	**5,375**	**255,055**	**226,017**

Changes in the composition of the group in 2009 relate mainly to the sale of the annuity and mortgage business of Chile. Reference is made to Note 30 Companies acquired and companies disposed .

Where discounting is used in the calculation of life insurance provisions, the rate is within the range 2.3% to 4.7% (2009: 2.8% to 5.8%) based on weighted averages.

Insurance provisions include a provision for the estimated cost of the agreement with regard to unit-linked policies. For more information reference is made to Note 31 Legal proceedings .

ING transferred part of its life insurance business to Scottish Re in 2004 by means of a co-insurance contract. This business continues to be included in Life insurance provisions. The related asset from the co-insurance contract is recognized under Reinsurance contracts. On January 23, 2009, Hannover Re and Scottish Re announced that Hannover Re has agreed to assume the ING individual life reinsurance business originally transferred to Scottish Re in 2004.

ING transferred its U.S. group reinsurance business to Reinsurance Group America Inc. in 2010 by means of a reinsurance agreement. This business continues to be included in Life insurance provisions. The related asset from the reinsurance contract is recognized under Reinsurance contracts.

To the extent that the assuming reinsurers are unable to meet their obligations, the Group is liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectible. The life reinsurance market is highly concentrated and, therefore, diversification of exposure is inherently difficult. To minimize its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers, monitors concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer and maintains collateral. Reference is also made to the Risk management section.

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As at December 31, 2010, the total Reinsurance exposure, including Reinsurance contracts and Receivables from reinsurers (presented in Other assets) amounted to EUR 6,610 million (2009: EUR 6,049 million) after the provision for uncollectible reinsurance of nil (2009: EUR 1 million).

Changes in provision for unearned premiums and unexpired risks :

	Provision net of reinsurance		Reinsurance contracts		Provision for unearned premiums and expired risks	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Opening balance	361	1,756	4	13	365	1,769
Changes in de composition of the group		(1,454)		(11)		(1,465)
	361	**302**	**4**	**2**	**365**	**304**
Premiums written	1,676	1,702	65	70	1,741	1,772
Premiums earned during the year	(1,702)	(1,704)	(65)	(68)	(1,767)	(1,772)
Exchange rate differences	1	58			1	58
Other changes	9	3			9	3
Closing balance	**345**	**361**	**4**	**4**	**349**	**365**

Changes in the composition of the group in 2009 relate mainly to the sale of ING Canada. Reference is made to Note 30 Companies acquired and companies disposed .

Changes in claims provisions :

	Provision net of reinsurance		Reinsurance contracts		Claims provision	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Opening balance	3,073	5,340	101	202	3,174	5,542
Changes in the composition of the group		(2,366)	1	(110)	1	(2,476)
	3,073	**2,974**	**102**	**92**	**3,175**	**3,066**
Additions:						
- for the current year	1,121	1,111	20	21	1,141	1,132
- for prior years	(35)	(361)	(11)	(6)	(46)	(367)
- interest accrual of provision	46	277			46	277
	1,132	**1,027**	**9**	**15**	**1,141**	**1,042**
Claims settlement and claim settlement costs:						
- for the current year	491	485	3	2	494	487
- for prior years	621	574	8	10	629	584

	1,112	**1,059**	**11**	**12**	**1,123**	**1,071**
Exchange rate differences	13	95		4	13	99
Other changes	(3)	36		2	(3)	38
Closing balance	**3,103**	**3,073**	**100**	**101**	**3,203**	**3,147**

Changes in the composition of the group in 2009 relate mainly to the sale of ING Canada. Reference is made to Note 30 Companies acquired and companies disposed .

ING Group had an outstanding balance of EUR 41 million as at December 31, 2010 (2009: EUR 42 million) relating to environmental and asbestos claims of the insurance operations. In establishing the liability for unpaid claims and claims adjustment expenses related to asbestos related illness and toxic waste clean-up, the management of ING Group considers facts currently known and current legislation and coverage litigation. Liabilities are recognized for IBNR claims and for known claims (including the costs of related litigation) when sufficient information has been obtained to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities are reviewed and updated regularly.

Where discounting is used in the calculation of the claims provisions, based on weighted averages, the rate is within the range of 3.0% to 4.0% (2009: 3.0% to 4.0%).

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Changes in investment contracts liabilities:

	2010	2009
Opening balance	11,302	21,085
Changes in the composition of the group		(8,208)
	11,302	**12,877**
Current year liabilities	4,920	5,573
Prior year provisions:		
- payments to contract holders	(5,184)	(9,711)
- interest accrual	81	122
- effect of changes in discount rate assumptions		
- valuation changes investments	24	1,089
	(5,079)	**(8,500)**
Exchange rate differences	593	981
Other changes	239	371
Closing balance	**11,975**	**11,302**

Changes in the composition of the group in 2009 relate mainly to the sale of ING Australia. Reference is made to Note 30 Companies acquired and companies disposed .

Gross claims development table:

						Underwriting year		
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**Total**
Estimate of cumulative claims:								
At the end of underwriting year	1,234	1,125	1,117	1,040	1,095	1,185	1,183	
1 year later	1,096	1,056	1,073	939	1,076	1,193		
2 years later	942	933	994	875	1,042			
3 years later	920	925	981	870				
4 years later	919	910	981					
5 years later	910	900						
6 years later	898							
Estimate of cumulative claims	**898**	**900**	**981**	**870**	**1,042**	**1,193**	**1,183**	**7,067**
Cumulative payments	(766)	(718)	(770)	(593)	(705)	(713)	(494)	(4,759)
	132	**182**	**211**	**277**	**337**	**480**	**689**	**2,308**
Effect of discounting	(17)	(24)	(26)	(39)	(43)	(44)	(42)	(235)

Liability recognized	**115**	**158**	**185**	**238**	**294**	**436**	**647**	**2,073**
Liability relating to underwriting years prior to 2004								1,130
Total amount recognized in the balance sheet								**3,203**

The Group applies the exemption in IFRS-IASB not to present Gross claims development for annual periods beginning before January 1, 2004 (the date of transition to IFRS-IASB) as it is impracticable to obtain such information.

18 Amounts due to banks

Amounts due to banks include non-subordinated debt due to banks, other than amounts in the form of debt securities. As at December 31, 2010, liabilities concerning securities sold in repurchase transactions amounted to EUR 12,200 million (2009: EUR 17,991 million).

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Amounts due to banks by type:

	Netherlands		International		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Non-interest bearing	1,893	1,615	701	669	2,594	2,284
Interest bearing	37,429	35,681	32,829	46,270	70,258	81,951
	39,322	**37,296**	**33,530**	**46,939**	**72,852**	**84,235**

19 Customer deposits and other funds on deposit

Customer deposits and other funds on deposit:

	2010	**2009**
Savings accounts	324,581	304,104
Credit balances on customer accounts	127,177	110,087
Corporate deposits	55,024	53,272
Other	4,580	2,045
	511,362	**469,508**

Customer deposits and other funds on deposit by type:

	Netherlands		International		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Non-interest bearing	13,522	13,541	6,773	5,936	20,295	19,477
Interest bearing	132,311	124,488	358,756	325,543	491,067	450,031
	145,833	**138,029**	**365,529**	**331,479**	**511,362**	**469,508**

No funds have been entrusted to the Group by customers on terms other than those prevailing in the normal course of business. As at December 31, 2010, Customer deposits and other funds on deposit included liabilities with regard to securities sold in repurchase transactions amounting to EUR 5,272 million (2009: EUR 7,326 million).

Savings accounts relate to the balances on savings accounts, savings books, savings deposits and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

20 Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss:

	2010	**2009**
Trading liabilities	108,050	98,245
Non-trading derivatives	17,782	20,070
Designated as at fair value through profit and loss	12,707	11,474
	138,539	**129,789**

Trading liabilities by type:

	2010	2009
Equity securities	4,811	3,052
Debt securities	16,707	12,457
Funds on deposit	44,767	42,505
Derivatives	41,765	40,231
	108,050	**98,245**

As at December 31, 2010, the Funds on deposit include amounts payable of EUR 43,995 million (2009: EUR 41,876 million) with regard to repurchase transactions.

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Non-trading derivatives by type:

	2010	2009
Derivatives used in:		
- fair value hedges	4,335	5,195
- cash flow hedges	5,264	6,468
- hedges of net investments in foreign operations	168	316
Other non-trading derivatives	8,015	8,091
	17,782	**20,070**

Designated as at fair value through profit and loss by type:

	2010	2009
Debt securities	10,533	9,396
Funds entrusted	934	560
Subordinated liabilities	1,240	1,518
	12,707	**11,474**

The change in the fair value of financial liabilities designated as at fair value through profit and loss attributable to changes in the credit risk of that liability during 2010 was EUR 28 million (2009: EUR (191) million) and EUR 67 million (2009: EUR 39 million) on a cumulative basis. This change has been determined as the amount of change in fair value of the financial liability that is not attributable to changes in market conditions that gave rise to market risk (i.e. mainly interest rate risk based on yield curves).

The amount that ING Group is contractually required to pay at maturity to the holders of financial liabilities designated as at fair value through profit and loss is EUR 12,438 million (2009: EUR 11,444 million).

21 Other liabilities

Other liabilities by type:

	2010	2009
Deferred tax liabilities	1,537	1,470
Income tax payable	1,210	1,225
Pension benefits	543	589
Post-employment benefits	172	175
Other staff-related liabilities	1,248	735
Other taxation and social security contributions	885	1,001
Deposits from reinsurers	1,007	870
Accrued interest	13,220	16,789
Costs payable	2,873	2,654
Amounts payable to brokers	111	200
Amounts payable to policyholders	2,130	2,182
Reorganization provision	434	644
Other provisions	533	747
Share-based payment plan liabilities	40	24
Prepayments received under property under development	173	120
Amounts to be settled	5,553	5,167

Other	4,777	5,833
	36,446	**40,425**

Other mainly relates to year-end accruals in the normal course of business.
Other staff-related liabilities include vacation leave provisions, bonus provisions, jubilee provisions and disability/illness provisions.
Deferred taxes are calculated on all temporary differences under the liability method using tax rates applicable in the jurisdictions in which the Group is liable to taxation.

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Changes in deferred tax:

	Net liability 2009	Change through equity	Change through net result	Changes in the composition of the group	Exchange rate differences	Other	Net liability 2010
Investments	209	1,205	(1,359)	(2)	73	(39)	87
Financial assets and liabilities at fair value through profit and loss	(312)	(18)	(185)	(2)	5	(15)	(527)
Deferred acquisition costs and VOBA	2,967	(368)	173		336	3	3,111
Fiscal reserve			1				1
Depreciation	12		9	(10)	(1)	(6)	4
Insurance provisions	(1,446)	(389)	109		(135)	(5)	(1,866)
Cash flow hedges	69	210			(14)	(2)	263
Pension and post-employment benefits	700		(183)		7	(21)	503
Other provisions	(1,012)	(13)	476	5	(127)	16	(655)
Receivables	(149)	(1)	82	6	2	9	(51)
Loans and advances to customers	(215)		(353)	(5)	(15)	(20)	(608)
Unused tax losses carried forward	(2,508)	1	801	(3)	(152)	10	(1,851)
Other	(814)	29	419	11	(32)	88	(299)
	(2,499)	**656**	**(10)**	**0**	**(53)**	**18**	**(1,888)**
Comprising:							
- deferred tax liabilities	1,470						1,537
- Deferred tax assets	(3,969)						(3,425)
	(2,499)						**(1,888)**

Changes in deferred tax:

	Net liability 2008	Change through equity	Change through net result	Changes in the composition of the group	Exchange rate differences	Other	Net liability 2009
Investments	(5,418)	5,330	341	17	(114)	53	209

Financial assets and liabilities at fair value through profit and loss	28	(1)	(324)	(21)	10	(4)	(312)
Deferred acquisition costs and VOBA	3,481	(568)	169	(12)	(174)	71	2,967
Fiscal reserve			(48)			48	
Depreciation	15		(4)			1	12
Insurance provisions	(494)	(483)	(467)	55	(1)	(56)	(1,446)
Cash flow hedges	277	(197)			(2)	(9)	69
Pension and post-employment benefits	374		326				700
Other provisions	(1,422)	2	360	4	116	(72)	(1,012)
Receivables	(61)		(72)		(5)	(11)	(149)
Loans and advances to customers	(201)		(32)	(28)	1	45	(215)
Unused tax losses carried forward	(1,653)		(951)	7	82	7	(2,508)
Other	(119)	(70)	(695)	(34)	19	85	(814)
	(5,193)	**4,013**	**(1,397)**	**(12)**	**(68)**	**158**	**(2,499)**

Comprising:		
- deferred tax liabilities	2,841	1,470
- deferred tax assets	(8,034)	(3,969)
	(5,193)	**(2,499)**

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In 2009, the Other changes in Change through net result relates mainly to the tax effect on the additional Illiquid Assets Back-Up Facility payments as part of the overall agreement with the European Commission of EUR 1.3 billion and on tax losses of foreign branches carried forward.

Deferred tax in connection with unused tax losses carried forward:

	2010	2009
Total unused tax losses carries forward	9,335	10,073
Unused tax losses carried forward not recognized as a deferred tax asset	(2,862)	(1,779)
Unused tax losses carried forward recognized as a deferred tax asset	**6,473**	**8,294**
Average tax rate	28.6%	30.2%
Deferred tax asset	1,851	2,508

The following tax loss carry forwards and tax credits will expire as follows as at December 31:

Total unused tax losses carried forward analyzed by expiry terms:

	No deferred tax asset recognized		Deferred tax asset recognized	
	2010	**2009**	**2010**	**2009**
Within 1 year	14	54	67	79
More than 1 year but less than 5 years	406	510	461	381
More than 5 years but less than 10 years	243	177	3,768	3,199
More than 10 years but less than 20 years	2,093	962	1,285	3,960
Unlimited	106	76	892	675
	2,862	**1,779**	**6,473**	**8,294**

Deferred tax assets are recognized for temporary deductible differences, for tax loss carry forwards and unused tax credits only to the extent that realization of the related tax benefit is probable.

The deferred tax asset includes balances for which the utilization is dependent on future taxable profits whilst the related entities have incurred losses in either the current year or the preceding year. The aggregate amount for the most significant entities where this applies is EUR 1,009 million (2009: EUR 1,754 million).

This can be specified by jurisdiction as follows:

Breakdown by jurisdiction:

	Banking operations		Insurance operations		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
The Netherlands	230	119	171	233	401	352
United States	347	932		456	347	1,388
Great Britain	87				87	
Belgium	75		15		90	
Australia	40				40	
Spain	19	14			19	14
Germany	19				19	
Thailand			6		6	

817	**1,065**	**192**	**689**	**1,009**	**1,754**

As a result of the partial write-off the deferred tax asset for tax loss carry forwards for Insurance in the US (as disclosed in Note 48 Taxation in the line Write down/reversal of deferred tax assets) the loss carry forward amount for Insurance in the US is, in 2010, less dependent on future taxable profits compared to 2009.

Recognition is based on the fact that it is probable that the entity will have taxable profits and /or can utilize tax planning opportunities before expiration of the deferred tax assets. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets.

As of December 31, 2010 and December 31, 2009 ING Group had no significant temporary differences associated with the parent company s investments in subsidiaries, branches and associates and

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interest in joint ventures as any economic benefit from those investments will not be taxable at parent company level.
Changes in reorganization provision:

	2010	2009
Opening balance	644	583
Changes in the composition of the group	38	
Additions	285	686
Interest	5	11
Releases	(77)	(89)
Charges	(461)	(604)
Exchange rate differences	6	(2)
Other changes	(6)	59
Closing balance	**434**	**644**

As at December 31, 2010, the provision for reorganization, of which EUR 317 million relates to termination benefits, mainly related to the merger of the Dutch Retail Banking activities as well as other restructuring activities.
As at December 31, 2009, the provision for reorganization, of which EUR 433 million relates to termination benefits, mainly related to the reorganization of Postbank, Postkantoren, Nationale Nederlanden, RVS and Insurance US.
Changes in other provisions:

		Litigation		Other		Total
	2010	2009	2010	2009	2010	2009
Opening balance	307	371	440	598	747	969
Changes in the composition of the group	(26)	7	(1)	(35)	(27)	(28)
Additions	25	24	52	247	77	271
Releases	(1)	(3)	(15)	(11)	(16)	(14)
Charges	(13)	(109)	(59)	(347)	(72)	(456)
Exchange rate differences	3	1	3	6	6	7
Other changes	9	16	(191)	(18)	(182)	(2)
Closing balance	**304**	**307**	**229**	**440**	**533**	**747**

As at December 31, 2009 Other provisions includes the provision for the industry-wide deposit guarantee scheme in the Netherlands due to the bankruptcy of DSB Bank. In 2010 Dutch banks provided financing for the further dissolution of DSB. ING s share is recognized, net of the 2009 provision, under amounts due from banks at its fair value at issue.The provision for the estimated cost of the agreement with regard to unit-linked policies is included in Insurance and investment contracts as disclosed in Note 17.
In general, Reorganization and Other provisions are of a short-term nature.
The amounts included in other provisions are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation.

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Pension and post-employment benefits

Summary of pension benefits:

	2010	2009	2008	2007	2006
Defined benefit obligation	16,183	14,209	14,271	14,499	15,758
Fair value of plan assets	17,364	15,310	13,366	14,708	14,361
	(1,181)	**(1,101)**	**905**	**(209)**	**1,397**
Unrecognized past service costs	(3)	(3)	(5)	(3)	
Unrecognized actuarial gains/(losses)	(1,731)	(1,450)	(2,072)	198	(687)
	(2,915)	**(2,554)**	**(1,172)**	**(14)**	**710**
Presented as:					
- Other liabilities	543	589	609	425	961
- Other assets	(3,458)	(3,143)	(1,781)	(439)	(251)
	(2,915)	**(2,554)**	**(1,172)**	**(14)**	**710**

Summary of post-employment benefits:

	2010	2009	2008	2007	2006
Defined benefit obligation	168	156	210	220	239
	168	**156**	**210**	**220**	**239**
Unrecognized past service costs	3	8	2	4	10
Unrecognized actuarial gains/(losses)	1	11	7	8	(2)
	172	**175**	**219**	**232**	**247**

The Group maintains defined benefit retirement plans in its major countries of operation. These plans generally cover all employees and provide benefits that are related to the remuneration and service of employees upon retirement. The benefits in some of these plans are subject to various forms of indexation. The indexation is, in some cases, at the discretion of management; in other cases it is dependent upon the sufficiency of plan assets.

Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in all countries comply with applicable local regulations governing investments and funding levels.

The Group provides other post-employment employee benefits to certain employees and former employees. These are primarily post-employment healthcare benefits and discounts on ING products provided to employees and former employees.

Certain group companies sponsor defined contribution pension plans. The assets of all ING Group s defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in current liabilities. The amount incurred in 2010 was EUR 67 million (2009: EUR 81 million).

Actuarial gains and losses related to pensions and post-employment benefits for the year ended December 31, 2010 include EUR 1,085 million (2009: EUR 387 million; 2008: EUR (2,647) million; 2007: EUR (789) million; 2006: EUR (180) million) experience gain adjustments for assets and EUR 154 million (2009: EUR 172 million; 2008: EUR (70) million; 2007: EUR 83 million; 2006: EUR (163) million) experience gain adjustments for liabilities.

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Changes in defined benefit obligation:

	Pension benefits		Post-employment benefits other than pensions	
	2010	**2009**	**2010**	**2009**
Opening balance	14,209	14,271	156	210
Current service cost	298	320	5	(8)
Interest cost	795	778	8	10
Participants contributions	3	3		
Benefits paid	(634)	(640)	(6)	(6)
Actuarial gains and losses	1,396	(100)	2	(10)
Past service cost		18		(27)
Changes in the composition of the group and other changes	(20)	(372)	(1)	(10)
Effect of curtailment or settlement	(7)	(96)		
Exchange rate differences	143	27	4	(3)
Closing balance	**16,183**	**14,209**	**168**	**156**
Relating to:				
- funded plans	16,051	14,104		
- unfunded plans	132	105	168	156
	16,183	**14,209**	**168**	**156**

Actuarial gains and losses in 2010 includes the impact of changes in mortality and indexation assumptions as set out below.

The estimated unrecognized past services cost and unrecognized actuarial gains and losses for the defined benefit plans to be amortized to pension and other staff related liability costs during 2011 are nil and EUR 24 million, respectively.

Changes in fair value of plan assets:

	Pension benefits	
	2010	**2009**
Opening balance	15,310	13,366
Expected return on plan assets	886	842
Employer s contribution	631	1,632
Participants contributions	2	3
Benefits paid	(625)	(600)
Actuarial gains and losses	1,085	387
Changes in the composition of the group and other changes	(19)	(374)
Exchange rate differences	94	54
Closing balance	**17,364**	**15,310**

The actual return on the plan assets amounted to EUR 1,971 million (2009: EUR 1,229 million).

No plan assets are expected to be returned to ING Group during 2011.

Pension investment strategy

The primary financial objective of ING Employee Benefit Plans (the Plans) is to secure participant retirement benefits. As such, the key objective in the Plans financial management is to promote stability and, where appropriate, growth in funded status (i.e. the ratio of market value of assets to liabilities). The investment strategy for the Plans portfolios of assets (the Funds) balances the requirement to generate returns with the need to control risk. The asset mix is recognized as the primary mechanism to influence the reward and risk structure of the Funds in an effort to accomplish the Plans funding objectives. Desirable target allocations amongst identified asset classes are set and within each asset class, careful consideration is given to balancing the portfolios among industry sectors, geographical areas, interest rate sensitivity, dependence on economic growth, currency and other factors affecting investment returns. The assets are managed by professional investment firms. They are bound by precise mandates and are measured against specific benchmarks. Factors considered by the fund managers include balancing security concentration, investment style, and reliance on particular active investment strategies. The asset mixes of the Funds are reviewed on a regular basis. Generally, the Funds asset mixes will be rebalanced to the target mixes as individual portfolios approach their minimum or maximum levels.

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Categories of plan assets in percentages:

	Target allocation	Percentage of plan assets		Weighted average expected long term rate of return	
	2011	2010	2009	2010	2009
Equity securities	34	35	40	7.5	7.8
Debt securities	51	52	48	4.3	4.8
Other	15	13	12	6.0	6.3
	100	**100**	**100**	**5.7**	**6.0**

Equity securities include ING Group ordinary shares of EUR 2 million (0.02% of total plan assets) as at December 31, 2010 (2009: EUR 3 million, 0.02% of total plan assets). Debt securities include investments in ING Group of EUR 57 million (0.4% of total plan assets) as at December 31, 2010 (2009: nil, 0% of total plan assets). Other includes mainly real estate. Real estate occupied by ING Group as at December 31, 2010 which is included in Other includes EUR 5 million (0.04% of total plan assets) (2009: nil, 0.0% of total plan assets).

Determination of expected return on assets

An important aspect of financial reporting is the assumption used for return on assets (ROA). The ROA is updated at least annually, taking into consideration the Plans asset allocations, historical returns on the types of assets held in the Funds, and the current economic environment. Based on these factors, it is expected that the Funds assets will earn an average annual percentage in the long term. This estimate takes into account a reduction for administrative expenses and non-ING investment manager fees paid from the Funds. For estimation purposes, it is assumed that the long term asset mixes will be consistent with the current mixes. Changes in the asset mixes could have an impact on the amount of recognized pension income or expense, the funded status of the Plans, and the need for future cash contributions.

Weighted average of basic actuarial assumptions in annual % as at December 31:

	Pension benefits		Post-employment benefits other than pensions	
	2010	2009	2010	2009
Discount rates	5.40	5.70	5.00	5.30
Mortality rates	1.00	1.30	1.00	1.30
Expected rates of salary increases (excluding promotion increases)	2.70	2.80	3.00	3.10
Medical cost trend rates			6.10	6.10
Indexation	1.80	2.00	2.00	2.10

The assumptions above are weighted by defined benefit obligations. The rates used for salary developments, interest discount factors and other adjustments reflect country-specific conditions.

The presented discount rate is the weighted average of the discount rates that are applied in different countries. These rates are based on AA corporate bond yields of the specific countries with durations matching the pension liabilities.

An increase of 1% in the assumed medical cost trend rate for each future year would have resulted in an additional accumulated defined benefit obligation of EUR 5 million as at December 31, 2010 (2009: EUR 4 million) and EUR 1 million increase in the charge for the year (2009: EUR 2 million). A decrease of 1% in the medical cost trend rate for each future year would have resulted in lower defined benefit obligation of EUR 5 million as at December 31, 2010 (2009: EUR 3 million) and EUR 2 million decrease in the charge for the year (2009: EUR 1 million).

The actuarial assumption for Mortality rates decreased from 1.3% in 2009 to 1.0% in 2010, mainly as a result of more recent information on mortality rates in the Netherlands that became available in 2010. The actuarial assumption for Indexation for inflation decreased from 2.0% in 2009 to 1.8% in 2010 mainly as a result of a revised best estimate assumption for future indexation in the pension plan in the Netherlands. As a result of the current circumstances the probability of granting indexation in the short-term future decreased. These changes in the actuarial assumptions for Mortality and Indexation resulted in an increase respectively decrease of the defined benefit obligation which was accounted for

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as an (unrecognized) actuarial gain(loss). As a result, these changes did not directly impact shareholders equity and net result in 2010.

Expected cash flows

During 2011 the expected contributions to pension plans are EUR 567 million.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid by the plan:

Benefit payments:

	Pension benefits	Post-employment benefits other than pensions
2011	631	15
2012	597	15
2013	576	14
2014	573	14
2015	534	14
Years 2016 - 2020	3,315	46

22 Assets by contractual maturity

Amounts presented in these tables by contractual maturity are the amounts as presented in the balance sheet.

Assets by contractual maturity:

2010	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Cash and balances with central banks	13,072						13,072
Amounts due from banks	30,770	4,608	4,706	9,447	2,297		51,828
Financial assets at fair value through profit and loss:							
- trading assets	42,785	8,875	11,569	34,468	27,423	555	125,675
- investments for risk of policyholders[1]						120,481	120,481
- non-trading derivatives	474	184	864	4,637	5,563		11,722
- designated as at fair value through profit and loss	140	53	917	1,291	1,902	1,713	6,016
Investments							
- available-for-sale	4,551	3,842	14,273	72,824	103,375	23,682	222,547
- held-to-maturity	328	879	1,143	8,786	557		11,693
Loans and advances to customers	69,678	15,101	34,354	142,308	343,175	4,322	608,938
Reinsurance contracts	17	32	142	727	2,729	2,142	5,789

Intangible assets	6	12	295	698	195	4,166	5,372
Deferred acquisition costs	20	24	109	820	3,149	6,482	10,604
Assets held for sale			681				681
Other assets	13,043	3,137	7,890	6,052	5,518	829	36,469
Remaining assets (where maturities are not applicable)[2]						11,957	11,957
Total assets	174,884	36,747	76,943	282,058	495,883	176,329	1,242,844

(1) Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of ING.

(2) Included in remaining assets where maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

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Assets by contractual maturity:

2009	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Cash and balances with central banks	15,390						15,390
Amounts due from banks	25,598	2,649	4,448	7,733	2,969		43,397
Financial assets at fair value through profit and loss:							
- trading assets	39,844	8,316	12,400	28,014	22,443	427	111,444
- investments for risk of policyholders						104,597	104,597
- non-trading derivatives	320	205	668	4,843	5,596		11,632
- designated as at fair value through profit and loss	412	169	626	1,244	1,577	1,489	5,517
Investments							
- available-for-sale	3,129	6,716	15,449	67,065	83,655	21,689	197,703
- held-to-maturity	172	475	1,840	10,336	1,586		14,409
Loans and advances to customers	61,973	14,357	32,322	141,482	320,954	4,187	575,275
Reinsurance contracts	13	27	122	626	2,591	2,101	5,480
Intangible assets	3	7	254	705	317	4,735	6,021
Deferred acquisition costs	28	20	128	451	2,752	8,019	11,398
Assets held for sale	4,524	218	282				5,024
Other assets	15,564	3,621	7,451	6,385	5,594	614	39,229
Remaining assets (where maturities are not applicable)						13,456	13,456
Total assets	**166,970**	**36,780**	**75,990**	**268,884**	**450,034**	**161,314**	**1,159,972**

(1) Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of ING.

(2) Included in remaining assets where maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

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23 Liabilities by contractual maturity

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable is included in a separate line and in the relevant maturity bucket. Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included. Non-financial liabilities are included based on a breakdown of the balance sheet amounts. Reference is made to the liquidity risk paragraph in the Risk Management section for a description on how liquidity risk is managed.

Liabilities by contractual maturity:

2010	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment(1)	Total
Subordinated loans						10,918	(273)	10,645
Debt securities in issue	20,578	37,140	21,289	40,016	16,079		502	135,604
Other borrowed funds	3,969	2,055	1,289	3,600	9,785	1,121	472	22,291
Amounts due to banks	44,480	15,781	6,082	2,154	4,371		(16)	72,852
Customer deposits and other funds on deposit	451,425	25,142	20,690	12,376	1,729			511,362
Financial liabilities at fair value through profit and loss:								
- other trading liabilities	46,084	5,329	1,182	9,377	3,779		534	66,285
- trading derivatives	3,096	3,255	9,615	27,747	18,930		(20,878)	41,765
- non-trading derivatives	718	229	4,912	18,745	7,040	1,047	(14,909)	17,782
- designated as at fair value through profit and loss	260	472	1,014	6,094	4,996		(129)	12,707
Financial liabilities	**570,610**	**89,403**	**66,073**	**120,109**	**66,709**	**13,086**	**(34,697)**	**891,293**
Insurance and investment contracts	1,822	2,108	9,117	37,045	97,918	122,572		270,582
Liabilities held for sale			424					424
Other liabilities	11,787	2,513	9,855	7,516	3,377	1,398		36,446

Non-financial liabilities	**13,609**	**4,621**	**19,396**	**44,561**	**101,295**	**123,970**		**307,452**
Total liabilities	**584,219**	**94,024**	**85,469**	**164,670**	**168,004**	**137,056**	**(34,697)**	**1,198,745**
Coupon interest due on financial liabilities	2,813	1,599	3,891	12,277	51,920			72,500

(1) This column reconciles the contractual undiscounted cash flows on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).

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Liabilities by contractual maturity:

2009	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment[1]	Total
Subordinated loans						10,099		10,099
Debt securities in issue	18,851	36,436	19,717	34,563	11,143		(729)	119,981
Other borrowed funds	2,692	528	2,923	4,109	12,332	1,040	(473)	23,151
Amounts due to banks	45,326	15,044	10,131	9,768	3,966			84,235
Customer deposits and other funds on deposit	410,522	26,092	21,819	9,418	1,657			469,508
Financial liabilities at fair value through profit and loss								
- other trading liabilities	41,942	1,891	3,243	7,022	4,376		(460)	58,014
- trading derivatives	2,725	3,419	11,235	27,908	12,258		(17,314)	40,231
- non-trading derivatives	1,459	2,369	6,696	24,150	9,755	677	(25,036)	20,070
- designated as at fair value through profit and loss	218	616	1,715	5,220	4,047		(342)	11,474
Financial Liabilities	**523,735**	**86,395**	**77,479**	**122,158**	**59,534**	**11,816**	**(44,354)**	**836,763**
Insurance and investment contracts	1,618	1,830	7,300	33,723	90,322	106,065		240,858
Liabilities held for sale	4,630	77	183					4,890
Other liabilities	15,567	3,059	12,256	5,586	3,390	567		40,425
Non-financial liabilities	**21,815**	**4,966**	**19,739**	**39,309**	**93,712**	**106,632**		**286,173**
Total liabilities	**545,550**	**91,361**	**97,218**	**161,467**	**153,246**	**118,448**	**(44,354)**	**1,122,936**

Coupon interest due on financial liabilities	4,163	1,578	5,654	15,371	55,681	82,447

(1) This column reconciles the contractual undiscounted cash flows on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).

24 Derivatives and hedge accounting

Use of derivatives and hedge accounting

As described in the Risk management section, ING Group uses derivatives (principally interest rate swaps and cross currency interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios and structural positions. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure. The impact of ING Group s hedging activities is to optimize the overall cost to the Group of accessing debt capital markets and to mitigate the market risk which would otherwise arise from structural imbalances in the duration and other profiles of its assets and liabilities. In addition, hedging activities are undertaken to hedge against the interest rate risk in the mortgage offer period in relation to retail mortgages and to lock-in the interest margin in relation to interest bearing assets and the related funding.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies under the IFRS-IASB hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-IASB are classified and accounted for according to the nature of the instrument hedged and the type of IFRS-IASB hedge model that is applicable. The three models applicable under IFRS-IASB are: fair value hedge accounting, cash flow hedge accounting and net investment hedge accounting. These are described under the relevant headings below. The company s detailed accounting policies for these three hedge models are set out in section Principles of valuation and determination of results .

To qualify for hedge accounting under IFRS-IASB, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-IASB. The fair value changes of derivatives relating to such non qualifying hedges are taken to the profit and loss account. However, in certain cases, the Group mitigates the resultant profit and loss account volatility by designating hedged assets and liabilities at fair value through profit and loss. If hedge accounting is applied under IFRS-IASB, it is possible that during the hedge a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge

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remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amounts of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however they do not represent amounts at risk. ING Group uses credit derivatives to manage its exposure to credit risk, including total return swaps and credit default swaps, to sell or buy protection for credit risk exposures in the loan, investment and trading portfolios. Hedge accounting is not applied in relation to credit derivatives.

Fair value hedge accounting

ING Group s fair value hedges principally consist of interest rate swaps and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates. Gains and losses on derivatives designated under fair value hedge accounting are recognized in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognized in the profit and loss account. As a result, only the net accounting ineffectiveness has an impact on the net result.

For the year ended December 31, 2010, ING Group recognized EUR (153) million (2009: EUR (474) million) of fair value changes on derivatives designated under fair value hedge accounting in the profit and loss account. This amount was partly offset by EUR 157 million (2009: EUR 319 million) fair value changes recognized on hedged items. This resulted in EUR 4 million (2009: EUR (155) million) net accounting ineffectiveness recognized in the profit and loss account. As at December 31, 2010, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR (208) million (2009: EUR (2,468) million), presented in the balance sheet as EUR 4,127 million (2009: EUR 2,727 million) positive fair values under assets and EUR 4,335 million (2009: EUR 5,195 million) negative fair values under liabilities.

Cash flow hedge accounting

ING Group s cash flow hedges principally consist of (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on non-trading assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities, based on contractual terms and other relevant factors including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows for the respective portfolios form the basis for identifying the notional amount subject to interest rate risk that is designated under cash flow hedge accounting.

Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recognized in Shareholders equity. Interest cash flows on these derivatives are recognized in the profit and loss account in interest income consistent with the manner in which the forecast cash flows affect net result. The gains and losses on ineffective portions of such derivatives are recognized immediately in the profit and loss account.

For the year ended December 31, 2010, ING Group recognized EUR 475 million (2009: EUR (805) million) after tax in equity as effective fair value changes on derivatives under cash flow hedge accounting. As a consequence, the balance of the cash flow hedge reserve in equity as at December 31, 2010 was EUR 1,110 million (2009: EUR 442 million) gross and EUR 847 million (2009: EUR 372 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value changes of the underlying derivatives and will be reflected in the profit and loss account under Interest income/expense over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities, up to 46 years for insurance operations and 59 years for banking operations, with the largest concentrations in the range of 1 to 3 years for insurance operations and 1 to 12 years for banking operations. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting resulted in a loss of EUR 7 million (2009: EUR 10 million loss) which was recognized in the profit and loss account.

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As at December 31, 2010, the fair values of outstanding derivatives designated under cash flow hedge accounting was EUR (824) million (2008: EUR (947) million), presented in the balance sheet as EUR 4,440 million (2009: EUR 5,521 million) positive fair values under assets and EUR 5,264 million (2009: EUR 6,468 million) negative fair values under liabilities.

As at December 31, 2010 and December 31, 2009, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes.

Included in Interest income and interest expense on non-trading derivatives is EUR 3,613 million (2009: EUR 2,159 million) and EUR 3,138 million (2009: EUR 1,964 million), respectively, relating to derivatives used in cash flow hedges.

Hedges of net investments in foreign operations

ING Group s net investment hedges principally consist of derivatives (including currency forwards and swaps) and non-derivative financial instruments such as foreign currency denominated funding that are used to protect against foreign currency exposures on foreign subsidiaries.

Gains and losses on the effective portions of derivatives designated under net investment hedge accounting are recognized in Shareholders equity. The balance in equity is recognized in the profit and loss account when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognized immediately in the profit and loss account.

As at December 31, 2010, the fair values of outstanding derivatives designated under net investment hedge accounting was EUR (87) million (2009: EUR (278) million), presented in the balance sheet as EUR 81 million (2009: EUR 38 million) positive fair values under assets and EUR 168 million (2009: EUR 316 million) negative fair values under liabilities.

As at December 31, 2010, the fair values of outstanding non-derivatives designated under net investment hedge accounting was EUR 208 million (2009: EUR 555 million).

Accounting ineffectiveness recognized in the profit and loss account for the year ended December 31, 2010 on derivatives and non-derivatives designated under net investment hedge accounting was EUR 5 million (2009: EUR 1 million).

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25 Maximum credit exposure

ING Group s maximum credit exposure as at December 31, 2010 and 2009 is represented as follows:
Maximum credit exposure:

	2010	**2009**
Cash and balances with central banks	13,072	15,390
Amounts due from banks:		
- loans and advances to banks	49,035	39,696
- cash advances, overdrafts and other balances	2,793	3,701
Trading assets:		
- debt securities	27,979	25,287
- loans and receivables	49,445	41,975
- derivatives	42,390	41,450
Non-trading derivatives	11,722	11,632
Designated as at fair value through profit and loss	6,016	5,517
Available-for-sale debt securities	212,793	188,850
Held-to-maturity debt securities	11,693	14,409
Loans and advances to customers:		
- policy loans	3,227	2,903
- to, or guaranteed by, public authorities	55,950	51,079
- secured by mortgages	342,585	315,503
- guaranteed by credit institutions	5,768	6,696
- unsecured loans	4,325	4,193
- personal lending	21,076	19,270
- asset backed securities	24,990	27,954
- corporate loans	149,868	146,613
- other	1,148	1,062
Reinsurance contracts	5,789	5,480
Reinsurance and insurance receivables	2,201	2,125
Accrued interest and rents	16,194	18,306
Other accrued assets	2,888	2,497
Other receivables	5,623	5,838
Maximum credit exposure on balance sheet	**1,068,570**	**997,426**
Off-balance sheet credit commitments:		
- discounted bills - Bank	3	1
- guarantees - Bank	21,711	21,545
- irrevocable letters of credit - Bank	15,540	12,352
- other - Bank	428	202
- irrevocable facilities	90,027	85,835
- commitments - Insurance	1,990	1,646
- guarantees - Insurance	678	955
Maximum credit exposure off balance sheet	**130,377**	**122,536**

Maximum credit exposure	**1,198,947**	**1,119,962**

The maximum credit exposure for items on the balance sheet that are exposed to credit risk is generally the balance sheet carrying value for the relevant financial assets. For the off-balance sheet items the maximum credit exposure is the maximum amount that could be required to be paid. Collateral received is not taken into account.
The manner in which ING Group manages credit risk and determines credit risk exposures for that purpose is explained in the Risk management section.

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26 Assets not freely disposable

The assets not freely disposable consist primarily of interest bearing securities pledged to secure deposits from De Nederlandsche Bank (the Dutch central bank) and other banks and serve to secure margin accounts or are used for other purposes required by law. The assets not freely disposable are as follows:
Assets not freely disposable:

	2010	2009
Investments	8,632	5,906
Loans and advances to customers	37,638	33,053
Banks	12,025	7,441
Other assets	8,731	6,350
	67,026	**52,750**

Banks includes Amounts due from banks and balances with central banks. ING Bank N.V. has an obligation to maintain a reserve with an average monthly balance with the Dutch central bank. In December 2010 the required monthly average was EUR 5,909 million (2009: EUR 5,620 million). As at December 31, 2010 the balance on this reserve was EUR 334 million (2009: EUR 354 million).
Loans and advances to customers, not freely disposable, includes the loan to the Dutch State in connection with the Illiquid Assets Back-Up Facility agreement as disclosed in Note 33 Related parties and loans that for liquidity purposes have been pledged as collateral in the United States of EUR 7 billion (2009: EUR 7 billion), Germany of EUR 5 billion (2009: EUR 5 billion) and Canada EUR 5 billion (2009: nil).
The table does not include assets relating to repurchase and stock lending transactions. Reference is made to Note 3 Financial assets at fair value through profit and loss and Note 4 Investments for the relevant amounts.
There are no material terms and conditions relating to the collateral represented in the above table which are individually significant.

27 Contingent liabilities and commitments

In the normal course of business the Group is a party to activities whose risks are not reflected in whole or part in the consolidated financial statements. In response to the needs of its customers, the Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.
Contingent liabilities and commitments:

2010	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Banking operations							
Contingent liabilities in respect of:							
- discounted bills	1	1	1				3
- guarantees	15,555	472	1,132	1,350	3,202		21,711
- irrevocable letters of credit	7,333	6,070	1,914	192	31		15,540
- other	333	22	64	9			428
	23,222	**6,565**	**3,111**	**1,551**	**3,233**		**37,682**
Insurance operations							

Commitments	1,514	117	63	186	7	103	1,990
Guarantees			109	7	556	6	678
	1,514	**117**	**172**	**193**	**563**	**109**	**2,668**
Irrevocable facilities	38,082	16,552	5,251	24,686	5,456		90,027
	62,818	**23,234**	**8,534**	**26,430**	**9,252**	**109**	**130,377**

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Contingent liabilities and commitments:

2009	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Banking operations							
Contingent liabilities in respect of:							
- discounted bills		1					1
- guarantees	14,492	403	1,017	2,359	3,274		21,545
- irrevocable letters of credit	5,413	4,460	1,190	757	532		12,352
- other	112	36	42	12			202
	20,017	**4,900**	**2,249**	**3,128**	**3,806**		**34,100**
Insurance operations							
Commitments	1,218	8	83	292	2	43	1,646
Guarantees					955		955
	1,218	**8**	**83**	**292**	**957**	**43**	**2,601**
Irrevocable facilities	36,284	17,539	8,351	20,130	3,531		85,835
	57,519	**22,447**	**10,683**	**23,550**	**8,294**	**43**	**122,536**

Guarantees relate both to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees given by ING Group in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. In addition to the items included in contingent liabilities, ING Group has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes which apply in different countries.
Irrevocable letters of credit mainly secure payments to third parties for a customer s foreign and domestic trade transactions in order to finance a shipment of goods. ING Group s credit risk in these transactions is limited since these transactions are collateralized by the commodity shipped and are of a short duration.
Other contingent liabilities include acceptances of bills and are of a short-term nature. Other contingent liabilities also include contingent liabilities resulting from the normal operations of the Real Estate business including obligations under development and construction contracts. None of the items included in Other contingent liabilities are individually significant.
Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. ING Group s credit risk and interest rate risk in these transactions is limited. The unused portion of irrevocable credit facilities is partly secured by customers assets or counter-guarantees by the central governments and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.
Future rental commitments for operating lease contracts:

2011	199
2012	186
2013	159

2014	135
2015	129
Years after 2015	280

28 Special purpose entities and securitization

Securitization

ING Group as originator

ING Group enters into synthetic securitization programmes in order to reduce credit risk on certain assets. In synthetic securitizations, ING Group enters into a credit default swap with securitization Special Purpose Entities (SPEs), in relation to which ING Group purchases credit protection in respect of residential mortgage loans and loans to small and medium-sized enterprises. The SPEs have in turn hedged their exposure with investors through the issue of credit linked notes or credit linked

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commercial paper. As a result of these transactions, ING Group has transferred a substantial part of the credit risk related to these loan portfolios to third-party investors. In general, the third-party investors in securities issued by the SPE have recourse only to the assets of the SPE and not to ING Group.

After securitization of these assets ING Group continues to recognize them on its balance sheet under Loans and advances to customers. These transactions are therefore not off-balance sheet arrangements.

Assets under synthetic securitization programmes:

	2010	2009
Loans to small and medium-sized enterprises	5,273	6,583
Asset backed securities		
Corporate Loans		
Mortgages	6,476	6,865
Total	**11,749**	**13,448**

ING Group as sponsor of multi-seller conduit

In the normal course of business, ING Group structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients receivables or other financial assets to an SPE. The SPE issues asset-backed commercial paper to the market to fund the purchases. ING Group, in its role as administrative agent, facilitates these transactions by providing structuring, accounting, funding and operations services.

ING Group supports the commercial paper programmes by providing the SPE with short-term standby liquidity facilities. These liquidity facilities are intended primarily to cover temporarily disruptions in the commercial paper market. Once drawn these facilities bear normal credit risk. A number of programmes are supported by granting structured liquidity facilities to the SPE, in which ING Group covers at least some of the credit risk incorporated in these programmes itself (in addition to normal liquidity facilities), and might suffer credit losses as a consequence. Furthermore, under a Programme Wide Credit Enhancement ING Group guarantees to a limited amount all remaining losses incorporated in the SPE to the commercial paper investors. All facilities, which vary in risk profile, are granted to the SPE subject to normal ING Group credit and liquidity risk analysis procedures. The fees received for services provided and for facilities are charged subject to market conditions. The SPE is included in the consolidation of ING Group. These transactions are therefore not off-balance sheet arrangements.

The normal non-structured standby liquidity facilities and the structured facilities are reported under irrevocable facilities.

Collateralized debt obligations (CDO)-transactions

Within ING Group, SPEs are used for CDO transactions. In a typical CDO transaction an SPE is used to issue structured, rated securities which are backed (or collateralized) by a pool of transferable debt securities. Besides investing in CDOs ING Group often has different roles in these transactions:

- the arranger of the transaction; ING Group structures the SPE, acquires the assets for the SPE and sells the CDOs to investors;

- collateral manager of the assets in the SPE; ING Group manages the assets based on strict conditions of the SPEs charter.

ING Group receives market-rate fees for structuring, asset managing and distributing CDO-securities to investors. The total amount of these fees is not significant.

ING Group as investor

As part of its investment activities, ING Group invests in securitizations by purchasing notes or by selling credit protection in the market using credit default swaps from securitization SPEs. For certain own asset securitization programmes ING Group acts as a market maker and holds limited positions in this capacity.

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Other entities

ING Group is also a party to other SPEs used, for example, in structured finance and leasing transactions.

Investment funds

ING Group as fund manager and investor

ING Group sets up investment funds for which it acts as a fund manager and sole investor at the inception of the fund. Subsequently, ING Group will seek third-party investors to invest in the fund, thereby reducing the interest of ING Group. In general, ING Group will maintain a small percentage of interest in these funds. These funds are included in the consolidated financial statements of the Group if and when control exists, taking into account both ING Group s financial interests for own risk and its role as investment manager.

ING Group as fund manager

ING Group acts as fund manager for several funds. Fees related to these management activities are charged on an at arm s-length basis. In general, as a fund manager ING Group will hold these funds in a fiduciary capacity. These funds are therefore generally not included in the consolidated financial statements of ING Group.

29 Principal subsidiaries

The principal subsidiaries of ING Groep N.V. and their statutory seat are as follows:

Companies treated as part of the banking operations	
ING Bank N.V.	The Netherlands
Bank Mendes Gans N.V.	The Netherlands
ING Lease Holding B.V.	The Netherlands
ING Corporate Investments B.V.	The Netherlands
ING Vastgoed Management Holding B.V.	The Netherlands
ING Commercial Finance B.V.	The Netherlands
Westland Utrecht Bank N.V.	The Netherlands
ING België N.V.	Belgium
ING Bank Slaski S.A.	Poland
ING Bank Deutschland A.G.	Germany
ING Financial Holdings Corporation	United States of America
ING Middenbank Curaçao N.V.	Netherlands Antilles
ING Vysya Bank Ltd.	India
ING Direct N.V.	Canada, Germany, Spain, Australia, France, United States of America, Italy, United Kingdom
ING Bank A.S.	Turkey

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Companies treated as part of the insurance operations	
ING Verzekeringen N.V.	The Netherlands
Nationale-Nederlanden Levensverzekering	The Netherlands
Nationale-Nederlanden Schadeverzekering	The Netherlands
Parcom Capital B.V.	The Netherlands
ING Levensverzekering Retail N.V.	The Netherlands
ING Schadeverzekering Retail N.V.	The Netherlands
RVS Levensverzekering N.V.	The Netherlands
RVS Schadeverzekering N.V.	The Netherlands
Movir N.V.	The Netherlands
ING Re (Netherlands) N.V.	The Netherlands
ING Fund Management B.V.	The Netherlands
ING Vastgoed Belegging B.V.	The Netherlands
ING Zivotna Poistovna a.s.	Slovakia
ING Nationale-Nederlanden Polska S.A.	Poland
ING Nationale-Nederlanden Polska Powszechne Towarzystwo Emerytaine S.A.	Poland
ING Asigurari de Viata S.A.	Romania
ING Greek Life Insurance Company S.A.	Greece
ING Nationale-Nederlanden Magyarorszagi Biztosito Rt.	Hungary
Nationale-Nederlanden Vida, Compañia de Seguros y Reaseguros S.A.	Spain
Nationale-Nederlanden Generales, Compañia de Seguros y Reaseguros S.A.	Spain
ING America Insurance Holdings, Inc.	United States of America
ING International Insurance Holdings, Inc.	United States of America
ING Life Insurance and Annuity Company	United States of America
ING North America Insurance Corporation	United States of America
Lion Connecticut Holdings Inc.	United States of America
ReliaStar Life Insurance Company	United States of America
ReliaStar Life Insurance Company of New York	United States of America
Security Life of Denver Insurance Company	United States of America
ING USA Annuity and Life Insurance Company	United States of America
ING Investment Management Co	United States of America
Security Life of Denver International Limited	Cayman Islands
ING Afore S.A. de C.V.	Mexico
ING Seguros de Vida S.A.	Chile
AFP Capital S.A.	Chile
ING Insurance Berhad	Malaysia
ING Life Insurance Company (Japan) Limited	Japan
ING Life Insurance Company (Korea) Limited	South Korea
ING Life Insurance Company (Bermuda) Limited	Hong Kong

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30 Companies acquired and companies disposed

Acquisitions effective in 2010

There were no significant acquisitions in 2010.

Most significant companies disposed in 2010:

	Asia Private Banking business[3]	Swiss Private Banking business[3]	ING Summit Industrial Fund LP	Total
General				
Primary line of business	Bank	Bank	Bank	
Sales proceeds				
Cash proceeds[1]	985	345	333	1,663
Sales proceeds	**985**	**345**	**333**	**1,663**
Assets				
Cash assets	4	179		183
Investments	41	236		277
Loans and advances to customers	2,390	816	6	3,212
Amounts due from banks	1,171	1,177	39	2,387
Financial assets at fair value through profit and loss	397	8		405
Real estate investments			1,620	1,620
Miscellaneous other assets	20	46	57	123
Liabilities				
Insurance and investment contracts				
Amounts due to banks	180	755	952	1,887
Customer deposits and other funds on deposit	3,098	1,382		4,480
Miscellaneous other liabilities	92	53	52	197
Net assets	**653**	**272**	**718**	**1,643**
% disposed	100	100	50[4]	
Net assets disposed	**653**	**272**	**359**	**1,284**
Gain/loss on disposal[2]	332	73	(26)	379

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial disposals in addition to the cash flows presented.

(2)

The gain/loss on disposal comprises the sales proceed, the net assets disposed, the expenses directly related to the disposal and the realization of unrealized reserves.

(3) As per December 31, 2009 recognized as a disposal group held for sale.

(4) After disposal of the 50% stake ING has no remaining stake in Summit.

Disposals effective in 2010

In October 2009 ING reached an agreement to sell its Asian Private Banking business for a consideration of USD 1,463 million (EUR 985 million). The Asia franchise offers private banking services in 11 markets, including Hong Kong, the Philippines and Singapore. The transaction generated a net profit for ING of EUR 332 million. The sale was completed in the first half of 2010. The Asian Private Banking business was previously included in the segment Retail Asia.

In October 2009 ING reached an agreement to sell its Swiss Private Banking business to Julius Baer for a consideration of EUR 345 million (CHF 520 million) in cash. The transaction generated a net profit for ING of EUR 73 million. The sale was completed in January 2010. The Swiss Private Banking business was previously included in the segment Retail CE.

In August 2010 ING announced that it has agreed to sell its 50% stake in ING Summit Industrial Fund LP (Summit), a Canadian light industrial property portfolio to a joint venture between KingSett Capital and Alberta Investment Management Corporation (AIMCo). The sale was completed in November 2010. The transaction value for 100% of Summit is CAD 2.0 billion (EUR 1.4 billion) and includes assumed debt. In addition to its direct investment in Summit, ING has an indirect participation through its 7.8% unit holding of ING Industrial Fund (IIF), an ING-managed listed property fund in Australia which owns the remaining 50% in Summit. As part of the transaction, IIF has agreed to simultaneously

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sell its stake in Summit to KingSett/AIMCo. Consequently, ING s indirect participation in Summit will end as well. Separately, ING sold ING Real Estate Canada, the manager of Summit, to KingSett/AIMCo for an undisclosed amount. The transaction had no material impact on ING Group s 2010 results and capital ratios. The transaction resulted in a net loss of EUR 26 million in 2010. Summit was previously included in the segment ING Real Estate.
Furthermore there were some disposals that did not have a significant impact on ING s balance sheet and profit and loss account. In November 2009 ING reached an agreement to sell three of its US independent retail broker-dealer units to Lightyear Capital LLC for a total consideration of EUR 96 million. The transaction concerns Financial Network Investment Corporation, based in El Segundo, California, Multi-Financial Securities Corporation, based in Denver, Colorado, PrimeVest Financial Services, Inc., based in St. Cloud, Minnesota, and ING Brokers Network LLC, the holding company and back-office supporting those broker dealers, which collectively do business as ING Advisors Network. The sale was completed in February 2010. The three US independent retail broker-dealer units were previously included in the segment Insurance US.

In December 2009 ING reached an agreement to sell the non-life insurance operations in Greece for a total consideration of EUR 4 million. The sale was completed in July 2010.

Acquisitions and disposals announced and occurring or expected to occur in 2011

ING announced in February 2011 that it has reached agreement with CB Richard Ellis Group, Inc., to sell ING REIM Europe, ING REIM Asia and Clarion Real Estate Securities (CRES), ING REIM s US-based manager of listed real estate securities, as well as part of ING s equity interests in funds managed by these businesses. The proceeds for these REIM businesses and the equity interests amount to approximately USD 1.0 billion. ING REIM Europe, ING REIM Asia and CRES combined have EUR 44.7 billion in assets under management as of December 31, 2010. In a separate transaction, ING has agreed to sell the private market real estate investment manager of its US operations, Clarion Partners, to Clarion Partners management in partnership with Lightyear Capital LLC for USD 100 million. Clarion Partners has EUR 16.5 billion in assets under management as of December 31, 2010. The Real Estate Investment Management business in Australia (ING REIMA), with EUR 4.8 billion in assets under management as of December 31, 2010, is not included in these transactions. Within the context of the previously announced evaluation, ING finalized the review of the strategic options and implementation has commenced. As a result ING will undertake a phased withdrawal from its Australian real estate investment management activities in a timely and controlled manner. In the transaction with CB Richard Ellis, ING Insurance has agreed to continue its asset management mandate with CB Richard Ellis as the new manager of the funds. ING Bank will continue to have an equity interest in some REIM funds in Europe, Asia, the US and Australia. The equity stakes held by the Bank will be monetized over time as it continues to steadily reduce its exposure to real estate. Combined, the transactions are expected to result in an after-tax gain on disposal of approximately EUR 500 million at current exchange rates. The final terms are subject to potential adjustments at closing, customary for this kind of transaction. ING Real Estate Development and ING Real Estate Finance are not impacted by the transactions and will continue to be part of ING Bank. Both transactions are expected to close in the second half of 2011 and are subject to approvals by certain stakeholders including various regulators.

In December 2009 ING announced the sale of its entire stake in China s Pacific Antai Life Insurance Company Ltd. (PALIC) to China Construction Bank. This is the outcome of a strategic review announced in April 2009 as part of ING s Back to Basics program. The stake in PALIC is included in the segment Insurance Asia/Pacific. The transaction is expected to be closed in 2011. The closing is subject to regulatory approval.

The above described disposals and ING Arrendadora S.A. de C.V. are expected to close in 2011 and will be deconsolidated in 2011 when ING loses control. They qualify as disposal groups held for sale at December 31, 2010 as ING expects to recover the carrying amount principally through the sale transactions. They are available for sale in their immediate condition subject to terms that are usual and customary for sales of such assets and the sales are considered to be highly probable.

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2009

Goodwill recognized in 2009 amounted to EUR 39 million as disclosed in Note 9 Intangible assets . This includes EUR 26 million in relation to the consolidation of 3W Holding B.V as disclosed below. There were no significant acquisitions in 2009.

In August 2009 ING obtained control of its 50% owned joint venture 3W Holding B.V., a real estate development company. ING obtained a majority representation in the Supervisory Board of 3W Holding B.V. and entered into an option agreement that allows ING to acquire the remaining 50%. As a result of obtaining control, 3W Holding B.V. is fully included in the consolidation as of September 2009. Net assets upon consolidation amounted to EUR (21) million. The estimated consideration payable for obtaining the remaining 50% under the option agreement is approximately EUR 5 million. Therefore, goodwill of EUR 26 million is recognized. This goodwill is mainly attributable to operational synergies arising from obtaining control of the professional network of 3W and the future business potential in the southern Netherlands where 3W is active.

	3W Holding B.V.
General	
Primary line of business	Bank
Date of full consolidation	September 1, 2009
Purchase consideration payable	**5**
Assets	
Miscellaneous other assets	51
Liabilities	
Customer deposits and other funds on deposit	21
Miscellaneous other liabilities	51
Net assets	**(21)**
Goodwill recognized	26
Profit since date of full consolidation	(16)
Income if fully consolidated as of start of year	(5)
Profit if fully consolidated as of start of year	(19)

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Most significant companies disposed in 2009:

	ING Life Taiwan[5]	ING Canada	Annuity and Mortgage business of Chile	Australia/ New Zealand	Total
General					
Primary line of business	Insurance	Insurance	Insurance	Insurance	
Sales proceeds					
Cash proceeds[1]		1,316	217	1,106	2,639
Non-cash proceeds	466				466
Sales proceeds	**466**	**1,316**	**217**	**1,106**	**3,105**
Assets					
Cash assets	80	322	2	233	637
Investments	9,801	2,350	1,803	385	14,339
Loans and advances to customers	1,341	79	413		1,833
Financial assets at fair value through profit and loss	1,552	1,075	52	8,370	11,049
Miscellaneous other assets	2,538	2,092	74	639	5,343
Liabilities					
Insurance and investment contracts	14,294	3,761	2,009	8,524	28,588
Miscellaneous other liabilities	260	223	95	334	912
Net assets	**758**	**1,934**	**240**	**769**	**3,701**
% disposed	100%	70%[4]	100%	100%	
Net assets disposed	**758**	**1,354**	**240**	**769**	**3,121**
Gain/loss on disposal[2]	(292)[3]	(38)	(23)	337	(16)

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial disposals in addition to the cash flows presented.

(2) The gain/loss on disposal comprises the sales proceed, the net assets disposed, the expenses directly related to the disposal and the realization of unrealized reserves.

(3) The loss was recognized in 2008.

(4) After disposal of the 70% stake ING has no remaining stake in ING Canada.

(5)

Assets and liabilities included in this column were presented as assets/liabilities held for sale as at December 31, 2008.

Disposals effective in 2009

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

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

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

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

Most significant companies acquired in 2008:

	Interhyp AG	**Universal Lease Iberia**	**Chile Pension business of Santander**	**Citistreet**	**Oyak Emeklilik**	**Total**
General						
Primary line of business	Bank	Bank	Insurance	Insurance	Insurance	
Date of acquisition	August 1, 2008	October 1, 2008	January 16, 2008	July 1, 2008	December 1, 2008	
Percentage of voting shares acquired	99%	100%	100%	100%	100%	
Purchase price						
Purchase price	418		397	578	110	1,503
Costs directly attributable to the acquisition			4	5		9
Cash purchase price	**418**		**401**	**583**	**110**	**1,512**
Cash in company acquired				45	35	80
Cash outflow on acquisition[(2)]	**418**		**401**	**538**	**75**	**1,432**
Assets						
Cash assets				45	35	80
Investments			8			8
Loans and advances to customers			6			6
Amounts due from banks	43					43
Financial assets at fair value through profit and loss			78			78
Intangible assets			31	73		104
Miscellaneous other assets	20	235	2	24	8	289
Liabilities						
Insurance and investment contracts			7			7
		224				224

Customer deposits and other funds on deposit						
Miscellaneous other liabilities	16	20	6	26	2	70
Net assets	**47**	**(9)**	**112**	**116**	**41**	**307**
Minority interests						
Net assets acquired	**47**	**(9)**	**112**	**116**	**41**	**307**
Goodwill recognized[1]	371	9	285	462	69	1,196
Profit since date of acquisition	(7)		3	(7)		(11)
Income if acquisition effected at start of year	61	42	17	275	12	407
Profit if acquisition effected at start of year	(20)	(1)	1	8		(12)

(1) Goodwill recognized in 2008 on immaterial acquisitions and real estate portfolios was EUR 133 million, resulting in total Goodwill recognized in 2008 of EUR 1,329 million as disclosed in Note 9 Intangible assets .

(2) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial acquisitions and real estate portfolios in addition to the cash flows presented herein.

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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 recognized on the acquisition and is mainly attributable to the operational synergies and the future business potential resulting from the acquisition.

In August 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 recognized 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 organization in the US defined contribution marketplace for a total consideration of EUR 578 million. Goodwill of EUR 462 million was recognized 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 US.

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.

Most significant companies disposed in 2008:

	NRG	Mexican non-life business	Total
General			
Primary line of business	Insurance	Insurance	
Sales proceeds			
Sales proceeds	272	950	1,222
Cash proceeds	**272**	**950**	**1,222**
Cash in company disposed	12	26	38
Cash inflow on disposal[(1)]	**260**	**924**	**1,184**
Assets			
Cash assets	12	26	38
Investments	461	1,146	1,607
Loans and advances to customers	137	65	202
Financial assets at fair value through profit and loss		41	41
Miscellaneous other assets	26	1,261	1,287
Liabilities			
Insurance and investment contracts	210	1,497	1,707
Miscellaneous other liabilities	10	274	284
Net assets	**416**	**768**	**1,184**
% disposed	100%	100%	
Net assets disposed	**416**	**768**	**1,184**

Gain/loss on disposal[2]	(144)	182	38

[1] Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial disposals in addition to the cash flows presented.

[2] The gain/loss on disposal comprises the sales proceed, the net assets disposed, the expenses directly related to the disposal and the realization of unrealized reserves.

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. 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 recognized.

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In July 2008, ING 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.

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 nationalize the private pension system (AFJPs). Under the law, all client balances held by the private pension system had to be transferred to the Argentina Government and AFJP s pension business was terminated. The law became effective in December 2008 when the Argentine Social Security Administration (ANSES) took ownership over the affiliate accounts. The nationalization 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 recognized in 2008.

31 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, the Company s management is of the opinion that neither it nor any of its subsidiaries is aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have in the recent past had a significant effect on the financial position or profitability of the Company.

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 recognised.

Proceedings in which ING is involved, include complaints and lawsuits concerning the performance of certain interest sensitive products that were sold by a former subsidiary of ING in Mexico. Proceedings also include lawsuits that have been filed by former employees of an Argentinean subsidiary, whose employment was terminated as a result of the Republic of Argentina s nationalization of the mandatory pension business. Litigation has been filed by the purchaser of certain ING Mexican subsidiaries who claims that the financial condition of the subsidiaries was not accurately depicted. Further, purported class litigation has been filed in the United States District Court for the Southern District of New York alleging violations of the federal securities laws with respect to disclosures made in connection with the 2007 and 2008 offerings of ING s Perpetual Hybrid Capital Securities. The Court has determined that the claims relating to the 2007 offerings were without merit and has dismissed them. The challenged disclosures that survived the Court s ruling relate solely to the June 2008 offering, and primarily to ING Group s investments in certain residential mortgage-backed securities. Additional purported class litigation challenges the operation of the ING Americas Savings Plan and ESOP and the ING 401(k) Plan for ILIAC Agents. Recently, an administrator of an ERISA plan filed a lawsuit seeking to represent a class of ERISA plan administrators claiming that an ING subsidiary had breached certain of its ERISA duties. These matters are being defended vigorously; however, at this time, ING is unable to assess their final outcome. Subject to court approval, litigation involving the interest crediting methodology used in connection with certain annuity products and disclosures about that methodology, in which a state court of appeals determined a nationwide class could be maintained, has been resolved.

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In November 2006, the issue of amongst others the transparency of unit-linked 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. In mid-November 2008 ING reached an outline agreement with consumer organizations in the Netherlands to resolve a dispute regarding individual unit-linked products sold to customers in the Netherlands by ING s Dutch insurance subsidiaries. It was agreed that ING s Dutch insurance subsidiaries would offer compensation to policyholders where individual unit-linked 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. Implementation will start in 2011. However, no agreement about implementation could be reached with one consumer protection organisation.

In January 2010 ING lodged an appeal with the General Court of the European Union against specific elements of the European Commission s decision regarding ING s restructuring plan. In its appeal, ING contests the way the Commission has calculated the amount of state aid ING received and the disproportionality of the price leadership restrictions specifically and the disproportionality of restructuring requirements in general.

In January 2011 the Association of Stockholders (Vereniging van Effectenbezitters, VEB) has issued a writ alleging that investors were misled by the prospectus that was issued with respect to the September 2007 rights issue of Fortis N.V. (now: Ageas N.V.) against Ageas N.V., the underwriters of such rights issue, including ING Bank, and former directors of Fortis N.V. According to the VEB the prospectus shows substantive incorrect and misleading information. The VEB states that the impact and the risks of the subprime crisis for Fortis and Fortis liquidity position have been reflected incorrectly in the prospectus. The VEB requests a declaratory decision stating that the summoned parties have acted wrongfully and are therefore responsible for the damages suffered by the investors in Fortis. The amount of damages of EUR 18 billion has not been substantiated yet. ING will defend itself against this claim; at this time ING is not able to assess the future outcome.

In March 2011, ING Groep N.V. was informed of the decision of the board of Stichting Pensioenfonds ING (the Dutch ING Pension Fund) to institute arbitration against ING s decision not to provide funding for indexing pensions. While it is not feasible to predict the ultimate outcome of these arbitration proceedings, the Company s management is of the opinion that these will not have a significant effect on the financial position or profitability of the Company.

32 Joint ventures

Joint ventures are included proportionally in the consolidated financial statements as follows:
Most significant joint ventures:

2010	Interest held (%)	Assets	Liabilities	Income	Expenses
Postkantoren B.V.	50	91	100	30	28
KB Life Insurance Company [1]	49	1,236	1,118	436	425
ING-BOB Life Insurance Company Ltd [2]	50	333	289	87	85
ING Vysya Life Insurance Company Ltd[1]	26	495	466	127	136
Total		**2,155**	**1,973**	**680**	**674**

(1) Accounted for as joint venture because of joint control.

(2) Previously ING Capital Life Insurance Company Ltd.

Most significant joint ventures:

2009	Interest held (%)	Assets	Liabilities	Income	Expenses
Postkantoren B.V.	50	147	152	143	141
KB Life Insurance Company [1]	49	748	702	281	277
ING Capital Life Insurance Company Ltd	50	236	214	57	59
ING Vysya Life Insurance Company Ltd[1]	26	342	329	112	122
Total		**1,473**	**1,397**	**593**	**599**

[1] Accounted for as joint venture because of joint control.

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33 Related parties

In the normal course of business, ING Group enters into various transactions with related companies. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions have taken place on an arm s length basis and include rendering or receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral.

Transactions with joint ventures and associates:

	Joint ventures		Associates	
	2010	**2009**	**2010**	**2009**
Receivables	114	432	1,283	648
Liabilities	41	187	38	6
Income received	6	103	127	115
Expenses paid		136	11	

Transactions with ING Bank N.V. and ING Verzekeringen N.V.:

	ING Bank N.V.		ING Verzekeringen N.V.	
	2010	**2009**	**2010**	**2009**
Receivables	9,411	9,154	2,095	3,412
Liabilities	736	793		7
Income received	825	725	184	299
Expenses paid	194	237		

Receivables on ING Bank N.V. and ING Verzekeringen N.V. mainly include long term funding. Liabilities to ING Bank N.V. mainly include short term deposits.

Transactions with key management personnel (Executive Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. These transactions are disclosed in more detail in the remuneration report in the annual report. For the post-employment benefit plans see Note 21 Other liabilities .

In 2009 as a result of the change in strategy of ING Groep N.V. the Executive Board of ING Groep N.V. was reduced from eight to three members. The effective date of this change was June 1, 2009. At the same time the Executive Board of ING Bank N.V. and ING Verzekeringen N.V. were transformed into Management Boards for ING Bank N.V. and ING Verzekeringen N.V. The former Executive Board members of ING Groep N.V. became Management Board members of ING Bank N.V or ING Verzekeringen N.V. Furthermore, the three members of the Executive Board of ING Groep N.V. are also member of both Management Boards. The Management Board members of ING Bank and ING Insurance are also considered to be key management of ING Group.

Key management personnel compensation (Executive Board and Management Boards):

Amounts in thousands of euros

	Executive	Management Boards of ING Bank N.V and ING

2010	Board of ING Groep N.V.	Verzekeringen N.V.[1]	Total
Base salary and cash bonus	4,121	5,910	10,031
Pension costs	292	1,263	1,555
Termination benefit		980	980
Fair market value of bonus in shares	1,268	1,376	2,644
Total compensation	**5,681**	**9,529**	**15,210**

(1) Excluding three members that are also members of the Executive Board of ING Groep N.V.

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Key management personnel compensation (Executive Board and Management Boards):

Amounts in thousands of euros

2009	Executive Board of ING Groep N.V.[1]	Management boards of ING Bank N.V and ING Verzekeringen N.V.[2]	Total
Base salary	4,936	2,933	7,869
Pension costs	935	772	1,707
Termination benefit		665	665
Retirement benefit	1,353	1,200	2,553
Total compensation	**7,224**	**5,570**	**12,794**

(1) Comprising eight members from January 1, 2009 to May 31, 2009 and 3 members from June 1, 2009 to December 31, 2009.

(2) As of June 1, 2009, excluding three members that are also members of the Executive Board of ING Groep N.V.

Key management personnel compensation (Supervisory Board):

	Supervisory board	
	2010	**2009**
Base salary	1,010	1,128
Total compensation	**1,010**	**1,128**

Loans and advances to key management personnel:

Amounts in thousands of euros

	Amount outstanding December 31,		Average interest rate		Supervisory board	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Executive Board members	1,968	380	3.6%	4.6%		
Management Boards members of ING Bank N.V. and ING Verzekeringen N.V.	13	244	4.3%	3.6%	4	933
Supervisory Board members	282	282	8.6%	8.6%		

Total	**2,263**	**906**	**4**	**933**

The total number of stock options on ING Groep N.V. shares held by the Executive Board members of ING Group N.V. amounted to 164,689 as at December 31, 2010 (2009: 164,689) and total number of stock options on ING Groep N.V. shares held by Management Board members of ING Bank N.V. and ING Verzekeringen N.V. amounted to 2,676,675 as at December 31, 2010 (2009: 2,718,765). As at December 31, 2010, members of the Executive Board held 118,723 ING Groep N.V. shares (2009: 60,883) and members of the Management Boards of ING Bank N.V. and ING Verzekeringen N.V. held 284,995 ING Groep N.V. shares (2009: 266,239). As at December 31, 2010, members of the Supervisory Board held 167,407 ING Groep N.V. shares (2009: 137,407).

There are no significant provisions for doubtful debts or individually significant bad debt expenses recognized on outstanding balances with related parties.

Transactions with the Dutch State

Illiquid Assets Back-up Facility

ING Group and the Dutch State reached an agreement on an Illiquid Assets Back-up Facility (IABF) on January 26, 2009. The transaction closed on March 31, 2009. The IABF covers the Alt-A portfolios of both ING Direct US and ING Insurance US, with a par value of approximately EUR 30 billion. Under the IABF, ING transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. As a result, an undivided 80% interest in the risk and rewards on the portfolio was transferred to the Dutch State. ING retained 100% of the legal ownership of its Alt-A portfolio. The transaction price was 90% of the par value with respect to the 80% proportion of the portfolio of which the Dutch State had become the economic owner. The transaction price remains payable by the Dutch State to ING and will be redeemed over the remaining life. Furthermore, under the IABF ING pays a guarantee fee to the State and receives a funding fee and a management fee. As a result of the transaction ING derecognized 80% of the Alt-A portfolio from its balance sheet and recognized a receivable from the Dutch State. The transferred Alt-A portfolio was previously included in Available-for-sale debt securities. The Dutch State also acquired certain consent rights with respect to the sale or transfer of the 20% proportion of the Alt-A portfolio that is retained by ING.

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Under the terms of the transaction as agreed on January 26, 2009, the overall sales proceeds amounted to EUR 22.4 billion at the transaction date. The amortized cost (after prior impairments) at the transaction date was also approximately EUR 22.4 billion. The transaction resulted in a loss in the first quarter of 2009 of EUR 109 million after tax (the difference between the sales proceeds and the amortized cost). The fair value under IFRS-IASB at the date of the transaction was EUR 15.2 billion.

In order to obtain approval from the European Commission on ING Group s Restructuring Plan (see below), ING agreed to make additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission to the Dutch State corresponding to an adjustment of the fees for the Illiquid Assets Back-up Facility. In total, these additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission amounted to a net present value of EUR 1.3 billion pre-tax, which was recognized as a one-off charge in the fourth quarter of 2009. The remainder of the IABF as agreed in January 2009, including the transfer price of the securities of 90%, remained unaltered.

The difference between the total sales proceeds of EUR 21.1 billion (EUR 22.4 billion -/- adjustment of EUR 1.3 billion) and the fair value under IFRS-IASB of EUR 15.2 billion represents a Government grant under IAS 20. This government grant is considered to be an integral part of the transaction and is therefore accounted for as part of the result on the transaction.

The transaction resulted in a reduction of the negative revaluation -and therefore an increase in equity- of EUR 4.6 billion (after tax).

The valuation method of the 20% Alt-A securities in the IFRS balance sheet is not impacted by the IABF. The methodology used to determine the fair value for these assets in the balance sheet under IFRS-IASB is disclosed in Note 34 Fair value of financial assets and liabilities .

As at December 31, 2010, the remaining outstanding amount from the transaction price that remained payable by the Dutch State is EUR 13.1 billion. The net amount of other unamortized components of the total sales proceeds, as explained above, amounts to EUR 0.7 billion payable.

Non-voting equity securities (Core Tier 1 securities)

On November 12, 2008, ING Groep N.V. issued one billion non-voting equity securities to the Dutch State at EUR 10 per non-voting equity security, resulting in an increase of ING Group s core Tier 1 capital of EUR 10 billion. The nominal value of each security is EUR 0.24. The non-voting equity securities do not form part of ING Group s share capital; accordingly they do not carry voting rights in the General Meeting of Shareholders.

These non-voting equity securities are deeply subordinated and rank pari-passu with ordinary shares in a winding up of ING Group.

On these non-voting equity securities a coupon is payable of the higher of:

- EUR 0.85 per security, payable annually in arrears, with a first coupon of EUR 0.425 per security paid on May 12, 2009; and
- 110% of the dividend paid on each ordinary share over 2009 (payable in 2010);
- 120% of the dividend paid on each ordinary share over 2010 (payable in 2011);
- 125% of the dividend paid on each ordinary share over 2011 onwards (payable in 2012 onwards).

Since ING Groep N.V. had already paid an interim dividend of EUR 0.74 in August 2008, ING recognized a coupon payable of EUR 425 million to the Dutch State as of December 31, 2008. This coupon was paid on May 12, 2009. Further coupons are to be paid on May 12 of each year (the coupon date) in cash if dividend on ordinary shares is paid in cash or to be paid in scrip securities in the event of a scrip dividend on ordinary shares. Coupons are only due and payable, on a non-cumulative basis and if a dividend is paid on ordinary shares over the financial year preceding the coupon date, either on an interim or a final dividend basis, provided that ING Groep N.V. s capital adequacy position is and remains satisfactory both before and immediately after payment in the opinion of the Dutch Central Bank.

ING Groep N.V. has the right to repurchase all or some of the non-voting equity securities at EUR 15 per security at any time, together with the pro-rata coupon accrued to such date. ING Groep

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N.V. and the Dutch State have agreed in October 2009 that up to EUR 5 billion of the EUR 10 billion core Tier 1 securities could be repurchased at any time until January 31, 2010 at the original issue price of EUR 10 per non-voting equity security, plus a repurchase premium and accrued interest.

ING Groep N.V. also has the right to convert all or some of the non-voting equity securities into ordinary shares on the basis of one non-voting equity security for 1.335 ordinary shares or bearer depositary receipts from three years after the issue date onwards, subject to certain conditions. The Dutch State in that case has the right to demand a redemption payment of EUR 10 per non-voting equity security, together with the pro-rata coupon, if due, accrued to such date.

Both repurchase and conversion of the securities must be approved by the Dutch Central Bank.

Repayment non-voting equity shares

In December 2009, ING repurchased the first half of the non-voting equity securities (core Tier 1 securities) of EUR 5 billion plus a total premium of EUR 605 million. In March 2011, ING announced that, at the next coupon reset date on May 13, 2011, ING intends to exercise its option for early repurchase of EUR 2 billion of the remaining non-voting equity securities (core Tier 1 securities). The total payment in May 2011 will amount to EUR 3 billion and includes a 50% repurchase premium. ING will fund this repurchase from retained earnings. Provided that the strong capital generation continues, ING intends to repurchase the remaining EUR 3 billion non-voting equity securities (core Tier 1 securities) ultimately by May 2012 from retained earnings. The final decision on repurchase of these non-voting equity securities (core Tier 1 securities) will be made before the envisaged repayment date and will be conditional upon there having been no material changes regarding ING s capital requirements and/or ING s outlook on external market circumstances.

In order to finance the repayment, in December 2009, of the non-voting equity securities and the associated expenses as well as to mitigate the capital impact of the additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission, ING launched a capital increase with preferential subscription rights for holders of (depositary receipts for) ordinary shares of up to EUR 7.5 billion. The rights issue, as disclosed in Note 13 Shareholders equity (parent)/non-voting equity securities was authorized by the Extraordinary General Meeting of Shareholders on November 25, 2009. Proceeds of the issue in excess of the above amounts were used to strengthen ING s capital position.

European Commission Restructuring Plan

In 2009, ING Groep N.V. submitted a Restructuring Plan to the European Commission as part of the process to receive approval for the government support measures. The Restructuring Plan has formally been approved by the European Commission. The main elements of the Restructuring Plan as announced on October 26, 2009 are as follows:

- ING will eliminate double leverage and significantly reduce its balance sheet;
- ING will divest all Insurance and Investment Management activities;
- ING needs to divest ING Direct USA by the end of 2013;
- ING will create a new company in the Dutch retail market composed of Interadvies (including Westland Utrecht and the mortgage activities of Nationale-Nederlanden) and the existing consumer lending portfolio of ING Retail in the Netherlands. This business, once separated, will be divested;
- ING will not be a price leader in any EU country for certain retail and SME banking products and will refrain from the acquisition of financial institutions or other businesses that would delay the repayment of the non-voting equity securities. These restrictions will apply for the shorter period of three years or until the non-voting equity securities have been repaid in full to the Dutch State;

ING will agree with the Dutch State to alter the repayment terms of 50% of the non-voting equity securities;

EUR 5 billion of the non-voting equity securities issued in November 2008 to the Dutch State will be repurchased;

additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission will have to be made to the Dutch State in the form of fee adjustments relating to the Illiquid Assets Back-Up Facility which resulted in a one-off pre-tax charge to ING of EUR 1.3 billion in the fourth quarter of 2009;

ING would launch a EUR 7.5 billion rights issue, in order to finance the repayment of 50% of the non-voting equity securities and to mitigate the capital impact of the additional Illiquid Assets Back-up Facility payment as part of the overall agreement with the European Commission to the Dutch State of EUR 1.3 billion;

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ING will execute the Restructuring Plan before the end of 2013;

ING will refrain from acquisitions of financial institutions for a certain period;

Whenever the overall return on the (remaining) non-voting equity securities (core Tier 1 securities) issued to the Dutch State is expected to be lower than 10% p.a., the European Commission may consider the imposition of additional behavioural constraints; and

The calling of Tier-2 capital and Tier-1 hybrids will in the future be proposed case by case to the Commission for authorisation, for the shorter period of three years starting from the date of the Commission decision or up to the date on which ING has fully repaid the non-voting equity securities (core-Tier 1 securities) to the Dutch State (including the relevant accrued interest of core Tier-1 coupons and exit premium fees).

On January 28, 2010, ING lodged an appeal against specific elements of the European Commission s decision. The outcome of ING s appeal to the European court is anticipated at the end of 2011.

Credit Guarantee Scheme

As part of the measures adopted to protect the financial sector, the Dutch State introduced a EUR 200 billion credit guarantee scheme for the issuance of medium term debt instruments by banks (the Credit Guarantee Scheme). ING Bank N.V. issued government guaranteed debt instruments under this Credit Guarantee Scheme (Government Guaranteed Bonds) as part of its regular medium-term funding operations. The relevant Rules of the Credit Guarantee Scheme promulgate the rules applicable to any issues under the Credit Guarantee Scheme and include information such as scope, denomination, tenor and fees payable by the banks. ING Group pays a fee of 84 basis points over the issued bonds to the Dutch State to participate in the Credit Guarantee Scheme. Reference is made to Note 15 Debt securities in issue .

Other

Following the transactions as disclosed in this note, the Dutch State is a related party of ING Group. All other transactions between ING Group and the Dutch State are of a normal business nature and at arm s length.

In the framework of the transactions with the Dutch State disclosed in this note, 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 non-voting equity securities, as long as the Illiquid Assets Back-up Facility is in place or any of the Government Guaranteed Bonds is outstanding (whichever expires last). These arrangements entail that:

the Dutch State may recommend two candidates (the State Nominees) for appointment to the Supervisory Board. Certain decisions of the Supervisory Board require approval of the State Supervisory Board members;

ING Group must 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 . This new remuneration policy must, amongst others, include objectives relating to corporate and social responsibility;

members of the Executive Board may not receive any performance-related payment either in cash, options, shares or bearer depositary receipts for the years 2008 and 2009 until the adoption of the new remuneration policy in 2010;

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

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

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

ING has committed 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; and

appointment of the Chief Executive Officer of the Executive Board requires approval of the State Nominees.

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34 Fair value of financial assets and liabilities

The following table presents the estimated fair values of ING Group s financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair values presented below does not represent, and should not be construed as representing, the underlying value of ING Group.

Fair value of financial assets and liabilities:

	Estimated fair value		Balance sheet value	
	2010	**2009**	**2010**	**2009**
Financial assets				
Cash and balances with central banks	13,072	15,390	13,072	15,390
Amounts due from banks	51,651	43,506	51,828	43,397
Financial assets at fair value through profit and loss:				
- trading assets	125,675	111,444	125,675	111,444
- investments for risk of policyholders	120,481	104,597	120,481	104,597
- non-trading derivatives	11,722	11,632	11,722	11,632
- designated as at fair value through profit and loss	6,016	5,517	6,016	5,517
Investments:				
- available-for-sale	222,547	197,703	222,547	197,703
- held-to-maturity	11,854	14,809	11,693	14,409
Loans and advances to customers	614,548	578,488	608,938	575,275
Other assets[(1)]	26,906	28,764	26,906	28,764
	1,204,472	**1,111,850**	**1,198,878**	**1,108,128**
Financial liabilities				
Subordinated loans	9,215	7,478	10,645	10,099
Debt securities in issue	136,586	118,950	135,604	119,981
Other borrowed funds	21,822	22,261	22,291	23,151
Investment contracts for risk of company	5,991	5,896	5,991	5,896
Investment contracts for risk of policyholders	5,984	5,406	5,984	5,406
Amounts due to banks	73,227	84,968	72,852	84,235
Customer deposits and other funds on deposit	508,755	466,822	511,362	469,508
Financial liabilities at fair value through profit and loss:				
- trading liabilities	108,050	98,245	108,050	98,245
- non-trading derivatives	17,782	20,070	17,782	20,070
- designated as at fair value through profit and loss	12,707	11,474	12,707	11,474
Other liabilities[(2)]	29,671	33,946	29,671	33,946
	929,790	**875,516**	**932,939**	**882,011**

[(1)] Other assets do not include (deferred) tax assets, property held for sale, pension assets and deferred charges.

(2) Other liabilities do not include (deferred) tax liabilities, pension liabilities, insurance provisions, prepayments received under property under development, share-based payment plans, other provisions and other taxation and social security contributions.

The estimated fair values correspond to the amounts at which the financial instruments at our best estimate could have been traded at the balance sheet date between knowledgeable, willing parties in arm s length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments various techniques have been developed to estimate the approximate fair values of financial assets and liabilities that are not actively traded. These techniques are subjective in nature and involve various assumptions about the relevant pricing factors, especially for inputs that are not readily available in the market (such as credit spreads for own-originated loans and advances to customers). Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realizable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

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The following methods and assumptions were used by ING Group to estimate the fair value of the financial instruments:

Financial assets

Cash and balances with central banks

The carrying amount of cash approximates its fair value.

Amounts due from banks

The fair values of receivables from banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics, similar to Loans and advances to customers described below.

Financial assets at fair value through profit and loss and Investments

Derivatives

Derivatives contracts can either be exchange traded or over the counter (OTC). The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and those derivatives are classified in Level 1 of the fair value hierarchy. For those instruments not actively traded, fair values are estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques because quoted market prices in an active market are not available for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. The principle techniques used to value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows, based upon no-arbitrage principles. These models are commonly used in the banking industry. Inputs to valuation models are determined from observable market data wherever possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via valuation model calibration procedures. The inputs used include prices available from exchanges, dealers, brokers or providers of consensus pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

Equity securities

The fair values of public equity securities are based on quoted market prices when available. Where no quoted market prices are available, fair value is determined based on quoted prices for similar securities or other valuation techniques.

The fair value of private equity is based on quoted market prices, if available. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee s financial position and results, risk profile, prospects, price, earnings comparisons and revenue multiples and by reference to market valuations for similar entities quoted in an active market.

Debt securities

Fair values for debt securities are based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, industry group, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is determined by management based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using a market interest rate curves, referenced credit spreads, maturity of the investment and estimated prepayment rates where applicable.

Certain asset backed securities in the United States are valued using external price sources that are obtained from third party pricing services and brokers.

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In order to determine which independent price in the range of prices obtained best represents fair value under IAS 39, ING applies a discounted cash flow model to calculate an indicative fair value. The key input to this model is a discount rate derived from an internal matrix that is used to construct the discount rate per security by applying credit and liquidity spreads relevant to the characteristics of such asset class. The main assumptions in this matrix include:

- a base spread;
- a liquidity risk premium;
- an additional credit spread, based on:
  - seniority in the capital structure an adjustment is applied to each security based on its position in the capital structure;
  - vintage an adjustment is applied for underwriting guidelines deteriorating from 2004 to 2007 in combination with differences in home price developments for these vintages.

The spreads are expressed in basis points and reflect the current market characteristics for credit and liquidity.

The indicative fair value obtained through the discounted cash flow model is then used to select the independently obtained price that is closest to the indicative price. In addition, judgment is applied in the event that the resulting indicative fair value is closest to the highest obtained vendor price and that price is a significant outlier compared to other obtained vendor prices. In such cases, the second highest obtained vendor price is deemed the most representative of fair value. The indicative price is not itself used for valuing the security; rather, it is used to select the most appropriate price obtained from independent external sources. As a result, each security in the portfolio is priced based on an external price, without modification by ING Group.

Loans and receivables

Reference is made to Loans and advances to customers below.

Loans and advances to customers

For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings.

The fair values of mortgage loans are estimated by taking into account prepayment behavior and discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings. The fair values of fixed-rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for calculations purposes. The carrying values of variable rate policy loans approximate their fair value.

Other assets

The carrying amount of other assets is not materially different from their fair value.

Financial liabilities

Subordinated loans

The fair value of the subordinated loans is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

Investment contracts

For investment contracts for risk of company the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts for risk of policyholder the fair value generally equals the fair value of the underlying assets.

Amounts due to banks

The fair values of payables to banks are generally based on quoted market prices or, if not available, on estimates based on discounting future cash flows using available market interest rates and credit spreads for payables to banks

with similar characteristics.

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Customer deposits and other funds on deposit

The carrying values of customer deposits and other funds on deposit with no stated maturity approximate their fair values. The fair values of deposits with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities.

Financial liabilities at fair value through profit and loss

The fair values of securities in the trading portfolio and other liabilities at fair value through profit and loss are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal discounted cash flow valuation techniques using interest rates and credit spreads that apply to similar instruments. Reference is made to Financial assets at fair value through profit and loss above.

Debt securities in issue and other borrowed funds

The fair value of debt securities in issue and other borrowed funds is generally based on quoted market prices or, if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Other liabilities

The other liabilities are stated at their book value which is not materially different than fair value.

Fair value hierarchy

ING Group has categorized its financial instruments that are measured in the balance sheet at fair value into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques based on unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

The fair value hierarchy consists of three levels, depending upon whether fair values were determined based upon quoted prices in an active market (Level 1), valuation techniques with observable parameters (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include for example illiquid debt securities, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available) and asset backed securities for which there is no active market and a wide dispersion in quoted prices.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on the Group s own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads.

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The fair values of the financial instruments carried at fair value were determined as follows:

Methods applied in determining fair values of financial assets and liabilities:

2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Trading assets	49,644	73,899	2,132	125,675
Investments for risk of policyholders	115,102	5,243	136	120,481
Non-trading derivatives	90	10,997	635	11,722
Financial assets designated as at fair value through profit and loss	1,143	3,027	1,846	6,016
Available-for-sale investments	113,994	102,449	6,104	222,547
	279,973	**195,615**	**10,853**	**486,441**
Liabilities				
Trading liabilities	33,293	73,316	1,441	108,050
Non-trading derivatives	878	15,028	1,876	17,782
Financial liabilities designated as at fair value through profit and loss	1,834	7,648	3,225	12,707
Investment contracts (for contracts carried at fair value)	2,879	3,088	17	5,984
	38,884	**99,080**	**6,559**	**144,523**

Methods applied in determining fair values of financial assets and liabilities:

2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Trading assets	40,043	70,035	1,366	111,444
Investments for risk of policyholders	100,541	4,002	54	104,597
Non-trading derivatives	283	10,808	541	11,632
Financial assets designated as at fair value through profit and loss	832	2,855	1,830	5,517
Available-for-sale investments	113,913	76,547	7,243	197,703
	255,612	**164,247**	**11,034**	**430,893**
Liabilities				
Trading liabilities	27,518	69,870	857	98,245
Non-trading derivatives	444	18,265	1,361	20,070
Financial liabilities designated as at fair value through profit and loss	4,460	4,425	2,589	11,474
Investment contracts (for contracts carried at fair value)	3,040	2,327	39	5,406
	35,462	**94,887**	**4,846**	**135,195**

Level 1 Quoted prices in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm s length basis.

Level 2 Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable, the instrument is still classified in this category, provided that the impact of those unobservable inputs on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data.

Level 3 Valuation technique supported by unobservable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. Level 3

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Available-for-sale investments include mainly asset backed securities in the US as described above under Debt securities . Level 3 Trading assets, Non-trading derivatives and Assets designated at fair value through profit and loss account and Level 3 Financial liabilities at fair value through profit and loss include financial instruments with different characteristics and nature, which are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable. An instrument in its entirety is classified as valued using significant unobservable inputs if a significant portion of the instrument s fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm s length transaction would be likely to occur can be derived. More details on the determination of the fair value of these instruments is included above under Derivatives , Debt securities and Loans and advances to customers .

Change in Level 3 classification (2010)

ING changed the classification of certain assets and liabilities in the fair value hierarchy compared to prior years. The changes relate to Trading assets/liabilities and Financial liabilities designated as at fair value through profit and loss. These changes result from further improvements in the classification by fair value hierarchy in order to better align with common practices that have emerged within the industry. As a result, certain financial instruments that were previously classified mainly in Level 2 (Valuation technique supported by observable inputs) are now classified in Level 3 (Valuation technique supported by unobservable inputs). The comparatives for 2009 have been adjusted accordingly.

The category of financial instruments that is most impacted by this change are issued structured notes that are classified as Financial liabilities designated as at fair value through profit and loss. These structured notes are a combination of deposit-, loan- and derivative components. Certain components of the structure represent Level 1 or Level 2 in the fair value hierarchy, whereas other components represent Level 3. ING also has other positions that are not measured at fair value or are measured at fair value and are classified in various levels of the fair value hierarchy. The combination of these instruments represents no significant exposure of ING to fair value changes related to unobservable inputs and, therefore, until 2009 the overall exposure was classified mostly in Level 2. As of 2010, individual financial instruments are classified individually in the fair value hierarchy. Furthermore, if the fair value of a financial instrument is based on unobservable inputs for a component of that instrument, in most cases the entire instrument (including the components that are not impacted by unobservable inputs) is now classified in Level 3.

The change to the 2009 comparatives resulted in assets in Level 3 of the fair value hierarchy increasing from 2.1% to 2.6% of total assets measured at fair value. Liabilities in Level 3 of the fair value hierarchy increased from 1.0% to 3.6% of total liabilities measured at fair value.

As a result of the offsetting impact as explained above, there is no significant impact on the sensitivity of fair values to unobservable inputs.

Changes in Level 3 Assets:

2010	Trading assets	Investment for risk of policy-holders	Non-trading derivatives	Financial assets designated as at fair value through profit and loss	Available-for-sale invest-ments	Total
Opening balance	1,366	54	541	1,830	7,243	11,034
Amounts recognized in profit and loss during the	193	(5)	(275)	3	(232)	(316)

year						
Revaluation recognized in equity during the year					1,047	1,047
Purchase of assets	1,394	134	554	608	1,364	4,054
Sale of assets	(899)	(143)	(340)	(637)	(720)	(2,739)
Maturity/settlement	(275)		(2)	(96)	(775)	(1,148)
Transfers into Level 3	474	86	143	21	1,156	1,880
Transfers out of Level 3	(150)			(4)	(3,355)	(3,509)
Exchange rate differences	29	10	14	121	376	550
Closing balance	**2,132**	**136**	**635**	**1,846**	**6,104**	**10,853**

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Main changes in fair value hierarchy (2010 compared to 2009)

Amounts in each of the levels of the fair value hierarchy are impacted by changes in the volume of portfolios and fluctuations in pricing levels and foreign currency rates.

The amount in Level 3 is impacted by improved market-activity in this area leading to increased trading and increases in portfolio volume in financial instruments that qualify for Level 3.

Level 3 assets increased because certain bonds were transferred to Level 3 in 2010 as a result of reduced market liquidity and/or pricing sources that could no longer be classified as market observable. On the other hand, Level 3 assets decreased in 2010 because of a transfer of available-for-sale investments of EUR 2.9 billion out of Level 3 to Level 2, relating to mortgage backed securities in the US. Previously these were classified in Level 3 because of the dispersion between prices obtained for the same security from different price sources. In 2010 prices supported by market observable inputs became available and were used in determining fair value.

There were no significant transfers between Level 1 and 2.

Changes in Level 3 Assets:

2009	Trading assets	Investment for risk of policy-holders	Non-trading derivatives	Financial assets designated as at fair value through profit and loss	Available-for-sale invest-ments	Total
Opening balance	1,212	303	3	1,873	27,361	30,752
Amounts recognized in profit and loss during the year	17	2	(133)	(90)	(1,525)	(1,729)
Revaluation recognized in equity during the year					7,378	7,378
Purchase of assets	928	65	333	977	1,009	3,312
Sale of assets	(191)	(113)	94	(569)	(22,211)	(22,990)
Maturity/settlement	(41)	(68)	(4)	(171)	(3,103)	(3,387)
Reclassifications	(43)			(67)	(5,994)	(6,104)
Transfers into Level 3		8	243	123	7,095	7,469
Transfers out of Level 3	(516)	(123)		(76)	(3,387)	(4,102)
Exchange rate differences		(20)	5	(78)	698	605
Changes in the composition of the group				(92)	(78)	(170)
Closing balance	**1,366**	**54**	**541**	**1,830**	**7,243**	**11,034**

Main changes in fair value hierarchy (2009 compared to 2008)

As a result of changes in portfolios and/or markets during 2009, the following main changes in the fair value hierarchy occurred:

Decrease in Level 1 and Level 2 reclassifications from Available-for-sale investments to Loans and advances and Amounts due from banks:

The reclassification in the first quarter from Available-for-sale investments to Loans and advances (EUR 17.2 billion) and Amounts due from banks (EUR 5.6 billion) resulted in a reduction in Level 2 of approximately EUR 22.8 billion. Furthermore, certain asset backed securities (approximately EUR 6.1 billion) were reclassified from Level 2 to Level 3 during the first quarter because the relevant markets had become inactive; subsequently these were reclassified to Loans and advances during the second quarter. After reclassification to Loans and advances and Amounts due from banks these are no longer recorded at fair value and therefore no longer subject to disclosure in the fair value hierarchy;

Decrease in Level 3 derecognition of asset backed securities in the US:

The Illiquid Assets Back-up Facility agreed with the Dutch State resulted in the derecognition of asset backed securities in the United States that were classified in Level 3. As a result of this transaction, financial assets in Level 3 (Available-for-sale investments) decreased by approximately EUR 15.2 billion. This decrease includes the sale proceeds of EUR 22.4 billion and revaluation recognised in equity of EUR 7.2 billion;

Decrease in Level 3 reclassification of asset backed securities in the US and certain private equities to Level 2:

During 2009, the pricing transparency and the level of trading activity in the secondary markets for

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asset backed securities in the United States increased and the price of the securities as provided by the external pricing services converged . Accordingly, in the fourth quarter of 2009, investments in asset backed securities in the United States of approximately EUR 2.8 billion were transferred from Level 3 to Level 2. These assets were transferred into Level 3 during 2008, when the market became inactive and the dispersion between prices for the same security from different prices sources increased significantly;

Other:

Amounts in each of the levels are impacted by changes in the amount and composition of the relevant balance sheet items during the year.

Changes in Level 3 Liabilities:

2010	**Trading liabilities**	**Non-trading derivatives**	**Financial liabilities designated as at fair value through profit and loss**	**Investment contracts (for contracts carried at fair value)**	**Total**
Opening balance	857	1,361	2,589	39	4,846
Amounts recognized in profit and loss during the year	119		85	(4)	(200)
Revaluation recognized in equity during the year				9	9
Issue of liabilities	1,679	490	2,241	10	4,420
Early repayment of liabilities	(876)	(247)	(863)	(55)	(2,041)
Maturity/settlement	(326)	(1)	(561)		(888)
Transfers into Level 3	165	282		11	458
Transfers out of Level 3	(176)	(67)	(266)		(509)
Exchange rate differences	(1)	58		7	64
Closing balance	**1,441**	**1,876**	**3,225**	**17**	**6,559**

Changes in Level 3 Liabilities:

2009	**Trading liabilities**	**Non-trading derivatives**	**Financial liabilities designated as at fair value through profit and loss**	**Investment contracts (for contracts carried at**	**Total**

				fair value)	
Opening balance	357	25	64	99	545
Amounts recognized in profit and loss during the year	(64)	(87)	124	2	(25)
Issue of liabilities	859	1,015	2,793	22	4,689
Early repayment of liabilities	(110)	(26)	(155)	(72)	(363)
Maturity/settlement	(173)		(121)		(294)
Transfers into Level 3	30	417	174	8	629
Transfers out of Level 3	(42)		(290)	(10)	(342)
Exchange rate differences		18		(10)	8
Changes in the composition of the group		(1)			(1)
Closing balance	**857**	**1,361**	**2,589**	**39**	**4,846**

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Amounts recognized in profit and loss during the year (Level 3):

2010	**Held at balance sheet date**	**Derecog-nized during the year**	**Total**
Assets			
Trading assets	157	36	193
Investments for risk of policyholders		(5)	(5)
Non-trading derivatives	(248)	(27)	(275)
Financial assets designated as at fair value through profit and loss	29	(26)	3
Available-for-sale investments	(264)	32	(232)
	(326)	**10**	**(316)**
Liabilities			
Trading liabilities	119		119
Non-trading derivatives	(2)	2	
Financial liabilities designated as at fair value through profit and loss	85		85
Investment contracts (for contracts carried at fair value)	1	(5)	(4)
	(203)	**(3)**	**(200)**

Amounts recognized in profit and loss during the year (Level 3):

2009	**Held at balance sheet date**	**Derecog-nized during the year**	**Total**
Assets			
Trading assets	(55)	72	17
Investments for risk of policyholders		2	2
Non-trading derivatives	(133)		(133)
Financial assets designated as at fair value through profit and loss	(104)	14	(90)
Available-for-sale investments	(1,534)	9	(1,525)
	(1,826)	**97**	**(1,729)**
Liabilities			
Trading liabilities	(64)		(64)
Non-trading derivatives	(154)	67	(87)
Financial liabilities designated as at fair value through profit and loss	124		124

Investment contracts (for contracts carried at fair value)		2	2
	(94)	**69**	**(25)**

Sensitivities of fair values in Level 3

Reasonably likely changes in the non observable assumptions used in the valuation of Level 3 assets and liabilities would not have a significant impact on equity and net result, other than explained below for investments in asset backed securities in the United States.

Asset backed securities in the United States

Level 3 assets include EUR 3.4 billion at December 31, 2010 and EUR 6.4 billion at December 31, 2009 for 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.

During 2008, the trading volumes in the relevant markets reduced significantly and the market became inactive. The dispersion between prices for the same security from different price sources increased significantly. In order to ensure that the most accurate and relevant sources available are used in determining the fair value of these securities, the valuation process was further enhanced during 2008 by using information from additional pricing sources and enhancing the process of selecting the most appropriate price.

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Generally up to four different pricing services are utilized. Management carefully reviews the prices obtained in conjunction with other information available, including, where relevant, trades in the market, quotes from brokers and internal evaluations. If the dispersion between different prices for the same securities is limited, a hierarchy exists that ensures consistent selection of the most appropriate price. If the dispersion between different prices for the same security is significant, additional processes are applied to select the most appropriate price, including an internally developed price validation matrix and a process to challenge the external price source.

Valuation for these securities is inherently complex and subjective. Although each security in the portfolio is priced based on an external price, without modification by ING Group, and management is confident that it has selected the most appropriate price in the current market circumstances, the valuation of these portfolios would have been different had different prices been selected. The sensitivity analysis shows that the highest and the lowest available market prices do not materially impact the valuation of these assets as at December 31, 2010.

Reference is made to the Risk management section with regard to the exposure of these asset backed securities as at December 31, 2010 and December 31, 2009 and the impact from these asset backed securities on net result in 2010 and 2009.

Furthermore, the Risk management section provides under Impact of financial crisis a breakdown of the methods applied in determining fair values of pressurized assets.

35 Interest result banking operations

Interest result banking operations:

	2010	**2009**	**2008**
Interest income on loans	24,942	24,983	31,174
Interest income on impaired loans	40	24	(24)
Total interest income on loans	**24,982**	**25,007**	**31,150**
Interest income on available-for-sale securities	3,532	3,923	7,449
Interest income on held-to-maturity securities	549	612	669
Interest income on trading portfolio	32,692	40,844	45,510
Interest income on non-trading derivatives	1,709	3,936	7,076
Other interest income	4,870	5,528	5,157
Interest income banking operations	**68,334**	**79,850**	**97,011**
Interest expense on deposits by banks	652	1,266	4,856
Interest expense on customer deposits and other funds on deposit	8,324	10,976	19,594
Interest expense on debt securities	2,761	2,657	4,109
Interest expense on subordinated loans	1,856	1,784	1,784
Interest on trading liabilities	32,847	40,023	44,093
Interest on non-trading derivatives	2,166	4,483	7,391
Other interest expense	6,405	6,286	4,142
Interest expense banking operations	**55,011**	**67,475**	**85,969**
Interest result banking operations	**13,323**	**12,375**	**11,042**

Interest margin:

In percentages	**2010**	**2009**	**2008**
Interest margin	1.44	1.34	1.09

In 2010, the growth in average total assets led to an increase of the interest result amounting to EUR 90 million (in 2009 the decline in average total assets led to a decrease of the interest result of EUR 929 million; in 2008 the growth in average assets led to an increase of the interest result of EUR 811 million). The increase of the interest margin by 10 basis points led to an increase of the interest result with EUR 915 million (in 2009 the increase of the interest margin by 25 basis points led

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to an increase of the interest result with 2,406 million; in 2008 the increase of the interest margin by 15 basis points led to an increase of the interest result with EUR 1,440 million).

36 Gross premium income

Gross premium income:

	2010	2009	2008
Gross premium income from life insurance policies	26,206	28,720	38,869
Gross premium income from non-life insurance policies	1,741	1,772	4,943
	27,947	**30,492**	**43,812**

In 2009, Gross premium income decreased as a result of the divestments as disclosed in Note 30 Companies acquired and companies disposed , including the divestment of ING Life Taiwan, ING Canada, Annuity and Mortgage business of Chile and Australia/New Zealand. Furthermore, gross premium income declined due to ING s decision to limit variable annuity sales in the United States and to cease variable annuity sales in Japan, as well as a lower appetite for investment-linked products.

Gross premium income has been presented before deduction of reinsurance and retrocession premiums granted. Gross premium income excludes premium received for investment contracts, for which deposit accounting is applied.

Effect of reinsurance on premiums written:

			Non-life			Life			Total
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Direct gross premiums written	1,718	1,746	4,920	25,042	27,421	37,487	26,760	29,167	42,407
Reinsurance assumed gross premiums written	23	26	23	1,164	1,299	1,382	1,187	1,325	1,405
Total gross premiums written	**1,741**	**1,772**	**4,943**	**26,206**	**28,720**	**38,869**	**27,947**	**30,492**	**43,812**
Reinsurance ceded	(65)	(70)	(196)	(2,041)	(1,867)	(1,802)	(2,106)	(1,937)	(1,998)
	1,676	**1,702**	**4,747**	**24,165**	**26,853**	**37,067**	**25,841**	**28,555**	**41,814**

Effect of reinsurance on non-life premiums earned:

	2010	2009	2008
Direct gross premiums earned	1,744	1,746	4,889
Reinsurance assumed gross premiums earned	23	26	20
Total gross premiums earned	**1,767**	**1,772**	**4,909**
Reinsurance ceded	(65)	(68)	(190)

	1,702	**1,704**	**4,719**

See Note 43 Underwriting expenditure for disclosure on reinsurance ceded.

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37 Investment income

Investment income by banking and insurance operations:

	Banking operations			Insurance operations					Total
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Income from real estate investments	128	157	196	71	63	75	199	220	271
Dividend income	59	46	84	212	172	646	271	218	730
	187	**203**	**280**	**283**	**235**	**721**	**470**	**438**	**1,001**
Income from investments in debt securities				5,651	5,429	6,535	5,651	5,429	6,535
Income from loans:									
- unsecured loans				263	223	209	263	223	209
- mortgage loans				826	856	1,044	826	856	1,044
- policy loans				190	177	200	190	177	200
- other				354	101	92	354	101	92
Income from investments in debt securities and loans				**7,284**	**6,786**	**8,080**	**7,284**	**6,786**	**8,080**
Realized gains/losses on disposal of debt securities	150	(945)	40	25	(168)	48	175	(1,113)	88
Impairments of available-for-sale debt securities	(146)	(1,491)	(2,127)	(589)	(586)	(777)	(735)	(2,077)	(2,904)
Reversal of impairments of available-for-sale debt securities				10	2		10	2	
Realized gains/losses and impairments of debt securities	**4**	**(2,436)**	**(2,087)**	**(554)**	**(752)**	**(729)**	**(550)**	**(3,188)**	**(2,816)**
Realized gains/losses on disposal of equity securities	338	24	30	194	404	685	532	428	715
Impairments of available-for-sale	(32)	(49)	(331)	(43)	(360)	(1,585)	(75)	(409)	(1,916)

equity securities

Realized gains/losses and impairments of equity securities	**306**	**(25)**	**(301)**	**151**	**44**	**(900)**	**457**	**19**	**(1,201)**
Change in fair value of real estate investments	(50)	(588)	(350)	(48)	(125)	(50)	(98)	(713)	(400)
Investment income	**447**	**(2,846)**	**(2,458)**	**7,116**	**6,188**	**7,122**	**7,563**	**3,342**	**4,664**

Reference is made to the Risk management section for further information on impairments.

38 Net result on disposals of group companies

Net result on disposals of group companies in 2010:

	2010
Asian Private Banking business	332
Swiss Private Banking business	73
ING Summit Industrial Fund LP	(26)
Other	(69)
	310

Other includes EUR (24) million related to the sale of certain associates. The remainder includes result on disposal of certain real estate funds and other disposals that are individually not significant.

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Net result on disposals of group companies in 2009:

	2009
ING Australia and New Zealand	337
ING Canada	(38)
Annuity and Mortgage business in Chile	(23)
Other	(12)
	264

Net result on disposals of group companies in 2008:

	2008
ING Salud, Chile	55
Seguros ING, Mexico	182
NRG	(15)
ING Life Taiwan	(214)
Other	9
	17

Reference is made to Note 30 Companies acquired and companies disposed for more details.

39 Commission income

Gross fee and commission income:

	Banking operations			Insurance operations					Total
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Funds transfer	861	859	888				861	859	888
Securities business	695	780	891				695	780	891
Insurance broking	190	188	175	344	241	87	534	429	262
Asset management fees	476	566	865	1,495	1,892	2,198	1,971	2,458	3,063
Brokerage and advisory fees	329	317	256	386	582	763	715	899	1,019
Other	965	825	850	562	540	531	1,527	1,365	1,381
	3,516	**3,535**	**3,925**	**2,787**	**3,255**	**3,579**	**6,303**	**6,790**	**7,504**

Asset management fees related to the management of investments held for the risk of policyholders of EUR 358 million (2009: EUR 825 million; 2008: EUR 1,174 million) are included in Commission income.

Other include commission fees of EUR 15 million (2009: EUR 18 million; 2008: EUR 21 million) in respect of underwriting syndication loans.

Fee and commission expenses:

	Banking operations			Insurance operations					Total
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Funds transfer	257	200	185				257	200	185

Securities business	125	159	268				125	159	268
Insurance broking			(4)	128	332	574	128	332	570
Management fees	19	24	169	201	241	217	220	265	386
Brokerage and advisory fees	70	43	5	196	496	573	266	539	578
Other	452	449	476	277	233	76	729	682	552
	923	**875**	**1,099**	**802**	**1,302**	**1,440**	**1,725**	**2,177**	**2,539**

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40 Valuation results on non-trading derivatives

Valuation results on non-trading derivatives:

	Banking operations			Insurance operations					Total
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Change in fair value of derivatives relating to:									
- fair value hedges	(84)	(665)	(1,590)	(69)	191	(193)	(153)	(474)	(1,783)
- cash-flow hedges ineffective portion)	2	(2)		(9)	(8)	22	(7)	(10)	22
- hedges of net investment in foreign entities (ineffective portion)					1	(6)		1	(6)
- other non-trading derivatives	(1,315)	(893)	(3,737)	94	(3,722)	2,412	(1,221)	(4,615)	(1,325)
Net result on non-trading derivatives	**(1,397)**	**(1,560)**	**(5,327)**	**16**	**(3,538)**	**2,235**	**(1,381)**	**(5,098)**	**(3,092)**
Change in fair value of assets and liabilities (hedged items)	91	545	1,824	66	(226)	164	157	319	1,988
Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading)	69	(557)	127	150	4	(432)	219	(553)	(305)
Net valuation results	**(1,237)**	**(1,572)**	**(3,376)**	**232**	**(3,760)**	**1,967**	**(1,005)**	**(5,332)**	**(1,409)**

In 2009, the Valuation results on non-trading derivatives was mainly a result of negative fair value changes on derivatives used to hedge direct and indirect equity exposures without applying hedge accounting. Indirect equity exposures related to certain guaranteed benefits in insurance liabilities in the US, Japan, and the Netherlands. In 2009 the fair value changes on these derivatives were negative, as stock market returns became positive. The fair value changes on the derivatives related to the indirect equity exposures were generally offset by an opposite amount in underwriting expenditure (reference is made to Note 43 Underwriting expenditure).

The Valuation results on assets and liabilities designated at fair value through profit and loss includes fair value changes on private equity funds and issued debt securities, designated at fair value through profit and loss. In 2009, the Valuation results on assets and liabilities designated at fair value through profit and loss were mainly a result of changes in fair value of financial liabilities, designated at fair value through profit and loss, due to market circumstances; it includes fair value changes on issued debt securities, designated at fair value through profit and loss, including fair value changes attributable to changes in own credit risk as disclosed in Note 20 Financial liabilities at fair value through profit and loss .

41 Net trading income

Net trading income:

	Banking operations			Insurance operations					Total
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Securities trading results	231	331	130	180	155	(239)	411	486	(109)
Foreign exchange transactions results	648	(158)	274	(604)	167	(90)	44	9	184
Derivatives trading results	174	815	(766)			79	174	815	(687)
Other	64	(185)	(43)	(66)		(94)	(2)	(185)	(137)
	1,117	**803**	**(405)**	**(490)**	**322**	**(344)**	**627**	**1,125**	**(749)**

Securities trading results includes the results of making markets in instruments such as government securities, equity securities, corporate debt securities, money-market instruments, and interest rate derivatives such as swaps, options, futures and forward contracts. Foreign exchange transactions results include gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities.

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The portion of trading gains and losses for the year ended December 31, 2010 relating to trading securities still held as at December 31, amounted to EUR 19 million (2009: EUR 105 million; 2008: EUR (246) million).

The majority of the risks involved in security and currency trading is economically hedged with derivatives. The securities trading results are partly offset by results on these derivatives. The result of these derivatives is included in Derivatives trading results.

42 Other income

Other income:

	Banking operations			Insurance operations			Total		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Net operating lease income	213	175	195				213	175	195
Income from real estate development projects	36	59	124				36	59	124
Income post office		99	144					99	144
Other	98	123	28	288	235	153	386	358	181
	347	**456**	**491**	**288**	**235**	**153**	**635**	**691**	**644**

Net operating lease income comprises income of EUR 1,000 million (2009: EUR 967 million; 2008: EUR 961 million) and depreciation of EUR 787 million (2009: EUR 792 million; 2008: EUR 766 million).

43 Underwriting expenditures

Underwriting expenditure:

	2010	**2009**	**2008**
Gross underwriting expenditure:			
- before effect of investment result for risk of policyholders	34,506	32,698	51,239
- effect of investment result risk of policyholders	10,492	17,742	(32,408)
	44,998	**50,440**	**18,831**
Investment result for risk of policyholders	(10,492)	(17,742)	32,408
Reinsurance recoveries	(1,741)	(1,714)	(1,754)
Underwriting expenditure	**32,765**	**30,984**	**49,485**

The investment income and valuation results regarding investment result for risk of policyholders of EUR 10,492 million (2009: EUR 17,742 million; 2008: EUR (32,408) million) have not been recognized in Investment income and valuation results on assets and liabilities designated at fair value through profit and loss but are recognized in Underwriting expenditure together with the equal amount of change in insurance provisions for risk of policyholders.

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Underwriting expenditure by class:

	2010	2009	2008
Expenditure from life underwriting			
Reinsurance and retrocession premiums	2,041	1,867	1,802
Gross benefits	25,687	24,044	27,159
Reinsurance recoveries	(1,732)	(1,708)	(1,662)
Change in life insurance provisions for risk of company	1,416	3,283	16,633
Costs of acquiring insurance business	2,775	350	1,877
Other underwriting expenditure	558	460	462
Profit sharing and rebates	538	438	358
	31,283	**28,734**	**46,629**
Expenditure from non-life underwriting			
Reinsurance and retrocession premiums	65	70	196
Gross claims	1,034	1,012	2,846
Reinsurance recoveries	(9)	(6)	(92)
Change in provision for unearned premiums	(26)	(2)	28
Change in claims provision	44	(23)	54
Costs of acquiring insurance business	281	290	742
Other underwriting expenditure	(2)	(4)	(22)
	1,387	**1,337**	**3,752**
Expenditure from investment contracts			
Costs of acquiring investment contracts	5	3	9
Other changes in investment contract liabilities	90	910	(905)
	95	**913**	**(896)**
	32,765	**30,984**	**49,485**

Profit sharing and rebates:

	2010	2009	2008
Distributions on account of interest or underwriting results	9	91	198
Bonuses added to policies	328	289	131
Deferred profit sharing expense	201	58	29
	538	**438**	**358**

The total Cost of acquiring insurance business (life and non-life) and investment contracts amounted to EUR 3,061 million (2009: EUR 643 million; 2008: EUR 2,628 million). This includes amortization and unlocking of DAC of EUR 2,834 million (2009: EUR 458 million; 2008: EUR 2,026 million) and the net amount of commissions paid of EUR 1,789 million (2009: EUR 1,815 million; 2008: EUR 3,273 million) and commissions capitalized in DAC of

EUR 1,562 million (2009: EUR 1,630 million; 2008: EUR 2,671 million).

The total amount of commission paid and payable with regard to the insurance operations amounted to EUR 2,514 million (2009: EUR 2,483 million; 2008: EUR 3,804 million). This includes the commissions recognized in Cost of acquiring insurance business of EUR 1,789 million (2009: EUR 1,815 million; 2008: EUR 3,273 million) referred to above and commissions recognized in Other underwriting expenditure of EUR 725 million (2009: EUR 668 million; 2008: EUR 531 million). Other underwriting expenditure also includes reinsurance commissions received of EUR 192 million (2009: EUR 255 million; 2008: EUR 306 million).

The Change in life insurance provisions for risk of company includes an amount related to variable annuity assumption changes in the United States and Japan of approximately EUR 356 million (2009: EUR 343 million). These assumptions were updated to reflect lower-than-expected surrenders on policies where the value of the benefit guarantees is significant.

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In 2008, the Change in life insurance provisions for risk of company includes an amount of EUR 136 million in relation to reserve strengthening for Insurance Asia/Pacific as described in further detail under Segment reporting. The 2010 and 2009 amounts are nil following the disposal of ING Life Taiwan.

Other underwriting expenditure from life underwriting in 2010 includes a EUR 975 million DAC write-off as explained in Note 51 Operating segments .

ING Group transferred part of its life insurance business to Scottish Re in 2004 by means of a co-insurance contract. A loss amounting to EUR 160 million was recognized in Underwriting expenditure in 2004 on this transaction. This loss represented the reduction of the related deferred acquisition costs. In addition, an amount of EUR 240 million is being amortized over the life of the underlying business, starting in 2005 and gradually decreasing in subsequent years as the business tails off. The amount amortized in 2010 was EUR 17 million (2009: EUR 13 million; 2008: EUR 12 million). The cumulative amortization as at December 31, 2010 was EUR 132 million (2009: EUR 107 million; 2008: EUR 96 million). On January 23, 2009, Hannover Re and Scottish Re announced that Hannover Re has agreed to assume the ING individual life reinsurance business originally transferred to Scottish Re in 2004.

ING Group transferred its U.S. group reinsurance business to Reinsurance Group America Inc. in 2010 by means of a reinsurance agreement. The transaction resulted in EUR 70 million ceding commission which is required to be recorded as a deferred gain and amortized over the life of the underlying business, starting in 2010 and gradually decreasing in subsequent years as the business tails off. The amount amortized in 2010 was EUR 52 million. The cumulative amortization as at December 31, 2010 was EUR 52 million.

44 Intangible amortization and other impairments

Other income:

			Impairment losses			Reversals of impairments			Total
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Property and equipment	28	8	19	(5)	(12)		23	(4)	19
Property development	400	450	93		(7)	(31)	400	443	62
Goodwill	540		155				540		155
Software and other intangible assets	31	9	71				31	9	71
(Reversals of) other impairments	**999**	**467**	**338**	**(5)**	**(19)**	**(31)**	994	**448**	**307**
Amortization of other intangible assets							118	120	157
							1,112	**568**	**464**

In 2010, a goodwill impairment of EUR 540 million is recognized. Reference is made to Note 9 Intangible assets .

Impairments on Loans and advances to customers are presented under Addition to loan loss provision. Impairments on investments are presented under Investment income. Reference is made to the Risk management section for further information on impairments.

In 2010, impairments on Property development are recognized on a large number of Real Estate development projects in The Netherlands, Spain and the US. Although the expectation is that the Real Estate markets will not further deteriorate, the unfavorable economic circumstances in all regions resulted in lower expected sales prices.

In 2009, the impairments on Property development are recognized on a large number of Real Estate development projects in Europe, Australia and the US. Circumstances that have led to these impairments are unfavorable economic circumstances in all regions that have resulted into lower expected sales prices, changes in strategy of ING Real Estate Development whereby certain projects are not developed further and operational in efficiencies in a limited number of projects.

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45 Staff expenses

Staff expenses:

	Banking operations			Insurance operations			Total		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Salaries	3,836	3,555	3,816	1,665	1,521	2,069	5,501	5,076	5,885
Pension and other staff-related benefit costs	199	178	104	118	142	140	317	320	244
Social security costs	532	510	516	177	161	205	709	671	721
Share-based compensation arrangements	79	58	75	41	38	49	120	96	124
External employees	627	660	1,056	125	96	160	752	756	1,216
Education	61	57	105	13	8	11	74	65	116
Other staff costs	220	195	252	78	159	206	298	354	458
	5,554	**5,213**	**5,924**	**2,217**	**2,125**	**2,840**	**7,771**	**7,338**	**8,764**

Number of employees:

	Netherlands			International			Total		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Average number of employees at full time equivalent basis	27,750	27,912	29,626	78,389	82,368	95,659	106,139	110,280	125,285

Share-based compensation arrangements includes EUR 91 million (2009: EUR 65 million; 2008: EUR 98 million) relating to equity-settled share-based payment arrangements and EUR 29 million (2009: EUR 31 million; 2008: EUR 26 million) relating to cash-settled share-based payment arrangements.

Pension and other staff-related benefit costs:

	Pension benefits			Post-employment other than pensions			Other			Total		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Current service cost	298	320	356	5	(8)	(2)	(2)	(38)	5	301	274	359
Past service cost	(1)	20	77		(21)					(1)	(1)	77
Interest cost	795	778	787	8	10	11	5	9	4	808	797	802
Expected return on assets	(886)	(842)	(886)				1	1		(885)	(841)	(886)
Amortization of unrecognized past service cost				(5)	(1)	(1)				(5)	(1)	(1)

Amortization of unrecognized actuarial (gains)/losses	62	106	(23)	(9)	(5)		1	5		54	106	(23)
Effect of curtailment or settlement	(7)	(96)	(140)							(7)	(96)	(140)
Other		(14)	(18)				(15)	15	6	(15)	1	(12)
Defined benefit plans	**261**	**272**	**153**	**(1)**	**(25)**	**8**	**(10)**	**(8)**	**15**	**250**	**239**	**176**
Defined contribution plans										67	81	68
										317	**320**	**244**

Remuneration of senior management, Executive Board and Supervisory Board

Reference is made to Note 33 Related parties .

Stock option and share plans

ING Group has granted option rights on ING Group shares and conditional rights on depositary receipts (share awards) for ING shares to a number of senior executives (members of the Executive Board, general managers and other officers nominated by the Executive Board), and to a considerable number of employees of ING Group. The purpose of the option and share schemes, apart from promoting a lasting growth of ING Group, is to attract, retain and motivate senior executives and staff.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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ING Group holds its own shares in order to fulfill its obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned (so-called delta hedge). As at December 31, 2010, 45,213,891 own shares (2009: 35,178,086; 2008: 32,367,870) were held in connection with the option plan compared to 124,836,694 options outstanding (2009: 122,334,486; 2008: 87,263,381). As a result the granted option rights were (delta) hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behavior. The hedge used to be rebalanced regularly at predetermined points in time. In December 2010 ING Groep N.V. announced that it will no longer rebalance its hedge portfolio. This decision is an effort to simplify the management and administration of ING s various employee share and option programmes. The remaining shares in the hedge portfolio will be used to fund the obligations arising from exercise and vesting. Once all shares in the hedge portfolio are used ING will fund these obligations by issuing new shares.

Exposure arising from the share plan is not hedged. The obligations with regard to these plans will in the future be funded either by cash, newly issued shares or remaining shares from the delta hedge portfolio at the discretion of the holder.

In December 2009 ING Groep N.V. completed a rights issue of EUR 7.5 billion. Outstanding stock options and share awards have been amended to reflect the impact of the rights issue through an adjustment factor that reflects the fact that the exercise price of the rights issue was less than the fair value of the shares. As a result, exercise prices and outstanding share options and share awards have been amended through an adjustment factor of approximately 1.3.

On April 6, 2010 ING Groep N.V. announced that it has bought 13,670,000 (depositary receipts for) ordinary shares for its delta hedge portfolio, which was used to hedge employee options and facilitate employee share programmes. The shares were bought in the open market between March 23, and April 6, 2010 at an average price of EUR 7.47 per share.

On June 2, 2010 ING Groep N.V. announced that it has bought 2,080,000 (depositary receipts for) ordinary shares for its delta hedge portfolio, which was used to hedge employee options and facilitate employee share programmes. The shares were bought in the open market on June 1 and 2, 2010 at an average price of EUR 6.33 per share.

On September 8, 2010 ING Groep N.V. announced that it has sold 3,590,000 (depositary receipts for) ordinary shares of its delta hedge portfolio, which was used to hedge employee options and facilitate employee share programmes. The shares were sold in the open market on September 7 and 8, 2010 at an average price of EUR 7.39 per share.

The option rights are valid for a period of five or ten years. Option rights that are not exercised within this period lapse. Option rights granted will remain valid until the expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a certain continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Group shares at the date on which the options are granted.

The entitlement to the share awards is granted conditionally. If the participant remains in employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional. In 2010, no shares (2009: nil; 2008: 211,049) have been granted to the members of the Executive Board of ING Group, Management Boards of ING Bank and ING Insurance and 26,369,146 shares (2009: 6,273,467; 2008: 3,380,706) have been granted to senior management and other employees remaining in the service of ING Group.

Every year, the ING Group Executive Board will decide whether the option and share schemes are to be continued and, if so, to what extent. In 2010 the Group Executive Board has decided not to continue the option scheme as from 2011. The existing option schemes up and until 2010 will be run off in the coming years.

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Changes in option rights outstanding[1]:

			Options outstanding (in numbers)			Weighted average exercise price (in euros)
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Opening balance	122,334,486	87,263,381	76,888,553	17.00	25.93	26.66
Granted	19,434,097	14,803,109	14,905,232	7.35	3.93	21.85
Exercised	(1,070,630)	(22,757)	(1,225,856)	3.03	5.33	18.09
Forfeited	(3,666,001)	(5,974,275)	(3,304,548)	13.23	26.30	28.87
Rights issue		28,395,811				
Expired	(12,195,258)	(2,130,783)		20.52	32.11	
Closing balance	**124,836,694**	**122,334,486**	**87,263,381**	**15.73**	**17.31**	**25.93**

(1) 2008 reflects original numbers and amounts, not restated for the rights issue adjustment factor.

As per December 31, 2010 total options outstanding consists of 105,036,931 options (2009: 103,523,988; 2008: 73,826,891) relating to equity-settled share-based payment arrangements and 19,799,763 options (2009: 18,810,498; 2008: 13,436,490) relating to cash-settled share-based payment arrangements.

The weighted average share price at the date of exercise for options exercised during 2010 is EUR 7.46 (2009: EUR 8.57; 2008: 24.07).

Changes in option rights non-vested[1]:

		Options non-vested (in numbers)				Weighted average grant date fair value (in euros)
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Opening balance	50,316,665	37,867,732	38,405,158	3.52	6.03	5.83
Granted	19,434,097	14,803,109	14,905,232	3.26	2.52	5.28
Vested	(15,415,108)	(11,100,675)	(13,173,224)	4.70	6.48	3.49
Forfeited	(2,739,076)	(2,931,533)	(2,269,434)	3.26	5.67	5.64
Rights issue		11,678,032				
Closing balance	**51,596,578**	**50,316,665**	**37,867,732**	**3.08**	**3.52**	**6.03**

(1) 2008 reflects original numbers and amounts, not restated for the rights issue adjustment factor.

Summary of stock options outstanding and exercisable:

2010

Range of exercise price in euros	Options outstanding as at December 31, 2010	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at December 31, 2010	Weighted average remaining contractual life	Weighted average exercise price

0.00	5.00	16,367,971	7.71	2.88			
5.00	10.00	25,482,740	7.45	7.88	6,379,628	2.18	9.66
10.00	15.00	9,585,723	2.61	14.37	9,353,997	2.48	14.37
15.00	20.00	31,328,453	5.21	17.35	15,434,684	3.54	17.88
20.00	25.00	22,663,374	3.58	23.60	22,663,374	3.58	23.60
25.00	30.00	19,408,433	3.58	25.77	19,408,433	3.58	25.77
		124,863,694			**73,240,116**		

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Summary of stock options outstanding and exercisable:

2009

Range of exercise price in euros	Options outstanding as at December 31, 2009	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at December 31, 2009	Weighted average remaining contractual life	Weighted average exercise price
0.00 5.00	18,394,697	3.57	2.88			
5.00 10.00	7,257,362	8.76	9.17	6,826,298	3.18	9.20
10.00 15.00	11,132,430	3.51	14.20	10,802,627	3.35	14.20
15.00 20.00	35,095,363	6.19	17.29	17,396,930	4.50	17.77
20.00 25.00	28,576,153	4.02	23.38	15,861,602	1.73	22.38
25.00 30.00	21,878,481	4.50	25.82	21,130,364	4.40	25.83
	122,334,486			**72,017,821**		

Summary of stock options outstanding and exercisable[1]:

2008

Range of exercise price in euros	Options outstanding as at December 31, 2008	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at December 31, 2008	Weighted average remaining contractual life	Weighted average exercise price
0.00 15.00	5,772,054	4.19	12.11	5,772,054	4.19	12.11
15.00 20.00	9,425,787	4.70	18.69	9,149,037	4.55	18.69
20.00 25.00	28,055,499	7.49	22.49	14,212,102	5.83	23.22
25.00 30.00	15,390,859	2.74	28.57	14,729,456	2.44	28.71
30.00 35.00	23,157,582	7.71	32.46	71,400	2.57	33.06
35.00 40.00	5,461,600	2.13	35.51	5,461,600	2.13	35.51
	87,263,381			**49,395,649**		

[1] 2008 reflects original numbers and amounts, not restated for the rights issue adjustment factor.

The aggregate intrinsic value of options outstanding and exercisable as at December 31, 2010 was EUR 72 million and nil, respectively.

As at December 31, 2010 total unrecognized compensation costs related to stock options amounted to EUR 65 million (2009: EUR 62 million; 2008: EUR 94 million). These costs are expected to be recognized over a weighted average period of 1.9 years (2009: 1.6 years; 2008: 1.8 years). Cash received from stock option exercises for the year ended December 31, 2010 was EUR 3 million (2009: nil; 2008: EUR 22 million).

The fair value of options granted is recognized as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined by using a Monte Carlo simulation. This model takes the risk free interest rate into account (2.0% to 4.6%), as well as the expected life of the options granted (5 year to 9 years), the exercise price, the current share price (EUR 2.90 EUR 26.05), the expected volatility of the certificates of ING Group shares (25% 84%) and the expected dividends yield (0.94% to 8.99%). The source

for implied volatilities used for the valuation of the stock options is ING s trading system. The implied volatilities in this system are determined by ING s traders and are based on market data implied volatilities not on historical volatilities.

Due to timing differences in granting option rights and buying shares to hedge them, an equity difference can occur if shares are purchased at a different price than the exercise price of the options. However, ING Group does not intentionally create a position and occurring positions are closed as soon as possible. If option rights expire, the results on the (sale of) shares which were bought to hedge these option rights are recognized in Shareholders equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Changes in share awards[(1)]:

	Share awards (in numbers)			Weighted average grant date fair value (in euros)		
	2010	**2009**	**2008**	**2010**	**2009**	**2010**
Opening balance	14,653,673	7,792,009	7,133,714	7.53	22.60	27.52
Granted	26,369,146	6,273,467	3,591,755	7.55	3.29	16.74
Performance effect	(1,507,307)	(1,085,987)	(451,070)	13.92	32.52	27.44
Vested	(2,961,355)	(1,228,764)	(1,945,092)	11.72	32.63	27.51
Forfeited	(1,514,051)	(498,553)	(537,298)	7.13	24.01	25.92
Rights issue		3,401,501				
Closing balance	**35,040,106**	**14,653,673**	**7,792,009**	**7.25**	**7.53**	**22.60**

(1) 2008 reflects original numbers and amounts, not restated for the rights issue adjustment factor.

As per December 31, 2010 the share awards consists of 28,592,210 share awards (2009: 10,810,687) relating to equity-settled share-based payment arrangements and 6,447,896 share awards (2009: 3,842,986) relating to cash-settled share-based payment arrangements.

The fair value of share awards granted is recognized as an expense under staff expenses and is allocated over the vesting period of the share awards. The fair values of share awards have been determined by using a Monte Carlo simulation based valuation model. The model takes into account the risk free interest rate, the current stock prices, expected volatilities and current divided yields of the performance peer group used to determine ING s Total Shareholder Return (TSR) ranking.

As at December 31, 2010 total unrecognized compensation costs related to share awards amounted to EUR 158 million (2009: EUR 41 million; 2008: EUR 56 million). These costs are expected to be recognized over a weighted average period of 2.1 years (2009: 1.8 years; 2008: 1.8 years).

46 Other interest expenses

Other interest expenses mainly consist of interest in connection with the insurance operations, including interest on the perpetual subordinated loans.

Other interest expenses include nil and nil dividends paid on preference shares and trust preferred securities (2009: nil and EUR 86 million; 2008: EUR 1 million and EUR 94 million).

Total interest income and total interest expense for items not valued at fair value through profit and loss for 2010 were EUR 41,217 million (2009: EUR 41,856 million; 2008: EUR 52,505 million) and EUR 19,206 million (2009: EUR 22,253 million; 2008: EUR 33,507 million) respectively. Net interest income of EUR 19,815 million is presented in the following lines in the profit and loss account.

Total net interest income:

	2010	**2009**	**2010**
Interest result bank[35)]	13,323	12,375	11,042
Investment income insurance[37)]	7,284	6,786	8,080
Interest expense	(792)	(716)	(978)
	19,815	**18,445**	**18,144**

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47 Other operating expenses

Other operating expenses:

	Banking operations			Insurance operations					Total
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Depreciation of property and equipment	382	365	353	78	84	95	460	449	448
Amortization of software	312	282	103	46	60	70	358	342	173
Computer costs	693	637	733	278	270	297	971	907	1,030
Office expenses	659	679	687	341	476	599	1,000	1,155	1,286
Travel and accommodation expenses	102	99	163	67	66	101	169	165	264
Advertising and public relations	591	539	833	108	90	204	699	629	1,037
External advisory fees	364	401	459	351	289	373	715	690	832
Postal charges	87	111	130				87	111	130
Addition/(releases) of provision for reorganizations and relocations	109	339	136	99	258	8	208	597	144
Other	796	1,003	627	756	663	836	1,552	1,666	1,463
	4,095	**4,455**	**4,224**	**2,124**	**2,256**	**2,583**	**6,219**	**6,711**	**6,807**

Other operating expenses include lease and sublease payments in respect of operating leases of EUR 200 million (2009: EUR 169 million; 2008: EUR 172 million) in which ING Group is the lessee. In 2009 Other operating expenses also includes the expenses related to the industry-wide deposit guarantee scheme in the Netherlands due to the bankruptcy of DSB Bank and premiums for deposit guarantee schemes in other countries.

For Addition/(releases) of provision for reorganizations and relocations reference is made to the disclosure on the reorganization provision in Note 21 Other liabilities .

No individual operating lease has terms and conditions that materially affect the amount, timing and certainty of the consolidated cash flows of the Group.

The External advisory fees include fees for audit services and non-audit services provided by the Group s auditors.

Fees of Group s auditors:

	2010	**2009**	**2010**
Audit fees	36	35	46
Audit related fees	9	6	3
Tax fees	2	2	3
All other fees	1	2	7
Total	**48**	**45**	**59**

Fees as disclosed above relate to the network of the Group s auditors.

48 Taxation

Profit and loss account

Taxation by type:

		Netherlands			**International**				**Total**
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Current tax	168	159	(297)	842	598	830	1,010	757	533
Deferred tax	(104)	(1,219)	(1,142)	94	(178)	(1,058)	(10)	(1,397)	(2,200)
	64	**(1,060)**	**(1,439)**	**936**	**420**	**(228)**	**1,000**	**(640)**	**(1,667)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Reconciliation of the weighted average statutory income tax rate to ING Group s effective income tax rate:

	2010	2009	2008
Result before tax	3,882	(2,181)	(5,196)
Weighted average statutory tax rate	25.0%	33.1%	32.5%
Weighted average statutory tax amount	**972**	**(722)**	**(1,688)**
Associates exemption	(447)	(135)	69
Other income not subject to tax	(125)	(227)	(210)
Expenses not deductible for tax purposes	102	47	106
Impact on deferred tax from change in tax rates	8		(25)
Deferred tax benefit from previously unrecognized amounts		(32)	
Write down/reversal of deferred tax assets	544	546	360
Adjustment to prior periods	(54)	(117)	(279)
Effective tax amount	**1,000**	**(640)**	**(1,667)**
Effective tax rate	**25.8%**	**29.3%**	**32.1%**

The weighted average statutory tax rate decreased significantly in 2010 compared to 2009. The weighted average statutory tax rate decreased significantly in 2010 compared to 2009. This is caused by the fact that in 2010 profits were realized in a significant part of the tax jurisdictions that incurred losses in 2009.

The weighted average statutory tax rate decreased in 2009 compared to 2008 mainly caused by the fact that a smaller part of the losses was incurred in high tax jurisdictions than in 2008.

The effective tax rate in 2010 equals almost the weighted average statutory tax. This is caused by an off-setting effect of the write-down of deferred tax assets (mainly in the United States) against the tax exempt income from associates.

The effective tax rate in 2009 was lower than the weighted average statutory tax rate, resulting in a lower tax benefit for the pre-tax loss. This is caused by the fact that a write-down of the carrying value of deferred tax assets and non-deductible expenses exceeded tax exempt income and releases from tax provisions.

The effective tax rate in 2008 was slightly lower than the weighted average statutory tax. Main reasons for this are tax exempt income and releases of tax provisions, partly offset by non deductible expenses and a reduction of the deferred tax assets.

Adjustment to prior periods in 2010 relates mainly to a tax settlement.

Comprehensive income

Income tax related to components of other comprehensive income:

	2010	2009	2008
Unrealized revaluations	(1,216)	(4,712)	6,647
Realized gains/losses transferred to profit and loss (reclassifications from equity to profit and loss)	8	(494)	(1,423)
Changes in cash flow hedge reserve	(194)	203	(137)
Transfer to insurance liabilities/DAC	719	1,017	(1,129)
Exchange rate differences	8	13	(2)
Total income tax related to components of other comprehensive income	**(675)**	**(3,973)**	**3,956**

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49 Earnings per ordinary share

Earnings per ordinary share:

	Amount (in millions of euros)			Weighted average number of ordinary shares outstanding during the period (in millions)			Per ordinary share (in euros)		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Net result	2,777	(1,423)	(3,492)	3,781.5	2,102.9	2,042.7			
Attribution to non-voting equity securities[1]	(425)	(605)							
Impact of rights issue[2]					583.1	617.5			
Basic earnings	**2,352**	**(2,028)**	**(3,492)**	**3,781.5**	**2,686.0**	**2,660.2**	**0.62**	**(0.76)**	**(1.31)**
Effect of dilutive securities:									
Stock option and share plans				6.6	5.7	1.0			
				6.6	**5.7**	**1.0**			
Diluted earnings	**2,352**	**(2,028)**	**(3,492)**	**3,788.1**	**2,691.7**	**2,661.2**	**0.62**	**(0.75)**	**(1.31)**

(1) As a net profit is reported in 2010 an attribution to non-voting equity securities is included. This attribution represents the amount that would be payable to the holders of the non-voting equity securities if and when the entire net profit of 2010 would be distributed as dividend. This amount is only included for the purpose of determining earnings per share under IFRS-IASB and does not represent a payment (neither actual nor proposed) to the holders of the non-voting equity securities. The 2009 amount of EUR 605 million includes the coupon (EUR 259 million) and repayment premium (EUR 346 million) on the repayment of EUR 5 billion non-voting equity securities. The 2008 coupon of EUR 425 million paid on the non-voting securities did not impact basic earnings.

(2) The rights issue, which was finalized on December 15, 2009 has an effect on the basic earnings per share and the diluted earnings per share, as defined in IFRS-IASB. All weighted average number of shares outstanding before the rights issue are restated with an adjustment factor of approximately 1.3 that reflects the fact that the exercise price of the rights issue was less than the fair value of the shares. The effect of dilutive securities is adjusted as well.

Diluted earnings per share data are calculated as if the stock options and warrants outstanding at year-end had been exercised at the beginning of the period. It is also assumed that ING Group uses the cash received from exercised stock options and warrants or non-voting equity securities converted to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from exercising stock options and share plans or converting non-voting equity securities is added to the average number of shares used for the calculation of

diluted earnings per share. The potential conversion of the non-voting equity securities has an anti-dilutive effect on the earnings per share calculation in 2010, 2009 and 2008 (the diluted earnings per share becoming higher or less negative than the basic earnings per share). Therefore, the potential conversion is not taken into account when determining the weighted average number of shares for the calculation of diluted earnings per share for these years.

50 Dividend per ordinary share

Dividend per ordinary share:

	2010[1]	**2009**	**2008**
Per ordinary share (in euros)	0.00	0.00	0.74
Total amount of dividend declared (in millions of euros)		0	1,500

(1) The Executive Board, with the approval of the Supervisory Board, has proposed, subject to the ratification by the General Meeting of Shareholders, not to pay a cash dividend for the year 2010.

In 2009 a coupon to the Dutch State of EUR 259 million was paid as part of the repayment of EUR 5 billion non-voting equity securities.

In 2008 coupon was payable to the Dutch State per non-voting equity security of EUR 0.425, provided that ING Group s capital adequacy position was and remained satisfactory both before and after payment in the opinion of the Dutch central bank. The full amount of EUR 425 million was recognized as a liability as at December 31, 2008. The amount was paid on May 12, 2009.

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51 Operating segments

ING Group s operating segments relate to the internal segmentation by business lines. During 2010 the internal management reporting structure was changed in order to improve transparency. The operating segments have changed accordingly. As at December 31, 2010, ING Group identifies the following operating segments:
Operating segments of ING Group:

Banking	**Insurance**
Retail Netherlands	Insurance Benelux
Retail Belgium	Insurance Central & Rest of Europe (CRE)
ING Direct	Insurance United States (US)*
Retail Central Europe (CE)	Insurance US Closed Block VA
Retail Asia	Insurance Latin America
Commercial Banking (excluding Real Estate)	Insurance Asia/Pacific
ING Real Estate	ING Investment Management (IM)
Corporate Line Banking	Corporate Line Insurance

* Excluding US Closed Block VA.

In 2009 ING Group identified the following operating segments: Retail Banking, ING Direct, Commercial Banking, Insurance Europe, Insurance Americas and Insurance Asia/Pacific.

All information by segment for 2010 and comparative years presented below reflect the operating segments as at December 31, 2010.

ING Group has adopted IFRS 8 Operating Segments , including the amendment following the issue of Improvements to IFRSs in 2009, with effect from January 1, 2009.

The Executive Board of ING Group, the Management Board Banking and the Management Board Insurance set the performance targets and approve and monitor the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Executive Board, the Management Board Banking and the Management Board Insurance.

The accounting policies of the operating segments are the same as those described under Accounting policies for the consolidated annual accounts. Transfer prices for inter-segment transactions are set at arm s length. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, or on the basis of income and/or assets of the segment.

ING Group evaluates the results of its operating segments using a financial performance measure called underlying result. The information presented in this note is in line with the information presented to the Executive and Management Board. Underlying result is defined as result under IFRS excluding the impact of divestments and special items.

As of 2010:

- Capital gains on public equity securities (net of impairments) are reported in the relevant business line. Until 2009 capital gains on public equity securities in Insurance were reported in the Corporate Line Insurance, whereas a notional return was allocated to the Insurance business lines.

- An at arm s length fee is charged by ING IM to the relevant business line. Until 2009 a cost-based fee was charged.

- The Corporate Line Insurance includes reinsurance by ING Re of ING Life Japan guaranteed benefits associated with single-premium variable annuity (SPVA) contracts, along with the corresponding SPVA hedging results. Until 2009 these were reported under Insurance Asia/Pacific.

The comparative figures were adjusted accordingly.

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The following table specifies the main sources of income of each of the segments:
Specification of the main sources of income of each of the segments:

Segment	Main source of income
Retail Netherlands	Income from retail and private banking activities. The main products offered are current and savings accounts, mortgages and other consumer lending in the Netherlands.
Retail Belgium	Income from retail and private banking activities in Belgium. The main products offered are similar to those in the Netherlands.
Retail CE	Income from retail and private banking activities in Central Europe. The main products offered are similar to those in the Netherlands.
Retail Asia	Income from retail banking activities in Asia. The main products offered are similar to those in the Netherlands.
ING Direct	Income from direct retail banking activities. The main products offered are savings accounts and mortgages.
Commercial Banking (excluding Real Estate)	Income from wholesale banking activities. A full range of products is offered from cash management to corporate finance.
ING Real Estate	Income from real estate activities.
Insurance Benelux	Income from life insurance, non-life insurance and retirement services in the Benelux.
Insurance CRE	Income from life insurance, non-life insurance and retirement services in Central and Rest of Europe.
Insurance US*	Income from life insurance and retirement services in the US.
Insurance US closed Block VA	Consists of ING s Closed Block Variable Annuity business in the US, which has been closed to new business since early 2010 and which is now being managed in run-off.
Insurance Latin America	Income from life insurance and retirement services in Latin America.
Insurance Asia/Pacific	Income from life insurance and retirement services in Asia/Pacific.
ING IM	Income from investment management activities.
Corporate Line Banking	Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. ING Group applies a system of capital charging for its banking operations in order to create a

	comparable basis for the results of business units globally, irrespective of the business units book equity and the currency they operate in.
Corporate Line Insurance	The Corporate Line Insurance includes items related to capital management, run-off portfolios and ING Re.

* Excluding US Closed Block VA.

This note does not provide information on the revenue specified to each product or service as this is not reported internally and is therefore not readily available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

Operating segments Banking:

2010	Retail Nether-lands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Com-mercial Banking	ING Real Estate	Corpo-rate line Banking	Total Banking seg-ments	Elimina-tions	Total Banking
Underlying income:											
- Net interest result	3,795	1,603	3,774	670	169	3,153	439	(153)	13,450		13,450
- Commission income	507	347	151	278	55	937	367	(13)	2,629		2,629
- Total investment and other income	31	104	(144)	29	62	263	56	222	623		623
Total underlying income	**4,333**	**2,054**	**3,781**	**977**	**286**	**4,353**	**862**	**56**	**16,702**		**16,702**
Underlying expenditure:											
- Operating expenses	2,337	1,349	1,857	760	180	2,172	437	100	9,192		9,192
- Additions to loan loss provision	561	160	446	61	26	395	102		1,751		1,751
- Other impairments*	39		29	1		3	386	35	493		493
Total underlying expenses	**2,937**	**1,509**	**2,332**	**822**	**206**	**2,570**	**925**	**135**	**11,436**		**11,436**
Underlying result before taxation	1,396	545	1,449	155	80	1,783	(63)	(79)	5,266		5,266
Taxation	367	91	463	31	15	345	47	(44)	1,315		1,315
Minority interests		(6)	1	20	22	28	7		72		72
Underlying net result	**1,029**	**460**	**985**	**104**	**43**	**1,410**	**(117)**	**(35)**	**3,879**		**3,879**

* Analyzed as part of operating expenses.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Operating segments Insurance:

2010	Insurance Benelux	Insurance CRE	Insurance US*	Insurance US Closed Block VA	Insurance Latin America	Insurance Asia/ Pacific	ING IM	Corporate Line Insurance	Total Insurance segments	Eliminations	Total Insurance
Underlying income:											
- Gross premium income	7,177	2,115	11,285	676	161	6,506		27	27,947		27,947
- Commission income	46	147	263	181	398	12	887	3	1,937		1,937
- Total investment and other income	2,951	348	3,017	(607)	317	911	25	1,200	8,162	(580)	7,582
Total underlying income	**10,174**	**2,610**	**14,565**	**250**	**876**	**7,429**	**912**	**1,230**	**38,046**	**(580)**	**37,466**
Underlying expenditure:											
- Underwriting expenditure	8,305	2,082	13,074	1,950	245	6,369	3	737	32,765		32,765
- Operating expenses	942	271	1,107	90	222	541	731	118	4,022		4,022
- Other interest expenses	152		76	3	67	3	5	1,402	1,708	(580)	1,128
- Other impairments		4						66	70		70
Total underlying expenses	**9,399**	**2,357**	**14,257**	**2,043**	**534**	**6,913**	**739**	**2,323**	**38,565**	**(580)**	**37,985**
Underlying result before taxation	775	253	308	(1,793)	342	516	173	(1,093)	(519)		(519)
Taxation	130	63	(155)	(185)	54	135	62	(219)	(115)		(115)

Minority interests	15	10			7	1	1	(9)	25		25
Underlying net result	**630**	**180**	**463**	**(1,608)**	**281**	**380**	**110**	**(865)**	**(429)**		**(429)**

* Excluding US Closed Block VA.

As of the fourth quarter of 2010, the Legacy Variable Annuity business in the US is reported and analyzed separately from the other US business in the internal management reporting. Therefore as of October 1, 2010 ING reports the Insurance US Legacy VA business as a separate business line to improve transparency and ongoing business. This segment is reported separately for the entire year 2010 and comparative years 2009 and 2008. ING Group s accounting policy for reserve adequacy as set out in the Accounting policies for the consolidated annual accounts of ING Group requires each segment to be adequate at the 50% confidence level. The separation of the Legacy VA business into a separate segment triggered a charge in the fourth quarter of 2010 to bring reserve adequacy on the new Insurance US Closed Block VA business line to the 50% level. This charge is reflected as a DAC write (down of EUR 975 million before tax).

While the reserves for the segment Insurance US Closed Block VA are adequate at the 50% confidence level, a net reserve inadequacy exists using a prudent (90%) confidence level. In line with Group Policy, Insurance US Closed Block VA is taking measures to improve adequacy in that region. This inadequacy was offset by reserve adequacies in other segments, such that at the Group level there is a net adequacy at the prudent (90%) confidence level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

Operating segments total:

2010	Total Banking	Total Insurance	Total segments	Elimina- tions	Total
Underlying income					
- Gross premium income		27,947	27,947		27,947
- Net interest result banking operations	13,450		13,450	(93)	13,357
- Commission income	2,629	1,937	4,566		4,566
- Total investment and other income	623	7,582	8,205	(243)	7,962
Total underlying income	**16,702**	**37,466**	**54,168**	**(336)**	**53,832**
Underlying expenditure					
- Underwriting expenditure		32,765	32,765		32,765
- Operating expenses	9,192	4,022	13,214		13,214
- Other interest expenses		1,128	1,128	(336)	792
- Additions to loan loss provision	1,751		1,751		1,751
- Other impairments	493	70	563		563
Total underlying expenses	**11,436**	**37,985**	**49,421**	**(336)**	**49,085**
Underlying result before taxation	5,266	(519)	4,747		4,747
Taxation	1,315	(115)	1,200		1,200
Minority interests	72	25	97		97
Underlying net result	**3,879**	**(429)**	**3,450**		**3,450**

Reconciliation between IFRS-IASB and Underlying income, expenses and net result:

2010	Income	Expenses	Net result
Underlying	53,832	49,085	3,450
Divestments	459	41	394
Special items	1	1,284	(1,067)
IFRS-IASB	**54,292**	**50,410**	**2,777**

Divestments in 2010 mainly relate to the sale of the three U.S. independent retail broker-dealer units, the sale of the Private Banking businesses in Asia and Switzerland and to the sale of ING s 50% stake in Summit Industrial Fund LP. Special items in 2010 includes mainly restructuring expenses for the combining of the Dutch retail activities, the Belgium retail transformation program, the cost related to the separation of Banking and Insurance and the expenses related to the goodwill impairment in the United States of EUR 513 million (after tax) in 2010. Reference is made to Note 9 Intangible assets .

Impairments and reversals of impairments on investments per operating segment:

2010	Impairments	Reversal of impairments
ING Direct	107	
Commercial Banking (excluding Real Estate)	70	
Insurance Benelux	53	
Insurance CRE	18	
Insurance US*	553	
Insurance Asia/Pacific	8	(2)
ING IM		(8)
Corporate Line Banking	1	
	810	**(10)**

* Excluding US Closed Block VA

The impairments on investments are presented within Investment income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Operating segments Banking:

2009	Retail Nether-lands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Com-mercial Banking	ING Real Estate	Corpo-rate line Banking	Total Banking seg-ments	Elimi-nations	Total Banking
Underlying income:											
- Net interest result	3,279	1,614	3,136	675	110	3,420	429	(156)	12,507		12,507
- Commission income	535	342	167	261	43	834	362	(6)	2,538		2,538
- Total investment and other income	68	106	(1,541)	(75)	43	47	(651)	(215)	(2,218)		(2,218)
Total underlying income	**3,882**	**2,062**	**1,762**	**861**	**196**	**4,301**	**140**	**(377)**	**12,827**		**12,827**
Underlying expenditure:											
- Operating expenses	2,472	1,291	1,652	660	132	1,878	433	250	8,768		8,768
- Additions to loan loss provision	529	200	765	116	39	971	239		2,859		2,859
- Other impairments*	(2)	(7)	12			1	456	35	495		495
Total underlying expenses	**2,999**	**1,484**	**2,429**	**776**	**171**	**2,850**	**1,128**	**285**	**12,122**		**12,122**
Underlying result before taxation	883	578	(667)	85	25	1,451	(988)	(662)	705		705
Taxation	233	79	(253)	29	5	211	(193)	(183)	(72)		(72)
Minority interests		2	1	5	10	29	25		72		72
Underlying net result	**650**	**497**	**(415)**	**51**	**10**	**1,211**	**(820)**	**(479)**	**705**		**705**

* Analyzed as part of operating expenses

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Operating segments Insurance:

2009	Insurance Benelux	Insurance CRE	Insurance US*	Insurance US Closed Block VA	Insurance Latin America	Insurance Asia/ Pacific	ING IM	Corporate Line Insurance	Total Insurance segments	Eliminations	Total Insurance
Underlying income:											
- Gross premium income	7,721	2,016	11,430	2,382	161	6,422		38	30,170		30,170
- Commission income	70	158	269	132	350	22	762	(16)	1,747		1,747
- Total investment and other income	2,045	354	2,615	(1,809)	300	701	(25)	179	4,360	(1,158)	3,202
Total underlying income	**9,836**	**2,528**	**14,314**	**705**	**811**	**7,145**	**737**	**201**	**36,277**	**(1,158)**	**35,119**
Underlying expenditure:											
- Underwriting expenditure	8,222	1,930	12,879	1,216	261	6,235	3	(320)	30,426		30,426
- Operating expenses	1,029	271	966	138	175	516	556	124	3,775		3,775
- Other interest expenses	295	37	113	5	102	10	9	1,637	2,208	(1,158)	1,050
- Other impairments						1		69	70		70
Total underlying expenses	**9,546**	**2,238**	**13,958**	**1,359**	**538**	**6,762**	**568**	**1,510**	**36,479**	**(1,158)**	**35,321**
Underlying result before taxation	290	290	356	(654)	273	383	169	(1,309)	(202)		(202)
Taxation	58	56	138	(79)	53	112	59	(402)	(5)		5

Minority interests	15	12			6	1	1	(12)	23		23
Underlying net result	**217**	**222**	**218**	**(575)**	**214**	**270**	**109**	**(895)**	**(220)**		**(220)**

* Excluding US Closed Block VA

Operating segments total: **2009**	**Total Banking**	**Total Insurance**	**Total segments**	**Elimina- tions**	**Total**
Underlying income:					
- Gross premium income		30,170	30,170		30,170
- Net interest result banking operations	12,507		12,507	(165)	12,342
- Commission income	2,538	1,747	4,285		4,285
- Total investment and other income	(2,218)	3,202	984	(171)	813
Total underlying income	**12,827**	**35,119**	**47,946**	**(336)**	**47,610**
Underlying expenditure:					
- Underwriting expenditure		30,426	30,426		30,426
- Operating expenses	8,768	3,775	12,543		12,543
- Other interest expenses		1,050	1,050	(336)	714
- Additions to loan loss provision	2,859		2,859		2,859
- Other impairments	495	70	565		565
Total underlying expenses	**12,122**	**35,321**	**47,443**	**(336)**	**47,107**
Underlying result before taxation	705	(202)	503		503
Taxation	(72)	(5)	(77)		(77)
Minority interests	72	23	95		95
Underlying net result	**705**	**(220)**	**485**		**485**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Reconciliation between IFRS-IASB and Underlying income, expenses and net result:

2009	**Income**	**Expenses**	**Net result**
Underlying	**47,610**	**47,107**	**485**
Divestments	766	1,130	(150)
Special items	(1,267)	1,053	(1,759)
IFRS-IASB	**47,109**	**49,290**	**(1,424)**

Divestments in 2009 mainly include the net impact of the sale of ING s 70% stake in ING Canada, the Nationale Nederlanden Industry Pension fund portfolio, the Annuity and Mortgage businesses in Chile, three US independent retail broker-dealer units (three quarters of ING Advisors Network) and ING Australia Pty Limited. Divestments in 2009 also relates to the operational result from the in 2010 divested units Private Banking business Asia and Switzerland and Summit.

Special items in 2009 reflects mainly the net impact of transaction result on the Illiquid Asset Back-up Facility, including the additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission of EUR 1.3 billion (EUR 930 million after tax), and restructuring costs.

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Impairments and reversals of impairments on investments per operating segment:

2009	Impairments	Reversal of impairments
ING Direct	1,394	
Commercial Banking (excluding Real Estate)	129	
Insurance Benelux	360	
Insurance CRE	36	
Insurance US*	527	
Insurance Asia/Pacific	15	(2)
ING IM	3	
Corporate Line Banking	17	
Corporate Line Insurance	6	
	2,487	**(2)**

* Excluding US Closed Block VA

The impairments on investments are presented within Investment income.

Operating segments Banking:

2008	Retail Nether-lands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Com-mercial Banking	ING Real Estate	Corpo-rate line Banking	Total Banking seg-ments	Elimi-nations	Total Banking
Underlying income:											
- Net interest result	3,564	1,262	2,517	589	90	3,008	260	(228)	11,062		11,062
- Commission income	633	404	150	279	43	742	428	(4)	2,675		2,675
- Total investment and other income	139	54	(1,790)	2	62	(3,800)	(60)	(422)	(5,815)		(5,815)
Total underlying income	**4,336**	**1,720**	**877**	**870**	**195**	**(50)**	**628**	**(654)**	**7,922**		**7,922**
Underlying expenditure:											
- Operating expenses	2,830	1,382	1,705	796	144	2,230	558	41	9,686		9,686
- Additions to loan loss	251	26	283	65	13	516	81		1,235		1,235

provision											
- Other impairments*	(3)	6	14			3	65	32	117		117
Total underlying expenses	**3,078**	**1,414**	**2,002**	**861**	**157**	**2,749**	**704**	**73**	**11,038**		**11,038**
Underlying result before taxation	1,258	306	(1,125)	9	38	(2,799)	(76)	(727)	(3,116)		(3,116)
Taxation	264	64	(394)	2	2	(741)	(16)	(358)	(1,177)		(1,177)
Minority interests			2	21	15	15	(5)		48		48
Underlying net result	**994**	**242**	**(733)**	**(14)**	**21**	**(2,073)**	**(55)**	**(369)**	**(1,987)**		**(1,987)**

* Analyzed as part of operating expenses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Operating segments Insurance:

2008	Insurance Benelux	Insurance CRE	Insurance US*	Insurance US Closed Block	Insurance Latin America	Insurance Asia/ Pacific	ING IM	Corporate Line Insurance	Total Insurance segments	Eliminations	Total Insurance
Underlying income:											
- Gross premium income	7,707	2,467	11,660	7,076	199	8,591		44	37,744		37,744
- Commission income	89	168	197	140	358	21	850	(23)	1,800		1,800
- Total investment and other income	3,161	307	1,798	755	200	364	(6)	2,967	9,546	(1,252)	8,294
Total underlying income	**10,957**	**2,942**	**13,655**	**7,971**	**757**	**8,976**	**844**	**2,988**	**49,090**	**(1,252)**	**47,838**
Underlying expenditure:											
- Underwriting expenditure	9,141	2,400	13,357	8,318	376	8,314	4	1,716	43,626		43,626
- Operating expenses	1,255	332	967	184	211	602	633	34	4,218		4,218
- Other interest expenses	469	23	201	(1)	18	62	26	1,723	2,521	(1,252)	1,269
- Other impairments			(2)				2	81	81		81
Total underlying expenses	**10,865**	**2,755**	**14,523**	**8,501**	**605**	**8,978**	**665**	**3,554**	**50,446**	**(1,252)**	**49,194**
Underlying result before taxation	92	187	(868)	(530)	152	(2)	179	(566)	(1,356)		(1,356)

Taxation	79	46	(81)	(204)	3	6	49	(259)	(361)	(361)
Minority interests	(18)	12			5	14	1	(7)	7	7
Underlying net result	**31**	**129**	**(787)**	**(326)**	**144**	**(22)**	**129**	**(300)**	**(1,002)**	**(1,002)**

* Excluding US Closed Block VA

Operating segments total:

2008	**Total Banking**	**Total Insurance**	**Total segments**	**Elimina-tions**	**Total**
Underlying income:					
- Gross premium income		37,744	37,744		37,744
- Net interest result banking operations	11,062		11,062	90	11,152
- Commission income	2,675	1,800	4,475		4,475
- Total investment and other income	(5,815)	8,294	2,479	(382)	2,097
Total underlying income	**7,922**	**47,838**	**55,760**	**(292)**	**55,468**
Underlying expenditure:					
- Underwriting expenditure		43,626	43,626		43,626
- Operating expenses	9,686	4,218	13,904		13,904
- Other interest expenses		1,269	1,269	(292)	977
- Additions to loan loss provision	1,235		1,235		1,235
- Other impairments	117	81	198		198
Total underlying expenses	**11,038**	**49,194**	**60,232**	**(292)**	**59,940**
Underlying result before taxation	(3,116)	(1,356)	(4,472)		(4,472)
Taxation	(1,177)	(361)	(1,538)		(1,538)
Minority interests	48	7	55		55
Underlying net result	**(1,987)**	**(1,002)**	**(2,989)**		**(2,989)**

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Reconciliation between IFRS-IASB and Underlying income, expenses and net result:

2008	Income	Expenses	Net result
Underlying	**55,468**	**59,940**	**(2,989)**
Divestments	7,114	7,444	(176)
Special items		394	(327)
IFRS-IASB	**62,582**	**67,778**	**(3,492)**

Divestments in 2008 mainly relate to the sale of Chile Health business (ING Salud), part of the Mexican business (ING Seguros SA) and the Taiwanese life insurance business (ING Life Taiwan). Divestments in 2008 also relates to the operational result from the in 2010 divested units Private Banking business Asia and Switzerland and Summit.
Special items in 2008 relate to the nationalization of the annuity business in Argentina, the combining of ING Bank and Postbank and the unwinding of Postkantoren.
Impairments and reversals of impairments on investments per operating segment:

2008	Impairments
Retail Belgium	4
ING Direct	1,891
Commercial Banking (excluding Real Estate)	267
Insurance Benelux	898
Insurance CRE	31
Insurance US*	966
Insurance Asia/Pacific	432
ING IM	17
Corporate Line Banking	296
Corporate Line Insurance	18
	4,820

* Excluding US Closed Block VA

The impairments on investments are presented within Investment income.
Interest income (external) and interest expenses (external) breakdown by operating segments Banking:

2010	Retail Nether-lands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Com-mercial Banking	ING Real Estate	Corpo-rate line banking	Total banking
Interest income	7,916	3,093	10,059	1,544	452	43,121	1,145	2,357	69,687
Interest expense	1,524	1,015	6,310	817	261	42,509	263	3,572	56,271
	6,392	**2,078**	**3,749**	**727**	**191**	**612**	**882**	**(1,215)**	**13,416**

Interest income (external) and interest expenses (external) breakdown by operating segments Insurance:

2010	Insurance Benelux	Insurance CRE	Insurance US*	Insurance US Closed Block VA	Insurance Latin America	Insurance Asia/ Pacific	ING IM	Corporate line Insurance	Total Insurance
Interest income	2,138	359	3,422	28	160	808	12	357	7,284
Interest expense	26	(2)	55	5	68	3	4	633	792
	2,112	**361**	**3,367**	**23**	**92**	**805**	**8**	**(276)**	**6,492**

* Excluding US Closed Block VA

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Total interest income (external) and interest expenses (external):

2010	Total Banking	Total Insurance	Eliminations	Total
Interest income	69,687	7,284		76,971
Interest expense	56,271	792	93	57,156
	13,416	**6,492**	**(93)**	**19,815**

Interest income (external) and interest expenses (external) breakdown by operating segments Banking:

2009	Retail Nether-lands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Com-mercial Banking	ING Real Estate	Corpo-rate line banking	Total banking
Interest income	8,039	3,020	10,532	1,603	399	54,143	1,259	2,151	81,146
Interest expense	2,200	1,541	7,451	950	246	52,531	178	3,510	68,607
	5,839	**1,479**	**3,081**	**653**	**153**	**1,612**	**1,081**	**(1,359)**	**12,539**

Interest income (external) and interest expenses (external) breakdown by operating segments Insurance:

2009	Insu-rance Benelux	Insu-rance CRE	Insu-rance US*	Insur-ance US Closed Block VA	Insu-rance Latin America	Insu-rance Asia/ Pacific	ING IM	Corpo-rate line Insu-rance	Total Insu-rance
Interest income	2,073	368	3,326	2	250	655	5	105	6,784
Interest expense	43	(3)	206	5	68	5	7	385	716
	2,030	**371**	**3,120**	**(3)**	**182**	**650**	**(2)**	**(280)**	**6,068**

* Excluding US Closed Block VA

Total interest income (external) and interest expenses (external):

2009	Total Banking	Total Insurance	Eliminations	Total
Interest income	81,146	6,784		87,930
Interest expense	68,607	716	165	69,488
	12,539	**6,068**	**(165)**	**18,442**

Interest income (external) and interest expenses (external) breakdown by operating segments Banking:

2008	Retail Nether-lands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Com-mercial Banking	ING Real Estate	Corpo-rate line banking	Total banking
Interest income	8,405	4,260	13,292	1,915	469	66,406	2,134	1,320	98,201
Interest expense	2,942	3,393	10,501	1,512	332	65,095	374	2,970	87,119
	5,463	**867**	**2,791**	**403**	**137**	**1,311**	**1,760**	**(1,650)**	**11,082**

Interest income (external) and interest expenses (external) breakdown by operating segments Insurance:

2008	Insu-rance Benelux	Insu-rance CRE	Insu-rance US*	Insu-rance US Closed Block VA	Insu-rance Latin America	Insu-rance Asia/ Pacific	ING IM	Corpo-rate line Insu-rance	Total Insu-rance
Interest income	2,358	376	2,980	759	573	910	4	121	8,081
Interest expense	72	3	260	(1)	70	3	17	554	978
	2,286	**373**	**2,720**	**760**	**503**	**907**	**(13)**	**(433)**	**7,103**

* Excluding US Closed Block VA

Total interest income (external) and interest expenses (external):

2008	Total Banking	Total Insurance	Eliminations	Total
Interest income	98,201	8,081		106,282
Interest expense	87,119	978	40	88,137
	11,082	**7,103**	**(40)**	**18,145**

IFRS-IASB balance sheets by segment are not reported internally to, and not managed by, the chief operating decision maker. IFRS-IASB balance sheet information is prepared, and disclosed below, for

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the Banking operations as a whole and for the Insurance operations as a whole and by segment.
Total assets and Total liabilities by segment:

		2010		2009		2008
	Total assets	Total liabilities	Total assets	Total liabilities	Total assets	Total liabilities
Insurance Benelux	92,614	83,472	85,131	78,413	83,527	77,033
Insurance CRE	12,671	11,288	12,212	10,789	11,553	10,328
Insurance US*	114,870	102,780	101,322	97,213	105,315	102,768
Insurance US Closed Block VA	42,582	39,708	39,827	36,532	33,871	30,901
Insurance Latin America	4,056	2,239	3,504	2,043	5,139	4,339
Insurance Asia/Pacific	57,029	52,332	44,267	41,381	64,461	59,963
ING IM	2,054	1,189	926	434	1,724	1,160
Corporate Line Insurance	47,356	24,294	37,946	20,383	45,133	31,918
Total Insurance segments	**373,232**	**317,302**	**325,135**	**287,188**	**350,723**	**318,410**
Eliminations Insurance segments	(47,374)	(12,511)	(34,840)	(12,835)	(38,633)	(18,721)
Total Insurance operations	**325,858**	**304,791**	**290,295**	**274,353**	**312,090**	**299,689**
Total Banking operations	951,657	907,659	897,683	860,547	1,047,374	1,021,032
Eliminations	(34,671)	(13,705)	(28,006)	(11,964)	(30,816)	(18,747)
Total ING Group	**1,242,844**	**1,198,745**	**1,159,972**	**1,122,936**	**1,328,648**	**1,301,974**

* Excluding US Closed Block VA

Further balance sheet related information for the banking operations is provided by segment in the section Risk Management .

52 Information on geographical areas

ING Group s business lines operate in seven main geographical areas: the Netherlands, Belgium, Rest of Europe, North America, Latin America, Asia and Australia. The Netherlands is ING Group s country of domicile. Geographical distribution of income is based on the origin of revenue. A geographical area is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated.

Geographical areas:

2010	Nether- lands	Belgium	Rest of Europe	North America	Latin America	Asia	Austra- Lia	Other	Elimi- nations	Total

Total income	16,583	4,352	7,854	17,472	1,143	9,706	428		(3,246)	54,292
Total assets	639,991	161,781	326,179	340,925	20,763	103,560	44,160	153	(394,668)	1,242,844

Geographical areas:

2009	**Nether-lands**	**Belgium**	**Rest of Europe**	**North America**	**Latin America**	**Asia**	**Austra-lia**	**Other**	**Elimi-nations**	**Total**
Total income	14,224	4,573	7,676	15,143	1,194	8,571	865		(5,137)	47,109
Total assets	576,601	156,059	317,994	295,615	17,698	82,987	35,365	134	(322,481)	1,159,972

Geographical areas:

2008	**Nether-lands**	**Belgium**	**Rest of Europe**	**North America**	**Latin America**	**Asia**	**Austra-lia**	**Other**	**Elimi-nations**	**Total**
Total income	13,108	4,042	7,889	24,511	2,497	14,120	733		(4,318)	62,582
Total assets	802,232	173,064	429,369	294,003	26,821	110,609	37,211	108	(544,769)	1,328,648

53 Net cash flow from investing activities

Information on the impact of companies acquired or disposed of is presented in Note 30 Companies acquired and companies disposed .

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54 Interest and dividend included in net cash flow

Interest and dividend received and paid:

	2010	2009	2008
Interest received	78,335	89,229	103,534
Interest paid	(57,435)	(69,274)	(84,061)
	20,900	**19,955**	**19,473**
Dividend received	500	344	937
Dividend paid		(1,030)	(3,207)

55 Cash and cash equivalents

Cash and cash equivalents:

	2010	2009	2008
Treasury bills and other eligible bills	4,441	3,182	7,009
Amounts due from/to banks	3,227	2,387	2,217
Cash and balances with central banks	13,072	15,390	22,045
Cash and cash equivalents at end of year	**20,740**	**20,959**	**31,271**

Treasury bills and other eligible bills included in cash and cash equivalents:

	2010	2009	2008
Treasury bills and other eligible bills included in trading assets	1,697	2,284	2,770
Treasury bills and other eligible bills included in available-for-sale investments	2,744	898	4,239
	4,441	**3,182**	**7,009**

Amounts due to/from banks:

	2010	2009	2008
Included in cash and cash equivalents:			
- amounts due to banks	(12,898)	(12,334)	(13,738)
- amounts due from banks	16,125	14,721	15,955
	3,227	**2,387**	**2,217**
Not included in cash and cash equivalents:			
- amounts due to banks	(59,954)	(71,901)	(138,527)
- amounts due from banks	35,703	28,676	32,492
	(24,251)	**(43,225)**	**(106,035)**

Included in balance sheet:

- amounts due to banks	(72,852)	(84,235)	(152,265)
- amounts due from banks	51,828	43,397	48,447
	(21,024)	**(40,838)**	**(103,818)**

Cash and cash equivalents include amounts due to/from banks with a term of less than three months from the date on which they were acquired.

ING Group s risk management (including liquidity) is explained in the Risk management section.

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2.2.1 RISK MANAGEMENT

EXECUTIVE SUMMARY / RISK MANAGEMENT IN 2010

Taking measured risks is part of ING Group s business. As a financial services company active in banking, investments, life insurance and retirement services, ING Group is naturally exposed to a variety of risks. To ensure measured risk-taking, ING Group has integrated risk management in its daily business activities and strategic planning. Risk Management assists with the formulation of risk appetite, strategies, policies and limits and provides a review, oversight and support function throughout ING Group on risk-related issues. The main financial risks ING Group is exposed to are credit risk (including transfer risk), market risk (including interest rate, equity, real estate, implied volatility, and foreign exchange risks), insurance risk, liquidity risk and business risk. In addition, ING Group is exposed to non-financial risks, e.g. operational and compliance risks. The way ING Group manages these risks on a day-to-day basis is described in this risk management section.

As a result of the decision to manage ING Bank and ING Insurance separately, in preparation of the two IPOs for ING Insurance, ING has implemented two distinct risk appetite frameworks for both Bank and Insurance. The common concept however is that risk appetite is expressed as the tolerance to allow key capital ratios to deviate from their target levels under adverse scenarios. These frameworks are discussed in more detail in the specific sections of this risk management section.

The economic capital model for credit risk was updated to bring it more in line with the regulatory capital framework, and now relies less on diversification benefits.

A second commonality between ING Bank and ING Insurance is that both need to prepare for significant changes in the regulatory requirements. ING Bank needs to prepare for the implementation of Basel III (which is the Basel II reform packages on risk and liquidity), while ING Insurance runs an extensive program to allow the implementation of Solvency II (which is the fundamental reform of European insurance solvency and risk governance legislation; which is effective as of January 1, 2013). Additionally, both in Bank and Insurance, ING continued its stress testing efforts, with stress testing becoming more important and more embedded in the risk culture.

During 2010 strengthening of ING balance sheet continued. In 2010 ING continued to reduce the exposure on the ABS portfolio by means of sales (primarily sales of CMBS) and limiting the reinvestments in ABS to agency paper only. Because of the strengthening of the US Dollar and the improvements in the revaluation reserve this policy does not result in a lower balance sheet amount for this asset class.

In the first half of 2010 concerns arose regarding the creditworthiness of several southern European countries, which later spread to a few other European countries. As a result of these concerns the value of sovereign debt decreased. The impact on ING s revaluation reserve in relation to sovereign debt is limited per December 31, 2010: the negative impact on troubled countries is offset by opposite positive movements in bonds of financially stronger European countries and by the positive impact from lower interest rates in general. Furthermore, in the course of 2010, ING reduced its sovereign debt exposure to these troubled countries.

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Impact on pressurized asset classes

Exposures, revaluations and losses on pressurized asset classes:

	December 31, 2010		Change in 2010			December 31, 2009	
	Balance Sheet value[(1)]	Revaluations through equity (pre-tax)	Revaluations through equity (pre-tax)	Write-downs through P&L (pre-tax)	Other changes	Balance Sheet value[(1)]	Revaluations through equity (pre-tax)
US Subprime RMBS	1,647	(227)	584	(380)	15	1,428	(811)
US Alt-A RMBS	2,847	237	476	(76)	(517)	2,964	(239)
CDO/CLOs	1,530	(9)	118	(1)	(379)	1,792	(127)
CMBS	7,330	(512)	1,322	(84)	(1,619)	7,711	(1,834)
Total pressurized ABS	**13,354**	**(511)**	**2,500**	**(541)**	**(2,500)**	**13,895**	**(3,011)**
Pressurized Government and Financial Institution bonds for both Greece and Ireland [(2)]	1,633	(564)	(439)		(1,700)	3,772	(125)

(1) For assets classified as loans and receivables: amortised cost; otherwise: fair value.

(2) Country is based on the country of residence of the obligor; Covered bonds are excluded; government only includes central government.

In 2009, certain ABS (US Subprime RMBS, Alt-A RMBS, CMBS and CDO/CLOs) were considered pressurized asset classes. As of 2010, Greek and Irish Government and Financial Institution bonds are also considered pressurized asset classes. Ireland and Greece are the only countries that used the European Financial Stability Fund (EFSF) during 2010, only the government and financial institution unsecured bonds for these countries are considered as pressurized assets by ING.

Changes in the ABS portfolio

The total ABS portfolio remained relatively stable, changing slightly from EUR 58.4 billion at year-end 2009 to EUR 58.5 billion per end of year 2010. The value of the ING Bank ABS portfolio decreased approximately 1.1 billion during 2010, while the value of the ING Insurance portfolio increased by EUR 1.2 billion, leading to the stable value for ING Group. In the 2009 presentation of the CDO/CLOs exposure, synthetic CDOs at notional value were included. As of 2010 this exposure is not included anymore, and the Balance sheet value at December 31, 2009 is adjusted correspondingly. ING maintained its policy to restrict reinvestment of maturing debt securities as much as possible and any reinvestments were mainly in government guaranteed paper. During the year ING Insurance reduced the exposure to CMBS through sales of part of the portfolio (approximately EUR 1.6 billion). The remaining CMBS portfolio increased in value as a result of revaluations and currency effects. Similar effects in revaluation reserve improvements are visible for the other pressurized ABS classes, and the total revaluation reserve for US Alt-A RMBS changed from negative to positive. Despite the improved market values, ING still took impairments on the ABS portfolio. These impairments mainly relate to the ING Insurance part of the ABS portfolio, as EUR 481 million of the total EUR 541 million in impairments are for the ING Insurance portfolio. The credit quality of the ING ABS

portfolio did not materially change, with 88% of the portfolio rated A or better at year-end 2010 (88% in 2009).
Of the exposure on pressurized ABS EUR 10.1 billion is measured at fair value (with the revaluation recognized in equity, except impairments on these trades going through P&L). The table shows how the total fair values are determined through the following Level 1,2,3 hierarchy:
Level 1 Quoted prices in active markets;
Level 2 Valuation technique supported by observable inputs;
Level 3 Valuation technique supported by unobservable inputs. An analysis of the method applied in determining the fair values of financial assets and liabilities is provided in Note 34 Fair value of financial assets and liabilities .
Fair value hierarchy of pressurized ABS bonds:

2010	**Level 1**	**Level 2**	**Level 3**	**Total**
US Subprime RMBS		17	1,629	1,646
US Alt-A RMBS		2,210	638	2,848
CDO/CLOs	9	64	558	631
CMBS	1	4,941	9	4,951
Total pressurized ABS	**10**	**7,232**	**2,834**	**10,076**

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Fair value hierarchy of pressurized ABS bonds:

2009	Level 1	Level 2	Level 3	Total
US Subprime RMBS		16	1,412	1,428
US Alt-A RMBS		2,308	656	2,964
CDO/CLOs	7	392	323	722
CMBS	123	5,074	18	5,215
Total pressurized ABS	**130**	**7,790**	**2,409**	**10,329**

Changes in the bond portfolio (excluding ABS)

The ING bond portfolio increased EUR 18.7 billion from EUR 217.7 billion at year-end 2009 to EUR 236.4 billion at end of year 2010. For the government bonds the revaluation changes are triggered by a loss of confidence with regards to several southern European countries and Ireland. During 2010, ING closely monitored the developments with regards to these countries and its sovereign debt exposure to these countries. Ireland and Greece are the only countries that used the European Financial Stability Fund (EFSF) during 2010, only the government and financial institution unsecured bonds for these countries are considered as pressurized assets by ING.

For ING Bank, the bonds portfolio includes Government and Financial Institutions unsecured bonds exposures in Greece and Ireland classified as available-for-sale of EUR 570 million (fair value), with a related negative revaluation reserve in equity of EUR (285) million. Furthermore it includes, for ING Bank, similar exposures classified as loans and advances of EUR 358 million (amortized cost).

For ING Insurance, the bonds portfolio includes Government and Financial Institutions unsecured bond exposures in Greece and Ireland classified as available-for-sale of EUR 705 million (fair value), with a related negative revaluation reserve in equity of EUR (279) million.

The Greek and Irish Government and Financial Institution bonds measured at fair value are in the fair value hierarchy levels 1 and 2.

Ongoing changes in the regulatory environment

After the turmoil in the financial markets over the last couple of years and the need for governments to provide aid to financial institutions, financial institutions have been under more scrutiny from the public, supervisors and regulators. The resulting revised regulations are intended to make sure that a crisis in the financial system can be avoided in the future.

To accomplish this, regulations focus primarily at the following issues:

- More stringently aligning risk taking with the capital position of the financial institutions (revised Basel II for Banks). The revised Basel II proposal narrows the definition of core Tier 1 and Tier 1 capital, and introduces a new definition for a leverage ratio that should become part of Pillar 1 of the Basel framework. The Basel Committee has also issued a proposal for new liquidity requirements. Apart from the above mentioned proposals, another aim is to reduce pro-cyclicality , to avoid that banks would be required to increase their capital in bad times when it is most scarce. Lastly, there is the proposal to introduce additional capital requirements for counterparty credit risk. Collectively these proposals are referred to as Basel III. These were issued by the Basel Committee in December 2010, and the deadlines for implementation of specific item are set for the timeframe 2013 to 2018.
- Separate from but in line with the Basel III proposal, on a country level local regulators are becoming more stringent on the maximum credit risk bank subsidiaries and branches are allowed to run on their parents. In the absence of a supranational harmonization this leads to so-called trapped pools of liquidity, i.e. excess liquidity in a country that can not merely be transferred (unsecured) to a central treasury in another country.
- Solvency II: Following the approval of the Solvency II Framework Directive in 2009, the European Commission has continued development and consultation on the detailed implementing measures in 2010. ING has always been

a firm supporter of the Solvency II initiative, being an economic, risk-based solvency system. However some of the proposed measures currently under discussion are considered unduly conservative. ING is committed to working actively together with all stakeholders to develop pragmatic solutions that would result in Solvency II meeting its original intent, and a smooth transition to the new system. The legislation is now expected to become in force by January 1, 2013. ING has launched a full implementation programme to be fully compliant before that date, and is also developing its business strategies to operate optimally under the new environment.

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ING GROUP RISK GOVERNANCE

To ensure measured risk-taking throughout the organization, ING Group operates through a comprehensive risk management framework. This ensures the identification, measurement and control of risks at all levels of the organization so that ING Group s financial strength is safeguarded.

The mission of ING Group s risk management function is to build a sustainable competitive advantage by fully integrating risk management into daily business activities and strategic planning. This mission is fully embedded in ING Group s business processes. The following principles support this objective:

- Products and portfolios are structured, underwritten, priced, approved and managed appropriately and compliance with internal and external rules and guidelines is monitored;
- ING s risk profile is transparent, managed to avoid surprises, and is consistent with delegated authorities;
- Delegated authorities are consistent with the overall Group strategy and risk appetite;
- Transparent communication to internal and external stakeholders on risk management and value creation.

Risk Management benefits ING and its shareholders directly by providing more efficient capitalization and lower costs of risk and funding. The cost of capital is reduced by working closely with rating agencies and regulators to align capital requirements to risks. Risk Management helps business units to lower funding costs, make use of the latest risk management tools and skills, and lower strategic risk, allowing them to focus on their core expertise with the goal of making ING s businesses more competitive in their markets.

RISK GOVERNANCE

ING s risk management framework is based on the three lines of defense concept which ensures that risk is managed in line with the risk appetite as defined by the Management Boards for ING Bank and ING Insurance (and ratified by the Supervisory Board) and is cascaded throughout ING. This concept provides a clear allocation of responsibilities for the ownership and management of risk, to avoid overlaps and/or gaps in risk governance. Business line management and the regional and local managers have primary responsibility for the day-to-day management of risk and form the first line of defense. The risk management function, both at corporate and regional/local level, belongs to the second line of defense and has the primary responsibility to align risk taking with strategic planning e.g. in limit setting. Risk managers in the business lines have a functional reporting line to the Corporate Risk General Managers described below. The internal audit function provides an ongoing independent (i.e. outside of the risk organization) and objective assessment of the effectiveness of internal controls, including financial and operational risk management and forms the third line of defense.

Group Risk Management Function

The risk management function is embedded in all levels of the ING Group organization.

Chief Risk Officer

The Chief Risk Officer (CRO), who is an Executive Board member, bears primary overall responsibility for the Risk management function. The CRO is responsible for the management and control of risk on a consolidated level to ensure that ING s group risk profile is consistent with its financial resources and the risk appetite. The CRO is also responsible for establishing and maintaining a robust organizational basis for the management of risk throughout the organization.

Group Risk Organization

The organization chart below illustrates the functional reporting lines within the ING Group risk organization.

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The risk organization is structured independently from the business lines and is organized through five risk departments:

Corporate Credit Risk Management (CCRM) is responsible for credit risk management for ING Bank and ING Insurance;

Corporate Market Risk Management (CMRM) is responsible for market and liquidity risk management of ING Bank;

Corporate Insurance Risk Management (CIRM) is responsible for insurance, market and liquidity risk management of ING Insurance;

Corporate Operational Risk Management (CORM) is responsible for the operational risk management of ING Bank and ING Insurance;

Group Compliance Risk Management (GCRM) is responsible for (i) identifying, assessing, monitoring and reporting on the compliance risks faced by ING, (ii) supporting and advising management on fulfilling its compliance responsibilities, and (iii) advising employees on their (personal) compliance obligations.

The heads of these departments (Corporate Risk General Managers) report to the CRO and bear direct responsibility for risk (mitigating) decisions at the Group level. The Corporate Risk General Managers and the CRO are responsible for the harmonization and standardization of risk management practices.

In addition two staff departments report to the CRO:

Risk Integration and Analytics, which is responsible for inter-risk aggregation processes and for providing group-wide risk information to the CRO and Executive Board;

Model Validation, which carries out periodic validations of all material risk models used by ING. To ensure independence from the business and other risk departments, the department head reports directly to the CRO.

Group Risk Committees

The Group risk committees described below are also part of the second line of defense. They act within the overall risk policy and delegated authorities granted by the Executive Board and have an advisory role to the CRO. To ensure a close link between the business lines and the risk management function, the business line heads and the respective Corporate Risk General Managers are represented on each committee (except for the Operational and Residual Risk Committee where the business is not represented). An important element of the Group Risk Committee Governance is that the Chairman of each committee is responsible for making decisions after advice from other committee members. Each committee is chaired by a senior risk representative.

ING Group Credit Committee Policy (GCCP): Discusses and approves policies, methodologies and procedures related to credit, country and reputation risks within ING Group. The GCCP meets on a monthly basis.

ING Group Credit Committee Transaction Approval (GCCTA): Discusses and approves transactions which entail taking credit risk (including issuer investment risk). The GCCTA meets twice a week.

ING Group Investment Committee (GIC): Discusses and approves investment proposals for ING Real Estate. The GIC meets on a monthly basis.

Asset and Liability Committee ING Bank (ALCO Bank): Discusses and approves on a monthly basis the overall risk profile of all ING Bank s market risks that occur in its Commercial Banking, and Retail & Direct Banking activities. ALCO Bank defines the policy regarding funding, liquidity, interest rate mismatch and solvency for ING Bank.

Asset and Liability Committee ING Insurance (ALCO Insurance): Discusses and approves all risks associated with ING s Insurance activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. ALCO Insurance meets ten times a year.

Operational and Residual Risk Committee (ORRC): Discusses and approves issues related to Methods, Models and Parameters for Operational risk, Business risk in Banking, inter-risk diversification and consistency across risk types and businesses. The committee meets at least twice a year.

Due to the implementation of the operational separation for ING Bank and ING Insurance the process was started to change Group level risk committees into a separate Bank committee and a separate Insurance committee. As a result of these governance changes the ORRC was disbanded towards the

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end of 2010, and the topics for this committee were transferred to other committees, like the newly created Operational Risk Committee Bank (ORC Bank).

In addition, the Finance and Risk Committee (F&RC) is a platform for the CRO and the CFO, along with their respective direct reports, to discuss and decide on issues that relate to both the finance and risk domains. Given the decision to manage ING Bank and ING Insurance separately, there is a separate F&RC Bank and a separate F&RC Insurance. To cover specific Group issues there is also a F&RC Group meeting, which meets at least on a quarterly basis.

ING Group uses risk assessment and risk measurement to guide decision making. As a result, the quality of risk models is important. The governance process for approval of risk models, methods and parameters ensures business and regulatory requirements, via a clear assignment of responsibility and accountability.

Given the operational split of ING Bank and ING insurance, which became effective as of January 1, 2011, the risk organization made preparations to reflect this new structure as of January 1, 2011. This change was most significant for departments providing risk management for both ING Bank and ING Insurance. In the new structure all risk departments have a small team for ING Group, and separate teams for ING Bank and ING Insurance.

Board level risk oversight

ING Group has a two-tier board structure consisting of the Executive Board and the Supervisory Board; both tiers play an important role in managing and monitoring the risk management framework. At the highest level of the ING organization, there are board committees which oversee risk taking, and have ultimate approval authority.

- The Executive Board is responsible for managing risks associated with the ING Group activities. Its responsibilities include ensuring that internal risk management and control systems are effective and that ING Group complies with relevant legislation and regulations. The Executive Board reports on these issues and discusses the internal risk management and control systems with the Supervisory Board. On a quarterly basis, the Executive Board reports on the Group s risk profile versus its risk appetite to the Audit Committee, explaining changes in the risk profile.

- The Supervisory Board is responsible for supervising the policy of the Executive Board, the general course of affairs of the Company and its business (including its financial policies and corporate structure). The Supervisory Board has several sub-committees related to specific topics. Of these, two sub-committees are relevant for the risk management organization and risk reporting, which are:
  - The Audit Committee, which assists the Supervisory Board in reviewing and assessing ING Group s major risk exposures and the operation of internal risk management and control systems, as well as policies and procedures regarding compliance with applicable laws and regulations.

  - The Risk Committee, which assists the Supervisory Board on matters related to risk governance, risk policies and risk appetite setting. It reports in the Supervisory Board on the main risk issues in the group.

Committee membership is organized such that specific business know-how, expertise relating to the activities of ING and the subject matter of the committees is available. The CRO attends the Audit Committee and the Risk Committee meetings.

The CRO makes sure that the boards are well informed and understand ING Group s risk position at all times. Every quarter, the CRO reports to the board committees on ING s risk appetite levels and on ING Group s risk profile. In addition the CRO briefs the board committees on developments in internal and external risk related issues and makes sure the board committees understand specific risk concepts.

ING has integrated its risk management into the annual strategic planning process. This process aligns strategic goals, business strategies and resources throughout ING Group. The Executive Board issues a Planning Letter which provides the organization with the corporate strategic direction, and addresses key risk issues. Based on the Planning Letter, the business lines and business units develop their business plans which align with the Group s strategic direction. The process includes a qualitative and quantitative assessment of the risks involved. It is part of the process

to explicitly discuss strategic limits and group risk appetite levels. At each level, strategies and metrics are identified to measure success in achieving objectives and to assure adherence to the strategic plan. Based on the business

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plans, the Executive Board formulates the Group Strategic Plan which is submitted to the Supervisory Board for approval.

Group risk policies

ING has a framework of risk management policies, procedures and standards in place to create consistency throughout the organization, and to define minimum requirements that are binding on all business units. The governance framework of the business units aligns with the Group level framework and meets local (regulatory) requirements. Senior Management is responsible to ensure policies, procedures and standards are implemented and adhered to. Policies, procedures and standards are regularly reviewed and updated via the relevant risk committees to reflect changes in markets, products and emerging best practices.

ING GROUP RISK PROFILE

ING Group uses an integrated risk management approach for both its banking activities and for its Insurance activities, and no longer uses an integrated risk management approach for ING Group. This change from a group-wide integrated risk management approach to a separate ING Bank and a separate ING Insurance approach was driven by the operational separation of ING Bank and ING Insurance. As a result the ING Group risk dashboard showing the metrics Earnings at Risk and Capital at Risk will no longer be provided. At the ING Bank and ING Insurance level new risk frameworks were introduced and implemented in 2010.

The Executive Board uses the risk appetite frameworks to monitor and manage the actual risk profile in relation to the Bank and Insurance risk appetite, which are derived from the Group risk appetite in line with the Group target AA rating. It enables the Executive Board to identify possible risk concentrations and to support strategic decision making. The risk appetite levels are reported to the Executive Board on a quarterly basis and are subsequently presented to the Risk Committee.

ING Group s risk appetite is defined by the Executive Board as part of the strategic planning process. As a next step, strict boundaries are established with regard to acceptable risk types and levels for ING Bank and ING Insurance. In 2010 the revised risk appetite frameworks were implemented, after approval by the Executive Board. As a result the Group risk appetite level is replaced by separate Bank and Insurance risk appetite frameworks, which closely align the risk appetite setting with capital management targets.

The overall ING Group risk appetite is translated (through the bank and insurance risk appetite frameworks) into specific limits which are cascaded down into the organization, e.g.

- Credit risk limits for bank and insurance business;
- ALM/Value at Risk limits for bank operations;
- Mortality and concentration limits for insurance operations.

ING s three lines of defense governance framework ensures that risk is managed in line with the risk appetite as defined by the Executive Board. Risk appetite is cascaded throughout the Group, thereby safeguarding controlled risk taking. The role of the business lines is to maximize the value within established risk boundaries. Each quarter, the Executive Board monitors that the financial and non-financial risks are within the boundaries of the risk appetite as set in the strategic planning process.

Risk types

ING measures the following main types of risks that are associated with its business activities:

- Credit risk: the risk of potential loss due to default by ING s debtors (including bond issuers) or trading counterparties;
- Market risk: the risk of potential loss due to adverse movements in market variables. Market risks include interest rate, equity, real estate, implied volatility, credit spread, and foreign exchange risks;

Liquidity risk: the risk that ING or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner. Liquidity risk can materialize both through trading and non-trading positions;

Insurance risk: risks such as mortality, morbidity and property and casualty associated with the claims under insurance policies it issues/underwrites; specifically, the risk that premium rate levels and provisions are not sufficient to cover insurance claims;

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes reputational risk, as well as legal risk;

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- Business risk: the exposure to value loss due to fluctuations in volumes, margins and costs, as well as client behavior risk. These fluctuations can occur because of internal, industry, or wider market factors. It is the risk inherent to strategy decisions and internal efficiency, and as such strategic risk is included in business risk.

Risk measures related to accounting are based on IFRS-EU where relevant, as IFRS-EU is the primary accounting basis, which is also the basis for statutory and regulatory reporting and risk management.

Stress Testing

ING complements its regular standardized risk reporting process with (ad hoc) stress tests. A stress test is an instrument to check whether a financial institution can withstand specific negative events or economic changes. More specific, stress testing examines the effect of exceptional but plausible events on the capital and liquidity position of the financial institution and provides insight in which business lines and portfolios are vulnerable to which type of scenarios.

Several stress tests are produced both scheduled and ad hoc, both in the form of sensitivity or scenario analysis, either for a specific risk type or for ING Bank or ING Insurance as a whole. The stress test can represent various economic situations from mild recession to extreme shock. In addition to regulatory required stress tests like those required by the Dutch Central Bank (De Nederlandsche Bank (DNB)) and the Committee for European Banking Supervision (CEBS; which per January 1, 2011 became the European Banking Authority (EBA)), several ad hoc tests have been conducted.

ING participated in the stress test conducted by the CEBS, which included a baseline scenario, adverse scenario and an additional sovereign shock for 2010 and 2011. This stress test demonstrated ING Bank s resilience in adverse scenarios. The strong underlying commercial performance resulting from ING Bank s franchises helps to offset the impact of higher loan loss provisions, additional impairments across the securities portfolios and increased risk-weighted assets.

Risk models

A description of the models, underlying assumptions and key principles used by ING for calculating the risk metrics are provided in the Model Disclosure section at the end of the risk management section.

ING BANK FINANCIAL RISKS

ING Bank is engaged in selling a broad range of products. The Bank Management Board is responsible for managing risks associated with the activities of ING Bank. The financial risks that arise from selling these products are managed by the Corporate Credit and Market Risk departments. Operational risks are managed by the Corporate Operational Risk department.

ING BANK RISK PROFILE

Risk appetite

For financial risks, ING expresses its risk appetite as the tolerance to allow key capital ratios to deviate from their target levels. Therefore the risk appetite is closely aligned to Capital Management activities and policies. ING has expressed tolerances for its risk weighted solvency metrics (core Tier 1 ratio), for non-risk weighted solvency metrics (leverage ratio) and for more value based metrics (economic capital). The metrics that are presented in the following sections relate to each of these metrics and present earnings sensitivity, economic and regulatory capital.

Due to the way the risk departments are organized, these metrics are presented at a higher aggregation level (business line combinations) than the identified segments in Note 51 Operating Segments :

- Retail Banking Benelux contains Retail Netherlands, Retail Belgium (including Retail Luxemburg);
- Retail Banking Direct & International contains Retail Central Europe, Retail Asia and ING Direct;
- Commercial Banking corresponds to Commercial Banking and ING Real Estate;
- Bank Corporate Line coincides with Corporate Line.

ING Bank Economic Capital and Regulatory Capital

Main risk management tools for ING Bank are Economic Capital and Regulatory Capital. Both of these Capital metrics are used to determine the amount of capital that a transaction or business unit requires to support the economic risks it faces. The main difference in these metrics is the point of view, where

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Regulatory Capital is driven by methodologies prescribed by regulators and Economic Capital is driven by internally developed models (all of which are approved by the Dutch Central Bank).

Economic capital is a non accounting measure which is inherently subject to dynamic changes and updates as a result of ING Bank s portfolio mix and general market developments. ING Bank has been and will continue recalibrating the underlying assumptions to its economic capital models, which may have a material impact on the economic capital values going forward.

The tables below provide ING Bank s Economic Capital and Regulatory Capital by risk type and business line combination.

Economic and Regulatory Capital (Bank diversified only) by risk type:

	Economic Capital		Regulatory Capital	
	2010	**2009**	**2010**	**2009**
Credit risk (including Transfer risk)	15,245	9,991	22,452	22,790
Market risk	7,233	8,435	364	491
Business Risk	2,435	2,581		
Operational Risk	1,619	2,074	2,872	3,309
Total banking operations	**26,532**	**23,081**	**25,688**	**26,590**

Economic Capital (Bank diversified only) by business line combination:

	Economic Capital		Regulatory Capital	
	2010	**2009**	**2010**	**2009**
Commercial Banking	10,695	8,662	11,395	12,824
Retail Banking Benelux	4,613	4,215	5,498	5,470
Retail Banking Direct & International	8,881	7,417	8,587	7,977
Corporate Line Bank *	2,343	2,787	208	319
Total banking operations	**26,532**	**23,081**	**25,688**	**26,590**

* Corporate Line includes funding activities at ING Bank level, internal transactions between business units and the Corporate Line, and is managed by Capital Management.

The EC figures shown reflect all diversification effects within ING Bank, including risk reduction between the risk categories; while for Regulatory capital no diversification is taken into account. The ING Bank Economic Capital model is described in more detail in the Model Disclosure section.

In 2010 ING has been recalibrating the underlying assumptions for credit, transfer and operational risk. As the economic capital model for credit risk was updated to bring closer alignment with the regulatory capital framework there was a material increase in the economic capital.

Closer aligning the credit risk economic capital with the regulatory capital means that the difference between economic capital and regulatory capital for credit risk decreases significantly. Given the different point of view of RC and EC, the market risk economic capital is higher than the regulatory capital primarily due to the inclusion of the banking books in EC. The EC figures include Business risk, while RC does not have any requirements for business risk. Another difference in scope is the confidence level used; a 99.95% confidence level for EC, and a 99.9% confidence level for RC. Given the increase in Credit Risk EC and the differences in scope and methodology between EC and RC the 2010 figures for EC are higher than the RC figure, while for 2009 this was exactly opposite. Correcting for the difference in confidence level will lead to an EC figure that is lower than the RC figure.

The above risk metrics and risk appetite framework do not cover liquidity risk: the risk that ING Bank or one of its subsidiaries cannot meet its financial liabilities, at reasonable cost and in a timely manner, when they come due. ING Bank has a separate liquidity management framework in place to manage this risk, which is described in the Liquidity Risk section of ING Bank.

ING BANK CREDIT RISKS

Credit risk is the risk of loss from default by debtors (including bond issuers) or trading counterparties. Credit risks are split into five principal risk categories: a) lending (including guarantees and letters of credit); b) investments; c) pre-settlement (derivatives, securities financing and foreign exchange trades); d) money markets and e) settlement. Corporate Credit Risk Management (CCRM) is responsible for the measurement and management of credit risk incurred by all ING Group entities,

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including country-related risks. CCRM is organized along the business lines of ING Bank and ING Insurance. The CCRM General Manager is functionally responsible for the global network of credit risk staff, and the heads of the credit risk management functions for the business lines report directly to him.

Credit risk management is supported by dedicated credit risk information systems and internal credit risk measurement methodologies for debtors, issuers and counterparties. CCRM creates consistency throughout the credit risk organization by providing common credit risk policies, methodologies, manuals and tools across the Group.

ING Group s credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the business lines by means of top-down concentration limits for countries, individual borrowers and borrower groups. The aim within the banking sector is to expand relationship-banking activities, while maintaining stringent internal risk/return guidelines and controls.

Credit analysis is risk/reward-oriented in that the level of credit analysis is a function of the risk amount, tenor, structure (e.g. covers received) of the facility, and the risks entered into. For credit risk management purposes, financial obligations are classified into lending, investments, pre-settlement, money market and settlement. ING Bank applies a Risk Adjusted Return on Capital framework (RAROC) which measures the performance of different activities and links to shareholder value creation. The use of RAROC increases focus on risks versus rewards in the decision making process, and consequently stimulates the use of scarce capital in the most efficient way. More sophisticated RAROC-based tools are used internally to ensure a proper balance of risk and reward within the portfolio and concentration parameters. ING s credit analysts make use of publicly available information in combination with in-house analysis based on information provided by the customer, peer group comparisons, industry comparisons and other quantitative techniques.

Risk categories for credit risk

Lending risk

Lending risk arises when ING grants a loan to a customer, or issues guarantees on behalf of a customer. This is the most common risk category, and includes term loans, mortgages, revolving credits, overdrafts, guarantees, letters of credit, etc. The risk is measured at the notional amount of the financial obligation that the customer has to repay to ING, excluding any accrued and unpaid interest, discount/premium amortizations or impairments.

Investment risk

Investment risk is the credit default and risk rating migration risk that is associated with ING s investments in bonds, commercial paper, securitizations, and other similar publicly traded securities. Investment risk arises when ING purchases a (synthetic) bond with the intent to hold the bond for a longer period of time (generally through maturity). Bonds that are purchased with the intent to re-sell in a short period of time are considered to be trading risks, which are measured and monitored by the Corporate Market Risk Management department. For credit risk purposes, Investment risk is measured at original cost (purchase price) less any prepayments or amortizations and excluding any accrued and unpaid interest or the effects of any impairment.

Money market risk

Money market risk arises when ING places short term deposits with a counterparty in order to manage excess liquidity, as such, money market deposits tend to be short term in nature (1-7 days is common). In the event of a counterparty default, ING may lose the deposit placed. Money market risk is therefore measured simply as the notional value of the deposit, excluding any accrued and unpaid interest or the effect of any impairment.

Pre-settlement risk

Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavorable) market price. The pre-settlement risk (potential or expected risk) is the cost of ING replacing a trade in the market. This credit risk category is associated with dealing room products such as options, swaps, and securities financing transactions. Where there is a mutual exchange of value, the amount of credit risk outstanding is generally based on the replacement value (mark-to-market)

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plus a potential future volatility concept, using a 3-7 year historical time horizon and a 97.5% (1.96 standard deviations) confidence level.

Settlement risk

Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING has paid or delivered its side of the trade. The risk is that ING delivers, but does not receive delivery from the counterparty. Settlement risk can most commonly be contained and reduced by entering into transactions with delivery-versus-payment (DVP) settlement methods, as is common with most clearing houses, or settlement netting agreements.

For those transactions where DVP settlement is not possible, ING establishes settlement limits through the credit approval process. Settlement risk is then monitored and managed by the credit risk management units. Risk is further mitigated by operational procedures requiring trade confirmations to counterparties with all transaction details, and by entering into internationally accepted documentation, such as International Swaps and Derivatives Association (ISDA) Master Agreements for derivative transactions. Additionally, ING regularly participates in projects with other financial institutions to improve and develop new clearing systems and clearing mechanisms to further reduce the level of settlement risk. Due to the very short term nature of settlement exposure (daily or intra-day), settlement risks do not attract economic or regulatory capital and are excluded from risk reporting disclosures.

Country risk

Country risk is the risk specifically attributable to events in a specific country (or group of countries). It can occur within each of the five above described risk categories. All transactions and trading positions generated by ING include country risk which is further divided into economic and transfer risk. Economic risk is the concentration risk relating to any event in the risk country which may affect transactions and any other exposure in that country, regardless of the currency. Transfer risk is the risk incurred through the inability of ING or its counterparties to meet their respective foreign currency obligations due to a specific country event.

In countries where ING is active, the relevant country s risk profile is regularly evaluated, resulting in a country rating. Country limits are based on this rating and ING s risk appetite. Exposures derived from lending, investment pre-settlement and money market activities are then measured and reported against these country limits on a daily basis. Country risk limits are assigned for transfer risk mainly for emerging markets.

Credit Risk Mitigation

As with all financial institutions and banks in particular, ING is in the business of taking credit risks in an informed and measured fashion. As such, the creditworthiness of our customers, trading partners and investments is continually evaluated for their ability to meet their financial obligations to ING. ING uses different credit risk mitigation techniques, of which entering into Master Agreements, Collateral Agreements and CDS contracts are the main techniques used.

Credit Risk Measurement and Reporting

Figures associated with Money Market and Lending activities are generally the nominal amounts, while amounts associated with Investment activities are based on the original amount invested less repayments. Off-Balance Sheet exposures include the letters of credits and guarantees, which are associated with the Lending Risk Category. Additionally, Off-Balance Sheet exposures include a portion of the unused limits, associated with the statistically expected use of the unused portion of the limit between the moment of measurement and the theoretical moment of statistical default. Collectively, these amounts are called credit risk outstandings .

Exposures associated with Securitizations (Asset Backed Financing, Commercial/Residential Mortgage Backed Securities and Covered Bonds) are shown separately. These amounts also relate to the amount invested prior to any impairment activity or mark-to-market adjustments. This amount is also considered to be outstandings .

Compensation and Master agreements

ING uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING s potential future exposure on individual

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and portfolios of trades. Master agreements and collateral agreements are frequently entered into to reduce these credit risks.

ING matches trades with similar characteristics to determine their eligibility for offsetting. This offsetting effect is called compensation . Subsequently, ING reduces the amount by any legal netting that may be permitted under various types of Master Agreements, such as ISDAs, GMRAs, GMSLAs, etc. Lastly, the amount is further reduced by any collateral that is held by ING under CSAs or other similar agreements.

Collateral policies

During the assessment process of creating new loans, trading limits, or making investments, as well as reviewing existing loans trading positions and investments, ING determines the amount and type of collateral, if any, that a customer may be required to pledge to ING. Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more collateral the customer or counterparty will have to provide. Within counterparty trading activities, ING actively enters into various legal arrangements whereby ING and/or counterparties may have to post collateral to one another to cover market fluctuations of their relative positions. Laws in various jurisdictions also affect the type and amount of collateral that ING can receive or pledge. The type of collateral which is held as security is determined by the structure of the loan or position. Consequently, since ING s portfolio is diversified, the profile of collateral it receives is also diversified in nature and does not reflect any particular collateral type more than others.

As part of its securities financing business, ING entities actively enter into agreements to sell and buy back marketable securities. These transactions can take many legal forms. Repurchase and reverse repurchase agreements, buy/sellback and sell/buyback agreements, and securities borrowing and lending agreements are the most common. The amount of marketable securities that ING held as collateral under these types of agreements was EUR 92.0 billion at December 31, 2010 and EUR 72.7 billion at December 31, 2009. The increase is commensurate with the overall increase in open securities financing trades at year end 2010 compared to year end 2009. These amounts exclude the cash leg of the respective transactions, as well as any pledges of securities under Tri-Party agreements (as the underlying is not directly pledged to or owned by ING). As a general rule, the marketable securities that have been received under these transactions are eligible to be resold or repledged in other (similar) transactions. ING is obliged to return equivalent securities in such cases.

Repossession policy

It is ING s general policy not to take possession of assets of defaulted debtors. Rather, ING attempts to sell the assets from within the legal entity that has pledged these assets to ING, in accordance with the respective collateral or pledge agreements signed with the obligors. In those cases where ING does take possession of the collateral, ING generally attempts to sell the assets as quickly as possible to prospective buyers. Based on internal assessments to determine the highest and quickest return for ING, the sale of repossessed assets could be the sale of the obligor s business as a whole (or at least all of its assets), or the assets could be sold piecemeal. With regard to the various mortgage portfolios, ING often has to take possession of the underlying collateral but also tries to reduce the amount of time until resale.

ING Bank Credit Risk Profile

ING Bank s credit exposure is mainly related to traditional lending to individuals and businesses followed by investments in bonds and other securitized assets. Loans to individuals are mainly mortgage loans secured by residential property. Loans (including guarantees issued) to businesses are often collateralized, but can be unsecured based on internal analysis of the borrowers creditworthiness. Bonds in the investment portfolio are generally unsecured. Securitized assets such as Mortgage Backed Securities and Asset Backed Securities are secured by the pro rata portion of the underlying diversified pool of assets (commercial or residential mortgages, car loans and/or other assets) held by the security s issuer. The last major credit risk source involves pre-settlement exposures which arise from trading activities, including derivatives, repurchase transactions and securities lending/borrowing and foreign exchange transactions.

For the banking operations, ING uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING s potential future exposure on individual and

portfolios of trades. Master agreements and collateral agreements are frequently entered into to reduce these credit risks.

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Credit quality: ING Bank portfolio, outstandings:

	2010	2009
Neither past due nor impaired	822,445	790,377
Past due but not impaired (1-90 days) [1]	5,638	7,404
Impaired	13,779	11,983
Total	**841,862**	**809,764**

(1) Based on lending (consumer loans and residential mortgages only).

Risk classes

Risk classes are defined based upon the quality of the exposures in terms of creditworthiness, varying from investment grade to problem grade expressed in S&P equivalents.

Risk classes ING Bank portfolio, as % of total outstandings [1]:

		Commercial Banking		Retail Banking Benelux		Retail Banking Direct & International [2]		Total ING Bank	
		2010	2009	2010	2009	2010	2009	2010	2009
1	(AAA)	3.0%	3.7%		0.2%	14.4%	18.3%	6.3%	7.8%
2-4	(AA)	14.3%	18.7%	4.0%	3.7%	12.1%	16.0%	10.6%	13.4%
5-7	(A)	24.0%	21.4%	5.3%	5.2%	18.8%	17.1%	16.8%	15.2%
8-10	(BBB)	22.9%	20.7%	42.0%	38.4%	28.9%	25.1%	30.4%	27.4%
11-13	(BB)	22.8%	22.0%	37.7%	41.0%	15.5%	13.5%	24.4%	24.5%
14-16	(B)	8.8%	8.5%	6.2%	6.4%	7.2%	6.9%	7.5%	7.3%
17-22	(CCC & Problem Grade)	4.2%	5.0%	4.8%	5.1%	3.1%	3.1%	4.0%	4.4%
		100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.

(2) Covered bonds are presented on the basis of the external credit rating of the issuer in question. Covered bond issues generally possess a better external credit rating than the issuer standalone, given structural features of such covered bonds.

Risk classes ING Bank portfolio per credit risk type, as % of total outstandings[1]:

		Lending		Investment		Money Market		Pre-settlement		Total ING Bank	
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
1	(AAA)	0.8%	0.8%	30.8%	36.9%	1.2%	1.2%	3.5%	5.9%	6.3%	7.8%
2-4	(AA)	6.0%	7.0%	25.0%	29.4%	22.0%	45.6%	18.2%	26.1%	10.6%	13.4%
5-7	(A)	9.5%	9.1%	27.1%	23.1%	62.3%	40.9%	50.8%	46.7%	16.8%	15.2%

8-10	(BBB)	36.9%	35.0%	12.5%	6.5%	6.8%	7.2%	17.2%	11.0%	30.4%	27.4%
11-13	(BB)	32.0%	32.7%	2.0%	1.8%	7.4%	4.7%	7.3%	7.3%	24.4%	24.5%
14-16	(B)	9.9%	9.9%	0.6%	0.6%	0.1%	0.2%	1.8%	1.8%	7.5%	7.3%
17-22	(CCC & Problem Grade)	4.9%	5.5%	2.0%	1.7%	0.2%	0.2%	1.2%	1.2%	4.0%	4.4%
		100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.

Within the Investment and Pre-Settlement portfolios, there was a slight downward shift from the high end investment grade, to the midlevel investment grade in 2010. The Lending portfolios remained fairly stable. A large portion of the reduction in investment grade counterparty risks (pre-settlement) is related to the increasing application of collateral and netting agreements with these counterparties. Where such agreements are in place, ING generally has higher absolute volumes, while the credit risks are actually lowered due to the benefit of collateral and netting agreements.

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Risk concentration: ING Bank portfolio, by economic sector [(1)(2)]:

	Commercial Banking		Retail Banking Benelux		Retail Banking Direct & International		Total ING Bank	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Private Individuals	0.1%	0.2%	74.8%	74.4%	51.6%	48.1%	40.0%	38.2%
Commercial Banks	17.9%	19.5%	0.3%	0.5%	13.2%	13.7%	11.2%	12.0%
Non-Bank Financial Institutions	13.3%	13.0%	1.2%	1.8%	16.8%	18.8%	11.1%	11.8%
Central Governments	11.7%	12.3%	1.0%	0.9%	8.0%	8.8%	7.3%	7.8%
Real Estate	13.6%	13.8%	4.5%	4.3%	0.9%	0.8%	6.4%	6.6%
Natural Resources	10.3%	8.7%	0.4%	0.4%	0.4%	0.3%	3.9%	3.4%
Transportation & Logistics	5.7%	5.6%	1.4%	1.5%	0.2%	0.1%	2.5%	2.5%
Services	3.3%	3.2%	3.3%	3.2%	0.3%	0.3%	2.2%	2.2%
Lower Public Administration	0.5%	0.5%	1.3%	1.2%	4.3%	3.4%	2.1%	1.7%
Other	23.6%	23.2%	11.8%	11.8%	4.3%	5.7%	13.3%	13.8%
	100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Based on the total amount of credit risk in the respective column using ING s internal credit risk measurement methodologies.

(2) Economic sectors below 2% are not shown separately but grouped in Other.

As part of the Back to Basics focus on core clients, ING Bank reduced its exposure to governments and the financial sector while growing the private individual and corporate portfolios. The industry Central Banks fell below the 2.0% threshold during 2010 (2009: 2.3%).

ING Bank Lending portfolio

Largest economic exposures: ING Bank lending portfolio, by geographic area [(1)]:

	Commercial Banking		Retail Banking Benelux		Retail Banking Direct & International		Total ING Bank	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Netherlands	20.7%	20.2%	74.8%	75.4%	4.8%	6.1%	31.2%	32.1%
Belgium	7.7%	9.8%	23.2%	21.4%	0.2%	0.3%	9.6%	9.9%
Rest of Europe	45.2%	44.6%	1.3%	1.7%	53.3%	56.3%	35.0%	35.6%
Americas	14.8%	15.5%	0.2%	0.6%	26.4%	24.3%	14.6%	14.1%
Asia/Pacific	11.2%	9.5%	0.1%	0.5%	15.3%	13.0%	9.4%	8.0%
Rest of World	0.4%	0.4%	0.4%	0.4%			0.2%	0.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Geographic areas are based on the country of residence of the obligor.

The largest relative geographic area of growth was Asia/Pacific which corresponds with the region s economic recovery in 2010. Exchange rate effects had further impact on the regional division.

In line with ING s de-risking strategy, the portfolio developments in most countries mirrored the developments in the portfolio as a whole. The depreciated Euro versus the Australian and the US dollar had an upward effect of the exposure to the Americas and Asia/Pacific and therewith also to the Retail Banking Direct and International and Commercial Banking portfolios.

Problem loans

Renegotiated Loans

ING s credit restructuring activities focus on managing the client relationships, improving the borrower s risk profile, maximizing collection opportunities and, if possible, avoiding foreclosure or repossession. These activities are pro-actively pursued and primarily relate to Wholesale and Small and Medium Enterprise (SME) borrowers (Business), which are not yet in default. Common actions taken include, but are not limited to, revising or extending repayment arrangements, assisting in financial reorganization and/or turnaround management plans, deferring foreclosure, modifying loan conditions and deferring certain payments pending a change in circumstances. For consumer and residential mortgage loans (Consumer) the approach is more portfolio oriented.

Restructuring activities for Business borrowers normally start with a watch list indication. Borrowers on the watch list maintain their rating (1-19). A watch list indication may develop into a restructuring status

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(18-19) or even a recovery status (20-22). Most borrowers with a watch list indication return to a regular status. For Consumer clients the watch list of potential problem loan status is usually caused by payment arrears (more than 1 month) which are subsequently reflected in the risk rating of 18-19 (or comparable status based on an increased probability of default). Following restructuring relationship management is either transferred to the regular banking departments or terminated.

ING s renegotiated loans that would otherwise be past due or impaired are reflected below:

ING Bank renegotiated loans that would otherwise be past due or impaired (outstandings):

	Business loans	Consumer and mortgage loans	2010 Total	Business loans	Consumer and mortgage loans	2009 Total
From restructuring (18-19) to regular (1-17) status	4,365		4,365	2,737		2,737
From recovery (20-22) to regular or restructuring status (1-19)	2,744	3,209	5,953	2,895	3,210	6,105
Total of renegotiated loans	**7,109**	**3,209**	**10,318**	**5,632**	**3,210**	**8,842**

ING continues to take a proactive approach in working with its Business and Consumer customers which are experiencing financial difficulties to restructure their loans and help return the companies to economic viability. The category restructuring status is not used for consumer borrowers, but only for Business customers.

Past-due obligations

ING continually measures its portfolio in terms of payment arrears. Particularly the retail portfolios are closely monitored on a monthly basis to determine if there are any significant changes in the level of arrears. Generally, an obligation is considered past-due if a payment of interest or principal is more than one day late. In practice, the first 5-7 days after an obligation becomes past due are considered to be operational in nature for the retail loans and small businesses. After this period, letters are sent to the obligor reminding the obligor of its (past due) payment obligations. If the arrear still exists after 90 days, the obligation is transferred to one of the problem loan units. In order to reduce the number of arrears, ING banking units encourage their obligors to set up automatic debits from their (current) accounts to ensure timely payments.

Aging analysis (past due but not impaired): ING Bank portfolio, outstandings [1][2]:

	2010	2009
Past due for 1-30 days	4,565	5,967
Past due for 31-60 days	973	1,281
Past due for 61-90 days	100	156
Total	**5,638**	**7,404**

(1) Based on lending (consumer loans and residential mortgages only).

(2) The amount of past due but not impaired financial assets in respect of non-lending activities was not material.

There is no significant concentration of a particular type of loan structure in the past due or the impaired loan portfolio.

ING tracks past due but not impaired loans most closely for the consumer loan and residential mortgage portfolios. Generally, all loans with past due financial obligations of more than 90 days are automatically reclassified as impaired. For the wholesale lending portfolios and securities obligations, there are generally reasons for declaring a loan impaired prior to being 90 days past due. These include, but are not limited to, ING s assessment of the customer s perceived inability to meet its financial obligations, or the customer filing for bankruptcy or bankruptcy protection. In some cases, a material breach of financial covenants will also trigger a reclassification of a loan to the impaired category.

Impaired loans and provisions

The credit portfolio is under constant review. A formal analysis takes place quarterly to determine the provisions for possible bad debts, using a bottom-up approach. Conclusions are discussed by the ING Provisioning Committee (IPC), which advises the Executive Board on specific provisioning levels. ING Bank identifies as impaired loans those loans for which it is probable, based on current information and

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events that the principal and interest amounts contractually due will not be collected in accordance with the contractual terms of the loan agreements.

The table below represents the economic sector breakdown of credit risk outstandings (including impaired amounts) for loans and positions that have been classified as problem loans and for which provisions have been made.

Impaired Loans: ING Bank portfolio, outstandings by economic sector:

	2010	**2009**
Private Individuals	4,838	4,589
Real Estate	2,777	1,528
General Industries	858	933
Food, Beverages & Personal Care	837	681
Transportation & Logistics	818	415
Builders & Contractors	792	628
Services	582	611
Non-Bank Financial Institutions	527	304
Other	1,750	2,294
Total	**13,779**	**11,983**

ING holds specific and collective provisions of EUR 2,697 million and EUR 1,404 million, respectively (2009: EUR 2,115 million and EUR 1,246 million respectively), representing the difference between the amortized cost of the portfolio and the estimated recoverable amount discounted at the effective rate of interest. In addition, there is EUR 1,051 million in provisions against the performing portfolio and EUR 43 million of Net Present Value forgone for re-modified loans.

Provisions: ING Bank portfolio:

	Commercial Banking		**Retail Banking Benelux**		**Retail Banking Direct & International**		**Total ING Bank**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Opening balance	1,628	1,024	1,290	802	1,481	785	4,399	2,611
Changes in the composition of the group				(3)				(3)
Write-offs	(337)	(520)	(454)	(468)	(375)	(229)	(1,166)	(1,217)
Recoveries	36	21	58	118	11	9	105	148
Increase/(decrease) in loan loss provision	497	1,211	721	728	533	1,034	1,751	2,973
Exchange differences	65	(28)	8	(3)	82	(17)	155	(48)
Other changes	(34)	(80)	18	116	(33)	(101)	(49)	(65)
Closing balance	**1,855**	**1,628**	**1,641**	**1,290**	**1,699**	**1,481**	**5,195**	**4,399**

During 2010 we saw a slow reduction to more normalized risk costs. The lower risk costs level was largely the result of an improving portfolio within Commercial Banking, which was partly offset due to the continuing elevated levels of the risk costs in Retail Benelux.

ING BANK MARKET RISKS

Market risk is the risk that movements in market variables, such as interest rates, equity prices, foreign exchange rates and real estate prices, negatively impact the bank s earnings, market value or liquidity position. Market risk either arises through positions in trading books or through the banking book positions. The trading positions are held for the purpose of benefiting from short-term price movements, while the banking book positions are intended to be held in the long term (or until maturity) or for the purpose of hedging other banking book positions.

Within ING Bank, market risk (including liquidity risk) falls under the supervision of the ALCO function with ALCO Bank as the highest approval authority. ALCO Bank determines the overall risk appetite for market risk. The ALCO function is regionally organized with the exception of ING Direct, which has a separate ALCO. The business lines Retail Banking and Commercial Banking are represented within the respective regional and local ALCO s. The ALCO structure within ING Bank facilitates top-down risk management, limit setting and the monitoring and control of market risk. This ensures a correct implementation of the ING Bank risk appetite.

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The Corporate Market Risk Management department (CMRM) is the designated independent department that is responsible for the design and execution of the bank s market risk management functions in support of the ALCO function. The CMRM structure recognizes that risk taking and risk management to a large extent occurs at the regional/local level. Bottom-up reporting allows each management level to fully assess the market risk relevant at the respective levels.

CMRM is responsible for determining adequate policies and procedures for managing market risk and for monitoring the compliance with these guidelines. An important element of the market risk management function is the assessment of market risk in new products and businesses. Furthermore CMRM maintains an adequate limit framework in line with ING Bank s risk appetite. The businesses are responsible for adhering to the limits that ultimately are approved by ALCO Bank. Limit breaches are reported to senior management on a timely basis and the business is required to take the appropriate actions to reduce the risk position.

Market risk in trading books

Organization

Within the trading portfolios, positions are maintained in the professional financial markets for the purpose of benefiting from short term price movements. Market risk arises in the trading portfolios through the exposure to various market risk factors, including interest rates, equity prices and foreign exchange rates.

The Financial Markets Risk Committee (FMRC) is the market risk committee that, within the guidelines set by ALCO Bank, sets market risk limits both on an aggregated level and on a desk level, and approves new products. CMRM advises both the FMRC and ALCO Bank on the market risk appetite of trading activities.

With respect to the trading portfolios, CMRM focuses on the management of market risks of Commercial Banking (mainly Financial Markets) as this is the only business line where significant trading activities take place. Trading activities include facilitation of client business, market making and proprietary position taking in cash and derivatives markets. CMRM is responsible for the development and implementation of trading risk policies and risk measurement methodologies, the reporting and monitoring of risk exposures against approved trading limits and the validation of pricing models. CMRM also reviews trading mandates and limits, and performs the gatekeeper role in the product review process. The management of trading market risk is performed at various organizational levels, from CMRM overall down to specific business areas and trading offices.

Measurement

CMRM uses the Value at Risk (VaR) methodology as its primary risk measure. The VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remain unchanged for a time period of one day. The impact of historical market movements on today s portfolio is estimated, based on equally weighted observed market movements of the previous year. ING uses VaR with a 1-day horizon for internal risk measurement, control and backtesting, and VaR with a 10-day horizon for determining regulatory capital. ING s VaR model has been approved by De Nederlandsche Bank (DNB: the Dutch Central Bank) to be used for the regulatory capital calculation of its most important trading activities.

Market risk management for the fixed income and equity markets is split into two components: general market risk and specific market risk. The general market risk component estimates the VaR resulting from general market-value movements (e.g. interest rate movements). The specific market risk component estimates the VaR resulting from market-value movements that relate to e.g. the underlying issuer of securities in the portfolios. This specific risk relates to all value movements not related to general market movements.

CMRM has implemented a historical simulation Value at Risk (HVaR) model for consolidated risk reporting for the trading books that has replaced the Variance Covariance method used previously. ING has chosen to use a phased rollout approach. As of January 1, 2009, ING implemented the first phase after approval from DNB. During 2010, further steps were made with the migration of a large part of the non-linear risks from Monte Carlo simulation to historical simulation. The remaining non-linear risks and specific risk will migrate to historical simulation in 2011.

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Limitations

VaR as a risk measure has some limitations. VaR uses historical data to forecast future price behavior. Future price behavior could differ substantially from past behavior. Moreover, the use of a one-day holding period (or ten days for regulatory calculations) assumes that all positions in the portfolio can be liquidated or hedged in one day. In periods of illiquidity or market events, this assumption may not hold true. Also, the use of 99% confidence level means that VaR does not take into account any losses that occur beyond this confidence level.

The Basel Committee has proposed to supplement the current VaR regulatory capital framework for trading exposures with an Incremental Risk Charge (IRC) and Stressed VaR to cover for the shortcomings of the current risk framework. The IRC ensures that Basel II capital charges will capture default and credit migration risks which are not reflected in the current 99%, 10-day VaR model for the trading books. The Basel II requirements on the incremental risk charge will come into force in 2011. ING performs experience runs on IRC as part of the approval process with the Dutch regulator, the DNB.

Backtesting

Backtesting is a technique for the ongoing monitoring of the plausibility of the VaR model in use. Although VaR models estimate potential future results, estimates are based on historical market data. In a backtest, the actual daily result is compared with the 1-day VaR. In addition to using actual results for backtesting, ING also uses hypothetical results, which measure results excluding the effect of intraday trading, fees and commissions. When the actual or hypothetical loss exceeds the VaR an outlier occurs. Based on ING s one-sided confidence level of 99% an outlier is expected once in every 100 business days. In 2010, like in 2009, there was no occurrence where a daily trading loss exceeded the daily consolidated VaR of ING Commercial Banking. ING reports the results of this backtesting to DNB on a quarterly basis.

Stress testing

Stress tests are used for the monitoring of market risks under extreme market conditions. Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, ING uses structured stress tests for monitoring the market risk under these extreme conditions. Stress scenarios are based on historical as well as hypothetical extreme events. The result of the stress testing is an event risk number, which is an estimate of the profit and loss account effect caused by a potential event and its world-wide impact for ING Commercial Banking. The event risk number for the ING Commercial Banking trading activity is generated on a weekly basis. Like VaR, event risk is limited by ALCO Bank. ING s event risk policy basically consists of defined stress parameters per country and per market (fixed income, equity, foreign exchange, credit and related derivative markets). The scenarios and stress parameters are evaluated against extreme actual market movements. If and when necessary, ING evaluates specific stress scenarios, as an addition to its structural stress tests. These specific scenarios relate to current concerns, like political instability in certain regions, terrorist attacks or extreme movements, e.g. in credit spreads.

Other trading controls

VaR and event risk limits are the most important limits to control the trading portfolios. Furthermore, ING uses a variety of other limits to supplement VaR and event risk. Position and sensitivity limits are used to prevent large concentrations in specific issuers, sectors or countries. In addition to this, other risk limits are set with respect to the activities in exotic derivatives trading. The market risk of these products is controlled by product specific limits and constraints.

Development of market risks

The following chart shows the development of the overnight VaR under a 99% confidence interval and a 1-day horizon. The overnight VaR is presented for the ING Commercial Banking trading portfolio for 2009 and 2010**.** Several banking books are governed by the trading risk process and are therefore excluded from the non-trading risk table and included in the below trading risk graph and table.

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During 2010 the overnight VaR for the ING Commercial Banking trading portfolio ranged from EUR 17 million to EUR 30 million. No limit excess was observed in 2010.

More details on the VaR of the ING Commercial Banking trading portfolio for 2010 and 2009 are provided in the table below.

Consolidated VaR trading books: ING Commercial Bank:

	Minimum		Maximum		Average		Year end	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Interest rate / Credit spread	18	20	29	54	22	33	20	24
Equity	1	4	9	11	4	7	3	5
Foreign exchange	1	1	9	11	2	5	4	3
Diversification [1]					(6)	(6)	(8)	(5)
Total VaR	**17**	**24**	**30**	**60**	**22**	**39**	**19**	**27**

(1) The total VaR for the columns Minimum and Maximum can not be calculated by taking the sum of the individual components since the observations for both the individual markets as well as total VaR may occur on different dates. Note: the above categories are consistent with those used for internal risk management purposes and do not relate to financial statement captions.

The VaR figures in the table above relate to all books under trading governance. In general, the level of the trading VaR was lower in 2010, continuing the decreasing trend of 2009. The interest rate market, which includes both the general interest rate and credit spread exposures, provided the largest contribution to the trading VaR. The average VaR over 2010 was substantially lower than over 2009 (average VaR 2010: EUR 22 million and average VaR 2009: EUR 39 million). In line with the trend of 2009, the VaR decreased to EUR 19 million towards the end of 2010. This decrease is to a large extent related to the increased diversification of non-linear and linear risk as a result of the HVaR implementation as explained under Measurement . Another reason is the discontinuing of the strategic trading business in the United States, as part of ING s continued balance sheet strengthening.

REGULATORY CAPITAL

According to the Dutch regulation, regulatory capital for trading portfolios can be calculated using the standardized approach (CAD1) or an internal model approach (CAD2). In 1998, ING received approval from the DNB to use an internal Value-at-Risk (VAR) model to determine the regulatory capital for the market risk in most trading books of ING Bank. Market risk capital of CAD2 trading books is calculated according to the internal VaR model, where diversification is taken into account. On the other hand, market risk capital of CAD1 books is calculated using standardized fixed risk weights.

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Regulatory capital requirements:

	Standardized Approach		Internal Model Approach		Total	
	2010	2009	2010	2009	2010	2009
Interest rate / Credit spread	105	127	172	233	277	360
Equity			40	75	40	75
Foreign exchange[1]	32	23	15	33	47	56
Total	**137**	**150**	**227**	**341**	**364**	**491**

[1] The FX exposure under the Standardised Approach contains FX exposures on both trading and banking books

In 2010, ING applied the CAD2 model for most of its trading activities. The standard CAD1 model is used for some trading books in smaller locations and/or products for which the internal model is not yet CAD2 compliant. The aim of ING is to receive CAD2 status for all its trading books. In 2010, several trading books were moved from the standardized model to the internal model, further reducing the number of books under the standardized model. It should be noted that due to the conservative nature of the CAD1 model the capital charge for the standardized approach is much larger than for the internal model approach.

VaR Values for Internal Model Approach Portfolios:

	Minimum	Maximum	2010 Average	2010	Year end 2009
Interest rate / Credit spread	16	28	20	18	21
Equity	1	9	4	3	5
Foreign exchange	1	9	2	4	3
Diversification effect [1]			(6)	(8)	(4)
Total	**15**	**28**	**20**	**17**	**25**

[1] The total VaR for the columns Minimum and Maximum can not be calculated by taking the sum of the individual components since the observations for both the individual markets as well as total VaR may occur on different dates. Note: the above categories are consistent with those used for internal risk management purposes and do not relate to financial statement captions

The VaR figures in the table above only relate to the CAD2 trading books for which the internal model approach is applied. The VaR figures reported under Consolidated VaR trading books relate to all books under trading governance.

Sensitivities

The following tables show the largest trading foreign exchange positions and interest rate and credit spread sensitivities. The credit spread sensitivities are furthermore split in different risk classes and sectors.

Most important foreign exchange positions (year-end 2010):

	2010		2009
Foreign exchange		**Foreign exchange**	
US dollar	(457)	US dollar	(266)

Taiwan dollar	155	Chinese yuan	208
Chinese yuan	83	Bulgarian lev	37
South Korean won	68	Polish zloty	31
Bulgarian lev	(57)	South Korean won	20

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Most important interest rate and credit spread sensitivities (year-end 2010):

Amounts in thousands of euros	2010		2009
Interest Rate (BPV [1])		Interest Rate (BPV [1])	
Eurozone	(377)	Eurozone	(1,175)
United States	167	United States	(359)
Mexico	(147)	Mexico	(153)
Japan	141	UK	(109)
Russia	(73)	Japan	107
Credit Spread (BPV [1])		Credit Spread (BPV [1])	
Eurozone	(596)	United States	(115)
Sweden	(67)	Eurozone	(86)
Hong Kong	(47)	Mexico	(57)
UK	(47)	Japan	(17)
United States	(42)	Russia	(13)

(1) Basis Point Value (BPV) measures the impact on value of a 1 basis point increase in interest rates or credit spreads.

Credit spread sensitivities per risk class and sector (year-end 2010):

amounts in thousands of euros		2010		2009
Credit Spread (BPV (1))	Corporate	Financial Institutions	Corporate	Financial Institutions
1 (AAA)	(8)	(211)	(18)	(145)
2-4 (AA)	(25)	(212)	(18)	(34)
5-7 (A)	(32)	(257)	83	(100)
8-10 (BBB)	(77)	(102)	16	14
11-13 (BB)	(11)	(47)	(12)	(20)
14-16 (B)	(30)	(8)	(21)	20
17-22 (CCC and Problem Grade)	(24)	(33)	(47)	(11)
No rating			15	(16)
Total	**(207)**	**(870)**	**(2)**	**(292)**

(1) Basis Point Value (BPV) measures the impact on value of a 1 basis point increase in interest rates or credit spreads.

Market risk in banking books

Organization

ING makes a distinction between trading and banking (non-trading) books. Positions in trading books can change swiftly, whereas positions in banking books are intended to be held until maturity, or at least for the long term. Books that contain positions to hedge exposures resulting from commercial activities are also classified as banking books.

Interest rate risk in banking books

Interest rate risk in the banking books is defined as the potential negative impact that moving interest rates have on earnings or market value. The management of interest rate risk follows the Asset & Liability Management (ALM) framework as approved by ALCO Bank. Main goal of this framework is to transfer interest rate risks out of commercial books in order to manage it centrally. This allows for a clear demarcation between commercial business results and results on unhedged interest rate positions.

ING distinguishes three types of activities: investment of own capital (by Capital Management), commercial business (ING Direct, Retail Banking and Commercial Bank) and the strategic interest rate position (Financial Markets ALM). The scheme below presents the ALM framework:

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Below, the three activities are described in more detail.

Capital Management is responsible for managing the investment of own funds (core capital). Capital is invested longer term, targeting to maximize return, while keeping it stable at the same time.

Commercial activities lead to interest rate risk, as repricing tenors of assets differ from those of liabilities. Linear interest rate risk is transferred out of the commercial business into the risk center (FM ALM), leaving convexity risk and model risk with the commercial business. The convexity risk is a result of hedging products that contain embedded options, like mortgages, by using linear hedge instruments. Model risk reflects the potential imperfect modeling of client behavior. The risk transfer process takes place on a monthly basis, but more often if deemed necessary, for instance in volatile markets.

In the risk transfer process, client behavioral characteristics play an important role. The behavior in relation to mortgages, loans, savings and demand deposits is modeled by CMRM, following extensive research. Models and parameters are back-tested regularly and updated when deemed necessary. In the modeling of savings and current accounts different elements play a role: pricing strategies, outstanding and expected volumes and the level and shape of the yield curve. The analyses result in an investment rule for the various portfolios. With respect to mortgages and loans, prepayment behavior and the interest sensitivity of the embedded offered rate options are modeled.

In line with other commercial businesses, ING Direct transfers interest rate risk out of their commercial books to a large extent. The difference being that the risks are transferred directly to the external market, instead of to the risk center (FM ALM).

Within ING Commercial Banking, FM ALM contains the strategic interest rate position. The main objective is to maximize the economic value of the book and to generate adequate and stable yearly earnings within the risk appetite boundaries set by ALCO Bank.

In the following sections, the interest rate risks in the banking books are presented. ING uses risk measures based on both an earnings and a value perspective. Earnings Sensitivity (ES) is used to provide the earnings perspective and the Net Present Value (NPV)-at-Risk and Basis Point Value (BPV) figures provide the value perspective. Several small banking books are governed by the trading risk process and are therefore excluded from the following banking book risk tables. These are included in the trading risk graph and table in the section Market Risk in Trading Books .

Earnings Sensitivity (ES)

ES measures the impact of changing interest rates on (pre tax) IFRS earnings. The ES figures in the table below reflect an instantaneous shock up of 1% and a time horizon of one year. Management interventions are not incorporated in these calculations; balance sheet dynamics (e.g. new business) where significant.

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The ES is dominated by convexity risk and by the strategic interest rate position in FM ALM. The investment of own funds only impact the ES marginally, given the long term duration.

Earnings Sensitivity banking books (1% instantaneous upward shock to interest rates):

	2010	2009
By Currency		
Euro	(237)	(262)
US dollar	(114)	(193)
Pound sterling	(15)	(26)
Other	50	46
Total	**(316)**	**(435)**

In an environment where short term rates remain at relative low levels, both in the Eurozone and the US, the ES showed a limited decrease in 2010. Interest paid on liabilities is expected to be less sensitive to market rate changes.

Net Present Value (NPV) at Risk

NPV-at-Risk measures the impact of changing interest rates on value. As a full valuation approach is applied, the risk figures include convexity risk that results from embedded optionalities like mortgage prepayment options. Like for ES calculations, an instantaneous shock up of 1% is applied.

The full value impact cannot be directly linked to the balance sheet or profit and loss account, as fair value movements in banking books are generally not reported through the profit and loss account or through equity. The largest part, namely the value mutations of the amortized cost balances, is neither recognized in the balance sheet nor directly in the profit and loss account. The value mutations are expected to materialize over time in the profit and loss account, if interest rates develop according to forward rates throughout the remaining maturity of the portfolio.

The NPV at Risk is dominated by the interest rate sensitive long term investments of own funds. The value of these investments is impacted significantly if interest rates move up by 1%. Convexity risk in retail portfolios as well as the strategic interest position in FM ALM also contribute significantly to the overall NPV at Risk.

NPV-at-Risk banking books (1% instantaneous upward shock to interest rates):

	2010	2009
By Currency		
Euro	(2,446)	(1,811)
US dollar	(205)	(39)
Pound sterling	(19)	(53)
Other	48	68
Total	**(2,622)**	**(1,835)**

Total NPV-at-Risk increased in the course of 2010. The change was strongly influenced by the increase in long term interest rates in the 2nd half of 2010, which increased the duration of mortgages and thereby the value sensitivity to a further rate increase. Besides, the slow housing market in the Netherlands also led to an increase in the mortgage duration.

Basis Point Value (BPV)

BPV measures the impact of a 1 basis point increase in interest rates on value. To a large extent the BPV and NPV at Risk reflect the same risk - the difference being that BPV does not reflect convexity risk, given the small shift in interest rates.

In line with NPV at Risk, the bank s overall BPV position is dominated by the long term investment of capital, as the present value of this position is significantly impacted if interest rates move up by 1 basis point. Convexity risk plays a less important role, given that BPV only reflects small movements in interest rates.

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BPV per currency banking books:

Amounts in thousands of euros	**2010**	**2009**
By currency		
Euro	(21,760)	(15,340)
US dollar	(548)	757
Pound sterling	(284)	(684)
Other	175	475
Total	**(22,417)**	**(14,792)**

The total BPV position increased in 2010 for the same reasons as the increase in NPV-at-Risk. The duration of mortgages increased on the back of higher interest rates (both in the United States and the Eurozone) and a slow Dutch housing market.

Foreign exchange (FX) risk in banking books

FX exposures in banking books result from commercial banking business (business units doing business in other currencies than their base currency), foreign currency investments in subsidiaries (including realized net profit and loss) and strategic equity stakes in foreign currencies. The policy regarding these exposures is briefly explained below.

Commercial banking business

Every business unit hedges the FX risk resulting from commercial results into its base currency. Consequently, assets and liabilities are matched in terms of currency.

FX Translation result

ING s strategy is to protect the target core Tier 1 ratio against FX rate fluctuations, whilst limiting the volatility in the profit and loss account. Compared to 2009 the strategy has changed in 2010 from protection of the target Tier 1 ratio to protection of the target core Tier 1 ratio instead. The strategy is achieved by deliberately taking foreign currency positions equal to certain target positions, such that the target core Tier 1 capital and risk-weighted assets are equally sensitive in relative terms to changing FX rates. The following table presents the currency exposures in the banking books for the most important currencies:

Net currency exposures banking books

	Foreign Investments		**Hedges**		**Net Exposure**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
US dollar	7,275	6,913	(606)	(3,980)	6,669	2,933
Pound sterling	(993)	(1,155)	1,144	1,220	151	65
Polish zloty	1,371	1,153	(643)	(486)	728	667
Australian dollar	2,908	2,186	(2,056)	(1,423)	852	763
Turkish lira	1,891	1,752	(444)	(233)	1,447	1,519
Other currency	7,160	7,321	(4,028)	(3,549)	3,132	3,772
Total	**19,612**	**18,170**	**(6,633)**	**(8,451)**	**12,979**	**9,719**

The US dollar Net Exposure increased significantly in 2010 due to the changed hedging strategy. The significantly decreased Net exposure in the category Other currency is mainly caused by changed share prices of strategic equity stakes. For example, the share price of the bank s equity stake in Bank of Beijing decreased over 30%, decreasing the Chinese renmimbi exposure.

In order to measure the remaining sensitivity of the target core Tier 1 ratio against FX rate fluctuations, the core Tier 1 ratio at Risk (cTaR) measure is used. It measures the drop in the core Tier 1 ratio from the target when stressing a certain FX rate. The stress scenarios for the FX rates that are used for calculating the cTaR, are presented in the last two columns. Only the scenarios are presented that negatively impact the target core Tier-1 ratio: depending on whether the actual foreign currency position is above or below the target position, the worst case scenario is either negative or positive. A positive stress scenario means that the foreign currency appreciates against the Euro. For the Pound sterling this means that at the end of 2010 the target core Tier 1 ratio would only decrease by 0.02% in absolute terms (e.g. from 9.02% to 9.00%) if the Pound Sterling appreciates by 15%. Backtesting shows that the strategy was effective in 2010; the core Tier 1 ratio was hardly affected by changing FX rates.

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Core Tier 1 ratio sensitivity ING Bank:

	cTaR		Stress Scenario	
	2010	**2009**	**2010**	**2009**
By Currency				
US dollar		0.11%	15%	15%
Pound sterling	0.02%	0.02%	15%	15%
Polish zloty	0.01%	0.01%	(15%)	(15%)
Australian dollar	0.01%	0.02%	(20%)	(20%)
Turkish lira		0.01%	25%	(25%)

Equity price risk in banking books

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments whose value reacts similarly to a particular security, a defined basket of securities, or a securities index. ING Bank maintains a strategic portfolio with substantial equity exposure in its banking books. This equity exposure mainly consists of the investments in associates of EUR 1,494 million (2009: EUR 1,396 million) and equity securities held in the Available-for-Sale (AFS) portfolio of EUR 2,741 million (2009: EUR 3,682 million). The value of equity securities held in the AFS portfolio is directly linked to equity security prices with increases/decreases being recognized (except in the case of impairment) in the revaluation reserve. During the year ended December 31, 2010 the revaluation reserve relating to equity securities held in the Available-for-Sale portfolio fluctuated between a month-end low amount of EUR 1,723 million (2009: EUR 1,198 million) and a high amount of EUR 2,370 million (2009: EUR 2,536 million). Investments in associates are measured in accordance with the equity method of accounting and the balance sheet value is therefore not directly linked to equity security prices.

Equities Unrealized Gains and Losses in the AFS portfolio:

	2010	**2009**
Gross unrealised gains	1,728	2,570
Gross unrealised losses	(1)	(12)
Total	1,727	2,558

Total capital requirement for equity price risk under the Simple Risk Weight Approach at December 31, 2010 results in EUR 310 million (2009: 364 million).

Real Estate price risk in banking books

Real estate price risk arises from the possibility that real estate prices fluctuate. This affects both the value of real estate assets and earnings related to real estate activities. The crisis in the financial markets could lead to a further slowdown of the world economy in general. These global economic factors could have future negative consequences for the value of and earnings related to real estate assets.

ING Bank has three different categories of real estate exposure on its banking books. First, ING Bank owns buildings it occupies. Second, ING Bank has a Real Estate Development company for which results are dependent on the overall real estate market. The general policy is to mitigate this risk by pre-sale agreements where possible. Third, ING Bank has co-invested seed capital and bridge capital to support the launch of various real estate funds. A decrease in real estate prices will cause the value of this seed and bridge capital to decrease and will lower the level of third party assets under management, which in turn will reduce the fee income from this activity.

For the third category mentioned above, real estate price shocks will have a direct impact on reported net profit and loss. ING Bank s real estate exposure (i.e. including leverage and committed purchases) is EUR 5.2 billion of which EUR 2.0 billion is recorded as fair value through P&L. The remaining EUR 3.1 billion is booked at cost or is revalued through equity (with impairments going through P&L).

In total, Real Estate exposure decreased by EUR 1.8 billion mainly as a result of divestments (EUR (1.5) billion). Other important changes are: negative fair value changes (EUR (0.1) billion), impairments (EUR (0.4) billion) and FX appreciation (EUR +0.2 billion).

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Real Estate Exposure banking books recorded as fair value through P&L (by geographic area and sector type):

	2010	2009		2010	2009
Continent			**Sector**		
Europe	662	871	Residential	207	198
Americas	812	1,590	Office	385	498
Australia	189	493	Retail	620	852
Asia	349	325	Industrial	516	1,255
Other	14		Other	298	476
Total	**2,026**	**3,279**	**Total**	**2,026**	**3,279**

ING Bank s real estate exposure revaluing through P&L decreased significantly mainly caused by sales of Canadian and Australian funds. The fair value changes (EUR (0.1) billion) related to investments in funds were limited in 2010 compared with 2009.

Real Estate Exposure banking books not revalued through P&L (by geographic area and sector type):

	2010	2009		2010	2009
Continent			**Sector**		
Europe	2,772	3,290	Residential	614	618
Americas	70	235	Office	1,456	1,547
Australia	204	159	Retail	874	883
Asia			Industrial	43	74
Other	99		Other	158	562
Total	**3,145**	**3,684**	**Total**	**3,145**	**3,684**

ING Bank s real estate exposure not revaluing through P&L has decreased, which is mainly driven by impairments in Real Estate Development.

ING BANK LIQUIDITY RISK

Definition

Liquidity risk is the risk that ING Bank or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner. Liquidity risk can materialize both through trading and non-trading positions.

Governance

As with other bank market risks, liquidity risk falls under the supervision of the ALCO function within ING Bank, with ALCO Bank as the highest approval authority.

ALCO Bank determines the liquidity risk framework after which this is cascaded down in the organization under the responsibility of the regional and local ALCOs.

The main objective of ING s liquidity risk framework is to ascertain by means of proper risk appetite limits that sufficient liquidity is maintained in order to ensure safe and sound operations under a variety of circumstances.

For this purpose liquidity risk is measured, managed and controlled from three different angles, namely a structural, a tactical and a contingency point of view.

Liquidity Risk Management

CMRM is responsible for liquidity risk management and bears the responsibility for the identification, measurement and monitoring of the liquidity risk position. Next to this it is responsible for performing liquidity risk stress testing. For stress testing purposes, on a monthly basis and as per Dutch Central Bank guidelines, ING Bank s liquidity

positions are stress tested under a scenario that is a mix between a market event and an ING specific event. Also on periodic and ad-hoc basis additional stress testing exercises are undertaken on consolidated and local level.

Structural liquidity risk

Structural liquidity risk is the risk that the structural, long term balance sheet cannot be financed timely or at a reasonable cost. For the purpose of managing structural liquidity risk, a specific advisory committee to ALCO Bank has been established.

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This committee which consists of key representatives from Corporate Market Risk Management, Capital Management and Financial Markets focuses on all liquidity risk aspects from a going concern perspective. The main objective of the committee is to maintain a sound liquidity profile through:

- Maintaining a well diversified mix of funding sources in terms of instrument types (e.g. unsecured deposits, commercial paper, long term bonds or repurchase agreements), fund providers (e.g. professional money market players, wholesale and retail clients), geographic markets and currencies;
- Actively managing access to the capital markets by regularly issuing public debt in all material markets and the maintenance of investor relations;
- Holding a broad portfolio of eligible assets that can be utilized to obtain secured funding, e.g. from the repo market or (E)CB; in this respect the total eligible collateral position amounts to EUR 156.6 billion (nominal);
- Management of liquidity gaps, taking into account the asset mix and both the secured and unsecured funding opportunities of ING Bank;
- Maintaining a funds transfer pricing policy in which ING Bank s cost of liquidity is adequately reflected both under a going concern and a contingency perspective.

With respect to funding sources, ING Bank aims to fund its own originated assets (loans) by an equal amount of own originated liabilities (deposits), meaning a loan-to-deposit ratio of approximately 1. Ultimo 2010 the LtD ratio (excluding securities at amortized costs and IABF receivable) equals 1.05. In the table below the actual funding mix is displayed.

ING Bank Funding Mix:

Funding type	**2010**	**2009**
Retail deposits	46%	46%
Corporate & other deposits	19%	17%
Interbank (incl central bank)	8%	10%
Lending / repurchase agreement	7%	8%
Public debt	17%	16%
Subordinated debt	3%	3%
Total	**100%**	**100%**

The funding mix remained well diversified and according to targets set. Deposits accounted for 65% of the total funding mix.

Tactical liquidity risk

Liquidity risk which is resulting from short term cash and collateral positions is managed in the risk framework from a tactical liquidity risk perspective. The day-to-day management of the overall short term liquidity risk of ING Bank is delegated to Financial Markets Amsterdam, while regional and local Financial Markets departments manage liquidity in their respective regions and locations. Within Financial Markets, the focus is on the daily and intraday cash and collateral positions and the policy is to manage and sufficiently spread day-to-day funding requirements.

Contingency liquidity risk

Contingency liquidity risk specifically relates to the organization and planning for liquidity management in time of stress. Within ING, for contingency purposes, a specific crisis team - consisting of key Board Members, representatives from Corporate Departments (e.g. Risk and Capital Management) and Treasuries is responsible for liquidity management in times of crisis. Throughout the organization adequate and up-to-date contingency funding plans are in place to enable senior management to act effectively and efficiently in times of crisis.

Contingency funding plans address both temporary and long-term liquidity disruptions, triggered by either a general market event or an ING specific event.

New developments

In the aftermath of the crisis, all financial institutions have been confronted with a large number of new regulatory requirements which are being implemented or are in the course of implementation. With regard to liquidity ING Bank is well on track in the implementation of CRDII. As in respect of Basel III, and the to be implemented Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR),

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further alignment will take place in the upcoming observation periods, ING will keep track of what is expected and will be at required levels well in time.

ING INSURANCE FINANCIAL RISKS

ING is engaged in selling a broad range of life and non-life insurance products. Risks from these products arise with respect to the adequacy of insurance premium rate levels and provisions for insurance liabilities, earnings and capital position, as well as uncertainty as to the future returns on investments of the insurance premiums. Financial Risks are classified as insurance risk (actuarial and underwriting), market risk, liquidity risk, credit risk and business risk. Compliance risk, legal risk and operational risk are classified as Non-Financial Risks.

The Management Board Insurance is responsible for managing risks associated with the activities of ING Insurance. The responsibility for measurement and management of credit risk and operational risk resides with Corporate Credit Risk Management (CCRM) and Corporate Operational Risk Management (CORM) respectively. Corporate Insurance Risk Management (CIRM) is responsible for insurance risk, market risk and liquidity risk measurement and management, business risk measurement, as well as ensuring that investment mandates adequately address credit portfolio risk.

Risk management governance

ING s Insurance Risk Management (IRM) is organized along a functional line comprising three levels within the organization: the corporate, business line and business unit levels. The General Manager of CIRM, the Chief Insurance Risk Officer, heads the functional line and reports to the ING Group CRO. Each of the business lines and business units has a similar function headed by a Chief Insurance Risk Officer (business line and business unit CRO/CIRO). This layered, functional approach ensures consistent application of guidelines and procedures, regular reporting and appropriate communication vertically through the risk management function, as well as providing ongoing support for the business. The scope, roles, responsibilities and authorities of the risk management function at different levels are clearly described in an Insurance Risk Management Governance Framework to which all consolidated business units and business lines must adhere.

The objective of the insurance risk management function is to provide the business a sustainable competitive advantage by fully integrating risk management into the tactical daily business activities as well as ING s broader business strategy. Insurance Risk Management accomplishes this through four core activities. First, the IRM function ensures that products and portfolios are structured, underwritten, priced, approved and managed appropriately in compliance with internal and external rules and guidelines. Second, IRM ensures that the ING Insurance risk profile is transparent and well understood by management and stays within delegated authorities, with a no surprises approach to reporting and monitoring risks. Third, IRM ensures that both risk and reward are adequately considered in the development of business strategy, for example by supporting the planning and allocation of capital and limits during the strategic planning process. Finally, IRM ensures that these steps are understood by ING s stakeholders, including shareholders, rating agencies, regulators and policy holders.

Risk management policies and tools

To ensure appropriate risk management, CIRM in close co-operation with the business line CROs/CIROs, has developed Standards of Practice guidelines and tools to manage risks. While these standards are principle based, they include mandatory requirements to which the business unit CROs/CIROs must adhere.

A critical aspect of risk management is that all new products are designed, underwritten and priced appropriately. This is explicitly covered by the Standard of Practice for the Product Approval and Review Process (PARP). This standard includes requirements related to risk profile, traditional and value-oriented pricing metrics and targets and documentation. Customer Suitability is integral part of the PARP requirements since December 2009. In addition to insurance and market risks, the requirements refer to credit risks, operational risks, compliance and legal risks. For these risks, the IRM network works closely together with the other relevant risk departments. The PARP also includes requirements to assess sensitivities to changes in financial markets, insurance risk (e.g. mortality and claims development), compliance risks, legal risks and operational risks, as well as assessment of the administration and accounting aspects of the product.

Other standards prescribe quarterly insurance risk reporting, ALM procedures and reporting, actuarial and economic assumption setting and reserve adequacy testing amongst others.

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ING Insurance has developed an Economic Capital approach similar to that used within ING Bank. This is used as one of its core risk measurement tools. An exception is the US Insurance business which is managed based on Regulatory Capital. More details on the Economic Capital model are described in the Model Disclosure section. The ECAPS system provides a well controlled and automated basis for Economic Capital and risk measurement. Beyond measurement and reporting, the ECAPS system also provides greatly enhanced portfolio and capital analysis tools for management purposes.

CIRM expects this system to be the foundation of its internal fair value and solvency model, including the calculation of capital requirements following the introduction of Solvency II. Through 2010 the system has been enhanced and its functionalities expanded.

To further manage risk, ING Insurance has implemented several limit structures. Examples include but are not limited to the following:

- Market Risk limits on sensitivities of Available Financial Resources, IFRS Earnings and Regulatory Capital. These limites provide the fundamental framework to manage the market and credit risks resulting from the Insurance operations asset / liability mismatch;
- Credit risk concentration limits;
- Mortality concentration limits;
- Catastrophe and mortality exposure retention limits for its insurance risk; and
- Investment and derivative guidelines and limits.

Reserve adequacy

CIRM instructs and supervises all ING Insurance entities to ensure that the total insurance liabilities of ING Insurance (both reserves and capital) are tested for adequacy taking into account the insurance premium rate levels and the uncertainty of future returns on investments. This is done by evaluating insurance liabilities on current best estimate actuarial assumptions plus a risk margin, ensuring that the reserves remain adequate based on current assumptions. The assumed investment earnings are a combination of the run-off of portfolio yields on existing assets and new money and reinvestment rates. For new money and reinvestments long-term best estimate assumptions are taken into account, although current new money rates are used for the short-term reinvestments. For most products stochastic testing is required, taking the 90% point as the testing outcome. In the case where deterministic testing is used the 90% confidence level is achieved by subtracting risk margins off 20% of the best-estimate interest rates or one percent point, whichever is higher.

As of the fourth quarter of 2010, the Closed Block Variable Annuity business in the US is reported and analyzed separately from the other US business in the internal management reporting. Therefore as of October 1, 2010 ING reports the US Closed Block VA business as a separate business line to improve transparency and ongoing business. ING Group s accounting policy for reserve adequacy as set out in the Accounting policies for the consolidated annual accounts of ING Group requires each business line to be adequate at the 50% confidence level. The separation of the Closed Block VA business into a separate segment triggered a charge in the fourth quarter of 2010 to bring reserve adequacy on the new US Closed Block VA business line to the 50% level. This charge is reflected as a DAC write-down of EUR 975 million before tax.

While the reserves for the segment US Closed Block VA are adequate at the 50% confidence level, a net reserve inadequacy exists using a prudent (90%) confidence level. In line with Group Policy, US Closed Block VA is taking measures to improve adequacy in that region. This inadequacy was offset by reserve adequacies in other segments, such that at the Group level there is a net adequacy at the prudent (90%) confidence level.

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ING INSURANCE RISK PROFILE

The risk appetite of ING Insurance is derived from the ING Group risk appetite and is aligned with how its business is being managed and anticipating regulatory developments going forward. The risk appetite of ING Insurance is bound by local regulatory restrictions and by the target ratings for both the Insurance holding companies and certain rated operating subsidiaries.

- For the EurAsia and LatAm insurance business we align the Economic Capital (EC) definition with the Solvency II Capital Requirement which is based on a 99.5% confidence level. The target ratio of Available Financial Resources (AFR) over Economic Capital is set based on the business strategy and resulting risk appetite defined by the Management Board Insurance;
- For the US insurance business the risk appetite is aligned with local US Regulatory Capital requirements.

The EurAsia and LatAm business includes the Benelux, Central & Rest of Europe, Asia Pacific and Latin America business lines. For the risk profile it is currently not yet feasible to show the Latin America business separately from the EurAsia business. The US business includes the Insurance US and US Closed Block VA business lines. The risk of ING Investment Management (IIM) business line for EurAsia and LatAm has no material impact and is therefore incorporated in the numbers of EurAsia and LatAm. The same applies to the risk of IIM for the US, which is therefore incorporated in numbers of the US.

ING Insurance risk metrics in 2010

For the EurAsia and LatAm business the insurance risk appetite is managed based on the metrics disclosed below:

- Economic Capital: the amount of capital that is required for the current net asset value (based on fair value) to absorb unexpected losses in a severe stress scenario based on a 99.5% confidence level. This metric is aligned with Solvency II.
- AFR Sensitivities: the potential reduction of the current net asset value (based on fair values) during a moderate stress scenario. This metric drives the ratio of Available Financial Resources over Economic Capital.
- Earnings Sensitivities: the potential reduction in IFRS earnings during a moderate stress scenario. Maintaining a high quality of earnings helps ING to safeguard against being downgraded by the rating agencies.

The US insurance business is managed to a risk appetite based on two key risk metrics:

- US Regulatory Capital Sensitivities: the potential reduction, under a moderately market and credit stress scenario, of the excess of available statutory capital above the minimum required under the US regulatory Risk Based Capital (RBC) methodology. The RBC methodology is prescribed by the National Association of Insurance Commissioners (NAIC) and applies to US domiciled regulated insurance entities.
- Earnings Sensitivities: the potential reduction in IFRS earnings during a moderate stress scenario. Maintaining a high quality of earnings helps ING to safeguard against being downgraded by the rating agencies.

During 2010 the regulatory capital sensitivities effectively replaced Economic Capital as a key risk based metric on which the US insurance business is measured. Therefore, we have excluded the US insurance business from our Economic Capital risk metrics and related AFR sensitivities in order to better align reported risk metrics with those to which the US businesses are primarily managed and which are the most common benchmarks in the regulatory and competitive environments in which the US businesses operate. To allow for reconciliation with the Economic Capital numbers shown in the Risk Management Section of the Annual Report 2009, we show US Economic Capital for 2009 split by risk type.

ING Insurance s risk metrics cover the most important aspects in terms of performance measures where risk can materialize and are representative of the regulatory constraints that our business is subject to. The sensitivities for AFR, Earnings and US Regulatory Capital are important metrics since they provide insight into the level of risk ING takes under moderate stress scenarios. They also are the basis for internal risk management.

When interpreting the Economic Capital and sensitivities for AFR, Earnings and US Regulatory Capital it is important to note that these metrics do not take into account discretionary risk mitigation in a specific crisis situation, and are based on instantaneous shock scenarios.

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Economic Capital ING Insurance EurAsia and LatAm Insurance Business

The objective of the ING Insurance Economic Capital framework is to achieve an advanced risk and capital measurement and management structure that:

- Covers all identified risks in the business units and is applied consistently across all risks and business units within its scope, i.e. EurAsia and LatAm;
- Facilitates and encourages adequate risk- and capital management, including the proper pricing of products and sound capital allocation decisions.

The ING Insurance Economic Capital model is based on a 99.5% one-year Value at Risk framework. During 2010 we changed the Value at Risk confidence interval from 99.95% to 99.5% to align with the Solvency II standard for internal models which will become the group regulatory constraint for the EurAsia and LatAm insurance business. For the total Economic Capital figures, we also provide ratios based on both confidence intervals to provide comparability between the figures reported in the risk management section of the annual report 2009 and the figures provided below. It is important to note that since industry practice relating to Economic Capital is still evolving and moreover, Solvency II standards are still under discussion, ING Insurance models are expected to evolve as a result.

ING has carried out a rigorous review of the internal model in the context of a Solvency II gap analysis. In the review we benchmarked our models against the Solvency II Standard Formula, the CEIOPS consultation papers and commentary of expert groups like CRO Forum and Group Consultative. We consequently plan further refinements of our Economic Capital model that address improvements of our market risk calibration, in particular for spread risk; business risk, to improve our capturing of policyholder behavior risk and to address country risk; and operational risk. These changes will result in a material increase of our EC on top of the amount shown in the tables below which we estimate to be between one and two billion euro as at year end 2010. This estimate is not included in the tables below.

The ING Insurance Economic Capital model is described in more detail in the Model Disclosure section.

Economic Capital disclosures include diversification benefits that arise within ING Insurance (EurAsia and LatAm). Although the diversification benefits in 2010 are very similar to those in 2009 it is important to point out that this is the result of two offsetting impacts. Firstly, the 2010 Economic Capital no longer includes the US business which results in a higher diversification benefit between risk types and business units. Secondly, the 2010 Economic Capital has a lower recognition of market risk diversification due to an updated method to define market risk correlations which results in a lower diversification benefit between risk types and business units.

The following table provides an Economic Capital break down by risk category with diversification benefits allocated to the risk types:

Economic Capital break-down ING Insurance EurAsia and LatAm (99.5%) by risk category [1][2]:

	2010	**2009**
Credit risk (including Transfer risk)	394	325
Market risk (including credit spread risk)	7,079	4,228
Insurance risk	1,283	982
Other risks [2]	1,606	1,419
Total insurance operations EurAsia and LatAm	**10,362**	**6,954**

(1) The Economic Capital outcomes do not reflect any potential tax benefit resulting from the loss that occurs under the specified circumstances.

(2) Other risk includes operational risk as well as business risk (covering expense risk and lapse risk).

Diversification across the risk categories is 30% for 2010 for EurAsia and LatAm (32% for 2009 for combined ING insurance business, including US).

The Economic Capital for ING Insurance EurAsia and LatAm is mostly related to market risks, both hedgeable and non-hedgeable. Overall, Economic Capital and risk profile of the EurAsia and LatAm insurance business increased during 2010. The primary change came from increased market risk, relating mainly to an increased equity and foreign exchange exposure and due to a partial unwinding

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of economic hedges in combination with a lower recognition of market risk diversification within the Economic Capital model. Lower diversification is also the main driver of the increases in the other risk categories.

The change in confidence interval from 99.95% to 99.5% reduced our 2010 Economic Capital for the EurAsia and LatAm business by 24% across risk types (25% for 2009). For market risk, insurance risk and other risks the reduction due to this change is in the same order of magnitude. For credit risk the reduction is more significant due to its fat tailed distribution.

As we no longer include the US business in our Economic Capital we provide for 2009 the numbers for both the EurAsia and LatAm and US insurance business. The 2009 US figures are provided in the table below.

Economic Capital break-down ING Insurance US (99.5%) by risk category [1][2]:

	2009
Credit risk (including Transfer risk)	510
Market risk (including credit spread)	4,528
Insurance risk	214
Other risks [2]	1,215
Total insurance operations	**6,467**

(1) The Economic Capital outcomes do not reflect any potential tax benefit resulting from the loss that occurs under the specified circumstances.

(2) Other risk includes operational risk as well as business risk (covering expense risk and lapse risk).

The change in confidence interval reduced our US 2009 Economic Capital number by 27% across risk types.

Allowing for the change in confidence interval for both US 2009 figures and EurAsia and LatAm 2009 figures, and then adding these figures will allow for reconciliation with the Economic Capital numbers shown in the Risk Management Section of the Annual Report 2009.

The following table provides the Economic Capital, breakdown by business line with diversification benefits allocated to the business lines.

Economic Capital break-down by ING Insurance business line for EurAsia and LatAm Business:

	2010	**2009**
Insurance Latin America	611	670
Insurance Asia/Pacific	1,750	1,688
Insurance Benelux	3,604	2,205
Insurance Central & Rest of Europe	783	765
Corporate Line Insurance (1)	3,614	1,626
Total insurance EurAsia and LatAm	**10,362**	**6,954**

(1) Corporate Line includes funding activities at ING Insurance (EurAsia and LatAm) level, explicit internal transactions between business unit and Corporate Line, managed by Capital Management, and corporate reinsurance. The responsibility (and risk) of free assets located within the business line for which there is no explicit transfer via a Corporate Line transaction remain at the business unit level.

While the figures above are shown by business line, the diversification of risks across ING businesses is calculated across business units. Total diversification between ING Insurance s business units and the Corporate Line Insurance is

31% for 2010 for EurAsia and LatAm (32% for 2009 for combined ING insurance business, including US).
Insurance Benelux and Corporate Line are the largest users of Economic Capital. Increased interest rate, equity, credit spread exposure and a lower recognition of diversification has increased Economic Capital for Benelux. The Corporate Line risk includes foreign exchange translation risk related to the potential loss of market value surplus in non-Euro denominated business units. The corporate line increase in Economic Capital has four main causes: the reinsured Japan variable annuity business, which is now included in the corporate line (in 2009 included in Asia/Pacific), the increased Economic Capital related to the minority stake in our Brazil business which is included in the corporate line, and a higher translation risk exposure mainly from increased market value surplus in non-Euro business and a decreased recognition of diversification. The Asia/Pacific risk is unchanged as a lower recognition of

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diversification offsets the move of the reinsurance Japan variable annuity business to the corporate line.

Regulatory Capital Sensitivities US Insurance Business

For the capital adequacy assessment of ING s US domiciled regulated insurance business, available capital is measured under US statutory accounting principles and required capital is measured under the US regulatory Risk Based Capital (RBC) methodology defined by the National Association of Insurance Commissioners (NAIC). Commonly in the US an insurer s financial strength and ability to meet policyholder obligations is measured in terms of the amount of statutory capital held in relation to the Company Action Level RBC defined by the NAIC framework. Note that the level of capital required by rating agencies to maintain an acceptable claims paying ability rating is well above the regulatory minimum defined by Company Action Level RBC. Consequently the US Insurance business manages its available capital primarily with respect to capital metrics that are aligned with the models of the various ratings agencies.

The US Insurance business calculates regulatory capital sensitivities on the Risk-Based Capital model of the National Association of Insurance Commissioners (NAIC) in order to provide insight into how the amount of available capital in excess of regulatory required capital is sensitive to an increase or decrease in different market and credit risk factors under a moderate stress scenario which corresponds approximately with a 1-in-10 event. Our regulatory capital sensitivities are calculated in aggregate for the US domiciled regulated insurance entities.

Statutory capital in the US domiciled regulated insurance entities ended 2010 with an estimated EUR 4,009 million in excess of Company Action Level RBC. The Capital Management section describes the ratio of available statutory capital over required capital at the Company Action Level.

The table below presents market risk sensitivity figures before diversification between risks and legal entities. The stress events are described in the Model Disclosure section. Interest rates are shocked 30% relative compared to the ten-year swap rate. The credit risk sensitivities are based on the new methodology introduced in 2010 which can be found in the Model Disclosure section. Equities are shocked 25% down. As the US regulatory capital sensitivities as described have only been set up during 2010 there are no 2009 comparable figures available. In 2009 the US Insurance Business was included in the Economic Capital framework which was used to manage the risk.

Regulatory Capital Sensitivities US Insurance Business[1][2]:

	2010
Interest Rate Up	(138)
Interest Rate Down	76
Equity	(298)
Credit	(466)

(1) Real Estate, Credit Spread, FX and Implied Volatility Sensitivities do not have a material impact

(2) Sensitivities are calculated at legal entity level and cover US domiciled insurance entities.

Taking into account diversification between risk factors as described in the Model Disclosure section, we are exposed to a EUR 818 million decrease in our excess capital.

ING INSURANCE MARKET RISKS

ING Insurance is exposed to market risk to the extent to which the market value of surplus can be adversely impacted due to movements in financial markets; these include interest rates, credit spreads, equity prices, Real Estate prices, implied volatilities of options and foreign exchange rates. Changes in financial market prices impact the market value of ING s current asset portfolio and hedging derivatives directly as well as the calculated market value of ING s insurance liabilities.

In 2010 ING moved away from managing the market risk purely on an AFR basis (Market Value at Risk limits based on a 99.95% confidence interval) and moved to a new risk limit framework based on limits set on market risk sensitivities for AFR, IFRS Earnings and Regulatory Capital. On at least an annual basis, the Asset Liability

Committee (ALCO) Insurance sets market risk limits at business line level, which are ultimately allocated to the business units. The market risk limits are managed by ALCO Insurance at the relevant organizational level. The Group Insurance ALCO determines the aggregate limit and ensures that the Group stays within its risk tolerance limits and allocates the sub-limits to business lines, with similar roles for the business line and business unit ALCOs. Limit

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breaches by business lines are reported to ALCO Insurance and resolved in accordance with the policy within the next quarter.

The market risk limit framework is based on moderate stress scenarios for market risk drivers. The section below shows the impact of these stress scenarios on AFR and IFRS Earnings. These stress scenarios are described in more detail in the Model Disclosure section.

AFR Sensitivities

AFR Sensitivities are defined as the potential reduction of the current net asset value (based on fair values) during a moderate stress scenario. Interest rates are shocked 30% upwards and downwards relative to the ten year swaps rates. The credit sensitivity in table below is based on a new method introduced in 2010 such that there is no comparable 2009 number available. Equity and Real estate are based on a 25% and 15% downward shock respectively. The FX shock is based on a 10% up or down movement for each currency. Implied volatilities for swaptions are shocked by 30%. The shock for implied volatilities for equities is related to the underlying tenor. More details on the stress scenarios can be found in the Model Disclosure section.

The AFR sensitivities are only applicable for the EurAsia and LatAm insurance business as these sensitivities drive the ratio of Available Financial Resources over Economic Capital. The capital management section discusses the AFR over Economic Capital ratio.

AFR sensitivities for insurance market risks EurAsia and LatAm Insurance Business:

	2010	**2009**
Interest Rate Up	329	(626)
Interest Rate Down	(1,538)	(291)
Equity	(1,822)	(988)
Real Estate	(813)	(842)
FX	(1,547)	(1,332)
Credit Spread	(1,746)	n/a
Implied Volatility	(468)	(427)

Interest rate sensitivities are mainly related to the Benelux and Asia/Pacific business. In 2010 the AFR has become significantly more sensitive to downward interest rate movements. Lower interest rate levels have contributed to this increase. Furthermore economic hedges have been unwound in the Benelux.

Equity sensitivity has increased due to unwinding of hedging activities, relating to both direct and indirect exposure and a higher equity value due to positive equity markets in 2010. Direct exposure relates to the holding of shares and is most significant for ING in the Netherlands. Indirect exposure relates to the potential loss of fee income from unit linked, variable annuity, and pension fund business across all regions. Direct exposure represents approximately half of the equity sensitivity, after taking the hedge positions into account.

Credit Spread sensitivity relates to increases in credit spreads from investments in fixed income securities and also includes offsetting movements in the liquidity premium on the liabilities. Sensitivity is largely driven by the general account business in Benelux and to a smaller degree our Asia/Pacific business.

Real Estate sensitivity exists mostly in the Netherlands and relates in a large part to direct Real Estate investments.

Implied volatility sensitivity relates to the risk that market values of assets or liabilities change due to movements in the volatility implied from market option prices. In general, ING is exposed to increases in implied volatility as the guarantees provided to customers become more expensive.

Foreign exchange sensitivity is small in the business units. The main exposure is at the corporate level and relates to the FX translation risk which increase due to a change in the market value surplus of non-Euro businesses and a lower recognition of diversification.

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Earnings sensitivities

Complementing Economic Capital, which is based on a market value analysis, ING Insurance also measures risk based on IFRS earnings. More specifically, using scenario analysis, ING Insurance measures the potential sensitivity of realized pre tax earnings of the insurance operations to a change in different risk factors over a full year.

Earnings sensitivities are defined on moderate stress scenarios for pre-tax IFRS earnings. The tables below present figures before diversification between risks and business units. Interest rates are shocked 30% upwards and downwards relative to the ten year swaps rate. The credit sensitivity in the table below is based on new method introduced in 2010 such that there is no comparable 2009 number available. Equity and Real estate are based on a 25% and 15% downward shock respectively. The FX shock is based on a 10% up or down movement for each currency. Implied volatilities for swaptions are shocked by 30%. More details on the stress scenarios can be found in the Model Disclosure section.

Earnings sensitivities for insurance market risks EurAsia and LatAm Insurance Business:

	2010	2009
Interest Rate Up	(205)	(291)
Interest Rate Down	285	317
Equity	(137)	(172)
Real Estate	(806)	(812)
FX	(152)	(181)
Credit Default	(258)	n/a

The table above shows that Real Estate fluctuations can have a relatively large impact on earnings since most price volatility is reflected in earnings for Real Estate investments. The impact on earnings of interest rates and equity price changes are normally lower than the economic and shareholder s equity impact given the fact that current accounting rules are not fully market value based. The sensitivity results reflect the impacts of asymmetric accounting, whereby the hedges must be marked to market through earnings while the liability value is not marked-to-market through earnings.

The interest rate sensitivity is dominated by the Dutch separate account business where interest rate derivatives are used to hedge a liability on Group life contracts that is not marked to market.

Earnings sensitivities for insurance market risks US Insurance Business:

	2010	2009
Interest Rate Up	17	76
Interest Rate Down	(68)	(44)
Equity	(934)	(1,084)
Real Estate	(2)	(2)
Credit Default	(795)	(737)

The US earnings sensitivities are dominated by credit and equity exposure. The credit default exposure relates to general account debt securities. Exposure to Asset Backed Securities (ABS) and Residential Mortgage Backed Securities (RMBS) contributes significantly to the earnings sensitivity. Equity exposure relates mostly to the US Closed block VA where an equity stress scenario results in DAC unlocking. As earnings sensitivities are forward looking, the US Closed Block VA business line sensitivities are based on the situation on January 1, 2011, which reflects the DAC write-down as well as change to apply current market interest rates and current estimates for other assumptions in valuation of insurance liabilities and hedging of the interest rate exposure for the Guaranteed Minimum Withdrawal Benefit (GMWB).

In the US there is no significant earnings sensitivity to Foreign Exchange Rates as the US is managed on a local currency basis and therefore there is no translation risk to the group reporting currency included. There is no significant earnings exposure to non US currencies.

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Real Estate

Real Estate price risk arises from the possibility that the value of Real Estate assets fluctuate because of a change in earnings related to Real Estate activities and/or a change in required investor yield. ING Insurance has two different categories of Real Estate exposure on its insurance books. First, ING Insurance owns buildings it occupies. Second, ING Insurance has invested capital in several Real Estate funds and direct Real Estate assets. A decrease in Real Estate prices will cause the value of this capital to decrease and as such ING Insurance is exposed to Real Estate price shocks. The second category can be divided on the one hand in minority stakes in Real Estate assets that are revalued through equity and on the other hand stakes in funds managed by ING and direct Real Estate revalued through P&L. Only for the last category will Real Estate price shocks have a direct impact on reported net profit.

The crisis in the financial markets has led to a further slowdown of the world economy in general. These global economic factors also had negative consequences for the value of Real Estate assets.

Per year end 2010 ING Insurance has EUR 3.8 billion of Real Estate related investments (excluding leverage). ING Insurance Real Estate exposure (i.e. including leverage) is EUR 5.9 billion of which EUR 4.3 billion is recognized as fair value through P&L and EUR 1.6 billion is not revalued through P&L, but is either booked at cost or is revalued through equity (with impairments going through P&L). In total, Real Estate exposure decreased by EUR 179 million mainly as a result of negative fair value changes (EUR 71 million), impairments (EUR 22 million) and divestments (EUR 140 million) compensated by net investments (EUR 16 million) and FX appreciation (EUR 32 million).

Real Estate Exposure (Insurance) recorded as fair value through P&L (by geographic area and sector type):

	2010	2009		2010	2009
Continent			**Sector**		
Europe	4,105	4,236	Residential	349	379
Americas	108	94	Office	1,321	1,366
Australia	10	25	Retail	1,933	1,958
Asia	84	68	Industrial	422	450
Other			Other	282	270
Total	**4,307**	**4,423**	**Total**	**4,307**	**4,423**

Real Estate Exposure (Insurance) not revalued through P&L (by geographic area and sector type):

	2010	2009		2010	2009
Continent			**Sector**		
Europe	1,444	1,524	Residential	785	747
Americas	139	125	Office	329	373
Australia			Retail		3
Asia	23	20	Industrial		5
Other			Other	492	541
Total	**1,606**	**1,669**	**Total**	**1,606**	**1,669**

ING Insurance Liquidity risk

As with other ING Insurance market risks, liquidity risk falls under the supervision of the ALCO function. Liquidity risk is the risk that ING Insurance or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner. ING Insurance defines three levels of Liquidity Management. Short term liquidity, or cash management covers the day-to-day cash requirements under normally expected or likely business conditions. Long term liquidity management takes into consideration of various expected and adverse business

conditions, which will result in the inability of realizing the current market values of the assets. The assets may only be sold at a further distressed price simply due to the lack of liquidity. Stress liquidity management looks at the company s ability to respond to a potential crisis situation. The day-to-day and ongoing cash management allows for a more proactive response to potential liquidity problems in distressed markets.

ING INSURANCE   INSURANCE RISKS

General

Actuarial and underwriting risks are risks such as mortality, longevity, morbidity, adverse motor or claims development, etc., which result from the pricing and acceptance of insurance contracts. In general, these risks cannot be (easily) hedged directly in the financial markets and tend to be mitigated by diversification across large portfolios. They are therefore primarily managed at the contract level

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through standard underwriting policies, product design requirements as set by ING s IRM function, independent product approval processes and risk limitations related to insurance policy terms and conditions agreed with the client.

Measurement

For portfolio risks which are not mitigated by diversification, the risks are managed primarily through concentration and exposure limits and through reinsurance and/or securitization. Aggregate portfolio level limits and risk tolerance levels are set in reference to potential losses stemming from adverse claims in ING s insurance portfolios which are reviewed annually. ING Group has established actuarial and underwriting risk tolerance levels in specific areas of its insurance operations as described below. For non-life insurance, risk tolerance levels are set by line of business for catastrophic events (e.g. natural perils such as storms, earthquakes and floods) and for individual risks.

For the main non-life units (in the Benelux) the risk tolerance for property and casualty (P&C) business is derived from the total Non-Life earnings of 2009. For 2010, this translated into an aggregated (pre-tax) risk tolerance level of EUR 180 million for the Benelux (2009: EUR 190 million).

In order to determine how much reinsurance protection is required these risk tolerance levels are compared to the estimated maximum probable loss resulting from catastrophic events with a 1 in 250 probability of occurrence which is in line with industry practice. The maximum probable loss estimates for Fire business are based on risk assessment models that are widely accepted in the industry.

For the smaller non-life units, the (pre-tax) risk tolerance level for catastrophe related events for 2010 was set at EUR 5 million (2009: EUR 5 million) per event per business unit.

With respect to life business, ING Group s (pre-tax) risk tolerance level for 2010 was set at EUR 22 million (2009: EUR 22 million) per insured life for mortality risk. While life insurance risks are considered to be naturally diversifiable by virtue of each life being a separate risk, group contracts may result in significant exposures. For potential losses, resulting from significant mortality events (e.g. pandemics or events affecting life insurance contracts involving multiple lives), ING applies a separate risk tolerance level which equaled EUR 1,100 million in 2010 (2009: EUR 1,100 million). The potential impact of pandemics continues to be modeled by ING based on studies published by respected international organizations.

Overall exposures and concentrations are actively managed within limits and risk tolerance levels through the purchase of external reinsurance from approved reinsurers in accordance with ING s reinsurance credit risk policy. Particularly for the property and casualty portfolio, ING purchases protection which substantially mitigates ING s exposure due to natural catastrophes. ING believes that the credit risks to which it is exposed under reinsurance contracts are relatively minor, with exposures being monitored regularly and limited by a reinsurance credit risk policy.

For catastrophic losses arising from events such as terrorism, ING believes that it is not possible to develop models that support inclusion of such events in underwriting in a reliable manner. The very high uncertainty in both the frequency and severity of these events makes them, in ING s opinion, uninsurable. For the non-life business, losses that result from these events are generally not covered unless required by law. In various countries industry pools have been established to mitigate the terrorism risk to which the individual insurers are nevertheless still exposed. ING participates in such pools.

The following table provides an overview of the Economic Capital for insurance risks, split into mortality risk, morbidity risk and risk related to P&C products:

Economic Capital Insurance risks EurAsia and LatAm:

	2010	2009
Mortality	797	578
Morbidity	361	298
P&C	125	106
Total EurAsia and LatAm	**1,283**	**982**

For insurance risk the EC is shown by risk type above. The tables below show Earnings sensitivities for both EurAsia/LatAm and US Insurance business. The EC are based on a 99.5% confidence level.

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The change in confidence level from 99.95% to 99.5% reduced the 2010 Economic Capital for insurance risks by 25% (29% for 2009).

The mortality risk relates to the potential for increasing deaths (life risk) or decreasing deaths (longevity risk). This risk relates to a potential mortality catastrophe or to changes in long term mortality rates. As noted, ING manages these risks via limits and external reinsurance. Morbidity risk relates to disability products in the Netherlands and some health riders sold in Asia. Finally, property and casualty risk exists primarily in the Benelux.

Through scenario analyses, ING Insurance measures the sensitivity of pre-tax earnings of the insurance operations to a change of the insurance risk factors over a one year period. These changes to earnings can relate to realized claims or any other profit item that would be affected by these factors. ING assumes that not all the shifts presented below will happen at the same time.

Earnings sensitivities are defined on a shock scenario at the 90% confidence level on IFRS pre-tax earnings. The table below shows the impact on earnings over a one year horizon.

Earnings sensitivities for Insurance risks EurAsia and LatAm Insurance Business:

	2010	2009
Mortality	(31)	(34)
Morbidity	(100)	(97)
P&C	(49)	(42)

The table above presents figures after diversification between insurance risks and diversification across business units of ING Insurance. The largest earnings sensitivity to P&C claims relates to health and P&C claims in the Netherlands. Earnings sensitivity from Mortality and Morbidity is more evenly spread over the regions.

Earnings sensitivities for Insurance risks US Insurance Business:

	2010	2009
Mortality	(16)	(12)
Morbidity	(48)	(37)
P&C		

The largest contribution to the Mortality sensitivity comes from the Retail Life business while the Morbidity exposure relates for a large part to the Employee Benefit business.

ING INSURANCE CREDIT RISKS

The credit risks in the general accounts portfolio within ING Insurance are subject to the same principles, policies, definitions and measurement as those of the banking operations. The credit risks are measured and monitored by Corporate Credit Risk Management (CCRM) as well as local credit risk managers within the various locations where credit risk is taken within ING Insurance and ING Investment Management. Within ING Insurance, the goal is to maintain a low risk, well diversified credit risk portfolio that meets or exceeds market based benchmark returns.

ING Insurance s credit exposure arises from the investment of insurance premiums in assets subject to credit risk, largely in the form of unsecured bond investments, and smaller amounts of residential mortgages and structured finance products. In addition, credit exposure also arises from derivatives, sell/repurchase transactions, securities lending/borrowing and reinsurance contracts used to hedge the portfolio. ING Insurance has a policy of maintaining a high quality investment grade portfolio.

Overall portfolio credit risk limits are established and integrated into investment mandates by ALCO Insurance based on asset or investment category and risk classes. Individual issuer limits are determined based on the obligor s rating. These limits are managed by the region where the parent company is domiciled but may be sub-allocated to regional or local portfolios. In addition, each Insurance company has one or more investment mandates (which may differ by insurance portfolio) specifying credit risk appetite by issuer type and quality.

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The credit risk classification of issuers, debtors and counterparties within the Insurance companies credit risk portfolios continues its transition to the methodology used by the banking operations. Similar to ING Bank, ING Insurance uses risk classes which are calibrated to the probability of default of the underlying issuer, debtor or counterparty. These ratings are defined based upon the quality of the issuer in terms of creditworthiness, varying from investment grade to problem grade expressed in S&P equivalents.

Risk classes: ING Insurance portfolio, as % of total outstandings [1]:

	Insurance US		Insurance EurAsia and LatAm		Total ING Insurance	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
1 (AAA)	23.4%	25.1%	29.7%	30.5%	27.0%	28.1%
2-4 (AA)	14.5%	13.3%	14.4%	17.2%	14.5%	15.4%
5-7 (A)	24.6%	23.2%	32.1%	30.1%	28.7%	26.9%
8-10 (BBB)	22.3%	20.0%	11.8%	11.0%	16.3%	15.1%
11-13 (BB)	4.2%	7.1%	6.1%	6.5%	5.3%	6.8%
14-16 (B)	4.7%	5.0%	3.0%	2.7%	3.8%	3.7%
17-22 (CCC & Problem Grade)	6.3%	6.3%	2.9%	2.0%	4.4%	4.0%
	100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.

ING Insurance risk class distribution remained fairly stable during 2010, as downgrades experienced in the securitization market were compensated by active divestment programs and other de-risking measures. The CCC and Problem Grade class mainly contains downgraded securitizations but also some unrated private equity and real estate investments.

Risk concentration: ING Insurance portfolio, by economic sector [1][2]:

	Insurance US		Insurance EurAsia and LatAm		Total ING Insurance	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Non-Bank Financial Institutions	43.6%	48.5%	21.9%	21.6%	31.2%	34.0%
Central Governments	8.8%	12.2%	40.6%	40.7%	26.9%	27.7%
Commercial Banks	3.6%	3.6%	10.8%	11.6%	7.7%	7.9%
Private Individuals	2.4%	2.5%	8.6%	10.1%	5.9%	6.6%
Real Estate	8.3%	9.4%	2.4%	0.9%	5.0%	4.8%
Utilities	5.4%	4.0%	2.2%	2.4%	3.6%	3.1%
Natural Resources	5.7%	3.7%	1.2%	1.2%	3.2%	2.3%
Food, Beverages & Personal Care	3.3%	2.6%	1.1%	0.9%	2.1%	1.7%
Other	18.9%	13.5%	11.2%	10.6%	14.4%	11.9%

100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities.

(2) Economic sectors below 2% are not shown separately but grouped in Other .

Where overall risk concentrations within ING Insurance shifted towards Central Governments in 2009, this was partially reversed in 2010 again. The upward shift in Real Estate for Insurance EurAsia and LatAm is related to real estate investments in The Netherlands.

Largest economic exposures: ING Insurance portfolio, by country [1]:

	Insurance US		**Insurance EurAsia and LatAm**		**Total ING Insurance**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Netherlands	3.7%	4.0%	22.6%	19.6%	14.3%	12.4%
Belgium	0.1%	0.1%	3.8%	3.3%	2.2%	1.8%
Rest of Europe	7.1%	5.8%	43.2%	47.9%	27.3%	28.5%
Americas	85.8%	87.6%	7.6%	7.8%	41.9%	44.7%
Asia/Pacific	3.2%	2.4%	22.7%	21.2%	14.2%	12.5%
Rest of World	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Country is based on the country of residence of the obligor.

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The US portfolio stayed constant in terms of local currency, but increased in Euro terms due to the appreciation of the US Dollar against the Euro. The relative concentration in the US has diminished, however, due to faster growth in other regions. The portfolio in the Netherlands mainly increased due to investments in state bonds. There were no other significant shifts in the portfolio concentration.

ING GROUP NON-FINANCIAL RISKS

In addition to the above financial risks (credit, market, insurance and liquidity risk) the next paragraphs describe the non-financial risks, being operational and compliance risks.

GENERAL

Policy implementation

To ensure robust non-financial risk management, ING monitors the full implementation of ING s Risk Policies and Minimum Standards. Business units have to demonstrate that the appropriate steps have been taken to control their operational and compliance risk. ING applies scorecards to measure the quality of the internal control within a business unit. Scoring is based on the ability to demonstrate that the required risk management processes are in place and effective within the business units.

Non-financial Risk Dashboard

The Non Financial Risk Dashboard (NFRD) is a report that is standard on the agenda for the meetings of the Management Boards Banking and Insurance and the Risk Committee. NFRD provides management at all organizational levels with information on their key Operational, Compliance and Legal Risks. NFRD is based on their risk tolerance within their business and a clear description of the risks and responses enabling management to prioritize and to manage operational, compliance and legal risks**.**

OPERATIONAL RISKS

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the related risk of reputation loss, as well as legal risk whereas strategic risks are not included. Effective operational risk management leads to more stable business processes (including IT systems) and lower costs. Generic mandatory controls are described in the Operational Risk Management (ORM) policy house.

Clear and accessible policies and minimum standards are embedded in ING business processes in all business lines. An infrastructure is in place to enable management to track incidents and operational risk issues. A comprehensive system of internal controls creates an environment of continuous improvement in managing operational risk. ING uses this knowledge (including lessons learned from incidents) to improve the control of key risks.

Organization of Operational Risk Management

The General Manager Corporate Operational Risk Management (CORM) reports directly to the CRO and is responsible for monitoring operational risks and developing and establishing the Operational Risk Framework within ING Group, ING Bank and ING Insurance. The General Manager Corporate ORM also establishes and approves the policies and minimum standards, and assists and supports the Executive Board in managing ING s operational risks. The CORM function consists of functional departments for Operational risks (including policies, systems, SOX testing, capital allocation and reporting), for Information (Technology) risks and for Security & Investigations. The CORM function is responsible for developing and communicating ING s operational risk framework, policies, minimum standards and guidelines. The corporate function advises the Management Boards Banking and Insurance and senior management, supports the business line ORM staff, monitors the quality of operational risk management and leads the group-wide reporting of operational risks to the Management Boards Banking and Insurance and the Risk Committee.

ORM uses a layered functional approach within business lines to ensure systematic and consistent implementation of the group-wide ORM framework, policies and minimum standards. To avoid potential conflicts of interests, it is imperative that the ORM officer is impartial and objective when advising business management on operational risk matters in their business unit or business line. To facilitate this, a strong functional reporting line to the next higher

level ORM officer is in place. The

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functional reporting line has clear accountabilities with regard to objective setting, remuneration, performance management and appointment of new ORM staff.

Operational risk framework

ING has developed a comprehensive framework supporting and governing the process of identifying, mitigating, measuring and monitoring operational risks thus reflecting the stages described in the Enterprise Risk Management model of COSO (Committee of Sponsoring Organizations of the Treadway Commission).

At all levels in the organization Operational Risk Committees (ORC s) are established that identify, measure and monitor the operational risks of the region or business unit with appropriate quality of coverage (granularity) and to ensure that appropriate management action is taken by the responsible line managers at the appropriate level of granularity. ORC s, chaired by the business management, steer the risk management activities of the first and second line of defense in their entities. On a group level the Operational & Residual Risk Committee approves the operational risk capital model.

IT Risk Governance: IT risk management has become more and more important because of increasing dependency on IT and the increase of IT risk due to amongst others cybercrime. Two Executive IT Risk Steering Committees, one for Banking and one for Insurance, steer and monitor ING s IT Risk Management process and results. In 2011 these Committees will be integrated into the respective ORC s.

The operational risk appetite within ING is defined as the acceptable and authorized maximum level of risk, in each of the operational risk areas that must be adhered to in order for ING to achieve its business plan within approved budgets. This risk appetite is quarterly monitored through the Non-Financial Risk Dashboard which reports the key non financial risk exposures.

Processes are in place to identify key threats, vulnerabilities and the associated risks which might cause adverse events. Event identification is performed proactively and precedes a risk assessment. Different techniques for event identification exist within ING, e.g. the structured team approach, scenario analysis, external events inventories, internal incident analysis (e.g. based on information from incident reporting), key risk indicator events and threat scans.

At least once a year business units and departments perform an integrated risk assessment with involvement of other departments such as Operational Risk, Compliance, Legal and Finance.

Based on the results of the risk assessment, response measures must be determined for the identified risks beyond the risk appetite. Risk response actions balance the expected cost for implementing these measures with the expected benefits regarding the risk reduction. Risk response can be achieved through several combinations of mitigation strategies, for example reducing likelihood of occurrence, reducing impact, risk avoidance, risk acceptance or through the transfer of risk. Tracking takes place through a global Action Tracking system.

Certain operational risks can best be transferred to the insurance market if risks are high but difficult to mitigate internally. In order to protect ING against financial consequences of uncertain operational events ING has acquired insurance policies issued by third-party insurers for Crime, Professional Liability, Directors and Officers Liability through its Risk Management & Transfer Programmes.

Management at all levels in the organization periodically needs information on their key operational risks (including compliance and legal risks) and mitigating actions. In order to make it easier for management to access this kind of information, business units periodically report through the Non-Financial Risk Dashboard (NFRD).

The yearly objective setting process for both business management and ORM professionals aims to keep improving the management of operational risk throughout ING to ensure that ING stays in control of its current and future operational risks. ING s ORM Framework is further maturing towards an integrated controls framework according to pre-agreed requirements and development stages in the individual business units. This development is measured through the scorecard process.

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Capital calculation

The Operational Risk Capital model of ING is based on a Loss Distribution Approach (LDA). The Loss Distribution is based on both external and internal loss data exceeding EUR 1 million. The model is adjusted for the scorecard results, taking into account the specific quality of control in a business line and the occurrence of large incidents (bonus/malus). This provides an incentive to local (operational risk) management to better manage operational risk. The Bank Operational Risk Regulatory Capital is based on the Advanced Measurement Approach (AMA) decreased from EUR 3,309 million in 2009 to EUR 2,872 million in 2010 due to the extension and improvement of business environment factors and the update of the external operational loss data in the capital model as approved by the Operational & Residual Risk Committee of ING. ING started in 2010 a program to further enhance its AMA framework in 2011 and align with peer/industry practices as they develop.

Main developments in 2010

Cybercrime Based on a High-Tech Crime Prevention assessment a number of potential risks has been identified. Secure Code Review was found as an area of concern and during 2010 a dedicated taskforce has taken action across ING Group. After remediation of the identified gaps, dynamic code scan and review (in order to detect vulnerabilities in websites) has been implemented.

Operational Risk Committees Following the changes in the organisation and governance of ING and regulatory requirements, ING has installed a periodic Bank Operational Risk Committee (ORC) in December 2010, consisting of the members of the Bank management board, the CEO s of the Regions and Functions, and the General Managers of ORM, Legal and Compliance. The mandate of the Bank ORC has been approved in the Bank Management Board. The responsibility of the Bank ORC is to monitor and manage the operational risks of the bank. Below the Bank ORC six Region/Function ORC s were set up which are responsible for the regional and functional operational risk oversight in their area of responsibility: ORC Netherlands, ORC Belgium, ORC ING Direct, ORC International/Commercial Banking, ORC Financial Markets and ORC OIB.

Anti-Fraud ING has a zero tolerance approach towards fraud and therefore implemented the ING s Global Anti-Fraud Programme in 2010. This programme aims for a high level of fraud resilience and further mitigation of losses deriving from fraud. Design and implementation of additional fraud controls, training and building the anti-fraud community and risk awareness communication are key elements to the programme.

IT security monitoring To ensure that the approved enterprise s information security baseline is maintained, ING installed monitoring agents on almost all platforms. This improved monitoring capabilities contributed to the reduction of the IT- risk profile.

Disentanglement The ORM function monitored during 2010 the operational risks around the disentanglement process of ING Bank and ING Insurance (project Readiness). The Readiness project completed the Day-1 sign off in which CEO s confirmed to be operating at arm s length.

COMPLIANCE RISKS

Compliance Risk is defined as the risk of damage to ING s integrity as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies, procedures and ethical standards. In addition to reputational damage, failure to effectively manage Compliance Risk could expose ING to fines, civil and criminal penalties, and payment of damages, court orders and suspension or revocation of licenses, which would adversely impact customers, staff and shareholders of ING.

ING believes that fully embedded Compliance Risk Management preserves and enhances the trust of its customers, staff and shareholders. Being trusted is essential to building sustainable businesses. ING s Business Principles set the foundation for the high ethical standards ING expects of all our business activities. ING s Business Principles require all staff at every level to conduct themselves, not only in compliance with laws and regulations, but also by acting with integrity, being open and clear, respectful, and responsible.

Clear and practical policies and procedures are embedded in ING business processes in all Business Lines. Systems are in place to enable management to track current and emerging Compliance Risk issues, to communicate these to internal and external stakeholders, and to drive continuous improvement. ING understands that good Compliance Risk

Management involves understanding and delivering on the expectations of customers and other stakeholders, thereby strengthening the quality of key relationships.

The Scope of the Compliance Risk Management function

The Compliance Risk Management function focuses on managing the risks arising from laws, regulations and standards which are specific to the financial services industry. The Compliance Risk

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Management function actively educates and supports the business in managing compliance risks including anti-money laundering, preventing terrorist financing, conflicts of interest, proper sales and trading conduct and protection of customer interest.

ING separates Compliance Risk into four conduct-related integrity risk areas: client conduct, personal conduct, organizational conduct as well as conduct required because of laws and regulations in the financial services industry. In addition to effective reporting systems, ING has a Whistleblower procedure which encourages staff to speak up if they know of or suspect a breach of external regulations or internal policies or Business Principles.

The Compliance Risk Management function

The Chief Compliance Officer (CCO) reports directly to the Chief Risk Officer who is a member of the Executive Board. The CCO is responsible for developing and establishing the company-wide Compliance Risk Management Charter & Framework, establishes the Minimum Standards for managing Compliance Risks and assists and supports the Executive Board in managing ING s Compliance Risks.

ING uses a functional approach within Business Lines to ensure systematic and consistent implementation of the company-wide Charter & Framework, policies, Minimum Standards and related procedures. The Local Compliance Officer has the responsibility to assist local management in managing Compliance Risk within that business unit. The regional or division Compliance Officer has a management and supervisory role over all functional activities of the Compliance Officers in the respective region or division. Reporting functionally into the CCO, the Business Line Compliance Officers perform this task for their Business Line and also provide leadership and overall direction to the regional or divisional Compliance Officers.

To avoid potential conflicts of interest, it is imperative that the Compliance Officers are impartial and objective when advising business management on Compliance Risk in their Business Unit, region, division or Business Line. To facilitate this, a strong functional reporting line to the next higher level Compliance Officer is in place. The functional reporting line has clear accountabilities relating to objective setting, remuneration, performance management and the appointment of new Compliance Risk Management staff as well as obligations to veto and escalate.

Compliance Risk Management Framework

The Framework consists of three key components: the Compliance Risk Management process, an Advisory component and the Scorecard.

1. The Compliance Risk Management process

The process has five key activities carried out in accordance with the requirements of the Framework:

A. Identification of Compliance Risk Obligations;

B. Risk Assessment;

C. Compliance Risk Mitigation (includes Training and Education);

D. Compliance Risk Monitoring (includes Action Tracking);

E. Compliance Risk Reporting (includes Incident Management).

2. Advisory

Compliance Officers proactively advise their CEO, Management, local boards and committees, the next higher level Compliance Officer, and employees on Compliance Risk, responsibilities, obligations and concerns.

3. Scorecard

The Compliance Risk Management function works with the Operational Risk Management Scorecard process to evaluate how well the Compliance Risk Management Framework is embedded in each business. Scoring is based on the ability of the business unit to demonstrate that the required policies and procedures are implemented. The scoring indicates the level of control within the business units and the result is integrated with the Operational Risk Management results into ING s Dutch Central Bank approved regulatory capital model.

Extra-territorial regulations

Financial institutions continue to be closely scrutinized by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws,

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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 alleged 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.

Over the past years ING has significantly increased its Compliance efforts, including a major staff increase, amendment of key policies and guidelines and the international rollout of several programmes for education, awareness and monitoring of compliance issues.

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. Each of these countries is subject to a variety of EU, US and other sanctions regimes. Cuba, Iran, Sudan, and Syria are identified by the US as state sponsors of terrorism and are subject to US economic sanctions and export controls.

Regulatory measures and law enforcement agencies investigations

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 remains in discussions with authorities in the US and in other jurisdictions concerning these matters, including ING Bank s compliance with Office of Foreign Asset Control requirements. ING Bank has received requests for information from US Government agencies including the US Department of Justice and the New York County District Attorney s Office. ING Bank is cooperating fully with the ongoing investigations. It is currently not feasible for ING Bank to determine how the ongoing investigations may be resolved or the timing of any such resolution, nor to estimate reliably the possible amount of any resulting fines and/or penalties, if any, which could be significant.

Main developments in 2010

Regulator relationships Group Compliance Risk Management continued to invest in pro-active relationships with regulators in the jurisdictions where ING operates, striving for an open approach and cooperation in identifying and mitigating compliance risks for ING.

Promoting Integrity Programme Group Compliance Risk Management, together with Group Human Resources and Corporate Communications & Affairs, created and launched the Promoting Integrity Programme (PIP), a global employee education programme focusing on ING s values (including the ING Business Principles) and the role they play in the business and workplace. A short e-learning course was developed and was followed by manager-led dialogue sessions, where employees discussed what integrity means for them and how the Business Principles can be applied in their daily work.

Building Customer Trust As part of ING s commitment to building customer trust, Group Compliance Risk Management and the business worked closely together to consider how both products and services could be enhanced to improve the customer experience.

Further embedding of Financial Economic Crime & Extra-Territorial Laws ING continued its strong commitment to preventing any involvement in criminal activity. Existing activities were further strengthened by

increased monitoring and internal audits as well as awareness and training

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programmes and an internal annual sign-off process for senior management concerning implementation of policies and procedures relating to Financial Economic Crime and business with ultra high risk countries.

Learning Continuous education and awareness training was provided through face-to-face training sessions and online learning tools on topics such as Ultra High Risk Countries & Export Trade, Financial Economic Crime, Competition Law and Customer Suitability. Compliance Risk Management also continued its mandatory global Compliance Officer Training programme for all compliance officers new to ING.

MODEL DISCLOSURES

Users of the information in the risk management section should bear in mind that the analyses provided are forward looking measures that rely on assumptions and estimates of future events, some of which are considered extreme and therefore unlikely to occur. In the normal course of business ING Group continues to develop, recalibrate and refine the various models that support risk metrics, which may result in changes to the risk metrics as disclosed.

This model disclosure section explains the models applied in deriving the disclosed metrics. The methodologies used to determine Economic Capital for ING Bank and ING Insurance are described, as are the methodologies for sensitivities for ING Insurance. The risk models for the Economic Capital calculations are reviewed on a periodic basis and validated by the internal Model Validation department. The ING Bank Economic Capital calculation is also used as part of the Basel II Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP) that is performed regularly by the Dutch Central Bank.

ECONOMIC CAPITAL (ING BANK)

Economic Capital is defined as the amount of capital that a transaction or business unit requires in order to support the economic risks it originates. In general Economic Capital is measured as the unexpected loss above the expected loss at a given confidence level. This Economic Capital definition is in line with the net market value (or surplus) definition. The process of Economic Capital modeling enables ING Bank to allocate Economic Capital to the business units and support risk-adjusted performance measurement (RAROC).

The following fundamental principles and definitions have been established for the model:

- ING Bank uses a one-sided confidence level of 99.95% consistent with ING s target debt rating (AA) and a one-year time horizon to calculate Economic Capital;
- It is assumed that all currently known measurable sources of risk are included;
- The best estimate risk assumptions are as objective as possible and based on proper analysis of statistical data.
- There is one set of best-estimate assumptions for each risk type to be used at ING Bank;
- The Economic Capital calculation is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;
- The Economic Capital calculations reflect known embedded options and the influence of client behavior in banking products;
- The Economic Capital calculations are on a pre-tax basis and do not consider the effect of regulatory accounting and solvency requirements on capital levels;
- The framework does not include any franchise value of the business, discretionary management intervention or future business volumes and margins.

Specific measurement by risk type is described in greater detail in the separate risk type sections.

Aggregation model

The main processes executed in the ING Bank Economic Capital aggregation model are depicted in the flowchart below. The white boxes show the processes performed by the model while the shaded box indicates inputs from other corporate risk departments.

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Correlation factors between risk types used for diversification are based on best estimate assumptions supported by statistical analysis of historical data, ING risk expert judgment, external benchmark studies and common logic. As a foundation correlations are applied based on a 90% confidence level, i.e. they correspond to the correlations observed in the 10% largest downward movements (a 1 in 10 event). As shown in the flow-chart, the correlation factors are stressed upwards where necessary to account for potential measurement inaccuracy in extreme events due to limited historic data observations. Expert opinion is used for aggregating business and operational risk.

The Economic Capital for ING Bank involves the aggregation of the underlying Economic Capital of five risk types, namely credit, transfer, market, operational and business risks (latter two also referred to as other risks). These risk types are aggregated to provide a total diversified ING Bank Economic Capital by applying the variance-covariance approach with a 5 x 5 inter-risk correlation matrix.

For allocation of Economic Capital to units and products, diversification factors are calculated for each risk type. These factors are applied consistently throughout ING Bank. The level of diversification benefit is dependent on both the inter-risk correlations as well as the relative size of the undiversified Economic Capital exposure for each risk type.

Reporting Framework

For each business unit and product line, the gross Economic Capital for each risk type is delivered to MISRAROC the financial data warehouse for RAROC and Economic Capital reporting of ING Bank. The net Economic Capital figures are calculated by taking the product of the gross Economic Capital and one minus the diversification factor. Total Economic Capital is calculated as the sum of the net Economic Capital for each risk type at all reporting levels.

CREDIT AND TRANSFER RISK (ING BANK)

Economic Capital for credit risk and for transfer risk is the portion of Economic Capital held to withstand unexpected losses inherent in the credit portfolios related to (unexpected) changes in the underlying creditworthiness of debtors or the recovery value of underlying collateral (if any). Credit risk and transfer risk capital are calculated on all portfolios which contain credit or transfer risk, including investment portfolios. The same methodology is used for both the banking and the insurance operations.

Economic Capital for credit risk and for transfer risk are calculated using internally developed models with a 99.95% confidence level and a time horizon of one year, which represents ING s desired credit rating. ING uses a series of credit risk models that can be grouped into three principal categories: Probability of Default (PD) models, which measure the standalone creditworthiness of individual debtors; Exposure at Default models (EAD) which estimate the size of the financial obligation at the moment of default in the future; and Loss Given Default Models (LGD), which estimate the recovery value of the underlying collateral or guarantees received (if any) and the unsecured part. Collectively, ING uses over 100 models for credit risk. The various models can be grouped into three categories: statistical, expert and hybrid.

The Economic Capital formula for credit and transfer risks relies on seven different risk drivers. In addition to the PD, EAD, and LGD models mentioned above, the formula also considers the industry and the country of the debtor as well as the remaining term of the respective underlying transactions. Lastly, the formula considers correlation of different asset class types.

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The underlying formulas and models that are used for determining Economic Capital for credit and transfer risk are similar to those used for determining the level of regulatory capital that is required under Basel II (Pillar 1). Despite the fact that the same underlying formulas are used, (internal) Economic Capital and regulatory capital are not the same, due to various specific rules imposed by Basel II, such as regulatory caps and floors, and the use of the standardized approach for certain portions of ING s portfolio. These differences are permitted under the Basel II guidelines.

The table below summarizes different capital measures used for different purposes and shows the difference in key elements and purposes.

Credit Risk Capital Measurements	Methodology	Location	Confidence level	Inputs	Purpose
Regulatory Capital	Basel II Formula	Vortex Basel Engine (VBE) in the Central Risk Database	99.90%	Basel II model outputs	RWA
Economic Capital	Risk Adjusted Capital (RAC) Closed Algebraic Formula	Vortex Risk Engine (VRE) in the Central Risk Database	99.95%	Basel II model outputs excluding Basel II caps and floors, maturity, repayment schedules, correlation factors, migration matrix.	Pricing, Economic Capital for credit at transactional level and above

Economic Capital levels for credit and transfer risk are calculated regularly for most of the Commercial Bank, ING Retail Benelux, and the Retail Direct & International banking operations. On a quarterly basis, the Economic Capital for credit risk and transfer risk figures are consolidated with the corresponding Economic Capital components from other disciplines.

Governance of Economic Capital for Credit and Transfer Risk

All PD, EAD and LGD models are approved by the Credit Risk Committee (CRC) after thorough review of documentation by the Model Development Committee (MDC) and Model Validation (MV). In addition, each model is validated on an annual basis by MV. Each model has both a credit risk and a front office co-sponsor. Both the MDC and the CRC have participation from both credit risk officers as well as the front office to ensure maximum acceptance by the organization.

CREDIT AND TRANSFER RISK (ING INSURANCE)

For the determination of Economic Capital for credit and transfer risk within the ING Insurance entities the methodology used is the same methodology as used for ING Bank, with the exception that the Economic Capital is reported on the 99.5% confidence level in line with the requirements for Solvency II.

MARKET RISK (ING BANK)

General

Economic Capital for market risk is the Economic Capital necessary to withstand unexpected value movements due to changes in market variables, such as interest rates, equity prices, foreign exchange rates and real estate prices. Economic Capital for market risk is calculated for exposures both in trading portfolios and non-trading portfolios.

Measurement

Economic capital for market risk is calculated using internally developed methodologies with a 99.95% confidence interval and a horizon of one year, which represents extreme events and ING s target rating. The Economic Capital for market risk for non trading portfolios is calculated for each risk type, while for trading portfolios it is calculated on a portfolio level. The calculations for Economic Capital market risk include real estate risk, foreign exchange rate risk, equity price risk, interest rate risk and model risks.

Real estate price risk includes both the market risks in both the investment portfolio and the development portfolio of ING Real Estate. The real estate price risk for the investment portfolio is calculated by stressing the underlying market variables. The stress scenarios at a portfolio level take

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into account all diversification effects across regions and real estate sectors. Also, the leverage of participations in the real estate investment funds is taken into account.

For the Real Estate development process, in addition to market sale price risk, the risk drivers of market rent, investor yield and construction delays are taken into account. Furthermore the risk model differs for each development phase (i.e., research, development, and construction) to appropriately reflect the risk taken in each phase. Using correlations, all risk drivers, and stages are used to calculate a possible market value loss representing the Economic Capital for market risk for the development portfolio.

For the direct market risks, the actual VaR (measured at a 99% confidence interval, a one day holding period and under the assumption of an expected value of zero) of the trading and non-trading portfolios is taken as a starting point for the Economic Capital calculations for market risk. To arrive at the Economic Capital for market risk, a simulation based model is used which includes scaling to the required confidence interval and holding period. In determining this scaling factor, several other factors are also taken into account like the occurrence of large market movements (events) and management interventions.

The economic capital for the equity investments is calculated based on the ECAPS system. Using Monte-Carlo simulation, the model generates 20,000 possible states-of-the-world , by randomly simulating all risk drivers simultaneously. For each state-of-the-world, the market value is recalculated and the 99.95% worst-case change in market value is the Economic Capital level.

Economic Capital for market risk for the mortgage portfolios within ING Retail Banking (Benelux, Direct and International Banking) and ING Commercial Banking is calculated for embedded option risk (e.g. the prepayment option and offered rate option in mortgages). The embedded options are hedged using a delta-hedging methodology, leaving the mortgage portfolio exposed to convexity and volatility risk. The Economic Capital model for market risk is based on the estimated 99% confidence adverse interest rate change.

While aggregating the different Economic Capital market risk figures for the different portfolios, diversification benefits are taken into account as it is not expected that all extreme market movements will appear at the same moment.

The nature of market risk Economic Capital, evaluating the impact of extreme stress with a 99.95% confidence level, can sometimes be difficult to evidence in a statistical sound manner with the available historical data. The Economic Capital figures disclosed by ING Group are a best effort estimate based on available data and expert opinions.

OPERATIONAL RISK (ING BANK AND ING INSURANCE)

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss, as well as legal risk, whereas strategic risks are not included. While operational risk can be limited through management controls and insurance, operational risk incidents may have a substantial impact on the profit and loss account of financial institutions.

The capital model, an actuarial model, consists of a combination of three techniques:

- Loss Distribution approach (LDA), which applies statistical analysis to historical loss data;
- Scorecard approach, which focuses on the quality of risk control measures within a specific business unit;
- Bonus/Malus approach, which focuses on the actual operational incidents of a specific business unit.

Loss Distribution approach

The main objective of the LDA approach is to derive an objective capital amount based on the size and the risk appetite of an institution and its business units. This approach estimates the likely (fat-tailed) distribution of operational risk losses over some future horizon for each combination of business line and loss event type. The main characteristic of the LDA is the explicit derivation of a loss distribution, which is based on separate distributions for event frequency (Poisson) and severity (Inverse Gaussian). The model uses both external and internal loss data above one million EUR.

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The calculation of operational risk capital for the units follows five basic principles:

- Principle 1: If the world gets riskier, the business units need more Economic Capital;
- Principle 2: If a business unit s size increases, so does its capital;
- Principle 3: If the business of a business unit is more complex, it needs more capital;
- Principle 4: If the level of control of a business unit is higher, it needs less capital;
- Principle 5: If the business units losses from internal incidents exceed the level of expected loss accounted for in the first four framework principles, it needs more capital.

The capital calculated according to the first three is generic : if two business units operate in the same markets and have the same size, the resulting capital will be the same. The specific capital adjustments mentioned below adjust the generic capital of a specific institution to its specific operational risk capital.

Scorecard approach (principle 4)

The scorecard adjustment reflects the level of quality of control in a specific institution. Scorecards aim to measure the quality of key operational risk management processes. The scorecard procedure concerns questions that require quantitative data, qualitative judgments or simple yes/no questions (e.g. indicating compliance with certain group policies). The scorecards are completed by all business units using self-assessment and reviewed by an expert panel who determines the final score. The set of scorecards lead to an increase or decrease of the capital of the specific unit.

Bonus/Malus approach (principle 5)

Units are assigned additional capital in case losses from internal incidents exceed the level of expected losses that have been accounted for in the LDA. When the actual loss of a business unit is lower than expected based on a comparison with external losses of peers, the capital of the related business unit is reduced.

BUSINESS RISK (ING BANK)

Business Risk for ING Bank has been defined as the exposure to value loss due to fluctuations in volumes, margins and costs, as well as client behavior risk. It is the risk inherent to strategy decisions and internal efficiency. The calculation of Business Risk Capital is done by calculation of two components,

(i) Expense risk relates to the (in)flexibility to adjust expenses, when that is needed.

(ii) Client behavior risk relates to clients behaving differently than expected and the effect that this behavior can have on customer deposits and mortgage pre-payments. The client behavior risk is calculated by stressing the underlying assumptions in the models for behavioral assets and liabilities.

Each of these components is calculated separately, and combined to one business risk figure via the variance-covariance methodology.

ECONOMIC CAPITAL (ING INSURANCE)

In 2007, ING Insurance introduced ECAPS as an intranet-based Economic Capital reporting system utilizing replicating portfolio techniques. Since then, ECAPS has been constantly enhanced to improve its robustness, usability and accuracy. Since 2010 Economic Capital is only reported for EurAsia and LatAm businesses.

The ECAPS system provides a well controlled and automated basis for Economic Capital and risk sensitivity measurement. Each business unit enters the risk characteristics of its assets and liabilities into the ECAPS system on a regular basis. These risk characteristics are then translated to a uniform basis in the form of replicating portfolios of standardized financial instruments. Based on the constellation of replicating portfolios (including representations of non-market risks), the ECAPS system then is capable of calculating Economic Capital at every level of aggregation.

Economic Capital (EC) is defined by ING Insurance as the amount of assets that needs to be held in addition to the market value of liabilities to assure a non-negative surplus at a 99.5% level of confidence on a 1 year time horizon.

ING Insurance measures Economic Capital by quantifying the impact of adverse events on the Market Value Surplus (MVS), a Surplus-at-Risk concept. The change in MVS or Available Financial Resources (AFR) is the combined effect of changes in Market Value of Assets (MVA) minus Market Value of Liabilities (MVL) and an adjustment for illiquidity spreads due to current dislocated asset markets.

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ING continues to adjust Available Financial Resources to reflect the illiquidity in its insurance portfolios as reporting AFR with MVLs discounted at the swap rates results in an asymmetry between the assets and liabilities.

Illiquidity is also reflected through Interest Rate Risk, (adding the liquidity spread to the discount curve effectively reduces the duration of our liabilities and therefore reduces the duration mismatch between our assets and liabilities resulting in a reduced interest rate risk); through Credit Spread Risk (the Economic Capital model stresses both the asset spreads and the illiquidity spread: the netting of asset spread risk with illiquidity liability spread risk results in a lower credit spread risk) and through Foreign Exchange Risk (the adjustment of the MVS for illiquidity results in a reduced net exposure to foreign currency movements and in particular the US dollar: this results in a lower foreign exchange risk).

The MVL consists of the Financial Component of Liabilities (FCL) and a Market Value Margin (MVM) for non-hedgeable risks (e.g. insurance risk). The MVM is calculated using a Cost-of-Capital approach based on an estimate of required shareholder return on Economic Capital.

ING quantifies the impact of the following types of risk in its Economic Capital model:

- Market risk
- Credit risk (including transfer risk)
- Business risk
- Operational risk
- Life risk (both catastrophe and non-catastrophe)
- Morbidity risk (both catastrophe and non-catastrophe)
- P&C risk (both catastrophe and non-catastrophe)

Strategic business risk has been excluded from the EC calculations of ING Insurance.

Non-market risk Economic Capital is calculated by business units, CCRM and CORM and inputted into ECAPS at the sub risk level. ECAPS then aggregates 21 sub-risk types (e.g. mortality and trend risk) to 9 non-market risk types using a bottom-up Economic Capital diversification approach based on a matrix of correlations. The inputs are used to calibrate marginal distributions for these risk types. These distributions, in combination with the Gaussian copula, are then used in the Economic Capital calculation to measure diversification between market and non-market risks.

The following fundamental principles have been established for the model:

- All identified sources of risk should be considered;
- The best estimate actuarial assumptions should be as objective as possible and based on a proper analysis of economic, industry, and company-specific data. There is one set of best-estimate assumptions per product to be used for all purposes at ING;
- Valuation of assets and liabilities is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;
- The Economic Capital and valuation calculations should reflect the embedded options in insurance contracts;
- The Economic Capital and valuation calculations are on a pre-tax basis and do not consider the effect of local regulatory accounting and solvency requirements on capital levels. Capital is assumed to be fully transferable between legal entities;
- The framework does not include any franchise value of the business. It does, however, include the expense risk associated with the possibility of reduced sales volume in the coming year.

The following is a brief description of the model.

1. Market Data Retrieval, Calibration and Scenario Generation

- Automated retrieval and extrapolation of all current and historical market data
- Generation of a comprehensive (Market and Non-Market Risks) correlation matrix
- Calibration of market risk drivers for scenario generation
- Generation of 500 Risk Neutral and Risk Volatile scenarios that are sent to each business unit to locally develop stochastic asset and liability cash flows
- Generation of 20,000 Real World Monte-Carlo scenarios for Economic Capital calculation

2. Stochastic Cash flows Generation and Aggregation of Non-market Risk Capital

Actuarial software used to produce the stochastic cash flows based on Risk Neutral and Risk Volatile scenarios produced in step 1.

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Business units upload stochastic asset and liability cash flows to determine the optimized replicating portfolio

Asset derivatives are directly processed as replicating instruments.

Non-market risk capital calculated in accordance with ING Standards of Practice

3. Replicating Portfolio Definition

Capture the risk profile of the financial component of insurance liabilities by mapping onto a finite set of standard financial instruments

Standard instruments contain zero coupon bonds, swaptions, callable bonds, CMS options, equity forwards/options and FX options. Business units can define the strikes and tenors of the instruments themselves to fit best to the risk profile of their liabilities.

Compile a replicating portfolio of standard financial instruments that matches the present value of cash flows as closely as possible for the 500 Risk Neutral and Risk Volatile scenarios

4. Economic Capital calculation

For each Real World Scenario the market value of assets and liabilities is recalculated and the change in value of the Market Value Surplus (MVS) is stored. The changes in MVS are sorted and the 99.5% worst case is identified to provide the market risk Economic Capital level for the given level of aggregation.

Non-market risks are aggregated and integrated with market risk.

The total diversified Economic Capital then results.

Further details on the Insurance Economic Capital model

Market Data Retrieval, Calibration and Scenario Generation

ING Insurance uses ING Bank s Global Market Database (GMDB) as a provider of market price and risk data for financial risk drivers. All market data is obtained from reputable data providers such as Reuters and Bloomberg. The GMDB operational team then validates the market data and calculates relevant risk parameters. This validated data is then automatically delivered to the ECAPS system.

Since ING Insurance operates in many developing financial markets, extrapolation algorithms are in place for extending beyond observable market data when this is needed for the calculation of the Market Value Liabilities and the Economic Capital. These algorithms are based on comparable data in mature markets.

Based on the market data from GMDB, ING calibrates two economic scenario generators:

Risk Neutral Economic Scenario Generator (RN ESG): capable of generating multiple equity indices and exchange rates, consistent with a multi-currency dynamic term structure model. Scenarios are used in the cash flow projection to determine replicating portfolios. RN ESG scenarios are consistent with observed market prices of equity, FX and interest options;

Real World Economic Scenario Generator (RW ESG): capable of jointly simulating all risk types, i.e. all market risks, credit risk, business risk, operational risk, life risk, morbidity risk and P&C risk. Diversification between risks is taken into account through a Gaussian copula, allowing for different marginal probability distributions at the risk driver level. RW ESG scenarios are calibrated based on historical time series of the market risk drivers using at least 5 years of Historical data. Volatilities and correlations are calibrated to represent the distribution on a quarterly frequency.

Stochastic Cash Flows Generation and Aggregation of Non-Market Risk Capital

The market risks in assets and liabilities are captured in and represented by stochastic cash flows in 500 scenarios. Business units are responsible for generating these cash flows, the modeling of embedded options and guarantees and a proper mapping of risk drivers in the scenario set to cash flow determinants such as policyholder behavior and management actions restricted to dynamic hedge programs and setting of crediting rates/profit sharing. To better capture the behavior in the tails of the distribution, the set of scenarios consist of 300 Risk Neutral scenarios and 200 Risk Volatile scenarios with double volatilities. The average of the 300 Risk Neutral scenarios provides a check on the market value of the replicating portfolio. It should be noted that this serves only as a check, and that the simulated market value of liabilities is derived directly from the replicating portfolio. The 200 Risk Volatile scenarios ensure that the replicating portfolio is calibrated against enough extreme scenarios such that it can be used safely in Economic Capital calculations.

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Replicating Portfolios Definition

To handle the full complexity of calculating diversification by Monte Carlo simulation, ING maps its assets and liabilities to a set of standard financial instruments. The set of standard instruments consists of zero coupon bonds, market indices, equity forwards, swaptions, callable bonds, FX options and equity options. Assets and the financial components of the liabilities are represented by a portfolio of this standard set of instruments. A user interface allows the selection of different types of replicating instruments for different cash flow types. Then an optimal replicating portfolio is created that matches the risk profile on a net present value of the stochastically generated cash flows as closely as possible. The resulting replicating portfolio is used in the calculation of Economic Capital.

Through the inclusion of equity options, FX options and swaptions in the set of replicating instruments, ING is able to incorporate implied volatility risk in the considered risk types. The same holds for the credit spread risk through the inclusion of credit risk bearing zero coupon bonds in the set of replicating instruments.

The quality of the replicating portfolio is monitored by several statistical criteria including R-squared and benchmarked against market value sensitivities such as duration, convexity, and changes in value for larger interest rate and equity shocks. High quality replicating portfolios are important in several ways. First, they ensure a good reflection of the actual risk profile and an accurate calculation of Economic Capital. Second, they assist business units in hedging strategies and management of Economic Capital. Third, the process of replicating portfolio calculations increases the understanding of the complex nature of insurance liabilities in a market consistent environment.

Replicating portfolios are currently determined from a single factor RN ESG interest rate model. The RW ESG interest rate scenarios for the Value at Risk calculations are generated using a multi-factor model which allows for non-parallel interest rate moves.

Economic Capital calculation

ECAPS uses Monte-Carlo simulation to determine diversification benefits for the complete portfolio hierarchy , from business unit level up to an ING Insurance level. All diversification calculations are done within ECAPS and are driven by the Gaussian copula of all risk drivers using the underlying distributions applicable for each risk type. Diversification benefit allocation to business units, business lines and risk types is done outside ECAPS.

For the calculation of Economic Capital ING uses a one-year time horizon. In practice, the model calculates instantaneous quarterly shocks and then annualizes the resulting VaR statistic to determine an annualized EC. The quarterly shock is used to stabilize the results and to ensure the shocks are within a range that can be more credibly valued for assets and liabilities. Also, it can better capture the impact of dynamic hedge strategies. It proves to have more consistency in how correlations between risk factors are defined and therefore align closer to actual risk practices and reporting cycles.

Using Monte-Carlo simulation, ING s Economic Capital model generates 20,000 possible states-of-the-world , by randomly simulating all risk drivers simultaneously. For each state-of-the-world, the market value of assets and liabilities are recalculated and the change in value of the Market Value Surplus (MVS) is stored. All these changes in MVS are then sorted, and the 99.5% worst-case change in MVS is identified, to provide the Economic Capital level for the given level of aggregation.

AFR SENSITIVITIES AND EARNINGS SENSITIVITIES (ING INSURANCE)

Scenarios for AFR sensitivities and Earnings sensitivities

The sensitivities shown for AFR and Earnings are based on simple to explain shocks to underlying risk factors. The following risk factors are taken into account:

- Interest rates;
- Credit (including spread changes, liquidity premium and default);
- Equity;
- Real Estate;
- Foreign exchange;
- Implied volatility (of both equity and interest rates).

Changes in implied volatility levels mostly impact the AFR through embedded options in our liabilities. The same has no material impact for IFRS Earnings and is currently not measured.

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The table below provides an overview of the shock scenarios applied for the AFR and Earnings sensitivities. These shocks are also the basis for the US regulatory capital market risk scenarios.

Risk factor	Description shock
Interest Rates	Up and down parallel shock equal to 30% of the 10 year swap rate. Shock is floored at 50bps and capped at 150bps.
Credit	For AFR we apply a credit spread shock based on the rating of the debt security (e.g. single A shock 110bps). Home government bonds (e.g. KRW government bonds in Korea) are excluded. The liquidity premium is shocked by 50bps. For financial capital securities the underlying assumption is that they are called at their legal maturity and not at earlier call-dates. For structured credit we increase credit spread shocks by 50%.
	For Earnings we apply a credit default scenario in which we multiply the probability of Default, Loss Given Default and Historical Cost. For impaired assets we apply a credit spread shock with default probabilities based on a 1-in-10 event. The asset positions data used for the AFR credit spread shocks and Earnings credit default scenarios is for a large part based on third quarter 2010 positions.
Equity	All equity 25% down
Real Estate	All real estate 15% down
Foreign Exchange	The worst case of a 10% up or down movement for each currency
Implied volatility	Swaption volatilities up by 30%
	Equity implied volatility up by 80% for tenors less than 1 year, up 30% for tenors between 1and 3 years, up 20% for tenors between 3-7 years and up 10% for tenors of 7 years and above,

REGULATORY CAPITAL SENSITIVITIES US INSURANCE BUSINESS

The sensitivities shown are calculated at legal entity level and cover US domiciled insurance entities. The sensitivities are based on simple to explain shocks to underlying risk factors. The following risk factors are taken into account:

- Interest rates;
- Credit;
- Equity;
- Real Estate;
- Foreign exchange
- Implied volatility

The table below provides an overview of the shock scenarios applied for Statutory Surplus sensitivities.

Risk factor	Description shock
Interest Rates	Up and down parallel shock equal to 30% of the 10 year swap rate. Shock is floored at 50bps and capped at 150bps.
Credit	The credit risk sensitivity consistent out of two components:

	Firstly we apply a credit default scenario in which we multiply the probability of Default, Loss Given Default and Historical Cost. For impaired assets we apply a credit spread shock with default probabilities based on a 1-in-10 event.
	Secondly we apply rating migrations on the current portfolio using the rating transition matrix as observed by S&P in the year 2002 for US Corporate Bonds.
Equity	All equity 25% down
Real Estate	All real estate 15% down
Foreign Exchange	The worst case of a 10% up or down movement for each currency
Implied volatility	Swaption volatilities up by 30%
	Equity implied volatility up by 80% for tenors less than 1 year, up 30% for tenors between 1and 3 years, up 20% for tenors between 3-7 years and up 10% for tenors of 7 years and above.

The Regulatory Capital Sensitivity in aggregate is calculated by combining the joint impact of the various market stress events calculated by taking into account the correlations between risk types.

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2.2.2 CAPITAL MANAGEMENT

OBJECTIVES

ING Group Capital Management (Capital Management) is responsible for the sufficient capitalization of ING Group entities at all times in order to manage the risk associated with ING s business activities. This involves the management, planning and allocation of capital within ING Group. ING s Corporate Treasury is part of Capital Management. It executes the necessary capital market transactions, term (capital) funding and risk management transactions. Capital Management monitors and plans capital adequacy on a consolidated basis at three levels: ING Group, ING Insurance and ING Bank. Capital Management takes into account the metrics and requirements of regulators (Insurance Group Directive (IGD) Solvency I, Tier 1 and BIS ratios and limits for hybrid capital), rating agencies (leverage ratios, Adjusted Equity) and internal models such as the economic capital and market value balance sheet approach for parts of ING Insurance including Available Financial Resources (AFR).

ING applies the following main capital definitions:

Adjusted Equity (ING Group) This rating agency concept is defined as shareholders equity plus core Tier 1 securities, hybrid capital and prudential filters. See Capital Base disclosures in this section. This capital definition is applied in comparing available capital to core debt for ING Group;

Insurance Group Directive capital (ING Insurance) This regulatory concept is defined as shareholders equity plus hybrid capital, prudential filters and certain adjustments. IGD capital is calculated in accordance with method 3 method based on accounting consolidation of the Dutch Act on Financial Supervision. In this method the solvency margin is calculated on the basis of the consolidated accounts and is the difference of (i) the assets eligible for the inclusion in the calculation of the solvency margin based on the consolidated data; and (ii) the minimum amount of the solvency margin calculated on the basis of the consolidated data. In applying this method a solvency deficit of an insurance subsidiary, if any, is taken into account, as well as regulatory adjustments of the Dutch insurance subsidiaries based on the Dutch Act on Financial Supervision. See Capital Base disclosures in this section. This capital definition is applied in comparing IGD capital to EU required capital base. This measurement of available capital is different from previous years. In previous years we treated fixed income revaluations similar to ING Bank to allow adding up Bank and Insurance on a consistent basis. However with the upcoming separation and hence the decreased importance of Bank and Insurance consistency we changed the IGD to align with European Insurance peers.

Core Tier 1 capital, Tier 1 capital and total BIS capital (ING Bank) Tier 1 capital is defined as shareholders equity including core Tier 1 securities plus hybrid capital less certain prudential filters and deductible items. Tier 1 and BIS capital divided by risk-weighted assets equal the Tier 1 and BIS ratio respectively. Core Tier 1 capital is equal to Tier 1 capital excluding hybrid capital;

AFR (ING Insurance other than the US) This is a market value concept, defined as market value of assets (MVA) less the market value of liabilities (MVL) on the balance sheet. The liabilities do not include perpetual hybrid capital which is included in AFR. The valuation of ING Insurance includes an adjustment for portfolio illiquidity. AFR is used as the measure of available capital in comparison with Economic Capital employed.

EC, or Economic Capital (ING Insurance other than the US), is the required capital, based on a 99.5% confidence interval. This interval is aligned with the Solvency II capital requirement. The excess of AFR over EC is set based on the business strategy and resulting risk appetite defined by the Management Board Insurance.

Risk Based Capital (ING US Insurance only). In the US, regulators have well developed capital adequacy models and stress tests that reflect the unique characteristics of the US insurance industry. During 2010, ING decided that the US regulatory frameworks better reflect the evolving capital management approach for ING Insurance s US business. US domiciled insurance legal entities are required to hold minimum capital levels by state insurance regulators. The level of capital required by rating agencies to maintain an acceptable claims paying ability rating is well above these levels. The US Insurance business manages its statutory surplus primarily with respect to capital metrics that are aligned with the models of the various ratings agencies.

Financial Leverage (ING Insurance). Financial Leverage is the sum of hybrid capital, sub-debt and net financial debt and is used to measure the debt ratio of ING Insurance starting 2010.

DEVELOPMENTS

In 2010 Capital Management s main focus was to strengthen the capital position of ING Group, ING Bank and ING Insurance. ING s capital positions are well placed to deal with the uncertain financial

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environment, increasing regulatory requirements and the ambition to repurchase the remaining outstanding Core Tier 1 securities.

In March 2011, ING announced that it has informed the Dutch State of its intention to early repurchase EUR 2 billion of the non-voting equity securities (core Tier 1 securities) on 13 May 2011. The Dutch Central Bank has approved the intended repurchase. The total payment will amount to EUR 3 billion and includes a 50% repurchase premium. In order to fund the repayment, it is probable that ING Bank will pay, in 2011, a dividend out of retained earnings to ING Group for a similar amount. ING disclosed to the market that based on our capital position at that date the intended repurchase in May would reduce the core Tier 1 ratio by 90 basis points and the ratio is expected to remain above 8.5%.

POLICIES

The activities of Capital Management are executed on the basis of established policies, guidelines and procedures. The main documents that serve as guidelines for capital planning are the Capital Letter (comprising the approved targets and limits for capital), the Capital Planning Policy, the Dividend Policy and the Capital Request Policy. For the Corporate Treasury there are many policies and limits that guide the management of the balance sheets and the execution of capital market transactions.

The above capital definitions and policies have been approved by the ING Group Executive Board or delegated authorities.

PROCESSES FOR MANAGING CAPITAL

In addition to measuring capital adequacy, Capital Management also ensures that sufficient capital is available through setting targets and limits relevant to the above mentioned metrics for ING Group, ING Bank and ING Insurance and ensuring adherence to the set limits and targets through planning and executing capital management transactions. The process is supplemented by stress testing and scenario analysis. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management s capital planning process and results in a quarterly capital update report which is presented to both the ING Group Finance and Risk Committee and the ING Group Executive and Supervisory Boards. The main objective of the assessment is to ensure that ING Group as a whole has sufficient capital relative to its risk profile both in the short and the medium term.

A key priority of Capital Management is to make sure that strong stand-alone companies are created for banking and insurance in preparation of the separation. All operating entities need to stay adequately capitalized based on local regulatory and rating agency requirements and interdependencies should be reduced to a minimum. The entities should also be able to access capital markets independently.

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CAPITAL ADEQUACY ASSESSMENT

During 2010, ING Group, ING Bank and ING Insurance were adequately capitalized in relation to their risk profile and strategic objectives.

ING Group s Capital base:

		Group		Bank		Insurance
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Shareholders equity (parent)	38,370	31,121	31,267	27,480	20,811	15,887
Core Tier 1 securities	5,000	5,000				
Group hybrid capital [1]	12,039	11,478	8,438	8,057	2,094	3,410
Group leverage [2]	8,462	6,913				
Total capitalisation	**63,871**	**54,512**	**39,705**	**35,537**	**22,905**	**19,297**
Adjustments to equity:						
- Revaluation reserve debt securities	(1,158)	2,481	(19)	123		
- Revaluation reserve crediting to life policyholders	1,488	(156)				
- Revaluation reserve cashflow hedge	(847)	(372)	639	472	(1,567)	(926)
- Goodwill [3]	(2,908)	(3,244)	(1,645)	(1,636)	(1,425)	(1,857)
Revaluation reserves fixed income & other	**(3,425)**	**(1,291)**	**(1,025)**	**(1,041)**	**(2,992)**	**(2,783)**
Revaluation reserves excluded from Tier 1 [4]			(2,212)	(3,111)		
Insurance hybrid capital [5]					2,094	1,944
Minority interests			748	960	111	80
Differences IFRS-IASB and IFRS-EU [6]	3,185	2,742	3,185	2,742		
Deductions Tier 1			(1,069)	(1,073)		
Tier 1 capital for Bank			**39,332**	**34,015**		
Other qualifying capital [7]			9,813	10,716		
Insurance Group Directive adjustments [8]					(1,213)	651
Group leverage (core debt)	(8,462)	(6,913)				
Total capital (Adjusted Equity for Group, BIS capital for Bank and IGD capital for Insurance)	**55,169**	**49,050**	**49,145**	**44,731**	**20,906**	**19,189**

[1] Tier 1 instruments issued by ING Group (e.g. perpetual debt securities and preference shares) at nominal value. Group hybrid Tier 1 instruments other than preference shares are provided as hybrid capital to ING Bank or ING Insurance.

[2] Investments in subsidiaries less equity (including core Tier 1 securities) of the Group holding company. This net debt position is provided as equity to ING Insurance and ING Bank.

[3] According to the regulatory definition.

[4] Includes mainly EUR (1,727) million (2009: EUR (2,536) million) in participations (e.g. Kookmin, Bank of Beijing) and other equity investments, EUR (382) million (2009: EUR (546) million) for Real estate for own use. The Dutch banking regulator requires this deduction to be made from Tier 1 capital. This deduction is added back to Tier 2 capital.

[5] Qualifying dated subordinated debt issued by ING Insurance at nominal value.

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

[7] Consists of EUR 10,882 million (2009: EUR 11,789 million) Tier 2 capital and no Tier 3 (2009: nil), offset by EUR 1,069 million (2009: EUR 1,073 million) of regulatory deductions.

[8] An adjustment for the Dutch Financial supervision act. A test-of-adequacy has to be included in the available capital measurement. The revaluation reserve debt securities and revaluation reserve crediting to life policyholders are no reversed out of the IGD capital definition.

REGULATORY REQUIREMENTS

ING BANK

Capital adequacy and the use of regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision (The Basel Committee) and the European Union Directives, as implemented by the Dutch Central Bank (DNB) for supervisory purposes. The minimum Tier 1 ratio is 4% and the minimum total capital ratio (known as the BIS ratio) is 8% of all risk-weighted assets.

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Basel II

As of 2008 ING Bank publishes risk-weighted assets (RWA), Tier 1 and BIS capital and the accompanying capital ratios based on Basel II data only. In addition, ING publishes the minimum required capital level according to Basel II and according to the Basel I floor. As of 2009 the Basel I floor is based on 80% of Basel I RWA. The minimum requirements according to Basel II and Basel I are both compared to total BIS available capital according to Basel II.
Capital position of ING Bank:

	2010	2009
Shareholders equity (parent)	31,267	27,480
Differences IFRS-IASB and IFRS-EU [(1)]	3,185	2,742
Minority interests [(2)]	748	960
Subordinated loans qualifying as Tier 1 capital [(3)]	8,438	8,057
Goodwill and intangibles deductible from Tier 1 [(2)]	(1,645)	(1,636)
Deductions Tier 1	(1,069)	(1,073)
Revaluation reserve [(4)]	(1,592)	(2,515)
Available capital Tier 1	**39,332**	**34,015**
Supplementary capital Tier 2 [(5)]	10,882	11,789
Available Tier 3 funds		
Deductions	(1,069)	(1,073)
BIS capital	**49,145**	**44,731**
Risk-weighted assets	321,103	332,375
Core Tier 1 ratio	9.62%	7.81%
Tier 1 ratio	12.25%	10.23%
BIS ratio	15.30%	13.46%
Required capital based on Basel I floor [(6)]	29,860	28,709
BIS ratio based on Basel I floor [(6)]	13.17%	12.46%

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

(2) According to the regulatory definition.

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

(4) Includes revaluation debt securities, revaluation reserve cash flow hedge and revaluation reserves equity and real estate (see ING s Capital base table, footnote 3).

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

(6) Using 80% of Basel I Risk-Weighted Assets in 2010 and 2009 respectively.

ING INSURANCE

The table below shows the Insurance Group Directive which represent the consolidated regulatory Solvency I position of ING Insurance business. The Insurance companies comply with their respective local regulatory requirement.

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Capital position of ING Insurance:

	2010	2009
Shareholders equity (parent)	20,811	15,887
Hybrids issued by ING Group	2,094	3,410
Hybrids issued by ING Insurance	2,094	1,944
Required regulatory adjustments	(4,094)	(2,052)
IGD capital	**20,906**	**19,189**
EU required capital base	8,374	7,774
IGD Solvency I ratio	250%	247%

ING Insurance continues to ensure that all operating entities are adequately capitalized based on local regulatory and rating agency requirements and that on a consolidated basis, the financial leverage (hybrids, sub-debt and net financial debt) of ING Insurance is appropriate.

Capital base and financial leverage of ING Insurance:

	2010	2009
Shareholders equity (parent)	20,811	15,887
Revaluation reserve debt securities	(1,164)	2,334
Revaluation reserve crediting to life policyholders	1,488	(156)
Revaluation reserve cashflow hedge	(1,567)	(926)
Goodwill	(1,425)	(1,857)
Minority interests	111	80
Capital base	**18,254**	**15,362**
Group hybrid capital [1]	2,094	3,405
Insurance hybrid capital [2]	2,313	2,337
Total hybrids	**4,407**	**5,742**
External debt issued by ING	3,347	3,508
External debt issued by US Holding companies	1,384	1,408
Other net financial debt [3]	2,273	(166)
Total financial debt [4]	**7,004**	**4,750**

(1) Hybrids issued by ING Group at amortised cost value consistent with IFRS carrying value.

(2) Hybrids issued by ING Insurance at amortised cost value consistent with IFRS carrying value.

(3) Includes net internal borrowings from the operating subsidiaries, net of cash and current tax liability of the holding companies, mainly ING Verzekeringen NV and ING America Insurance Holdings Inc.

(4) The difference between the 2009 financial debt (of EUR 4,750 million) and the core debt EUR 2,586 million reported in the 2009 Annual Report is mainly due to pension assets and deferred tax assets of the holding companies in the calculation of financial debt.

For ING Insurance (excluding the US business), Available Financial Resources (AFR) continues to be important (especially as an evolving proxy for the Own Funds derivation from our internal model under Solvency II). ING has carried out a rigorous review of the internal model (own funds and capital requirements) in the context of a Solvency II gap analysis. In the review we benchmarked our models against the Solvency II Standard Formula as presented in QIS 5, the CEIOPS consultation papers and commentary of expert groups like CRO Forum and Group Consultative. We consequently plan further refinements of our Economic Capital model (EC) that address improvements of our market risk calibration, in particular for spread risk; business risk, to improve our capturing of policyholder behavior risk and to address country risk; and operational risk. These changes will result in a material increase of our EC, estimated to be between one and two billion euro as at year end 2010.

At the end of 2009 the Available Financial Resources (AFR) for ING Insurance other than the US was EUR 19.0 billion. As described in the Risk Paragraph. Economic Capital (EC), based on 99.5%

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confidence interval was EUR 7.0 billion, which leads to excess of AFR over EC for 2009 of EUR 12.0 billion. For 2010 the AFR is EUR 19.7 billion, EC is EUR 10.4 billion and the excess of AFR over EC is EUR 9.4 billion. The EC for 2010 does not include the potential adjustment between one and two billion, as described in the previous paragraph.

For the capital adequacy assessment of ING Insurance s US domiciled regulated insurance business, available capital and required capital are measured based on the US regulatory Risk Based Capital (RBC) methodology as prescribed by the National Association of Insurance Commissioners (NAIC). For ING s US domiciled regulated insurance business, the consolidated RBC ratio (available capital/required capital) is estimated to be approximately 426% for the period ended December 31, 2010. The actual US consolidated RBC ratio may be different from the estimate since the statutory results are not final until filed with the regulators. For ING Insurance s US domiciled regulated insurance business, the RBC ratio was 362% at the end of 2009.

ING GROUP

The debt/equity ratio of ING Group as at year-end 2010 was 13.30% (2009: 12.35%)

ING Group reports to the Dutch Central Bank as required under the Dutch implementation of the financial conglomerates directive (FICO). The directive mainly covers risk concentrations in the group, intra-group transactions and an assessment of the capital adequacy of the Group.

In the following table, we show the Group s FICO ratio on the following basis:

Insurance required capital from applying European Solvency I rules to all ING Insurance entities globally (regardless of local capital requirements);

Bank required capital based on applying Basel II with the Basel I floor (80% in 2010 and 2009);

Group FICO capital using an approach similar to that used for Bank BIS capital and Insurance IGD capital whereby Group leverage is deducted.

Capital base and financial leverage of ING Group:

	2010	**2009**
BIS capital	49,145	44,731
IGD capital	20,906	19,188
Group leverage (core debt)	(8,462)	(6,913)
Regulatory capital	**61,589**	**57,006**
Required capital banking operations	29,860	28,709
Required capital insurance operations	8,374	7,774
Total required capital	**38,234**	**36,483**
FICO ratio	161%	156%

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Capital adequacy and ratios

Quantitative disclosures on capital measures and ratios:

		Group		Bank		Insurance
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Tier 1 ratio (Bank)						
Year-end actual Tier 1 ratio			12.25%	10.23%		
Regulatory minimum Tier 1 ratio			4.00%	4.00%		
Target minimum Tier 1 ratio			10.00%	9.00%		
BIS ratio (Bank)						
Year-end actual BIS ratio			15.30%	13.46%		
Regulatory minimum BIS ratio			8.00%	8.00%		
Target minimum BIS ratio			10.00%	10.50%		
Insurance Groups Directive						
Year-end actual Capital coverage ratio					250%	247%
Required capital					100%	100%
Target ratio					150%	150%
Debt/Equity ratio (Group)						
Debt/Equity ratio	13.30%	12.35%				
Target maximum Debt/Equity ratio	15.00%	15.00%				

In 2010, ING decided to raise the Tier ratio target, as a move towards the more demanding solvency requirements of Basel III. The Tier 1 ratio is a regulatory requirement. Internally ING manages on the Core Tier 1 ratio, for which the target was raised from 7.5% to 8.0% in 2010. The actual ratios were 7.81% at the end of 2009 and 9.62% at the end of 2010. ING expects the BIS ratio to lose its meaning.

Main credit ratings of ING at December 31, 2010:

	Standard & Poor s	Moody s	Fitch
ING Group			
- long term	A stable	A1 stable	A stable
ING Bank			
- short term	A-1	P-1	F1+
- long term	A+ stable	Aa3 stable	A+ stable
- financial strength		C+	
ING Insurance			
- short term	A-2	P-2	F2
- long term	A- negative	Baa1 negative	A- negative

ING s key credit ratings and outlook are shown in the table above. Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency.

A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency s judgment, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.

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2.2.3 SUBSEQUENT EVENTS

ING changed its accounting policy for the insurance provisions for Guaranteed Minimum Withdrawal Benefits for Life (GMWBL) on the Insurance US Closed Block VA book as of January 1, 2011. The revised accounting will better reflect the economic value of these guarantees and more closely align accounting practice with US peers. Under the revised accounting, the insurance provisions will reflect current market interest rates and current estimates for other assumptions, except for volatility and correlation (which remain unchanged). ING substantially increased hedging of interest rate risk in the Insurance US Closed Block VA book; the results from these hedging derivatives are expected to largely mirror the effect of interest changes on the guarantees in future periods. Implementation of the revised accounting for GMWBL represents a change in accounting policy under IFRS, with a transitional impact being reflected in shareholders equity. Comparative periods results will be restated. The estimated combined impact on shareholders equity as at January 1, 2011 will be EUR 0.7 billion (lower equity), of which EUR 0.4 billion and EUR 0.1 billion will be reflected in the restated 2010 and 2009 net result after tax (lower net result). This impact reflects the revised accounting for the GMWBL retrospectively, but does not reflect the additional hedging of interest rate risk.

In December 2009, ING repurchased the first half of the non-voting equity securities (core Tier 1 securities) of EUR 5 billion plus a total premium of EUR 605 million. In March 2011, ING announced that, at the next coupon reset date on May 13, 2011, ING intends to exercise its option for early repurchase of EUR 2 billion of the remaining non-voting equity securities (core Tier 1 securities). The total payment in May 2011 will amount to EUR 3 billion and includes a 50% repurchase premium. ING will fund this repurchase from retained earnings. Provided that the strong capital generation continues, ING intends to repurchase the remaining EUR 3 billion non-voting equity securities (core Tier 1 securities) ultimately by May 2012 from retained earnings. The final decision on repurchase of these non-voting equity securities (core Tier 1 securities) will be made before the envisaged repayment date and will be conditional upon there having been no material changes regarding ING s capital requirements and/or ING s outlook on external market circumstances.

On 11 March 2011 a severe earthquake and tsunami struck Japan. While ING does not have any non life operations in Japan, ING has life insurance, asset management and banking businesses in Japan. The life insurance business sold primarily two product types: Single Premium Variable Annuities (SPVA, closed for new business in 2009) and Corporate Owned Life Insurance (COLI). ING s financial position may be impacted by these events and any related developments, including through (but not limited to) death and health-related claims, policyholder behaviour, re-insurance coverage, investment losses and impact from general market developments. As of the date of this Annual Report, the full impact of these catastrophic events was not yet known and, therefore, it is too early to determine the impact of these events on ING.

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2.3 SUPPLEMENTAL INFORMATION

The following financial information presents the balance sheets for the years ended December 31, 2010 and 2009, and the profit and loss accounts and statements of cash flows for the years ended December 31, 2010, 2009 and 2008 of (i) ING Groep N.V. (parent company only), (ii) subsidiaries, (iii) the eliminations necessary to arrive at the information for ING on a consolidated basis and (iv) the total for ING Group. The principles of determination of results stated in connection with the profit and loss account are also applicable to the ING Groep N.V. parent only column. Investments in group companies and investments in associates are initially recognized at cost and subsequently accounted for by the equity method of accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Amounts in million of euros, unless stated otherwise

2.3.1 CONSOLIDATING BALANCE SHEET

For the year ended December 31, 2010

	ING Group NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
ASSETS				
Cash and balances with central banks	72	13,072	(72)	13,072
Amounts due from banks		51,828		51,828
Financial assets at fair value through profit and loss:				
- trading assets		125,675		125,675
- investments for risk of policyholders		120,481		120,481
- non-trading derivatives		11,722		11,722
- designated as at fair value through profit and loss				
Investments:		6,016		6,016
- available-for-sale		222,547		222,547
- held-to-maturity		11,693		11,693
Loans and advances to customers		608,938		608,938
Reinsurance contracts		5,789		5,789
Investments in associates	63,488	3,925	(63,488)	3,925
Real estate investments		1,900		1,900
Property and equipment		6,132		6,132
Intangible assets		5,372		5,372
Deferred acquisition costs		10,604		10,604
Assets held for sale		681		681
Other assets	464	36,006	(1)	36,469
Total assets	**64,024**	**1,242,381**	**(63,561)**	**1,242,844**
EQUITY				
Shareholders equity (parent)	38,370	52,086	(52,086)	38,370
Non-voting equity securities	5,000			5,000
	43,370	**52,086**	**(52,086)**	**43,370**
Minority interests		729		729
Total equity	**43,370**	**52,815**	**(52,086)**	**44,099**
LIABILITIES				
Subordinated loans	11,766		(1,121)	10,645
Debt securities in issue	6,571	129,033		135,604

Other borrowed funds	500	31,201	(9,410)	22,291
Insurance and investment contracts		270,582		270,582
Amounts due to banks		72,852		72,852
Customer deposits and other funds on deposit		511,934	(572)	511,362
Financial liabilities at fair value through profit and loss:				
- trading liabilities		108,050		108,050
- non-trading derivatives	236	17,782	(236)	17,782
- designated as at fair value through profit and loss		12,707		12,707
Liabilities held for sale		424		424
Other liabilities	1,581	35,001	(136)	36,446
Total liabilities	**20,654**	**1,189,566**	**(11,475)**	**1,198,745**
Total equity and liabilities	**64,024**	**1,242,381**	**(63,561)**	**1,242,844**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise
For the year ended December 31, 2009

	ING Group NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
ASSETS				
Cash and balances with central banks	183	15,390	(183)	15,390
Amounts due from banks		43,397		43,397
Financial assets at fair value through profit and loss:				
- trading assets		111,444		111,444
- investments for risk of policyholders		104,597		104,597
- non-trading derivatives		11,632		11,632
- designated as at fair value through profit and loss		5,517		5,517
Investments:				
- available-for-sale		197,703		197,703
- held-to-maturity		14,409		14,409
Loans and advances to customers		575,275		575,275
Reinsurance contracts		5,480		5,480
Investments in associates	55,642	3,699	(55,642)	3,699
Real estate investments		3,638		3,638
Property and equipment		6,119		6,119
Intangible assets		6,021		6,021
Deferred acquisition costs		11,398		11,398
Assets held for sale		5,024		5,024
Other assets	563	38,698	(32)	39,229
Total assets	**56,388**	**1,159,441**	**(55,857)**	**1,159,972**
EQUITY				
Shareholders equity (parent)	31,121	43,264	(43,264)	31,121
Non-voting equity securities	5,000			5,000
	36,121	**43,264**	**(43,264)**	**36,121**
Minority interests		915		915
Total equity	**36,121**	**44,179**	**(43,264)**	**37,036**
LIABILITIES				
Subordinated loans	11,139		(1,040)	10,099
Debt securities in issue	6,545	113,436		119,981
Other borrowed funds	500	33,079	(10,428)	23,151

Insurance and investment contracts		240,858		240,858
Amounts due to banks		84,235		84,235
Customer deposits and other funds on deposit		470,191	(683)	469,508
Financial liabilities at fair value through profit and loss:				
- trading liabilities		98,245		98,245
- non-trading derivatives	268	20,070	(268)	20,070
- designated as at fair value through profit and loss		11,474		11,474
Liabilities held for sale		4,890		4,890
Other liabilities	1,815	38,784	(174)	40,425
Total liabilities	**20,267**	**1,115,262**	**(12,593)**	**1,122,936**
Total equity and liabilities	**56,388**	**1,159,441**	**(55,857)**	**1,159,972**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

2.3.2 CONSOLIDATING PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2010

	ING Group NV parent company	Subsi- diaries	Consoli- dating entries	ING Group consoli- dated
INCOME				
Interest income banking operations		68,334		68,334
Interest expense banking operations		(55,011)		(55,011)
Interest result banking operations		13,323		13,323
Gross premium income		27,947		27,947
Investment income		7,563		7,563
Net result on disposals of group companies		310		310
Gross commission income		6,303		6,303
Commission expense		(1,725)		(1,725)
Commission income		4,578		4,578
Valuation results on non-trading derivatives		(1,005)		(1,005)
Net trading income		627		627
Share of profit from associates	2,971	314	(2,971)	314
Other income	(263)	898		635
Total income	**2,708**	**54,555**	**(2,971)**	**54,292**
EXPENSES				
Gross underwriting expenditure		44,998		44,998
Investment result for risk of policyholders		(10,492)		(10,492)
Reinsurance recoveries		(1,741)		(1,741)
Underwriting expenditure		32,765		32,765
Addition to loan loss provisions		1,751		1,751
Intangible amortization and other impairments		1,112		1,112
Staff expenses		7,771		7,771
Other interest expenses		792		792
Other operating expenses		6,219		6,219
Total expenses		**50,410**		**50,410**
Result before tax	**2,708**	**4,145**	**(2,971)**	**3,882**
Taxation	(69)	1,069		1,000

Net result (before minority interests)	**2,777**	**3,076**	**(2,971)**	**2,882**
Attributable to:				
Equityholders of the parent				2,777
Minority interests				105
Results for the period				**2,882**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise
For the year ended December 31, 2009

	ING Group NV parent company	Subsi-diaries	Consoli-dating entries	ING Group consoli-dated
INCOME				
Interest income banking operations		79,850		79,850
Interest expense banking operations		(67,475)		(67,475)
Interest result banking operations		12,375		12,375
Gross premium income		30,492		30,492
Investment income		3,342		3,342
Net result on disposals of group companies		264		264
Gross commission income		6,790		6,790
Commission expense		(2,177)		(2,177)
Commission income		4,613		4,613
Valuation results on non-trading derivatives		(5,332)		(5,332)
Net trading income		1,125		1,125
Share of profit from associates	(321)	(461)	321	(461)
Other income	(1,574)	2,265		691
Total income	**(1,895)**	**48,683**	**321**	**47,109**
EXPENSES				
Gross underwriting expenditure		50,440		50,440
Investment result for risk of policyholders		(17,742)		(17,742)
Reinsurance recoveries		(1,714)		(1,714)
Underwriting expenditure		30,984		30,984
Addition to loan loss provisions		2,973		2,973
Intangible amortization and other impairments		568		568
Staff expenses		7,338		7,338
Other interest expenses		716		716
Other operating expenses		6,711		6,711
Total expenses		**49,290**		**49,290**
Result before tax	**(1,895)**	**(607)**	**321**	**(2,181)**
Taxation	(472)	(168)		(640)

Net result (before minority interests)	**(1,423)**	**(439)**	**321**	**(1,541)**
Attributable to:				
Equityholders of the parent				(1,423)
Minority interests				(118)
Results for the period				**(1,541)**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

For the year ended December 31, 2008

	ING Group NV parent company	Subsi-diaries	Consoli-dating entries	ING Group consoli-dated
INCOME				
Interest income banking operations		97,011		97,011
Interest expense banking operations		(85,969)		(85,969)
Interest result banking operations		11,042		11,042
Gross premium income		43,812		43,812
Investment income		4,664		4,664
Net result on disposals of group companies		17		17
Gross commission income		7,504		7,504
Commission expense		(2,539)		(2,539)
Commission income		4,965		4,965
Valuation results on non-trading derivatives		(1,409)		(1,409)
Net trading income		(749)		(749)
Share of profit from associates	(3,332)	(404)	3,332	(404)
Other income	(240)	884		644
Total income	**(3,572)**	**62,822**	**3,332**	**62,582**
EXPENSES				
Gross underwriting expenditure		18,831		18,831
Investment result for risk of policyholders		32,408		32,408
Reinsurance recoveries		(1,754)		(1,754)
Underwriting expenditure		49,485		49,485
Addition to loan loss provisions		1,280		1,280
Intangible amortization and other impairments		464		464
Staff expenses		8,764		8,764
Other interest expenses		978		978
Other operating expenses		6,807		6,807
Total expenses		**67,778**		**67,778**
Result before tax	**(3,572)**	**(4,956)**	**3,332**	**(5,196)**

Taxation	(80)	(1,587)		(1,667)
Net result (before minority interests)	**(3,492)**	**(3,369)**	**3,332**	**(3,529)**
Attributable to:				
Equityholders of the parent				(3,492)
Minority interests				(37)
Results for the period				**(3,529)**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

2.3.3 CONSOLIDATING STATEMENT OF CASH FLOWS
For the years ended December 31, 2010

	ING Group NV parent company	**Subsi- diaries**	**Consoli- dating entries**	**ING Group consoli- dated**
Result before tax	2,708	(1,797)	2,971	3,882
Adjusted for:				
- depreciation		1,723		1,723
- deferred acquisition costs and value of business acquired		1,296		1,296
- increase in provisions for insurance and investment contracts		3,860		3,860
- addition to loan loss provisions		1,751		1,751
- other	(47)	3,094		3,047
Taxation paid	140	(643)		(503)
Changes in:				
- amounts due from banks, not available on demand		(4,333)		(4,333)
- trading assets		(14,782)		(14,782)
- non-trading derivatives	110	(1,590)	(110)	(1,590)
- other financial assets at fair value through profit and loss		832		832
- loans and advances to customers	1,504	(16,331)	(1,504)	(16,331)
- other assets	35	1,968		2,003
- amounts due to banks, not payable on demand		(9,831)		(9,831)
- customer deposits and other funds on deposit		21,202		21,202
- trading liabilities		9,804		9,804
- other financial liabilities at fair value through profit and loss		1		1
- other liabilities	(3,245)	(811)	(2,750)	(6,806)
Net cash flow from operating activities	**1,205**	**(4,587)**	**(1,393)**	**(4,775)**
Investments and advances:				
- group companies	(1,300)	1,500	(200)	
- associates		(165)		(165)
- available-for-sale investments		(163,038)		(163,038)
- held-to-maturity investments		(141)		(141)
- real estate investments		(73)		(73)
- property and equipment		(527)		(527)
- assets subject to operating leases		(1,284)		(1,284)
- investments for risk of policyholders		(52,370)		(52,370)
- other investments		(372)		(372)
Disposals and redemptions:				

- group companies		1,757		1,757
- associates		232		232
- available-for-sale investments		154,640		154,640
- held-to-maturity investments		2,620		2,620
- real estate investments		295		295
- property and equipment		96		96
- assets subject to operating leases		53		53
- investments for risk of policyholders		54,817		54,817
- other investments		111		111
Net cash flow from investing activities	**(1,300)**	**(1,849)**	**(200)**	**(3,349)**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

	ING Group NV parent company	Subsi-diaries	Consoli-dating entries	ING Group consoli-dated
Proceeds from borrowed funds and debt securities		412,804		412,804
Repayments of borrowed funds and debt securities		(406,624)	1,504	(405,120)
Payments to acquire treasury shares		(136)		(136)
Sales of treasury shares	(16)	108		92
Dividends paid		(200)	200	
Net cash flow from financing activities	**(16)**	**5,952**	**1,704**	**7,640**
Net cash flow	**(111)**	**(484)**	**111**	**(484)**
Cash and cash equivalents at beginning of year	183	20,959	(183)	20,959
Effect of exchange rate changes on cash and cash equivalents		265		265
Cash and cash equivalents at end of year	**72**	**20,740**	**(72)**	**20,740**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

For the year ended December 31, 2009

	ING Group NV parent company	Subsi-diaries	Consoli-dating entries	ING Group consoli-dated
Result before tax	**(1,895)**	**(607)**	**321**	**(2,181)**
Adjusted for:				
- depreciation		1,701		1,701
- deferred acquisition costs and value of business acquired		(1,131)		(1,131)
- increase in provisions for insurance and investment contracts		3,829		3,829
- addition to loan loss provisions		2,973		2,973
- other	(259)	6,107	167	6,015
Taxation paid	207	(619)		(412)
Changes in:				
- amounts due from banks, not available on demand		8,611		8,611
- trading assets		47,963		47,963
- non-trading derivatives		864		864
- other financial assets at fair value through profit and loss		2,196		2,196
- loans and advances to customers	1,053	12,208	(1,053)	12,208
- other assets	442	6,864	(358)	6,948
- amounts due to banks, not payable on demand		(67,410)		(67,410)
- customer deposits and other funds on deposit		21,040	33	21,073
- trading liabilities		(54,366)		(54,366)
- other financial liabilities at fair value through profit and loss		(5,798)		(5,798)
- other liabilities	1,405	(11,758)	(130)	(10,483)
Net cash flow from operating activities	**953**	**(27,333)**	**(1,020)**	**(27,400)**
Investments and advances:				
- group companies	(350)	(5)	350	(5)
- associates		(181)		(181)
- available-for-sale investments		(165,771)		(165,771)
- real estate investments		(130)		(130)
- property and equipment		(640)		(640)
- assets subject to operating leases		(1,034)		(1,034)
- investments for risk of policyholders		(65,362)		(65,362)
- other investments		(338)		(338)
Disposals and redemptions:				
- group companies		2,643		2,643
- associates		294		294

- available-for-sale investments		167,075		167,075
- held-to-maturity investments		1,675		1,675
- real estate investments		656		656
- property and equipment		82		82
- assets subject to operating leases		93		93
- investments for risk of policyholders		64,158		64,158
- other investments		24		24
Net cash flow from investing activities	**(350)**	**3,239**	**350**	**3,239**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

	ING Group NV parent company	Subsi-diaries	Consoli-dating entries	ING Group consoli-dated
Proceeds from issuance of subordinated loans		1,931	(1,931)	
Repayments of subordinated loans		(3,023)	3,023	
Proceeds from borrowed funds and debt securities	3,800	439,561	(5,589)	437,772
Repayments of borrowed funds and debt securities	(5,550)	(425,182)	5,550	(425,182)
Issuance of ordinary shares	7,276	700	(700)	7,276
Repayment of non-voting equity securities	(5,000)			(5,000)
Payments to acquire treasury shares		(101)		(101)
Sales of treasury shares	51	67		118
Dividends paid	(1,030)	(350)	350	(1,030)
Net cash flow from financing activities	**(453)**	**13,603**	**703**	**13,853**
Net cash flow	**150**	**(10,491)**	**33**	**(10,308)**
Cash and cash equivalents at beginning of year	33	31,238		31,271
Effect of exchange rate changes on cash and cash equivalents		(4)		(4)
Cash and cash equivalents at end of year	**183**	**20,743**	**33**	**20,959**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Amounts in million of euros, unless stated otherwise

For the year ended December 31, 2008

	ING Group NV parent company	**Subsidiaries**	**Consoli-dating entries**	**ING Group consolidated**
Result before tax	**(3,572)**	**(4,956)**	**3,332**	**(5,196)**
Adjusted for:				
- depreciation		1,492		1,492
- deferred acquisition costs and value of business acquired		(444)		(444)
- increase in provisions for insurance and investment contracts		16,363		16,363
- addition to loan loss provisions		1,280		1,280
- other	436	7,088	(569)	6,955
Taxation paid	80	(129)		(49)
Changes in:				
- amounts due from banks, not available on demand		7,162		7,162
- trading assets		32,386		32,386
- non-trading derivatives	(2)	(2,020)	2	(2,020)
- other financial assets at fair value through profit and loss		3,174		3,174
- loans and advances to customers	(2,771)	(73,702)	3,967	(72,506)
- other assets	2,784	(11,730)	(2,901)	(11,847)
- amounts due to banks, not payable on demand		13,210		13,210
- customer deposits and other funds on deposit		6,669	162	6,831
- trading liabilities		3,501		3,501
- other financial liabilities at fair value through profit and loss		13,018	(2)	13,016
- other liabilities	(71)	(552)	138	(485)
Net cash flow from operating activities	**(3,116)**	**11,810**	**4,129**	**12,823**
Investments and advances:				
- group companies	(12,721)	(1,725)	12,721	(1,725)
- associates		(1,034)		(1,034)
- available-for-sale investments		(228,291)		(228,291)
- held-to-maturity investments		(314)		(314)
- real estate investments		(905)		(905)
- property and equipment		(708)		(708)
- assets subject to operating leases		(1,401)		(1,401)
- investments for risk of policyholders		(64,735)		(64,735)
- other investments		(881)		(881)
Disposals and redemptions:				
- group companies		1,590		1,590
- associates		972		972
- available-for-sale investments		225,539		225,539

- held-to-maturity investments		1,640		1,640
- real estate investments		415		415
- property and equipment		137		137
- assets subject to operating leases		428		428
- investments for risk of policyholders		59,251		59,251
- other investments		19		19
Net cash flow from investing activities	**(12,721)**	**(10,003)**	**12,721**	**(10,003)**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

	ING Group NV parent company	Subsidiaries	Consoli-dating entries	ING Group consolidated
Proceeds from issuance of subordinated loans	2,721	6,591	(6,591)	2,721
Proceeds from borrowed funds and debt securities	7,566	387,101	(2,752)	391,915
Repayments of borrowed funds and debt securities	(5,376)	(354,015)	5,376	(354,015)
Issuance of ordinary shares	448	12,721	(12,721)	448
Issuance of non-voting equity securities	10,000			10,000
Payments to acquire treasury shares	(2,379)	(9)		(2,388)
Sales of treasury shares	(1,147)	1,399		252
Dividends paid	3,875	(7,082)		(3,207)
Net cash flow from financing activities	**15,708**	**46,706**	**(16,688)**	**45,726**
Net cash flow	**(129)**	**48,513**	**162**	**48,546**
Cash and cash equivalents at beginning of year	162	(16,811)	(162)	(16,811)
Effect of exchange rate changes on cash and cash equivalents		(464)		(464)
Cash and cash equivalents at end of year	**33**	**31,238**	**0**	**31,271**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

2.3.4 NOTES TO THE SUPPLEMENTAL INFORMATION

ASSETS

Investment in wholly owned subsidiaries

Investment in wholly owned subsidiaries:

	Ownership (%)	Balance sheet value 2010	Ownership (%)	Balance sheet value 2009
Name of investee:				
ING Bank N.V.	100	31,266	100	27,469
ING Verzekeringen N.V.	100	20,785	100	15,880
Other		9		(85)
		52,060		**43,264**

Movement in investment in wholly owned subsidiaries:

	2010	2009
Opening balance	43,264	32,444
Revaluations	4,535	10,800
Result of the group companies	2,971	(321)
Capital contribution	1,500	700
Dividend	(200)	(350)
	52,070	**43,273**
Changes in ING Groep N.V. shares held by group companies:	(10)	(9)
Closing balance	**52,060**	**43,264**
Receivables from group companies	11,428	12,378
Total	**63,488**	**55,642**

SUBORDINATED LOANS

See Note 14 to the consolidated financial statements.

			Balance sheet value	
Interest rate	**Year of issue**	**Due date**	**2010**	**2009**
9.000%	2008	Perpetual	10	10
8.500%	2008	Perpetual	1,469	1,357

8.000%	2008	Perpetual	1,485	1,479
7.375%	2007	Perpetual	1,111	1,022
6.375%	2007	Perpetual	773	713
5.140%	2006	Perpetual	692	670
5.775%	2005	Perpetual	741	690
6.125%	2005	Perpetual	504	472
4.176%	2005	Perpetual	498	498
Variable	2004	Perpetual	994	999
6.200%	2003	Perpetual	363	337
Variable	2003	Perpetual	729	731
7.200%	2002	Perpetual	748	656
7.050%	2002	Perpetual	528	465
8.439%	2000	December 31, 2030	1,121	1,040
			11,766	**11,139**

EUR 7,147 million (2009: EUR 7,862 million) of these loans has been subsequently provided as subordinated loans by ING Groep N.V. to ING Bank N.V. under the same conditions as the original bonds.
EUR 2,003 million (2009: EUR 3,267 million) of these loans has been subsequently provided as subordinated loans by ING Groep N.V. to ING Verzekeringen N.V. under the same conditions as the original bonds.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise

Unsecured subordinated loans from group companies to ING Groep N.V., which may be renewable at their due dates at the then prevailing market rates, are included in subordinated loans.

DEBT SECURITIES IN ISSUE

Interest rate	Year of issue	Due date	Balance sheet value 2010	2009
5.630%	2008	September 3, 2013	1,072	1,073
4.699%	2007	June 1, 2035	117	117
4.750%	2007	May 31, 2017	1,890	1,864
Variable	2006	June 28, 2011	749	749
Variable	2006	April 11, 2016	997	997
4.125%	2006	April 11, 2016	746	745
6.125%	2000	January 4, 2011	1,000	1,000
			6,571	**6,545**

The number of debentures held by group companies as at December 31, 2010 was 131,680 with a balance sheet value of EUR 13 million (2009: 114,760 with a balance sheet value of EUR 11 million).

Amounts owed to group companies by remaining term:

	2010	2009
- within one year	1	32
- more than one year but less than five years	500	500
	501	**532**

Derivatives from group companies by remaining term:

	2010	2009
- within one year	25	
- more than one year but less than five years		30
- more than five years	211	238
	236	**268**

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ACTUARIAL AND UNDERWRITING RISK

These risks (mortality, longevity, morbidity, adverse motor or home claims, etc.), result from the pricing and acceptance of insurance contracts. Actuarial risk is the risk that premium levels and provisions in respect of insurance risk may turn out to be (no longer) correct. Underwriting risk is the risk that an issuer will receive a claim under an insurance policy it issues/underwrites. Maximum underwriting exposures are limited through exclusions, cover limits and reinsurance.

ADVANCED MEASUREMENT APPROACH (AMA)

The risk methodology to calculate the regulatory Operational Risk capital.

ALT-A RESIDENTIAL MORTGAGE BACKED SECURITY (ALT-A RMBS)

A type of US residential mortgage which is considered riskier than prime and less risky than sub-prime mortgages. Parameters generally taken into account are borrower credit scores, residential property values and loan-to-value ratios. Alt-A mortgages are further characterized by a limited degree of income and/or asset verification.

AMORTIZED COST

The amount at which the financial asset or liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

ASSET AND LIABILITY COMMITTEE (ALCO)

Manages the balance sheet of ING, especially with regard to strategic non-trading risk. These risks comprise interest rate exposures, equity risk, real estate risk, liquidity, solvency and foreign exchange risk and fluctuations.

ASSET LIABILITY MANAGEMENT (ALM)

The practice of managing a business such that decisions on assets and liabilities are coordinated. It involves the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities.

ASSET BACKED COMMERCIAL PAPER (ABCP)

Commercial paper that is collateralized by other financial assets.

ASSET BACKED SECURITIES (ABS)

A type of bond or note that is based on pools of assets, or collateralized by the cash flows from a specified pool of underlying assets.

ASSOCIATE

An entity over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights, and that is not a subsidiary not a joint venture.

AVAILABLE FINANCIAL RESOURCES (AFR)

The available financial resources equal the market value of assets minus market value of liabilities, excluding hybrids issued by ING Group which is counted as capital. ING s policy is that the available financial resources should exceed economic capital for Bank, Insurance and Group.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Those non-derivative financial assets that are designated as available-for-sale or are not classified as:

- loans and receivables;
- held-to-maturity investments; or
- financial assets at fair value through profit and loss.

BASEL I

Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation, which are superseded by Basel II, for ING, from 2008 onwards.

BASEL II

Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation, which, for ING, apply from 2008 onwards. Basel II is an international standard for calculating the required capital based on internal models that take into account the financial and operational risks.

BASEL III

Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation and liquidity requirements, which will supersede Basel II. From January 1, 2013 these requirements will start to apply, with the full requirements being effective as of January 1, 2018.

BASIS POINT VALUE (BPV)

The change in the Net Present Value of a cash flow or a pool of cash flows due to a one basis point change of the yield curve.

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BASIS RISK

This risk arises from an imperfect correlation in the adjustment of the rates earned and paid on different financial instruments. Examples of products in which these risks are inherent are demand deposits, saving accounts and mortgages with prepayment options.

BIS

An international organization which fosters international monetary and financial co-operation and serves as a bank for central banks. BIS has set a minimum for the solvency ratio reflecting the relationship between capital and risk weighted assets. The ratio should be at least 8%.

BUSINESS RISK

The exposure to value loss due to fluctuations in volumes, margins and costs. These fluctuations can occur because of internal, industry, or wider market factors. It is the risk inherent to strategy decisions and internal efficiency.

CAPITAL AT RISK (CAR)

The maximum negative impact on ING Group s economic surplus over a one year forward looking horizon under normal market conditions. CaR is calculated at a 90% confidence interval.

CERTIFICATES OF DEPOSIT

Short-term negotiable bearer debt instruments issued by banks.

CLAIM

A demand for payment of a policy benefit because of the occurrence of an insured event, such as the death or disability of the insured or the maturity of an endowment, the incurrence of hospital or medical bills, the destruction or damage of property and related deaths or injuries, defects in, liens on, or challenges to the title to real estate, or the occurrence of a surety loss.

CLAIMS RATIO

Claims, including claims handling expenses, expressed as a percentage of net earned premiums.

COLLATERALISED DEBT OBLIGATION (CDO)

A type of asset-backed security which provides investors exposure to the credit risk of a pool of fixed income assets.

COLLATERALISED LOAN OBLIGATION (CLO)

A type of CDO which is backed primarily by leveraged bank loans.

COMBINED RATIO

The sum of the claims ratio and the cost ratio for a non-life insurance company or a reinsurance company. A combined ratio of more than 100% does not necessarily mean that there is a loss on non-life insurance policies, because the result also includes the allocated investment income.

COMMERCIAL PAPER

Promissory note (issued by financial institutions or large firms) with very-short to short maturity period (usually 2 to 30 days, and not more than 270 days), and unsecured.

COMPLIANCE RISK

Compliance risk is defined as the risk of damage to ING s reputation as a result of failure or perceived failure to comply with relevant laws, regulations, internal policies and procedures or ethical standards.

CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate exposure is material in relation to ING Group s total exposure.

CONTINGENT LIABILITIES

Possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

CONTROL

The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

CONVERTIBLE DEBENTURES

Debentures with embedded options issued by corporations. The holder has the right to exchange a convertible debenture for equity in the issuing company at certain times in the future according to a certain exchange ratio. Very often, the conversion is callable. This means that it can be repurchased by the issuer at a certain price at certain times in the future. Once the debentures have been called, the holder can

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always choose to convert prior to repurchase.

CONVEXITY

The non-linear relationship between changes in the interest rates and changes in bond prices and their Net Present Value. It is a very important market risk measure for portfolios containing (embedded) options.

CORE DEBT

Investments in ING Group subsidiaries minus the equity of the holding company including hybrids.

COST OF CAPITAL

The costs related to owning capital. These can be split into the cost of equity, hybrids and debt, taking a target leverage into account.

COST RATIO

Underwriting costs expressed as a percentage of premiums written.

COUNTRY RISK

The risk that a government will not fulfill its obligations or obstructs the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (e.g. political risk).

CREDIT INSTITUTIONS

All institutions that are subject to banking supervision by public authorities, including mortgage banks, capital market institutions, multilateral development banks and the International Monetary Fund (IMF).

CREDIT RISK

The risk of loss from default by borrowers (including bond issuers) or counterparties. Credit risks arise in ING s lending, presettlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

DEFERRED TAX LIABILITIES

The amounts of income tax payable in future periods in respect of taxable temporary differences between carrying amounts of assets or liabilities in the balance sheet and tax base, based on tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled.

DEFINED BENEFIT PLAN

Post-employment benefit plans other than defined contribution plans.

DEFINED CONTRIBUTION PLAN

Post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DELTA HEDGE

The delta hedge minimizes the exposure of the employee option scheme by holding an appropriate number of (depositary receipts for) ordinary shares. The exposure is reassessed every quarter and, if necessary, ordinary shares are bought from the market. In December 2010 ING Groep N.V. announced that it will no longer rebalance its hedge portfolio. This decision is an effort to simplify the management and administration of ING s various employee share and option programmes. The remaining shares in the hedge portfolio will be used to fund the obligations arising out of exercise and vesting. Once all shares in the hedge portfolio are used ING will fund these obligations by issuing new shares.

DEPOSITARY RECEIPT

Depositary receipt for ordinary and preference shares, issued by the ING Trust Office, in exchange for ordinary and preference shares issued by ING Group.

DERIVATIVES

Financial instruments, which include forwards, futures, options and swaps, whose value is based on an underlying asset, index or reference rate.

DISCOUNTED BILLS

Bills that are sold under deduction of interest giving the owner the right to receive an amount of money on a given date.

DISCRETIONARY PARTICIPATION FEATURE

A contractual right to receive, as a supplement to guaranteed benefits, additional benefits that: are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the insurer, that are contractually based on the performance of a specified pool or type of contract, (un)realized investment returns on a specified pool of assets held by the insurer, or the profit of the company, fund, or other entity that issues the contract.

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EARNINGS AT RISK (EAR)

Measures the impact on earnings resulting from changes in market rates over a one-year horizon.

EARNINGS SENSITIVITY (ES)

Measures the impact on earnings resulting from changes in economic and financial conditions over a one-year horizon.

ECONOMIC CAPITAL

The minimum amount of capital that is required to absorb unexpected losses in times of severe stress. Given ING Group s target rating, ING calculates economic capital requirements for ING Bank at a 99.95% level of confidence. This confidence level is derived from the historical default frequency of AA-rated companies (probability of default of 1 in 2000 years or 0.05%). For ING Insurance the economic capital is calculated based on a confidence level of 99.5%, which is aligned with the Solvency II.

EFFECTIVE INTEREST METHOD

A method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period.

ELIMINATION

A process by which intercompany transactions are matched with each other and deducted, so that the assets, liabilities, income and expenses are not inflated.

EMBEDDED VALUE (EV)

Embedded value is the present value of all future cash flows from the contracts being owned today (embedded value does not take into account future sales). The discount rate used is equal to Weighted average cost of capital.

EMBEDDED VALUE PROFIT (EVP)

Embedded value profit is the change in embedded value over a given period over and above the amount related to the unwinding of the discount rate.

EMPLOYEE BENEFITS

All forms of consideration given by a company in exchange for service rendered by (current and former) employees.

FAIR VALUE

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm s length transaction.

FINANCE LEASE

A lease that transfers substantially all the risks and rewards associated with ownership of an asset to the lessee. Title may or may not eventually be transferred.

FINANCIAL ASSET

Any asset that is:

- cash;
- an equity instrument of another company;
- a contractual right to;
  - receive cash or another financial asset from another company; or
  - exchange financial instruments with another company under conditions that are potentially favorable; or
  - certain contract that will or may be settled in ING s own equity instruments.

FINANCIAL INSTRUMENTS

Contracts that give rise to both a financial asset for one company and a financial liability or equity instrument for another company.

FINANCIAL LIABILITY

Any liability that is a contractual obligation:

- to deliver cash or another financial asset to another company; or
- to exchange financial instruments with another company under conditions that are potentially unfavorable; or
- certain contracts that will or may be settled in ING s own equity instruments.

FOREIGN EXCHANGE RATE RISK

Probability of loss occurring from an adverse movement in foreign exchange rates.

FORWARD CONTRACTS

Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates.

FUTURE CONTRACTS

Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates. Exchanges act as intermediaries and require daily cash settlement and collateral deposits.

GROSS PREMIUMS WRITTEN

Total premiums (whether or not earned) for insurance contracts written or assumed (including deposits for investment contracts with limited or no life contingencies written) during a specific period, without deduction for premiums ceded.

HELD-TO-MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity that ING Group has the positive

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intention and ability to hold to maturity other than:

a. those that ING Group upon initial recognition designates as at fair value through profit and loss;
b. those that ING Group designates as available-for-sale; and
c. those that meet the definition of loans and receivables.

HISTORICAL SIMULATION

A model to calculate Value at Risk, assuming that future changes in risk factors will have the same distribution as they had in the past taking into account the non-linear behavior of financial products.

IMPAIRMENT LOSS

The amount by which the carrying amount of an asset exceeds its recoverable amount.

INTEREST BEARING INSTRUMENT

A financial asset or a liability for which a time-proportionate compensation is paid or received in relation to a notional amount.

INTERNAL RATE OF RETURN (IRR)

Internal rate of return is the discount rate at which the present value of distributable earnings from new business equals the investment in new business (i.e. the projected return on the investment in new business) is calculated.

INTEREST-RATE REBATES

Profit sharing for group life insurance business. A rebate granted to policyholders based on the discounted value of the difference between the interest rate used to calculate the premiums and the expected yield on investment. The profit sharing is granted by means of a premium discount related to the yield on government bonds.

INTEREST RATE RISK

Probability that the market interest rates will rise significantly higher than the interest rate earned on investments such as bonds, resulting in their lower market value.

IN THE MONEY

A call option is said to be in the money if the exercise price is lower than the price of the underlying value; a put option is said to be in the money if the exercise price is higher than the price of the underlying value.

INVESTMENT RISK

Investment risk is the credit default and risk rating migration risk that is associated with ING Group s investments in bonds, commercial paper, securitizations, and other similar publicly traded securities. Investment risk arises when ING purchases a (synthetic) bond with the intent to hold the bond for a longer period of time (generally through maturity).

INVESTMENT PORTFOLIO

Comprises those assets which are intended for use on a continuing basis, and have been identified as such. These investments are held in order to cover the insurance provisions and to manage interest rate, capital and liquidity risks.

IRREVOCABLE FACILITIES

Mainly constitute unused portions of irrevocable credit facilities granted to corporate clients and commitments made to purchase securities to be issued by governments and private issuers.

IRREVOCABLE LETTERS OF CREDIT

Concerns an obligation on behalf of a client to pay an amount of money under submission of a specific document or to accept a bill of exchange, subject to certain conditions. An irrevocable letter of credit cannot be cancelled or adjusted by the bank that has granted it during the duration of the agreement unless all those concerned agree.

JOINT VENTURE

A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

LEGAL RISK

Legal risk is the risk related to:

- a failure (or perceived failure) to adhere to applicable laws, regulations and standards;
- contractual liabilities or contractual obligations that are defaulted or cannot be enforced as intended, or are enforced in an unexpected or adverse way; and

liability (tort) towards third parties due to an act or omission contributable to ING; (potentially) resulting in impairment of ING s integrity, leading to damage to ING s reputation, legal or regulatory sanctions, or financial loss.

LENDING RISK

Lending risk arises when ING Group grants a loan to a customer, or issues guarantees on behalf of a customer. This is the most common risk category, and includes term loans, mortgages, revolving credits, overdrafts, guarantees, letters of credit, etc. The risk

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is measured at the notional amount of the financial obligation that the customer has to repay to ING, excluding any accrued and unpaid interest, or discount/premium amortizations or impairments.

LIQUIDITY RISK

The risk that ING Group or one of its subsidiaries cannot meet its financial liabilities when they fall due, at reasonable costs and in a timely manner.

MARKET RISK

Market risk is the risk that movements in market variables, such as interest rates, equity prices, implied volatilities, foreign exchange rates, real estate prices negatively impact the earnings or market value.

MARKET VALUE AT RISK (MVAR)

A calculation method which measures the decrease in the market value surplus caused by movements in financial markets, at a 99.95% confidence level over a one year horizon.

MINORITY INTERESTS

The part of the profit and loss and net assets of a subsidiary attributable to an interest which is not owned, directly or indirectly, by the parent company.

MONETARY ASSETS AND LIABILITIES

Assets and liabilities which are fixed in terms of units of currency by contract or otherwise. Examples are cash, short or long-term accounts, notes receivable in cash and notes payable in cash.

MONEY MARKET RISK

Money market risk arises when ING Group places short term deposits with a counterparty in order to manage excess liquidity, as such, money market deposits tend to be short term in nature (1-7 days is common). In the event of a counterparty default, ING Group may lose the deposit placed. Money market risk is therefore measured simply as the notional value of the deposit, excluding any accrued and unpaid interest or the effect of any impairment.

MONOLINER

A financial company that deals specifically with one particular branch of the financial industry.

MONTE CARLO SIMULATION

A model to calculate Value at Risk, assuming that changes in risk factors are (jointly) normally distributed taking into account nonlinear behavior of financial products.

MORTGAGE BACKED SECURITIES (MBS)

A security whose cash flows are backed by typically the principal and/ or interest payments of a pool of mortgages.

NEW SALES

New sales of life insurance, measured as Annual Premium Equivalent (APE), have been defined as the total of annual premiums and 10% of single premiums received on production in a given period.

NET ASSET VALUE

Used in the equity method of accounting. The initial net asset value of the investment is determined by the fair value of the assets and liabilities of the investee. After the initial valuation of assets and liabilities of the investee at fair value, the assets and liabilities of the investee are valued in accordance with the accounting policies of the investor. The profit and loss account reflects the investor s share in the results of operations of the investee.

NET PREMIUMS WRITTEN

Gross premiums written for a given period less premiums ceded to retrocessionaires during the given period.

NET PRESENT VALUE AT RISK (NPV-AT-RISK)

Establishes what the value of future cash flows is in terms of today s monetary value. NPV-at-Risk establishes the change in value of future cash flows as a result of interest rate changes in terms of today s monetary value.

NON-VOTING EQUITY SECURITIES

Core Tier 1 securities issued to the Dutch State in November 2008 for a total consideration of EUR 10 billion. In December 2009 EUR 5 billion was paid back to the Dutch State. This capital injection qualifies as core Tier 1 capital for regulatory purposes.

NOTIONAL AMOUNTS

Represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets. They do not reflect, however, the credit risks assumed by entering into derivative transactions.

OPERATING LEASE

A lease other than a finance lease.

OPERATIONAL RISK

The risk of a direct or indirect loss resulting from inadequate or failed internal processes, people and

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systems or from external events.

OPTION CONTRACTS

Give the purchaser, for a premium, the right, but not the obligation, to buy or sell within a limited period of time a financial instrument or currency at a contracted price that may also be settled in cash. Written options are subject to market risk, but not to credit risk since the counterparties have already performed in accordance with the terms of the contract by paying a cash premium up front.

ORDINARY SHARE

An equity instrument that is subordinate to all other classes of equity instruments. Ordinary shares participate in the net profit for the financial year after other types of shares such as preference shares.

OUT OF THE MONEY

A call option is said to be out of the money if the exercise price is higher than the price of the underlying value; a put option is said to be out of the money if the exercise price is lower than the price of the underlying value.

OVER-THE-COUNTER INSTRUMENT

A non-standardized financial instrument not traded on a stock exchange but directly between market participants.

PLAN ASSETS

Comprise assets held by a long-term employee benefit fund and qualifying insurance policies. Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting enterprise) that:

- are held by an entity (a fund) that is legally separate from the reporting enterprise and exists solely to pay or fund employee benefits; and
- are available to be used only to pay or fund employee benefits, are not available to the reporting enterprise s own creditors (even in bankruptcy), and cannot be returned to the reporting enterprise, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting enterprise or the assets are returned to the reporting enterprise to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting enterprise, if the proceeds of the policy:

- can be used only to pay or fund employee benefits under a defined benefit plan; and
- are not available to the reporting enterprise s own creditors (even in bankruptcy) and cannot be paid to the reporting enterprise, unless either the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations or the proceeds are returned to the reporting enterprise to reimburse it for employee benefits already paid.

POST-EMPLOYMENT BENEFIT PLANS

Formal or informal arrangements under which a company provides post-employment benefits for one or more employees. Post-employment benefits are employee benefits other than termination benefits and equity compensation benefits, which are payable after the completion of employment.

PREFERENCE SHARE

Similar to an ordinary share but carries certain preferential rights. These rights usually concern the guarantee of a fixed (cumulative) return to the shareholder or a guaranteed return on the investment.

PREMIUMS EARNED

The portion of net premiums written in current and past periods which applies to the expired portion of the policy period, calculated by subtracting movements in unearned premium reserves from net premiums.

PRE-SETTLEMENT RISK

Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Group has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavorable) market price. The pre-settlement risk (potential or expected risk) is the cost of ING Group replacing a trade in the market. This credit risk category is associated with dealing room products such as options, swaps, and securities financing transactions. Where there is a mutual exchange of value, the amount of outstanding is generally based on the replacement value (mark-to-market) plus potential future volatility concept, using an historical 7 year time horizon

and a 99% confidence level.

PRESSURISED ASSETS

Pressurized assets have been defined as subprime ABS exposures, Alt-A ABS exposures, CMBS, CDO/CLOs, Greek Government bonds, Greek Financial Institution Bonds, Irish Government bonds and

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Irish Financial Institution bonds.

PRIVATE LOAN

Loans to governments, other public bodies, public utilities, corporations, other institutions or individuals with a loan agreement as the only instrument of title.

PRIVATE PLACEMENT

A placement in which newly issued shares or debentures come into possession of a limited group of subscribers who are prepared to buy the new securities.

PROJECTED UNIT CREDIT METHOD

An actuarial valuation method that considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

QUALIFYING ASSET (WITHIN THE MEANING OF BORROWING COSTS)

An asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

RECOGNITION

The process of incorporating in the balance sheet or profit and loss account an item that meets the definition of an element and satisfies the following criteria for recognition:

it is probable that any future economic benefit associated with the item will flow to or from the enterprise; and

the item has a cost or value that can be measured reliably.

RECOVERABLE AMOUNT

The higher of an asset s net selling price and its value in use.

REDEMPTION VALUE

With respect to investments in fixed-interest securities, the amount payable on the maturity date.

REINSURANCE

The practice whereby one party, called the reinsurer, in consideration for a premium paid to him, agrees to indemnify another party, called the reinsured or ceding company, for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued. The reinsured may also be referred to as the original or primary insurer, the direct writing company, or the ceding company.

RETURN ON EQUITY (ROE)

The return on equity is the net result as percentage of the average equity.

RISK ADJUSTED RETURN ON CAPITAL (RAROC)

A performance indicator that measures revenues in the perspective of the risks that had to be taken to obtain that revenue. RAROC is calculated by dividing the risk-adjusted-return by economic capital. In the RAROC calculation, the actual credit-risk provisioning is replaced by statistically expected losses reflecting the average credit losses over the entire economic cycle.

RISK-WEIGHTED ASSETS (RWA UNDER BASEL I)

Assets which are weighted for credit risk according to a formula used by the Dutch central bank (De Nederlandsche Bank), which conforms to the capital adequacy guidelines of the BIS (Bank of International Settlements). On and off-balance-sheet items are weighted for risk, with off-balance-sheet items converted to balance-sheet equivalents (using credit-conversion factors) before being allocated a risk weight.

RISK-WEIGHTED ASSETS (RWA UNDER BASEL II)

Assets which are weighted for credit and market risk in accordance with the Basel II methodology. The risk-weighted assets are calculated using internal models approved by The Dutch central bank (De Nederlandsche Bank). Regulatory capital requirements for operational risk are calculated without use of risk-weighted assets.

SETTLEMENT RISK

Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING Group has paid or delivered its side of the trade. The risk is that ING Group delivers, but does not receive delivery from the counterparty.

SIGNIFICANT INFLUENCE

The power to participate in the financial and operating policy decisions of an entity, but not to have control over these policies. Significant influence may be gained by share ownership, statute or agreement.

SOLVENCY II

The fundamental reform of European insurance solvency and risk governance legislation, which is effective as of January 1, 2013

SUB-PRIME MORTGAGES

Mortgage loans made to borrowers who cannot get a regular mortgage because

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they have a bad credit history or limited income.

SUBSIDIARY

An entity that is controlled by another entity.

SURRENDER

The termination of a life or retirement contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, on the contract.

SWAP CONTRACTS

Commitments to settle in cash at a specified future date, based on differentials between specified financial indices as applied to a notional principal amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party.

TIER 1 CAPITAL

Also referred to as the core capital of ING Bank. It comprises paid up share capital, reserves excluding revaluation reserves, retained earnings, minority interests and hybrid Tier 1.

TIER 1 RATIO

Reflecting the Tier 1 capital of ING Bank as a percentage of its total risk weighted assets. The minimum set by the Dutch central bank is 4%.

TOTAL AND UNDERLYING NET RESULT

The variance between Total and Underlying net result is caused by divestments and special items.

TRADING PORTFOLIO

Comprises those financial instruments which are held to obtain short-term transaction results, to facilitate transactions on behalf of clients or to hedge other positions in the trading portfolio.

TRANSFER RISK

Probability of loss due to currency conversion (exchange) restrictions imposed by a foreign government that make it impossible to move money out of the country.

TREASURY BILLS

Generally short-term debt certificates issued by a central government. Dutch Treasury Certificates are regarded as Dutch Treasury bills.

TREASURY SHARES

An entity s own equity instruments, held by the entity or other members of the consolidated group.

VALUE CREATION

Value creation is measured by Economic Profit (regarding non life and asset management business and banking operations) and Embedded Value Profit (regarding life and long term health business).

VALUE AT RISK (VAR)

Quantifies, with a one-sided confidence level of at least 99%, the maximum overnight loss in Net Present Value that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remain unchanged for a time interval of one day.

VALUE IN USE

The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

VARIANCE-COVARIANCE

A model to calculate Value at Risk, assuming that changes in risk factors are (jointly) normally distributed and that the change in portfolio value is linearly dependent on all risk factor changes.

WARRANT

A financial instrument that gives the holder the right to purchase ordinary shares.

WEIGHTED AVERAGE COST OF CAPITAL (WACC)

The weighted average cost of capital is used as the discount rate for calculating the present value of future cash flows.

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SCHEDULE I SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES
Amounts are in millions of euros

Column A Type of investment	Column B Cost	Column C Fair value	Column D Amount at which shown in balance sheet
DEBT SECURITIES			
Debt securities held to maturity	11,693	11,854	11,693
Debentures/available-for-sale:			
- Dutch governments	8,798	9,198	9,198
- foreign governments	87,386	89,232	89,232
- public utilities	8,260	8,683	8,683
- asset-backed securities	31,774	31,693	31,693
- redeemable preference shares sinking funds	4	5	5
- all other corporate bonds	73,100	73,982	73,982
SHARES AND CONVIRTIBLE DEBENTURES			
Ordinary shares			
- public utilities	105	131	131
- banks, trusts and insurance companies	2,251	4,212	4,212
- industrial and all other	3,382	4,933	4,933
Preference shares	385	478	478
Total investments	**227,138**	**234,401**	**234,240**

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SCHEDULE III SUPPLEMENTARY INSURANCE INFORMATION
Amounts are in millions of euros

Column A Segment	Column B Deferred policy acquistion costs	Column C Future policy benefits, losses, claims and loss expenses	Column D Unearned premiums	Column E Other policy and claims	Column F Premium revenue	Column G Net investment income (including other income and other expenses) allocated to underwriting accounts	Column H Benefits, claims, losses and settlement expenses	Column I Amortization of deferred policy acquisition costs	Column J Other operating expenses	Column K Premiums written
2010										
Life	10,562	257,913		3,432	24,165	7,480	26,558	2,821	3,911	24,165
Non-life	42	3,103	345		1,702	368	1,041	13	662	1,676
Total	**10,604**	**261,016**	**345**	**3,432**	**25,867**	**7,848**	**27,599**	**2,834**	**4,573**	**25,841**
2009										
Life	11,355	230,344		1,600	26,853	4,163	27,427	446	3,829	26,853
Non-life	43	3,073	361		1,704	255	976	12	749	1,702
Total	**11,398**	**233,417**	**361**	**1,600**	**28,557**	**4,418**	**28,403**	**458**	**4,578**	**28,555**

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SCHEDULE IV REINSURANCE
Amounts are in millions of euros

Column A	Column B Gross amount	Column C Ceded to other companies	Column D Assumed from other companies	Column E Net amount	Column F Percentage of amount assumed to net
2010 Premiums					
- life	25,042	2,041	1,164	24,165	4.8%
- non-life	1,718	65	23	1,676	1.4%
Total Premiums	**26,760**	**2,106**	**1,187**	**25,841**	**4.6%**
Life insurance in Force	1,210,461	274,082	14,981	951,360	1.6%
2009 Premiums					
- life	27,421	1,867	1,299	26,853	4.8%
- non-life	1,746	70	26	1,702	1.5%
Total Premiums	**29,167**	**1,937**	**1,325**	**28,555**	**4.6%**
Life insurance in Force	1,096,442	254,454	34,094	876,082	3.9%
2008 Premiums					
- life	37,487	1,802	1,382	37,067	3.7%
- non-life	4,920	196	23	4,747	0.5%
Total Premiums	**42,407**	**1,998**	**1,405**	**41,814**	**3.4%**
Life insurance in Force	1,062,700	269,041	105,094	898,753	11.7%

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SCHEDULE VI SUPPLEMENTAL INFORMATION CONCERNING NON-LIFE INSURANCE OPERATIONS
Amounts are in millions of euros

Column A Affiliation with the registrant	Column B Deferred policy acquisition costs	Column C Reserves for unpaid claims & claims adjusted expenses	Column D Discount if any deducted in column C	Column E Unearned premiums	Column F Earned premiums	Column G Net investment income (including other income and other expenses) allocated to non-life operations	Column H Claims and claims Adjustment expenses incurrent related to accident years: Current	Column H: Prior	Column I Amortization of DPAC(1)	Column J Paid claims & claims adjusted expenses	Column K Premiums written
2010											
Consolidated Non-life entities	42	3,103	235	345	1,702	368	1,121	11	13	1,041	1,676
2009											
Consolidated Non-life entities	43	3,073	215	361	1,704	255	1,111	(84)	12	976	1,702

(1) DPAC: Deferred policy acquisition costs