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2006

ING Insurance

Annual Report



ING Insurance Annual Report 2006



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ING at a glance

ING INSURANCE IS PART OF ING GROUP

ING GROUP

Our mission

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

Our profile

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

Our strategy

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

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, shareholders, employees, business partners and society at large. ING strives to be a good corporate citizen.

Our corporate responsibility

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

ING INSURANCE

ING Insurance has three business lines. A clear client focus and strong business logic are the key elements in this structure.

Insurance Europe

Operates the insurance and asset management activities in Europe. Main insurance activities are in the Netherlands, Belgium, Spain, Greece and Central Europe. Here we offer life insurance with a particular focus on pensions. In the Netherlands and Belgium we also offer non-life insurance.

Insurance Americas

Provides insurance, investment, retirement and asset management products and services in the region. In the United States, ING is a top-10 provider of retirement services, based on sales. In Canada, we are the leading property and casualty insurer, based on gross premiums. We are also active in Mexico, Chile, Peru and Brazil.

Insurance Asia/Pacific

Conducts life insurance and asset/wealth management activities in the region. We are well-established in Australia, Hong Kong, Japan, Malaysia, New Zealand, South Korea and Taiwan. Our activities in China, India and Thailand are key future growth engines.

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ING Insurance has a two-tier board system, consisting of a Supervisory Board and an Executive Board. The Supervisory Board consists of independent non-executives. Its task is to supervise the policy of the Executive Board and the general course of events in the company and to assist the Executive Board by providing advice. The Executive Board is responsible for the daily management of the company. The composition of the Executive Board and the Supervisory Board of ING Verzekeringen N.V. is as follows:

THE SUPERVISORY BOARD

Cor A.J. Herkströter, *Chairman*
Eric Bourdais de Charbonnière, *Vice-Chairman*
Luella Gross Goldberg
Paul F. van der Heijden
Claus Dieter Hoffmann
Jan H.M. Hommen
Piet C. Klaver
Wim Kok
Godfried J.A. van der Lugt
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, *Chairman*
Cees Maas, *Vice-Chairman and CFO*
Eric F. Boyer de la Giroday
Dick H. Harryvan
Eli P. Leenaars
Tom J. McNerney
Hans van der Noordaa
Jacques M. de Vaucleroy

TO THE SHAREHOLDER,

The Supervisory Board hereby presents you the 2006 Annual Report of ING Verzekeringen N.V. This Annual Report includes the report of the Executive Board, the Annual Accounts and Other Information.

Annual Accounts and dividend

The Annual Accounts have been prepared by the Executive Board and have been discussed by the Supervisory Board. They are presented to you for adoption. Approval of the Annual Accounts will serve to ratify the actions of the Executive Board in respect of their management and the members of the Supervisory Board in respect of their supervision during the past financial year. Subject to adoption of the Annual Accounts a dividend for 2006 is proposed of EUR 1,650 million. This amount has already been paid as interim dividend to the holders of ordinary shares.

Meetings

The Supervisory Board met eight times during the year, while the Audit Committee held six meetings.

The Supervisory Board started the year with its annual full-day meeting in January on ING's strategy and medium-term plan. In February, the annual figures were discussed, including the related audit reports of the external auditors. In May, the figures for the first quarter were discussed. Leadership development was discussed on the basis of a report by Group Human Resources. The six-month results were discussed in the August meeting, also based on the verbal report on the discussions in the preceding Audit Committee meeting, as in every meeting. The management team of United States Financial Services gave a presentation about developments in life insurance and retirement services in the US, one of the most important markets for ING. The October meeting was used for a presentation and discussion on Operations/IT, while in November the nine-month figures were discussed.

The Audit Committee discussed the quarterly and annual figures in its meetings, as well as the half-year and annual results on the basis of US GAAP.

Composition of the Supervisory Board

Aad Jacobs and Paul de Meester retired after the General Meeting of Shareholders in April 2006. In the same meeting Cor Herkströter and Karel Vuursteen were reappointed as members of the Supervisory Board. Piet Klaver was appointed as a new member.

Paul van der Heijden will retire after the General Meeting of Shareholders on 24 April 2007, having reached the maximum period of three terms of four years.

Claus Dieter Hoffmann and Wim Kok will be nominated for reappointment.

The Supervisory Board nominates three candidates for appointment: Mr. Henk Breukink (1950, Dutch nationality, as per 24 April 2007), Mr. Peter Elverding (1948, Dutch nationality, as per 1 August 2007) and Mr. Piet Hoogendoorn (1945, Dutch nationality, as per 1 June 2007). The proposed appointments were approved by the Dutch Central Bank.

Composition of the Executive Board

In April 2006, Fred Hubbell, Alexander Rinnooy Kan and Hans Verkoren retired from the Executive Board. The newly appointed members were Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleeroy. In 2007, Mr. Maas – vice-chairman and Chief Financial Officer – will reach the contractual retirement age of 60. His role as CFO includes responsibility for the finance and risk management functions. In the light of the strong developments in these fields, it will be proposed to the 2007 General Meeting of Shareholders to appoint a new CFO, responsible for the finance function, and a CRO, chief risk officer, responsible for risk management. John Hele (Canadian, 1958) and Koos Timmermans (Dutch, 1960) will be proposed for appointment to CFO and CRO, respectively. Mr. Hele was appointed deputy CFO on 1 May 2006. He joined ING in 2003. Mr. Timmermans has been working for ING since 1996. He was appointed deputy CRO also on 1 May 2006.

Appreciation for the Executive Board and the ING employees

The Supervisory Board would like to thank Cees Maas for his tremendous contribution to ING and Paul van der Heijden for his commitment as Supervisory Board member. We are pleased that Cees Maas will continue to serve ING as an advisor to the Executive Board.

Finally, the Supervisory Board would like to thank the Executive Board for the way it led the company in another year of good results as well as the ING Insurance employees for their daily commitment, always in the interests of the customers, shareholder and other stakeholders.

Amsterdam, 12 March 2007

THE SUPERVISORY BOARD

Overview and Insurance Europe

ING Verzekeringen N.V., together with ING Bank N.V. is part of ING Groep N.V. The business lines for the insurance activities are Insurance Europe, Insurance Americas and Insurance Asia/Pacific.

OVERVIEW

ING manages its business on an underlying profit basis. Underlying profit before taxation is defined as profit before taxation excluding the impact of divestments and special items. A reconciliation of net profit to underlying profit can be found in Note 43 Primary reporting format – Business segments.

Financial results

ING's insurance operations continued to benefit from strong growth in retirement services and life insurance in developing markets, higher investment results and a favourable claims environment for the non-life insurance businesses. Underlying profit before tax from insurance rose 22.9% to EUR 4,907 million.

ING has extensive insurance operations throughout the world. In the Netherlands and Belgium, ING is a leading insurance company. In the rapidly growing countries of Asia and Central Europe, we are expanding our market share. ING is one of the top-10 providers of retirement services and annuities products in the United States. The continued focus on cost control led to an improvement in the efficiency ratios for life and investment products.

Underlying profit before tax from life insurance increased by 23.0%. The life insurance activities in the Netherlands, Latin America and Asia showed strong profit growth, supported by increased sales, growth in assets under management and investment gains. The underlying profit before tax from non-life insurance went up 22.7%, driven by higher results in the Netherlands and benefiting from a favourable underwriting cycle. Canada showed lower but still good results.

Underlying premium income increased 2.5% to EUR 46,835 million, mainly driven by strong growth of life premiums in Central and Rest of Europe, the US, Latin America and Australia as well as non-life premiums growth in Canada and Latin America. In Asia, growth in life premiums in all countries, especially Korea and Taiwan, was more than offset by Japan, which showed a significant drop in premiums. Excluding currency effects, life premiums of total insurance rose 3.3%. Non-life premiums increased 3.8%, or 1.1% excluding currency effects, as lower premiums in the Netherlands were more than offset by higher premiums in all other regions, especially in Canada and Latin America.

Operating expenses from the insurance operations increased 2.0% to EUR 5,280 million. Recurring expenses increased with 6.1% to EUR 5,252 million, as the non-recurring part of the expenses was much higher in 2005 (IT expenses, reorganisation cost, SOX implementation and

other projects). The recurring expense growth was mainly caused by costs to support the ongoing growth of the business, particularly in Asia.

The embedded value of ING's life insurance businesses increased 7.7% to EUR 29,714 million in 2006. Taking into account EUR 1,994 million in net dividends that were paid to ING Group, the year-end embedded value was EUR 27,718 million. Embedded value profit, an important measure of value creation, decreased 12.1% to EUR 1,981 million as improved financial performance was more than offset by lower operational performance variances and negative assumption changes. The value of new business increased slightly with 0.2% to EUR 807 million as it was negatively impacted by an increase of the discount rate to reflect higher interest rates. The insurance activities in Central and Rest of Europe and in Asia/Pacific both generated particularly strong growth in 2006, indicating the strong future earnings potential of the businesses in both regions. New sales, measured in annual premium equivalent, rose 2.9% to EUR 6,495 million, while the internal rate of return increased to 13.3% from 13.2% in 2005. The internal rate of return in developing markets increased to 17.7% up from 17.4% as business units benefited from increased scale. New sales in developing markets rose 11.7%.

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Looking ahead

Around the world, more people than ever before are approaching retirement. People are also becoming wealthier. This means there is and will continue to be strong demand for retirement services and insurance. ING is very well positioned to tap into this growth.

The push to increase organisational efficiencies in mature markets through expense reduction, renewed systems and rationalised product ranges will continue. Accelerating growth in Central Europe, where the reform of pension systems in many countries has opened up opportunities for diversified financial services companies such as ING, will be a key focus in the years ahead.

INSURANCE EUROPE

With continued profit growth in 2006, driven by the Netherlands and Central Europe, Insurance Europe remains a solid profit contributor to ING Group. In the Netherlands, efficiency programmes are progressing, while Central Europe once again showed strong value creation.

Insurance Europe and Insurance Americas

Underlying profit before tax increased by 15.2% to EUR 2,355 million in 2006, mainly due to favourable life and non-life results in the Netherlands, favourable non-life results in Belgium and continued strong growth in Central and Rest of Europe. Underlying profit before tax from life insurance increased by 7.1% to EUR 1,710 million, while non-life results increased by 45.8% to EUR 618 million.

Underlying premium income decreased slightly by 1.4% to EUR 10,552 million. Higher life premiums in Central and Rest of Europe were offset by lower life premiums in Belgium and in the Netherlands. Underlying operating expenses declined by 3.4%, caused by a 7% drop in the Netherlands, amongst other factors, due to lower restructuring expenses and staff reductions.

Insurance Europe has attained strong market positions in the markets in which it operates and has tailored the specific strategies of its individual insurance companies to the maturity of these respective markets.

Developments in mature markets

Operating in the mature markets of the Netherlands, with moderate growth, Nationale-Nederlanden (NN) focused on improving customer satisfaction and efficiency. Customer satisfaction at NN increased again, although after two years of significant increases, the growth rate in 2006 was less pronounced. Actions to reduce the headcount at NN by 1,000 by year-end 2007 were ahead of plan, with a reduction of 900 at year-end 2006 compared with year-end 2004. RVS managed to create value in a mature and competitive market, reflected in an increase in the value of new business (VNB) and in the internal rate of return (IRR). Postbank Insurance had a solid financial performance. In 2006, profits, premiums and value creation at ING Insurance Belgium decreased, mainly due to one-off factors.

Ongoing growth initiatives in Central Europe

In the rapidly expanding markets of Central Europe, the focus is on accelerating growth, primarily by developing the existing business while simultaneously investing in future growth by setting up new greenfield operations. ING reinforced its position as the leading pension provider in the region. In particular, the Polish pension fund enhanced its client base significantly. The number of new product launches in Central Europe more than tripled from 8 in 2005 to 30 in 2006. In Bulgaria, a new life company was launched.

Looking ahead

In the Netherlands, NN aims to confirm its position as number one financial services provider for the intermediary by focusing in particular on enhancing customer satisfaction and realising net growth. Accelerating growth in Central Europe is the central theme for the years ahead. ING has applied for a license for a life insurance company in Russia and expects to sell its first products by mid-2007. It will also enter the voluntary pension market in Romania in 2007, when the market is expected to open.

INSURANCE AMERICAS

In 2006, ING Insurance Americas achieved a record profit for the fourth consecutive year. Although business conditions were challenging, strong growth in United States Retirement Services and Annuities helped produce an improved result.

Underlying profit before tax for Insurance Americas increased 0.7% to EUR 1,992 million in a rising interest rate environment which resulted in investment-related losses on fixed-income investments as bonds were traded to reposition the portfolio.

Premium income at Insurance Americas showed continued growth in 2006, rising 6.3% to EUR 24,118 and driven by higher premium from both life and non-life businesses in the region: life premium income increased 6.2% to EUR 19,816 million whilst non-life premium increased 6.5% to EUR 4,302 million in 2006.

Operating expenses increased 4.6% to EUR 2,490 million, primarily due to normal business growth and an increase in the number of sales agents in the competitive pension business in Mexico. Insurance Americas remained focused on profitable growth and value creation with embedded value profit tripling to EUR 546 million, largely driven by strong equity markets.

Growth in the US and Canada

A major strategic realignment of US Financial Services was announced to enable the businesses to better harness the strong growth opportunities arising from the large number of baby boomers approaching retirement. Retirement Services and Annuities were brought together in a new Wealth Management division. United States Individual Life, Group Life and Group Reinsurance businesses were combined in the US Insurance division to better leverage risk management skills across the United States. ING Canada remains the number one property & casualty insurer in Canada in both premiums and profits.

Customer centricity

A major advertising campaign - 'Your future. Made easier.' began early in the year, designed to draw attention to the considerable initiatives ING has undertaken to make insurance, saving, investing and managing money easier. The campaign was in response to consumer research, which showed that Americans wanted the process of managing their money to be made simpler.

Execution/operational efficiency

The United States completed its first full year using Six Sigma methodology to better meet customer needs and improve efficiency. Mexico began its Six Sigma efforts in 2006 and has already seen improvement in its claims processing.

Insurance Asia/Pacific

Looking ahead

Meeting the growing financial needs of the ageing baby boomer generation in the Americas will provide an unprecedented opportunity for ING, which has the products, services and expertise to grow retirement assets and to provide guaranteed lifetime incomes. ING remains committed to allocating resources to businesses that provide the best long-term sustainable growth potential in the region.

INSURANCE ASIA/PACIFIC

Insurance Asia Pacific continued to deliver strong results in 2006, largely assisted by strong profit growth in South Korea and Japan. The Asia/Pacific region accounts for almost half of the Group's total value of new business.

Underlying profit before tax from Insurance Asia/Pacific increased 38.9% to EUR 621 million, driven by South Korea (+44.5%) and Japan (+110.8%). Total underlying premiums decreased slightly to EUR 12,136 million, as higher income in Australia, South Korea and Taiwan were offset by lower single-premium variable annuity (SPVA) sales in Japan. Underlying operating expenses increased 11.7% to EUR 965 million, reflecting the increase in business volumes, the focus on building organisational capabilities and investing in greenfield operations. Assets under management increased by 21.2%, reaching EUR 84.2 billion by year-end 2006.

Leveraging the core businesses

ING continued to focus on bolstering its existing businesses in particular by strengthening its multiple distribution channels, introducing new, more profitable products and increasing operational efficiency.

ING sells its life insurance products in the region through tied agents, banks, securities houses and alternative channels.

Tied agents contribute the majority of the life insurance sales. The number of tied agents continued to grow and in India there was a more than 40% rise in their number to over 26,000 in 2006. In line with customers' preferences, the design of products has shifted towards more simple and channel-specific products. In Australia, our OneCare flexible life risk package increased sales by over 70%. On an operational level, regional roll-outs of straight-through processes have begun along with a large number of efficiency projects.

Growth opportunities abound

Growth in life insurance in Asia is expected to outperform the rest of the world in the next ten years. At the same time, national regulators have introduced or are introducing regulations to encourage people to save for their financial future to relieve pressure on the public purse as more people approach pension age. All of this creates substantial opportunities for ING, which enjoys leading positions in both life insurance and pensions. In addition, the move away from guaranteed (fixed income) products to investment-linked (unit-linked) products and a significant rise in distribution through banks and alternative channels have opened up opportunities for ING, as we have expertise and experience in both these areas.

Looking ahead

Insurance Asia/Pacific will continue to pursue profitable growth in its existing markets by growing and leveraging its core businesses. This involves strengthening distribution channels, launching more profitable products, expanding organisational capabilities, increasing operational efficiency and enhancing brand awareness.

Amsterdam, 12 March 2007

THE EXECUTIVE BOARD

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Consolidated balance sheet of ING Insurance as at 31 December before profit appropriation

amounts in millions of euros	2006	2005
ASSETS		
Cash and cash equivalents 1	3,017	2,745
Financial assets at fair value through profit and loss 2		
– trading assets	965	247
– investments for risk of policyholders	110,547	100,961
– non-trading derivatives	1,888	2,346
– designated as at fair value through profit and loss	1,268	758
Available-for-sale investments 3	140,490	144,508
Loans and advances to customers 4	37,559	38,467
Reinsurance contracts 15	6,529	8,285
Investments in associates 5	3,151	2,463
Real estate investments 6	3,310	3,254
Property and equipment 7	1,051	1,109
Intangible assets 8	3,232	3,470
Deferred acquisition costs 9	10,163	9,604
Other assets 10	10,601	10,593
Total assets	333,771	328,810
EQUITY		
Shareholders' equity (parent) 11	21,917	20,627
Minority interests	1,770	1,227
Total equity	23,687	21,854
LIABILITIES		
Subordinated loans 12	4,043	4,376
Debt securities in issue 13	5,439	4,226
Other borrowed funds 14	16,015	17,313
Insurance and investment contracts 15	268,683	263,487
Financial liabilities at fair value through profit and loss		
– trading liabilities	51	
– non-trading derivatives 16	879	896
Other liabilities 17	14,974	16,658
Total liabilities	310,084	306,956
Total equity and liabilities	333,771	328,810

References relate to the notes starting on page 31 which form an integral part of the consolidated annual accounts.

Consolidated profit and loss account of ING Insurance for the years ended 31 December

amounts in millions of euros	2006	2006	2005	2005	2004	2004
Gross premium income 31		46,835		45,758		43,617
Investment income 32		10,473		9,991		9,717
Net gains/losses on disposals of group companies		46		-36		480
Gross commission income	3,073		2,596		2,324	
Commission expense	-1,438		-1,250		-1,124	
Commission income 33		1,635		1,346		1,200
Valuation results on non-trading derivatives 34		-48		-191		
Net trading income 35		272		6		263
Share of profit from associates 5		465		401		195
Other income 36		-10		131		121
Total income		59,668		57,406		55,593
Gross underwriting expenditure	53,065		54,594		48,925	
Investment income for risk of policyholders	-2,702		-5,074		-2,309	
Reinsurance recoveries	-2,175		-2,400		-1,232	
Underwriting expenditure 37		48,188		47,120		45,384
Addition to loan loss provisions						
Other impairments 38		11		22		22
Staff expenses 39		2,810		2,804		2,579
Interest expenses 40		1,231		1,100		1,138
Operating expenses 41		2,471		2,352		2,124
Total expenses		54,711		53,398		51,247
Profit before tax		4,957		4,008		4,346
Taxation 42		706		455		857
Net profit (before minority interests)		4,251		3,553		3,489
Attributable to:						
Shareholders of the parent		3,960		3,291		3,361
Minority interests		291		262		128
		4,251		3,553		3,489

References relate to the notes starting on page 67 which form an integral part of the consolidated annual accounts.

	2006	2005	2004
Dividend per ordinary share (in euros)	10.72	10.36	3.90
Total amount of dividend paid (in millions of euros)	1,650	1,595	600

Consolidated statement of cash flows of ING Insurance for the years ended 31 December

amounts in millions of euros	2006	2005	2004
Profit before tax	4,957	4,008	4,346
Adjustments for:			
– depreciation	210	235	205
– deferred acquisition costs and VOBA	–1,317	–1,141	–858
– increase in provisions for insurance and investment contracts	17,689	21,250	13,244
– other	–4,493	–3,697	–549
Taxation paid	–793	–761	–496
Changes in:			
– trading assets	–1,062	–210	
– non-trading derivatives	–22	46	
– other financial assets at fair value through profit and loss	–50	24	–14
– loans and advances to customers	–81	–3,205	1,116
– other assets	–1,313	–1,879	137
– trading liabilities	41		
– other financial liabilities at fair value through profit and loss	265	582	
– other liabilities	–82	2,806	505
Net cash flow from operating activities	13,949	18,058	17,636
Investments and advances:			
– group companies	–136	–167	–747
– associates	–175	–495	
– available-for-sale investments	–188,184	–165,894	–157,289
– real estate investments	–1,300	–1,039	–969
– property and equipment	–209	–166	–114
– investments for risk of policyholders	–44,116	–41,781	–34,467
– other investments	–108	–1	–11
Disposals and redemptions:			
– group companies	219	35	653
– associates	87	660	
– available-for-sale investments	182,079	153,128	143,071
– real estate investments	983	534	878
– property and equipment	82	164	59
– investments for risk of policyholders	37,945	34,464	29,382
– other investments	35	4	24
Net cash flow from investing activities 45	–12,798	–20,554	–19,530
Proceeds from issuance of subordinated loans		1,400	
Borrowed funds and debt securities 46	1,185	2,884	1,828
Deposits by reinsurers	–180	93	309
Issuance of ordinary shares		105	554
Payments to acquire treasury shares	–23		
Sales of treasury shares	37		
Dividends paid	–1,684	–1,595	–630
Net cash flow from financing activities	–665	2,887	2,061
Net cash flow 47	486	391	167
Cash and cash equivalents at beginning of year	2,745	1,967	1,848
Implementation IAS 32/39		692	
Effect of exchange rate changes on cash and cash equivalents	–214	–305	–48
Cash and cash equivalents at end of year	3,017	2,745	1,967

References relate to the notes starting on page 86 which form an integral part of the consolidated annual accounts.

Consolidated statement of changes in equity of ING Insurance for the years ended 31 December

amounts in millions of euros	Share capital	Share premium	Reserves	Total Shareholders' equity	Minority interests	Total equity
Balance as at 1 January 2004	174	4,374	6,556	11,104	1,187	12,291
Unrealised revaluations after taxation			624	624	77	701
Realised gains/losses transferred to profit and loss			-825	-825		-825
Exchange rate difference			-356	-356	-103	-459
Total amount recognised directly in equity			-557	-557	-26	-583
Net profit			3,361	3,361	128	3,489
Changes in composition of the group			2,804	2,804	102	2,906
Dividends			-629	-629	419	419
Balance as at 31 December 2004	174	4,374	8,731	13,279	1,708	14,987
Implementation IAS 32/39 and IFRS 4			2,223	2,223	69	2,292
Unrealised revaluations after taxation			1,989	1,989	-16	1,973
Realised gains/losses transferred to profit and loss			-501	-501		-501
Changes in cash flow hedges reserves			526	526		526
Transfer to insurance liabilities/DAC			-89	-89	17	-72
Employee stock option and share plans			33	33		33
Exchange rate difference			1,471	1,471	100	1,571
Total amount recognised directly in equity			3,429	3,429	101	3,530
Net profit			3,291	3,291	262	3,553
Changes in composition of the group			6,720	6,720	363	7,083
Dividends			-1,595	-1,595	-913	-913
Balance as at 31 December 2005	174	4,374	16,079	20,627	1,227	21,854
Unrealised revaluations after taxation			-3	-3	-8	-11
Realised gains/losses transferred to profit and loss			-575	-575	-1	-576
Changes in cash flow hedges reserves			-273	-273		-273
Transfer to insurance liabilities/DAC			820	820	-3	817
Employee stock option and share plans			51	51	2	53
Exchange rate difference			-1,076	-1,076	-72	-1,148
Other			36	36		36
Total amount recognised directly in equity			-1,020	-1,020	-82	-1,102
Net profit			3,960	3,960	291	4,251
Changes in composition of the group			2,940	2,940	209	3,149
Dividends			-1,650	-1,650	368	368
Balance as at 31 December 2006	174	4,374	17,369	21,917	-34	-1,684
					1,770	23,687

In 2006, deferred taxes for the year with regard to unrealised revaluations amounted to EUR 737 million (2005: EUR -347 million). For details on deferred tax see Note 17 Other liabilities.

Reserves include Revaluation reserve of EUR 7,098 million (2005: EUR 6,994 million; 2004: EUR 1,165 million), Currency translation reserve of EUR -257 million (2005: EUR 744 million; 2004: EUR -435 million) and Other reserves of EUR 10,528 million (2005: EUR 8,341 million; 2004: EUR 8,001 million). Changes in individual components are presented in Note 11 Shareholders' equity (parent).

For details on Implementation IAS 32/39 and IFRS 4 refer to Section 'Changes in accounting policies'.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance

AUTHORISATION OF ANNUAL ACCOUNTS

The consolidated annual accounts of ING Verzekeringen N.V. ('ING Insurance') for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Executive Board on 6 March 2007. ING Verzekeringen N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principle activities of ING Insurance are described in 'ING at a glance' on page 2.

BASIS OF PRESENTATION

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

Certain amendments to IAS 19 Employee benefits became effective as of 1 January 2006. Also during the year several IFRIC interpretations became effective: IFRIC 4 Determining whether an arrangement contains a lease, IFRIC 8 Scope of IFRS 2 and IFRIC 9 Reassessment of embedded derivatives. None of these recent amendments and interpretations have had a material effect on equity or net profit. Recently issued standards that became effective after 1 January 2006 are not expected to have a material effect on equity or net profit. ING Insurance has not early adopted any new International Financial Reporting Standard.

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

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

As permitted by IFRS-EU ING Insurance adopted IAS 32 and 39 and IFRS 4 for the accounting period beginning on 1 January 2005. As a result the profit and loss account for 2004 is not directly comparable. For the accounting policies used in 2004 see section 'Changes in accounting policies' at the end of the 'Accounting policies' section.

CHANGES IN PRESENTATION

The presentation of, and the balance sheet, the profit and loss account, cash flow statement, statement of changes in equity and certain notes have been changed in 2006 to provide additional and more relevant information. Certain comparative amounts have been reclassified to conform with the current period presentation. None of the changes are significant in nature.

Until 2005, health and disability insurance business was included in 'non-life', in line with regulatory definitions in the Netherlands. In line with international practice, as of 2006, health and disability insurance business that is similar in nature to life insurance business is presented under 'life'. The impact of this change is disclosed in Note 15 Insurance and investment contracts.

CRITICAL ACCOUNTING POLICIES

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

INSURANCE PROVISIONS AND DEFERRED ACQUISITION COSTS (DAC) AND VALUE OF BUSINESS ACQUIRED (VOBA)

The establishment of insurance provisions, DAC and VOBA is an inherently uncertain process, involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends. Specifically, significant assumptions related to these items that could have a material impact on financial results include interest rates, mortality, morbidity, property and casualty claims, investment yields on equity and real estate, foreign currency exchange rates and reserve adequacy assumptions.

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

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

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

See section 'Risk Management' for a sensitivity analysis of net profit 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 data.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

See Note 29 Fair values of financial assets and liabilities for the basis of the determination of the fair values of the financial instruments.

EMPLOYEE BENEFITS

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

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance *continued*

The liability recognised in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses, and unrecognised 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, health care costs trend rates, consumer price index and the expected return on plan assets. The assumptions are based on available market data and the historical performance of plan assets, and are updated annually.

The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan liabilities and future pension costs. The effects of changes in actuarial assumptions and experience adjustments are not recognised in the profit and loss account unless the accumulated changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets, and the excess is then amortised over the employees' expected average remaining working lives. See Note 17 Other liabilities for the weighted averages of basic actuarial assumptions in connection with pension and other post-retirement benefits.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

CONSOLIDATION

ING Insurance comprises ING Verzekeringen N.V. and all its subsidiaries. The consolidated financial statements of ING Insurance comprise the accounts of ING Verzekeringen N.V. and each of those 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 24 Principal subsidiaries and companies acquired/disposed.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the ING Insurance controls another entity. For interests in investment vehicles the existence of control is determined taking into account both ING's financial interests for own risk and its role as investment manager.

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

ING Insurance's interests in jointly controlled entities are accounted for using proportionate consolidation. ING Insurance 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 Insurance's financial statements. ING Insurance recognises the portion of gains or losses on the sale of assets to the joint venture that is attributable to the other venturers. ING Insurance does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by ING Insurance from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

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.

SEGMENTAL REPORTING

A business segment is a distinguishable component of ING Insurance engaged in providing products or services that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of ING Insurance 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. The business lines of ING Insurance are the business segments and the primary segment reporting format. The geographical segments are considered the secondary.

ANALYSIS OF INSURANCE BUSINESS

Where amounts in respect of insurance business are analysed into 'life' and 'non-life', health and disability insurance business which is similar in nature to life insurance is included in 'life'.

FOREIGN CURRENCY TRANSLATION

Functional and presentational currency

Items included in the financial statements of each of ING Insurance's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency.

Transactions and balances

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

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

Group companies

The results and financial position of all 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 recognised 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 such exchange rate differences are recognised in the profit and loss account as part of the gain or loss on sale.

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance *continued*

DERIVATIVES AND HEDGE ACCOUNTING

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

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. ING Insurance designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), hedges of highly probable future cash flows attributable to a recognised 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.

ING Insurance documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions together with the methods selected to assess hedge effectiveness. ING Insurance 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.

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

Fair value hedges

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

Cash flow hedges

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

Net investment hedges

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

Non-trading derivatives that do not qualify for hedge accounting

Derivative instruments that are used by ING Insurance as part of its risk management strategies but do not qualify for hedge accounting under ING Insurance'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.

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 recognised at trade date, which is the date that ING Insurance commits to purchase or sell the asset. Loans and deposits are recognised at settlement date, which is the date the ING Insurance receives or delivers the asset.

Derecognition of financial assets

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

Financial assets at fair value through profit and loss

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

Investments

Investments (including loans quoted in active markets) are classified either as held-to-maturity or available-for-sale and are initially recognised 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 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 are initially recognised at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are measured at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as 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 ING Insurance has the positive intention and ability to hold to maturity and which are designated as held-to-maturity assets are initially recognised at fair value plus transaction costs. Subsequently they are carried at amortised cost using the effective interest method, less any impairment losses.

Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses.

Realised gains and losses on investments

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

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance *continued*

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

LOAN LOSS PROVISIONS

ING Insurance 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 or delays 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 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.
- 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 ING Insurance's credit risk systems.

ING Insurance 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 exist currently. Losses expected as a result of future events, no matter how likely, are not recognized.

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

If there is objective evidence that an impairment loss on an asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account ('Loan loss provision') and the amount of the loss is recognised 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 recognises 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 ING Insurance'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 ING Insurance's loan loss provision. Though 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 ING Insurance'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.

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 decrease the amount of the loan loss provision and are recognised in the profit and loss account.

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

IMPAIRMENT OF OTHER FINANCIAL ASSETS

ING Insurance assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any 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 recognised in net profit – is removed from equity and recognised in the profit and loss account. Impairment losses 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 recognised in profit or loss, the impairment loss is reversed through the profit and loss account.

INVESTMENTS IN ASSOCIATES

Associates are all entities over which ING Insurance 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 the following:

- Representation on the board of directors;
- Participation in the policy making process, and
- Interchange of managerial personnel.

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method of accounting.

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

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance *continued*

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

For interests in investment vehicles the existence of significant influence is determined taking into account both ING Insurance'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 recorded in the profit and loss account. On disposal the difference between the sale proceeds and book value is recognised in the profit and loss account.

Fair value of real estate investments is based on regular appraisals by independent qualified valuers. Each year a valuation is made, either by an independent valuer or internally, of every property. 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 5 years.

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 that offset previous 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 recognised in net profit are recognised in the profit and loss account. Depreciation is recognised based on the fair value and the estimated useful life (in general 20-50 years). Depreciation is calculated on a straight-line basis. On disposal the related revaluation reserve is transferred to retained earnings.

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

Property under construction

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

Property held for sale

Property held for sale comprises properties obtained from foreclosures. These properties are stated at the lower of cost and net realisable value. Cost includes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where the net realisable value is lower than the carrying amount, the impairment is recorded in the profit and loss account.

Property under development for third parties

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

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

Equipment

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

Disposals

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

Borrowing costs

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

LEASES

ING Insurance as the lessee

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

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

PURCHASE ACCOUNTING, GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

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

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

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

Computer software

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

Value of business acquired (VOBA)

VOBA is an asset that represents the present value of estimated net cash flows embedded in the insurance contracts of an acquired company, which existed at the time the company was acquired. It represents the difference between the fair value of insurance liabilities and their book value. VOBA is amortised in a similar manner to amortisation of deferred acquisition costs as described in the section 'Deferred acquisition costs'.

Other intangible assets

Other intangible assets are capitalised and amortised over their expected economic life, which is generally between three and ten years. Intangible assets with an indefinite life are not amortised.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance *continued*

DEFERRED ACQUISITION COSTS

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

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

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

DAC is evaluated for recoverability at issue. 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'.

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

TAXATION

Income tax on the net profit for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account but shall be charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by ING Insurance and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the profit and loss account together with the deferred gain or loss.

FINANCIAL LIABILITIES

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

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

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 recognised at fair value and are subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less cumulative amortisation to reflect revenue recognition principles.

INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Insurance contracts

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

Provision for life 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.

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 unamortised 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 capitalised and amortised in conformity with the anticipated recovery pattern and are recognised in the profit and loss account.

Provision for unearned premiums and unexpired insurance risks

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

Claims provision

The Claims provision is calculated either on a case-by-case basis or by approximation on the basis of experience. Provisions have also been made for claims incurred but not reported and (IBNR) 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 recognise the estimated cost of losses that have occurred but which have not yet been notified to ING Insurance.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance *continued*

Deferred profit sharing liability

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

Provisions for life insurance for risk of policyholders

The Provisions for life insurance for risk of policyholders are calculated on the same basis as the Provision for life insurance. For investment 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.

Adequacy test

The adequacy of the Provision for life insurance, net of unamortised interest rate rebates, DAC and VOBA, is evaluated regularly by each 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, it is immediately recorded in the profit and loss account.

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

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

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 amortised cost, using the effective interest method (including certain initial acquisition expenses), or at fair value.

OTHER LIABILITIES

Employee benefits-pension obligations

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

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

The 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 defined benefit obligation are not recognised in the profit and loss account, unless the accumulated differences and changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. The excess is charged or credited to the profit and loss account over employees' remaining working lives. The corridor was reset to nil at the date of transition to IFRS-EU.

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

Other post-retirement obligations

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

Other provisions

A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, 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.

Reorganisation provisions include employee termination benefits when ING Insurance 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 recognised as revenue when due from the policyholder. For non-life insurance policies, gross premium income is recognised on a pro-rata basis over the term of the related policy coverage. Receipts under investment contracts are not recognised as gross premium income.

Interest

Interest income and expense are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, ING Insurance 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, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the 'clean fair value' are included in Valuation results on non-trading derivatives.

Fees and commissions

Fees and commissions are generally recognised as the service is provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised 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.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Insurance *continued*

EXPENSE RECOGNITION

Expenses are recognised 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 recognised as the employees provide the service. A corresponding increase in equity is recognised if the services are received in an equity-settled share-based payment transaction. A liability is recognised 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. ING Insurance generally provides equity-settled share-based payment transactions.

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.

FIDUCIARY ACTIVITIES

ING Insurance 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 ING Insurance.

CHANGES IN ACCOUNTING PRINCIPLES

ING Insurance applies IFRS as adopted by the EU as of 2005. The 2004 comparatives have been restated to comply with IFRS-EU. However, as permitted by IFRS 1, ING Insurance has not restated the 2004 comparatives for the impact of IAS 32, IAS 39 and IFRS 4. Accordingly, comparative information for 2004 with respect to financial instruments and insurance contracts is prepared under ING Insurance's previous accounting policies (Dutch GAAP).

The key differences between the former accounting principles under Dutch GAAP and IFRS-EU as applied as from 1 January 2005 for financial instruments and insurance contracts and their transitional impact on equity as at 1 January 2005 are summarised below.

Implementation IAS 32/39 and IFRS 4

amounts in millions of euros

Property	-8
Available-for-sale debt securities	5,999
Insurance provisions	-3,126
Derivatives/hedge accounting/fair value option	-58
Loans and advances to customers	167
Loan loss provisions	147
Venture capital investments	90
Other	71
Taxation	-1,059
IFRS-EU impact on net profit and shareholders' equity	2,223
Minority interests in equity	69
IFRS-EU impact on net profit and group equity	2,292

Available-for-sale debt securities

Under IFRS-EU, quoted debt securities (non-trading) other than those designated as being held-to-maturity are reported at fair value, with changes in fair value recognised in a revaluation reserve in equity; realised results are recognised directly in the profit and loss account. Under Dutch GAAP, debt securities were reported at amortised cost; realised results were deferred and amortised over the remaining term.

Insurance provisions

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

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

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

Derivatives

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

Hedge accounting

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

Fair value option

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

Loans and advances to customers

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

Loan loss provisions

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

Venture capital investments

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

Equity securities

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

Taxation

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

Accounting policies for the consolidated statement of cash flows of ING Insurance

The cash flow statement 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 profit 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 cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition. 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 difference between the net cash flow in accordance with the cash flow statement and the change in Cash and cash equivalents in the balance sheet is due to exchange rate differences and is separately accounted for as part of the reconciliation of the net cash flow and the balance sheet change in Cash and cash equivalents.

Notes to the consolidated balance sheet of ING Insurance

amounts in millions of euros, unless stated otherwise

ASSETS

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents

	2006	2005
Cash and bank balances	2,683	2,531
Short term deposits	334	214
	3,017	2,745

2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss

	2006	2005
Trading assets	965	247
Investments for risk of policyholders	110,547	100,961
Non-trading derivatives	1,888	2,346
Designated as at fair value through profit and loss	1,268	758
	114,668	104,312

The majority of financial assets included in Designated as at fair value through profit and loss are debt securities.

For the financial year 2006, the changes in the fair value of loans designated as at fair value through profit and loss attributable to changes in credit risk of the borrower were insignificant.

Trading assets by type

	2006	2005
Equity securities	958	242
Debt securities	5	5
Derivatives	1	
Loans and receivables	1	
	965	247

Investments for risk of policyholders by type

	2006	2005
Equity securities	87,213	79,290
Debt securities	7,241	7,140
Other investments	16,093	14,531
	110,547	100,961

The cost of investments for risk of policyholders as at 31 December 2006 was EUR 98,863 million (2005: EUR 88,748 million).

Interests in investment funds (with underlying investments in debt and equity securities, real estate and derivatives) are included under equity securities.

Notes to the consolidated balance sheet of ING Insurance continued

Non-trading derivatives

	2006	2005
Derivatives used in:		
– cash flow hedges	942	1,553
– fair value hedges	33	44
– hedges of net investments in foreign operations	3	2
Other non-trading derivatives	910	747
	1,888	2,346

3 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments by type

	2006	2005
Equity securities	16,327	14,319
Debt securities	124,163	130,189
	140,490	144,508

Changes in available-for-sale investments

	Equity securities		Debt securities		Total	
	2006	2005	2006	2005	2006	2005
Opening balance	14,319	10,283	130,189	101,833	144,508	112,116
Implementation IAS 32/39		959		7,330		8,289
Additions	6,208	8,478	181,977	157,499	188,185	165,977
Transfers	–177	–89	–146	–345	–323	–434
Changes in the composition of the group	–6	49	2	–1,405	–4	–1,356
Change in unrealised revaluations	1,813	2,139	–2,688	–518	–875	1,621
Impairments	–25	–46	36	34	11	–12
Disposals and redemptions	–5,423	–7,940	–176,656	–145,316	–182,079	–153,256
Exchange rate differences	–382	486	–8,551	11,077	–8,933	11,563
Closing balance	16,327	14,319	124,163	130,189	140,490	144,508

Available-for-sale equity securities

	2006	2005
Listed	14,376	12,311
Unlisted	1,951	2,008
	16,327	14,319

Revaluation of available-for-sale equity securities

	2006	2005
Cost	11,110	10,008
Gross unrealised gains	5,284	4,377
Gross unrealised losses	67	66
	16,327	14,319

Revaluation of available-for-sale debt securities

	2006	2005
Cost	121,242	124,792
Gross unrealised gains	4,208	6,670
Gross unrealised losses	1,287	1,273
	124,163	130,189

As at 31 December 2006 no investments were classified as held-to-maturity (2005: nil).

Borrowed equity securities and convertible bonds are not recognised in the balance sheet and amounted to nil as at 31 December 2006 (2005: nil).

Borrowed debt securities are not recognised in the balance sheet and amounted to nil as at 31 December 2006 (2005: nil).

Investments with a combined carrying value of EUR 43 million (2005: EUR 3 million) were non-income-producing for the year ended 31 December 2006.

4 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by type

	Netherlands		International		Total	
	2006	2005	2006	2005	2006	2005
Policy loans	55	55	3,511	3,481	3,566	3,536
Loans secured by mortgages	18,335	17,438	9,539	10,638	27,874	28,076
Personal loans	3,736	3,836	866	2,125	4,602	5,961
Other	507	836	1,047	105	1,554	941
	22,633	22,165	14,963	16,349	37,596	38,514
Loan loss provision	-12	-16	-25	-31	-37	-47
	22,621	22,149	14,938	16,318	37,559	38,467

5 INVESTMENTS IN ASSOCIATES

Investments in associates

2006	Interest held (%)	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Vesteda	25	810	4,610	1,371	362	51
Lionbrook Property Partnership	30	355	1,276	106	214	20
ING Winkels Basisfonds	25	311	1,326	80	212	9
ING Woningen Basisfonds	25	227	990	84	93	8
Property Fund Iberica	30	186	1,792	1,160	319	175
ING PF Brittanica	20	115	1,093	522	162	59
Q-Park N.V.	19	166	1,995	1,120	95	86
B.V. Petroleum Maatschappij 'Moeara Enim'	33	141	2,901	2,475	52	6
ING Vastgoed Winkels C.V.	10	80	803	4	146	11
ING Logistic Property C.V.	25	74	552	255	90	29
ING Convent Garden	32	59	318	130	76	9
Retail Property Fund France Belgium (RPFFB)	15	63	1,096	678	142	60
ING Vastgoed Woningen C.V.	10	54	541		71	9
Other investments in associates		510				
		3,151				

None of these associates are listed.

Notes to the consolidated balance sheet of ING Insurance continued

Accumulated impairments have been recognised of nil (2005: nil).

For the above associates in which the interest held is below 20%, significant influence exists based on the combination of ING Insurances financial interests for own risk and its role as investment manager.

Investments in associates

2005	Interest held (%)	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Vesteda	25	731	4,333	1,409	390	121
Lionbrook Property Partnership	33	308	988	62	42	14
ING Winkels Basisfonds	25	275	1,177	75	134	12
ING Woningen Basisfonds	25	205	925	54	144	45
Property Fund Iberica	30	165	1,472	911	241	152
ING PF Britannica	33	135	768	361	48	28
Q-Park N.V.	19	105	1,277	721	32	29
ING Vastgoed Winkels C.V.	10	72	727	8	107	15
ING Logistic Property C.V.	25	62	477	230	48	23
ING Convent Garden	44	53	247	125	12	4
Retail Property Fund France Belgium (RPFFB)	15	52	863	520	101	48
ING Vastgoed Woningen C.V.	10	51	515		95	35
Other investments in associates		249				
		2,463				

Changes in investments in associates

	2006	2005
Opening balance	2,463	1,744
Implementation IAS 32/39 and IFRS 4		-267
Additions	219	410
Changes in the composition of the group	113	-125
Transfers to and from Investments	155	918
Revaluations	24	41
Share of results	465	401
Dividends received	-126	-132
Disposals	-196	-525
Exchange rate differences	34	-2
Closing balance	3,151	2,463

6 REAL ESTATE INVESTMENTS

Changes in real estate investments

	2006	2005
Opening balance	3,254	5,140
Additions	1,301	1,039
Changes in the composition of the group		-97
Transfers to and from Other assets	-406	-2,639
Transfers to and from Property in own use	44	-2
Fair value gains/(losses)	108	143
Disposals	-983	-383
Exchange rate differences	-8	53
Closing balance	3,310	3,254

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2006 was EUR 266 million (2005: EUR 292 million). The total amount of contingent rent recognised in the profit and loss account for the year ended 31 December 2006 was EUR 14 million (2005: EUR 6 million).

The total amount of direct operating expenses (including repairs and maintenance) arising from Real estate investments that generated rental income for the year ended 31 December 2006 was EUR 72 million (2005: EUR 60 million). The total amount of direct operating expenses (including repairs and maintenance) arising from Real estate investments that did not generate rental income for the year ended 31 December 2006 was EUR 23 million (2005: EUR 32 million).

Appraisal of real estate investments during the last five years by professionally qualified valuers (in percentages)

year of appraisal	
2006	96
2005	2
2004	1
2003	1
2002	0
	100

7 PROPERTY AND EQUIPMENT

Property and equipment by type

	2006	2005
Property in own use	694	788
Equipment	357	321
	1,051	1,109

Notes to the consolidated balance sheet of ING Insurance continued

Changes in property in own use

	2006	2005
Opening balance	788	843
Additions	8	35
Changes in the composition of the group		-7
Transfers to and from real estate investments	-44	2
Transfers to and from other assets	12	-25
Depreciation	-11	-14
Revaluations	7	16
Impairments		-1
Disposals	-36	-110
Exchange rate differences	-30	49
Closing balance	694	788
Gross carrying amount as at 31 December	779	869
Accumulated depreciation as at 31 December	-33	-29
Accumulated impairments as at 31 December	-52	-52
Net book value	694	788
Revaluation surplus		
Opening balance	90	48
Revaluation in year	20	42
Released in year	-1	
Closing balance	109	90

Cost less depreciation is EUR 585 million (2005: EUR 698 million).

Appraisal of property in own use during the last five years by professionally qualified valuers (in percentages)

year of appraisal	
2006	54
2005	12
2004	21
2003	6
2002	7
	100

Changes in equipment

	Data processing equipment		Fixtures and fittings and other equipment		2006	Total 2005
	2006	2005	2006	2005		
Opening balance	57	59	264	234	321	293
Additions	33	30	168	80	201	110
Changes in the composition of the group	-1		-1	1	-2	1
Disposals	-4	-1	-43	-17	-47	-18
Depreciation	-31	-38	-60	-61	-91	-99
Impairments			-1		-1	
Exchange rate differences	-3	7	-20	27	-23	34
Other changes			-1		-1	
Closing balance	51	57	306	264	357	321
Gross carrying amount as at 31 December	269	219	593	478	862	697
Accumulated depreciation as at 31 December	-218	-162	-286	-214	-504	-376
Accumulated impairments as at 31 December			-1		-1	
Net book value	51	57	306	264	357	321

8 INTANGIBLE ASSETS

Changes in intangible assets

	Value of business acquired		Goodwill		Software		Other		Total
	2006	2005	2006	2005	2006	2005	2006	2005	
Opening balance	2,986		180	171	196	202	108	50	423
Transfer from deferred acquisition costs		2,693							2,693
Additions/Capitalised	107	101	104	16	93	109	42	5	231
Amortisation	-175	-241			-100	-103	-7	-5	-349
Impairments					-10	-20		-1	-21
Effect of unrealised revaluations in equity	18	157							157
Changes in the composition of the group	-5	63		-30	-7		46	51	84
Exchange rate differences	-290	213	-20	23	-9	8	-25	8	252
Closing balance	2,641	2,986	264	180	163	196	164	108	3,470
Gross carrying amount as at 31 December	3,057	3,227	264	180	488	412	188	125	3,944
Accumulated amortisation as at 31 December	-416	-241			-310	-210	-24	-17	-468
Accumulated impairments as at 31 December					-15	-6			-6
Net book value	2,641	2,986	264	180	163	196	164	108	3,470

Amortisation of software and other intangible assets is included in the profit and loss account in Operating expenses. Amortisation of VOBA is included in Underwriting expenditure.

Notes to the consolidated balance sheet of ING Insurance continued

9 DEFERRED ACQUISITION COSTS

Changes in deferred acquisition costs

	Investment contracts		Life insurance		Non-life insurance		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Opening balance	71		9,043	9,999	490	429	9,604	10,428
Implementation IFRS 4		110		-742				-632
Capitalised	25	23	2,544	2,422	259	311	2,828	2,756
Amortisation	-11	-10	-1,178	-1,150	-255	-315	-1,444	-1,475
Unlocking			-11	4			-11	4
Effect of unrealised revaluations in equity			43	239			43	239
Transfer to VOBA		-119		-2,574				-2,693
Changes in the composition of the group				-138		-2		-140
Exchange rate differences	-2	10	-812	1,062	-43	67	-857	1,139
Disposal of portfolios		57	16	-79	-16			-22
Closing balance	83	71	9,645	9,043	435	490	10,163	9,604

For flexible life insurance contracts the growth rate assumption used for calculating the amortisation of the deferred acquisition costs for 2006 is 7.6% gross and 6.1% net of investment management fees (2005: 7.9% gross and 6.9% net of investment management fees).

10 OTHER ASSETS

Other assets by type

	2006	2005
Reinsurance and insurance receivables	4,105	3,144
Deferred tax assets	119	158
Property held for sale	10	15
Property under development for third parties	96	51
Income tax receivable	156	37
Accrued interest and rents	3,012	3,024
Other accrued assets	402	352
Other receivables	2,701	3,812
	10,601	10,593

Disclosures in respect of deferred tax assets are provided in Note 17 Other liabilities.

Property held for sale consists of property obtained from foreclosures.

The total amount of borrowing costs relating to Property under development for third parties capitalised in 2006 is EUR 2 million (2005: nil).

Reinsurance and insurance receivables

	2006	2005
Receivables on account of direct insurance from		
– policyholders	2,390	2,212
– intermediaries	239	213
Reinsurance receivables	1,476	719
	4,105	3,144

EQUITY

11 SHAREHOLDERS' EQUITY (PARENT)

Shareholders' equity (parent)

	2006	2005	2004
Share capital	174	174	174
Share premium	4,374	4,374	4,374
Revaluation reserve	7,098	6,994	1,165
Currency translation reserve	-257	744	-435
Other reserves	10,528	8,341	8,001
Shareholders' equity (parent)	21,917	20,627	13,279

The Revaluation reserve, Share of associates reserve (included in Other reserves) and Currency translation reserve cannot be freely distributed.

Share capital

	Ordinary shares (par value EUR 1.13)			
	Number X1,000		Amount	
	2006	2005	2006	2005
Authorised share capital	680,000	680,000	768	768
Unissued share capital	526,116	526,116	594	594
Issued share capital	153,884	153,884	174	174

Ordinary shares

All shares are in registered form. No share certificates have been issued. Shares may be transferred by means of a deed of transfer, subject to the approval of the Executive Board of ING Insurance. The par value of ordinary shares is EUR 1.13. The authorised ordinary share capital of ING Insurance consists of 680 million shares, of which as at 31 December 2006 154 million have been issued and fully paid. There were no changes in issued share capital during 2006 or 2005.

Dividend restrictions

ING Verzekeringen N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital, and reserves required by law. Additionally, certain group companies are subject to restrictions on the amount of funds they may transfer in the form of dividends or otherwise to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

Currency translation reserve

	2006	2005	2004
Opening balance	744	-435	
Implementation IAS 32/39 and IFRS 4		2	
Unrealised revaluations after tax	75		
Exchange rate differences	-1,076	1,177	-435
Closing balance	-257	744	-435

Notes to the consolidated balance sheet of ING Insurance continued

Revaluation reserve

2006	Property revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Total
Opening balance	98	5,927	969	6,994
Unrealised revaluations	-16	1,007	-273	718
Realised gains/losses transferred to profit and loss		-620	6	-614
	82	6,314	702	7,098

Revaluation reserve

	Property revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Total 2005	Total 2004
Opening balance	85	1,080		1,165	1,181
Implementation IAS 32/39 and IFRS 4		3,330	443	3,773	
Unrealised revaluations	13	1,768	526	2,307	708
Realised gains/losses transferred to profit and loss		-501		-501	-724
Other changes		250		250	
	98	5,927	969	6,994	1,165

Other reserves

2006	Retained earnings	Share of associates reserve	Other reserves	Total
Opening balance	8,147	-2	196	8,341
Profit for the year	3,260	700		3,960
Dividend	-1,522	-128		-1,650
Other			-123	-123
Closing balance	9,885	570	73	10,528

Other reserves

	Retained earnings	Share of associates reserve	Other reserves	Total 2005	Total 2004
Opening balance	7,999	2		8,001	5,375
Implementation IAS 32/39 and IFRS 4	-1,552			-1,552	
Profit for the year	3,291			3,291	3,361
Dividend	-1,595			-1,595	-629
Other	4	-4	196	196	-106
Closing balance	8,147	-2	196	8,341	8,001

LIABILITIES

12 SUBORDINATED LOANS

Subordinated loans consists of subordinated bonds issued by ING Verzekeringen N.V. These bonds have been issued to raise hybrid capital. Under IFRS these bonds are classified as liabilities. They are considered capital for regulatory purposes.

Subordinated loans

Interest rate	Year of Issue	Due date	Notional amount in original currency	Balance sheet value	
				2006	2005
5.775%	2005	Unlimited	USD 1,000	759	859
4.176%	2005	Unlimited	EUR 300	284	298
6.125%	2005	Unlimited	USD 200	143	167
6.125%	2005	Unlimited	USD 100	71	84
6.375%	2002	7 May 2027	EUR 1,000	1,100	1,173
7.200%	2002	Unlimited	USD 500	379	423
6.250%	2001	21 June 2021	EUR 1,250	1,307	1,372
				4,043	4,376

13 DEBT SECURITIES IN ISSUE

The debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on interest rate levels, such as certificates of deposit and accepted bills issued by ING Insurance, 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 Insurance 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

	2006	2005
Fixed rate debt securities		
Within 1 year	776	
More than 1 year but less than 2 years		340
More than 2 years but less than 3 years	653	
More than 3 years but less than 4 years		612
More than 4 years but less than 5 years	706	326
More than 5 years	3,255	1,446
Total fixed rate debt securities	5,390	2,724
Floating rate debt securities		
Within 1 year		954
More than 1 year but less than 2 years		448
More than 5 years	49	100
Total floating rate debt securities	49	1,502
Total debt securities	5,439	4,226

As of 31 December 2006, ING Insurance had unused lines of credit available including the payment of commercial paper borrowings relating to the debt securities in issue, totalling EUR 607 million (2005: nil).

Notes to the consolidated balance sheet of ING Insurance continued

14 OTHER BORROWED FUNDS

Other borrowed funds by remaining term

2006	2007	2008	2009	2010	2011	There after	Total
Loans contracted	4,926	690	505	1,188	500	842	8,651
Loans from credit institutions	5,094	1,133	357	280	164	336	7,364
	10,020	1,823	862	1,468	664	1,178	16,015

Other borrowed funds by remaining term

2005	2006	2007	2008	2009	2010	There after	Total
Loans contracted	6,099	508	533	404	518	372	8,434
Loans from credit institutions	5,314	657	996	83	276	1,553	8,879
	11,413	1,165	1,529	487	794	1,925	17,313

15 INSURANCE, REINSURANCE AND INVESTMENT CONTRACTS

Insurance, reinsurance and investment contracts

	Own account		Reinsured element		Gross	
	2006	2005	2006	2005	2006	2005
Provision for non-participating life policy liabilities	78,772	79,759	4,930	5,241	83,702	85,000
Provision for participating life policy liabilities	52,914	51,866	187	200	53,101	52,066
Provision for (deferred) profit sharing and rebates	2,956	4,195	5		2,961	4,195
Provision for life insurance for risk of policyholders	97,304	89,531	651	1,197	97,955	90,728
Life insurance provisions	231,946	225,351	5,773	6,638	237,719	231,989
Provision for unearned premiums and unexpired risks	2,631	2,835	156	258	2,787	3,093
Reported claims provision	5,503	6,371	600	1,277	6,103	7,648
Claims incurred but not reported (IBNR)	1,148	1,831		112	1,148	1,943
Claims provisions	6,651	8,202	600	1,389	7,251	9,591
Other insurance provisions	176	181			176	181
Total provisions for insurance contracts	241,404	236,569	6,529	8,285	247,933	244,854
Investment contracts for risk of company	7,505	7,223			7,505	7,223
Investment contracts for risk of policyholders	13,245	11,410			13,245	11,410
Investment contracts liabilities	20,750	18,633			20,750	18,633
Insurance and investment contracts	262,154	255,202	6,529	8,285	268,683	263,487

Changes in life insurance provisions

	Own account		Reinsured element		Gross	
	2006	2005	2006	2005	2006	2005
Opening balance	225,351	200,158	6,638	5,256	231,989	205,414
Implementation IFRS 4		-14,308		-7		-14,315
Changes in the composition of the group	83	44	23	-44	106	
	225,434	185,894	6,661	5,205	232,095	191,099
Current year provisions (premiums)	28,863	18,643	1,525	806	30,388	19,449
Change in deferred profit sharing liability	-1,241	508			-1,241	508
Prior year provisions:						
– benefit payments to policyholders	-13,166	-10,498	-366	-431	-13,532	-10,929
– interest accrual	4,791	4,089	18	-32	4,809	4,057
– valuation changes for risk of policyholders	2,702	5,074			2,702	5,074
– effect of changes in discount rate assumptions		2				2
– effect of changes in other assumptions	-21	861		306	-21	1,167
	-5,694	-472	-348	-157	-6,042	-629
Exchange rate differences	-15,874	17,075	-535	616	-16,409	17,691
Other changes	458	3,703	-1,530	168	-1,072	3,871
Closing balance	231,946	225,351	5,773	6,638	237,719	231,989

Where discounting is used in the calculation of life insurance provision the rate is, based on weighted averages, within the range of 2.9% to 6.8% (2005: 3.0% to 6.0%).

To the extent that the assuming reinsurers are unable to meet their obligations, ING Insurance remains liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectible. The life reinsurance market is highly concentrated and, therefore, diversification of exposure is inherently difficult. To minimise its exposure to significant losses from reinsurer insolvencies, ING Insurance evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer.

As at 31 December 2006, the receivables from reinsurers amounted to EUR 1,476 million (2005: EUR 719 million) after the provision for uncollectible reinsurance of EUR 6 million (2005: EUR 6 million).

Changes in provision for unearned premiums and unexpired risks

	Own account		Reinsured element		Gross	
	2006	2005	2006	2005	2006	2005
Opening balance	2,835	2,509	258	354	3,093	2,863
Changes in the composition of the group	-9	-15		-26	-9	-41
	2,826	2,494	258	328	3,084	2,822
Premiums written	5,994	6,087	339	526	6,333	6,613
Premiums earned during the year	-5,929	-6,133	-377	-636	-6,306	-6,769
Exchange rate differences	-245	380	-22	44	-267	424
Other changes	-15	7	-42	-4	-57	3
Closing balance	2,631	2,835	156	258	2,787	3,093

Notes to the consolidated balance sheet of ING Insurance continued

Changes in claims provisions

	Own account		Reinsured element		Gross
	2006	2005	2006	2005	2006
Opening balance	8,202	7,378	1,389	1,134	9,591
Implementation IFRS 4		19		20	39
Changes in the composition of the group	-4	27		-27	-4
	8,198	7,424	1,389	1,127	9,587
Additions					
– for the current year	3,261	3,797	124	891	3,385
– for prior years	-525	-592	-18	-22	-543
– interest accrual of provision	54	72		20	54
	2,790	3,277	106	889	2,896
Claim settlements and claim settlement costs					
– for the current year	1,569	1,747	33	295	1,602
– for prior years	1,458	1,673	388	536	1,846
	3,027	3,420	421	831	3,448
Exchange rate differences	-381	747	-93	164	-474
Other changes	-929	174	-381	40	-1,310
Closing balance	6,651	8,202	600	1,389	7,251

ING Insurance had an outstanding balance of EUR 66 million at 31 December 2006 (2005: EUR 68 million) relating to environmental and asbestos claims. 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 Insurance considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognised for IBNR claims and for known claims (including the costs of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities are reviewed and updated regularly.

Other changes mainly relate to the reclassification of certain health and disability from non-life to life as described in the section 'Changes in presentation'.

The release of the provision from prior years in 2006 and 2005 are a result of favourable underwriting results in several business units, in particular, the Netherlands business units benefitted from changes in legal requirements for disability benefits, favourable results and reserving methodology changes and Canada benefited from favourable experience mostly from automobile pools.

Where discounting is used in the calculation of the claims provision the rate is, based on weighted averages, within the range of 3.0% to 4.0% (2005: 3.0% to 4.0%).

Changes in investment contracts liabilities

	2006	2005
Opening balance	18,633	
Implementation IFRS 4		16,860
Changes in the composition of the group	-42	
	18,591	16,860
Current year liabilities	8,432	5,553
Prior year provisions		
– payments to contract holders	-6,667	-7,051
– interest accrual	344	276
– valuation changes investments	948	1,060
	-5,375	-5,715
Exchange rate differences	-1,021	1,659
Other changes	123	276
Closing balance	20,750	18,633

Gross claims development table

	Under-writing year 2004	Under-writing year 2005	Under-writing year 2006	Total
Estimate of cumulative claims:				
At the end of underwriting year	2,988	3,265	3,110	
1 year later	2,619	3,109		
2 years later	2,417			
Estimate of cumulative claims	2,417	3,109	3,110	8,636
Cumulative payments	-1,643	-1,873	-1,171	-4,687
	774	1,236	1,939	3,949
Effect of discounting	-69	-94	-137	-300
Liability recognised	705	1,142	1,802	3,649
Liability relating to prior underwriting years				3,602
Total amount recognised in the balance sheet				7,251

ING Insurance applies the exemption in IFRS-EU not to present Gross claims development for annual periods beginning before 1 January 2004 (the date of transition to IFRS-EU) as it is impracticable to obtain such information.

16 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Non-trading derivatives

	2006	2005
Derivatives used in:		
– cash flow hedges	289	314
– fair value hedges	11	21
– hedges of net investments in foreign operations	3	
Other non-trading derivatives	576	561
	879	896

Notes to the consolidated balance sheet of ING Insurance continued

17 OTHER LIABILITIES

Other liabilities by type

	2006	2005
Deferred tax liabilities	1,822	2,731
Pension liabilities and other staff-related liabilities	406	744
Other taxation and social security contributions	297	257
Deposits from reinsurers	462	642
Accrued interest	937	860
Costs payable	936	975
Amounts payable to brokers	238	100
Amounts payable to policyholders	3,105	3,260
Other provisions	357	468
Other	6,414	6,621
	14,974	16,658

Deferred taxes are calculated on all temporary differences under the liability method using tax rates applicable to the jurisdictions in which ING Insurance is liable to taxation.

Deferred tax by origin

	2006	2005
Investments	1,179	1,876
Financial assets and liabilities at fair value through profit and loss	34	
Deferred acquisition costs and VOBA	3,177	4,075
Fiscal equalisation reserve	3	-6
Depreciation	-5	
Insurance provisions	-1,490	-2,222
Other provisions	-897	-506
Receivables	122	101
Loans and advances to customers	2	
Unused tax losses carried forward	-420	-560
Other	-2	-185
	1,703	2,573
Comprising:		
– deferred tax liabilities	1,822	2,731
– deferred tax assets	119	158
	1,703	2,573

Changes in deferred tax

	2006	2005
Opening balance	2,573	1,939
Changes in composition of the group	9	29
Changes through profit and loss	303	136
Changes through equity	-737	347
Exchange rate differences	-66	106
Other	-379	16
Closing balance	1,703	2,573

The deferred tax changes through equity includes a deferred tax charge of EUR –981 million relating to unrealised valuations, EUR –242 million relating to changes in the cash flow hedge reserve, EUR 486 million relating to transfers to insurance liabilities and DAC, and nil relating to stock options and share plans. These items are presented in the Deferred tax by origin table in Investments and Insurance provisions respectively. Other changes in deferred tax are included in the profit and loss.

Included in Other in 2005 is EUR 1,059 million relating to the introduction of IAS 32/39 and IFRS 4.

Deferred tax in connection with unused tax losses carried forward

	2006	2005
Total unused tax losses carried forward	1,637	2,115
Unused tax losses carried forward not recognised as a deferred tax asset	400	448
Unused tax losses carried forward recognised as a deferred tax asset	1,237	1,667
Average tax rate	34.0%	33.6%
Deferred tax asset	420	560

Deferred income tax assets are recognised for tax loss carry forwards and unused tax credits only to the extent that realisation of the related tax benefit is probable. The uncertainty of the recoverability of the tax losses and tax credits is taken into account in establishing the deferred tax assets. The following tax loss carry forwards and tax credits will expire as follows at 31 December:

Total unused tax losses carried forward analysed by expiry terms

	No deferred tax asset recognised		Deferred tax asset recognised	
	2006	2005	2006	2005
Within 1 year	16	73	15	88
More than 1 year but less than 5 years	40		58	
More than 5 years but less than 10 years			300	432
More than 10 years but less than 20 years	247	263	708	726
Unlimited	97	112	156	421
	400	448	1,237	1,667

Changes in other provisions

	Reorganisations and relocations		Other		Total	
	2006	2005	2006	2005	2006	2005
Opening balance	69	49	399	366	468	415
Changes in the composition of the group	–2	2	–2	4	–4	6
Additions	14	41	120	71	134	112
Interest			5		5	
Releases	–30	–3		–14	–30	–17
Charges	–12	–21	–197	–61	–209	–82
Exchange rate differences	–1	1	–15	29	–16	30
Other changes	9			4	9	4
Closing balance	47	69	310	399	357	468

The additions to the provision for reorganisations and relocations in 2006 relate mainly to reorganisations in the Dutch Insurance operations.

In general the reorganisations and relocations provisions are of a short-term nature.

Notes to the consolidated balance sheet of ING Insurance continued

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.

Pension liabilities and other staff-related liabilities

ING Insurance maintains defined benefit retirement plans in the major countries in which it operates. These plans generally cover all employees and provide benefits that are related to the remuneration and service of employees upon retirement. The benefits in some of these plans are subject to various forms of indexation. This indexation is in some cases at the discretion of management, in other cases it is dependant 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 concerning investments and funding levels.

ING Insurance provides other post-employment and post-retirement employee benefits to certain employees and former employees. These are primarily post-retirement healthcare benefits and post-employment defined benefit early-retirement plans provided to employees and former employees.

Certain group companies sponsor defined contribution pension plans. The assets of all ING Insurance'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.

Summary of pension liabilities and other staff-related liabilities

	Pension benefits		Post-retirement benefits other than pensions		Other		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Defined benefit obligation	5,699	5,910	176	247	14	70	5,889	6,227
Fair value of plan assets	5,063	4,684					5,063	4,684
	636	1,226	176	247	14	70	826	1,543
Unrecognised past service costs			8	-5			8	-5
Unrecognised actuarial gains/(losses)	-426	-780	-2	-14			-428	-794
Amount included in Other liabilities	210	446	182	228	14	70	406	744

Actuarial gains and losses for pension liabilities for the year ended 31 December 2006 includes nil experience gain adjustments for assets and nil experience gain adjustments for liabilities.

During 2006 certain plans were reclassified from Other to Pension benefits. This reclassification did not have an effect on total pension liabilities and other staff related liabilities. This reclassification is included in the line other changes in the table below.

Changes in defined benefit obligations

	Pension benefits		Post-retirement benefits other than pensions	
	2006	2005	2006	2005
Opening balance	5,910	4,851	247	349
Current service cost	160	177	12	15
Interest cost	251	250	8	18
Employer's contribution			1	
Participants contributions	-24	3	5	6
Benefits paid	-196	-193	-44	-22
Actuarial gains and losses	-187	498	-12	50
Past service cost		56	-2	
Changes in the composition of the group and other changes	-36	53	35	-1
Effect of curtailment or settlement		-1	-60	-179
Exchange rate differences	-179	216	-14	11
Closing balance	5,699	5,910	176	247
Relating to:				
– funded plans	5,670	5,861		
– unfunded plans	29	49	176	247
	5,699	5,910	176	247

The estimated unrecognised past service cost and unrecognised actuarial gains/losses for the defined benefit related liability plans that will be amortised into pension and other staff costs during 2007 are nil and nil respectively.

Changes in fair value of plan assets

	Pension benefits	
	2006	2005
Opening balance	4,684	4,182
Expected return on plan assets	290	267
Employer's contribution	257	196
Participants contributions	3	3
Benefits paid	-193	-193
Actuarial gains and losses	98	-32
Changes in the composition of the group	57	96
Exchange rate differences	-133	165
Closing balance	5,063	4,684

The actual return on the plan assets amounted to EUR 388 million (2005: EUR 235 million; 2004: EUR 295 million).

It is not expected that any plan assets are returned to ING Insurance during 2007.

Notes to the consolidated balance sheet of ING Insurance continued

Pension investment strategy

The primary financial objective of the ING Employee Benefit Plans (the Plan) is to secure participant retirement benefits. As such, the key objective in the Plan's financial management is to promote stability and, to the extent appropriate, growth in funded status (i.e. the ratio of market value of assets to liabilities). The investment strategy for the Plan's portfolio of assets (the Fund) balances the requirement to generate returns with the need to control risk. The asset mix is recognised as the primary mechanism to influence the reward and risk structure of the Fund in an effort to accomplish the Plan's funding objectives. Desirable target allocations amongst identified asset classes are set and within each asset class, careful consideration is given to balancing the portfolio among industry sectors, geographical areas, interest rate sensitivity, dependence on economic growth, currency and other factors affecting investment returns. The assets are managed by professional investment firms. They are bound by precise mandates and are measured against specific benchmarks. Factors considered by the fund managers include balancing security concentration, investment style, and reliance on particular active investment strategies. ING will review its asset mix of the fund on a regular basis. Generally, ING will rebalance the fund's asset mix to the target mix as individual portfolios approach their minimum or maximum levels.

Categories of plan assets in percentages

	Target allocation	Percentage of plan assets		Weighted average expected long term rate of return	
	2007	2006	2005	2006	2005
Equity securities	38	38	39	8.3	8.2
Debt securities	53	53	50	5.5	5.0
Other	9	9	11	7.4	6.8
	100	100	100	6.7	6.4

Equity securities include ING Group ordinary shares of EUR 5 million (0.1% of total plan assets) at 31 December 2006 (2005: EUR 5 million, 0.1% of total plan assets). Real estate includes nil (0.0% of total plan assets) at 31 December 2006.

Determination of expected return on assets

An important element for financial reporting is the assumption for return on assets (ROA). The ROA is updated at least annually, taking into consideration the Plan's asset allocation, historical returns on the types of assets held in the Fund, and the current economic environment. Based on these factors, it is expected that the Fund's assets will earn an average percentage per year over the long term. This estimation takes into account a reduction for administrative expenses and non-ING investment manager fees paid from the Fund. For estimation purposes, it is assumed the long term asset mix will be consistent with the current mix. Changes in the asset mix could impact the amount of recorded pension income or expense, the funded status of the Plan, and the need for future cash contributions.

Weighted averages of basic actuarial assumptions in annual % as at 31 December

	Pension benefits		Post-retirement benefits other than pensions	
	2006	2005	2006	2005
Discount rates	4.90	4.00	5.40	4.00
Expected rates of salary increases (excluding promotion increases)	2.75	2.50	3.50	2.50
Medical cost trend rates			5.90	4.00
Consumer price inflation	2.00	1.75	2.25	1.75

The assumptions above are weighted by defined benefit obligations. The rates used for salary developments, interest discount factors and other adjustments reflect specific country conditions.

An increase of 1% in the assumed medical cost trend rate for each future year would have resulted in an additional accumulated defined benefit obligation of EUR 2 million at 31 December 2006 (2005: EUR 34 million) and no increase in the charge for the year (2005: EUR 3 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 2 million at 31 December 2006 (2005: EUR 76 million) and no decrease in the charge for the year (2005: EUR 2 million).

Expected cash flows

During 2007 the expected contributions to pension plans is EUR 264 million.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid by the plan:

Benefits payments

	Pension benefits	Post- retirement benefits other than pensions
2007	224	21
2008	226	22
2009	229	22
2010	229	22
2011	229	22
Years 2012 - 2016	1,394	118

Additional information to the consolidated balance sheet of ING Insurance amounts in millions of euros, unless stated otherwise

18 ASSETS AND LIABILITIES BY CONTRACTUAL MATURITY

Assets and liabilities by contractual maturity

2006	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
ASSETS							
Cash and cash equivalents	3,017						3,017
Financial assets at fair value through profit and loss							
– trading assets ⁽²⁾			1	6		958	965
– non-trading derivatives	37	59	139	420	1,226	7	1,888
– designated as at fair value through profit and loss			85		1,183		1,268
Available-for-sale investments	1,168	1,321	3,802	23,629	69,308	41,262	140,490
Loans and advances to customers	595	453	2,606	10,166	20,451	3,288	37,559
Reinsurance contracts	23	60	440	571	2,281	3,154	6,529
Intangible assets						3,232	3,232
Deferred acquisition costs						10,163	10,163
Other assets						10,601	10,601
Remaining assets (where maturities are not applicable) ⁽¹⁾						118,059	118,059
Total assets	4,840	1,893	7,073	34,792	94,449	190,724	333,771
LIABILITIES							
Subordinated loans						4,043	4,043
Debt securities in issue	436		340	1,359	3,304		5,439
Other borrowed funds	3,379	4,773	1,868	4,817	1,178		16,015
Insurance and investment contracts	2,327	3,556	11,677	34,003	103,524	113,596	268,683
Financial liabilities at fair value through profit and loss							
– trading liabilities ⁽²⁾						51	51
– non-trading derivatives	91	38	88	244	380	38	879
Other liabilities	603	712	4,270	3,954	1,162	4,273	14,974
Total liabilities	6,836	9,079	18,243	44,377	109,548	122,001	310,084

⁽¹⁾ included in remaining assets where maturities are not applicable are:

- property and equipment;
- real estate investments;
- investments for risk of policyholders;
- investments in associates.

⁽²⁾ Trading assets and trading liabilities have been presented in the above table as 'maturity not applicable', because they are held for short term profit taking. The majority of items are debt instruments and equity instruments where the contractual maturity is generally more than 5 years.

Disclosures about ING Insurance's exposure to interest rate risk are presented in the 'Risk management' section. Those sensitivity disclosures are included instead of disclosures on repricing dates and effective interest rates, as those sensitivity disclosures better reflect ING Insurance's exposure to interest rate risk in line with ING Insurance's risk management procedures.

Assets and liabilities by contractual maturity

2005	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
ASSETS							
Cash and cash equivalents	2,745						2,745
Financial assets at fair value through profit and loss							
– trading assets ⁽²⁾					7	240	247
– non-trading derivatives	50	39	77	272	1,895	13	2,346
– designated as at fair value through profit and loss						758	758
Available-for-sale investments	1,247	1,575	3,645	25,366	74,698	37,977	144,508
Loans and advances to customers	408	371	2,912	9,712	23,325	1,739	38,467
Reinsurance contracts	39	57	895	437	1,206	5,651	8,285
Intangible assets						3,470	3,470
Deferred acquisition costs						9,604	9,604
Other assets	4,009			2,926		3,658	10,593
Remaining assets (where maturities are not applicable) ⁽¹⁾						107,787	107,787
Total assets	8,498	2,042	7,529	38,713	101,131	170,897	328,810
LIABILITIES							
Subordinated loans					4,376		4,376
Debt securities in issue			963	1,758	1,505		4,226
Other borrowed funds	6,221	3,032	2,160	3,976	889	1,035	17,313
Insurance and investment contracts	1,896	2,709	8,962	20,120	94,974	134,826	263,487
Financial liabilities at fair value through profit and loss							
– non-trading derivatives	55	49	140	157	495		896
Other liabilities	1,443	860	8,276	958	1,712	3,409	16,658
Total liabilities	9,615	6,650	20,501	26,969	103,951	139,270	306,956

⁽¹⁾ included in remaining assets where maturities are not applicable are:

- property and equipment;
- real estate investments;
- investments for risk of policyholders;
- investments in associates.

⁽²⁾ Trading assets and trading liabilities have been presented in the above table as 'maturity not applicable', because they are held for short term profit taking. The majority of items are debt instruments and equity instruments where the contractual maturity is generally more than 5 years.

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Additional information to the consolidated balance sheet of ING Insurance *continued*

19 DERIVATIVES AND HEDGE ACCOUNTING

Use of derivatives and hedge accounting

As described in the 'Risk management' section, ING Insurance 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 Insurance's hedging activities is to optimise 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-EU hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-EU are classified and accounted for according to the nature of the instrument hedged and the type of IFRS-EU hedge model that is applicable. The three models applicable under IFRS-EU 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 on 'Principals of valuation and determination of results'.

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non qualifying hedges are taken to the profit and loss account. However, in certain cases, ING Insurance 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-EU, 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 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; they do however not represent amounts at risk.

ING Insurance uses credit derivatives in managing its exposure to credit risk, including total return swaps and credit default swaps, to sell or buy protection for credit risk exposures in the loan, investment and trading portfolios. No material level of hedge accounting is applied in relation to credit derivatives. These credit derivatives did not result in a significant reduction in ING Insurance's exposure to credit risk as at 31 December 2006 or 31 December 2005.

Fair value hedge accounting

ING Insurance'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 recognised in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognised in the profit and loss account. As a result, on the net accounting ineffectiveness impacts the net profit.

For the year ended 31 December 2006, ING Insurance recognised in the profit and loss account EUR -162 million (2005: EUR 87 million) of fair value losses on derivatives designated under fair value hedge accounting. This amount was offset by EUR 211 million (2005: EUR -98 million) fair value changes recognised on hedged items. This resulted in EUR 49 million net accounting ineffectiveness recognised in the profit and loss account. At 31 December 2006, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR 22 million (2005: EUR 23 million), presented in the balance sheet as EUR 33 million (2005: EUR 44 million) positive fair values under assets and EUR 11 million (2005: EUR 21 million) negative fair values under liabilities.

ING Insurance applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. The EU 'carve-out' macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket.

Cash flow hedge accounting

ING Insurance'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 across 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 recorded in Shareholders' equity. Interest cash flows on these derivatives are recognised in the profit and loss account in interest income consistently with the manner in which the forecast cash flows affect net profit. The gains and losses on ineffective portions of such derivatives are recognised immediately in the profit and loss account.

For the year ended 31 December 2006, ING Insurance recognised EUR –267 million in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity at 31 December 2006 is EUR 883 million (2005: EUR 1,424 million) gross and EUR 702 million (2005: EUR 969 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value on 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 40 years with the largest concentration in the range of 20 years to 25 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting of nil (2005: nil) was recognised in the profit and loss account.

At 31 December 2006, the fair values of outstanding derivatives designated under cash flow hedge accounting was EUR 653 million (2005: EUR 1,239 million), presented in the balance sheet as EUR 942 million (2005: EUR 1,553 million) positive fair values under assets and EUR 289 million (2005: EUR 314 million) negative fair values under liabilities.

Hedges of net investments in foreign operations

ING Insurance'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 recorded in Shareholders' equity. The balance in equity is recognised in the profit and loss account when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognised immediately in the profit and loss account.

At 31 December 2006, the fair values of outstanding derivatives designated under net investment hedge accounting was nil (2005: EUR 2 million), presented in the balance sheet as EUR 3 million (2005: EUR 2 million) positive fair values under assets and EUR 3 million (2005: nil) negative fair values under liabilities.

Accounting ineffectiveness recognised in the profit and loss account for the year ended 31 December 2006 on derivatives designated under net investment hedge accounting was EUR –12 million (2005: EUR –16 million).

Additional information to the consolidated balance sheet of ING Insurance *continued*

20 MAXIMUM CREDIT EXPOSURE

ING Insurance's maximum credit exposure as at 31 December 2006 and 2005 is represented as follows:

Maximum credit exposure

	2006	2005
Cash and cash equivalents	3,017	2,745
Trading assets:		
– debt securities	5	5
– loans and receivables	1	
– derivatives	1	
Non-trading derivatives	1,888	2,346
Designated as at fair value through profit and loss	1,268	758
Available-for-sale debt securities	124,163	130,189
Held-to-maturity debt securities		
Loans and advances to customers:		
– policy loans	3,566	3,536
– secured by mortgages	27,874	28,076
– personal loans	4,602	5,961
– other	1,517	941
Reinsurance contracts	6,529	8,285
Reinsurance and insurance receivables	4,105	3,144
Other receivables	2,701	3,812
Total credit exposure on balance sheet	181,237	189,798
Off-balance sheet credit commitments:		
– commitments	4,636	4,049
– guarantees	2,101	2,442
Total credit exposure off-balance sheet	6,737	6,491
Total credit risk	187,974	196,289

The maximum credit exposure for relevant items on the balance sheet is 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.

21 ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable primarily relate to investments of EUR 606 million provided as guarantees for certain contingent liabilities. There are no material terms and conditions relating to the collateral represented by guarantees such.

22 CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business ING Insurance 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, ING Insurance offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments

	2006	2005
Commitments	4,636	4,049
Guarantees	2,101	2,442
	6,737	6,491

Guarantees relate both to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees given by ING Insurance in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. The guarantees are generally of a short-term nature. In addition to the items included in contingent liabilities, ING Insurance 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 Insurance's credit risk in these transactions is limited since these transactions are collateralised by the commodity shipped and are of a short duration.

Other contingent liabilities mainly relate to acceptances of bills and are of a short-term nature.

Future rental commitments for operating lease contracts

2007	47
2008	38
2009	30
2010	24
2011	21
years after 2011	88

23 INVESTMENT FUNDS

ING Insurance as fund manager and investor

ING Insurance sets up investment funds for which it acts as a fund manager and sole investor at the inception of the fund. Subsequently, ING Insurance will seek third-party investors to invest in the fund, thereby reducing the interest of ING Insurance. In general, ING Insurance will maintain a small percentage of interest in these funds.

ING Insurance as fund manager

ING Insurance acts as fund manager for several funds. Fees related to these management activities are charged on an arm's-length basis. In general, these funds are generally not included in the consolidated financial statement of the Insurance.

Additional information to the consolidated balance sheet of ING Insurance *continued*

24 PRINCIPAL SUBSIDIARIES AND COMPANIES ACQUIRED/DISPOSED

The principal subsidiaries of ING Verzekeringen N.V. are as follows:

ING Verzekeringen Nederland N.V.	The Netherlands
ING Vastgoed Belegging B.V.	The Netherlands
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	The Netherlands
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	The Netherlands
Parcom Ventures B.V.	The Netherlands
Postbank Levensverzekering N.V.	The Netherlands
Postbank Schadeverzekering N.V.	The Netherlands
RVS Levensverzekering N.V.	The Netherlands
RVS Schadeverzekering N.V.	The Netherlands
Movir N.V.	The Netherlands
ING Insurance N.V.	Belgium
ING Zivotna Poistovna a.s.	Slovakia
ING Nationale-Nederlanden Polska S.A.	Poland
ING Nationale-Nederlanden Polska Powszechnie Towarzystwo Emerytaryjne S.A.	Poland
ING Asigurari de Viata S.A.	Romania
ING Greek Life Insurance Company S.A.	Greece
ING Greek General Insurance Company S.A.	Greece
ING Nationale-Nederlanden Magyarországi Biztosító Rt.	Hungary
Nationale Nederlanden Vida, Compañía de Seguros y Reaseguros S.A.	Spain
Nationale Nederlanden Generales, Compañía de Seguros y Reaseguros S.A.	Spain
ING Canada Inc.	Canada
Belair Insurance Company Inc.	Canada
ING Insurance Company of Canada	Canada
ING Novex Insurance Company of Canada	Canada
ING America Insurance Holdings, Inc.	U.S.A.
ING International Insurance Holdings, Inc.	U.S.A.
ING Life Insurance and Annuity Company	U.S.A.
ING North America Insurance Corporation	U.S.A.
Lion Connecticut Holdings Inc.	U.S.A.
ReliaStar Life Insurance Company	U.S.A.
ReliaStar Life Insurance Company of New York	U.S.A.
Security Life of Denver Insurance Company	U.S.A.
ING USA Annuity and Life Insurance Company	U.S.A.
ING Life Insurance Company of America	U.S.A.
ING Seguros de Vida S.A.	Chile
ING Afore S.A. de C.V.	Mexico
Seguros Comercial America S.A. de C.V.	Mexico
ING Life Insurance Company (Japan) Limited	Japan
ING Life Insurance Company (Korea) Limited	South Korea
ING Australia Holdings Limited	Australia
ING Australia Pty Limited	Australia
ING Re (Netherlands) N.V.	The Netherlands

Companies acquired in 2006

amounts in millions of euros	ABN AMRO Asset Management Taiwan, Ltd.	Total
GENERAL		
Primary line of business	Insurance	
Date of acquisition	27 October 2006	
Percentage of voting shares acquired	100%	
PURCHASE PRICE		
Purchase price	65	65
Cash purchase price	65	65
Cash in company acquired/disposed	19	19
Cash outflow/inflow on acquisition/disposal	46	46
ASSETS		
Cash assets	23	23
Investments	2	2
Amounts due from banks	1	1
Financial assets at fair value through profit and loss	2	2
LIABILITIES		
Miscellaneous other liabilities	4	4
Net assets	24	24
Minority interests		
Net assets acquired	24	24
Goodwill recognised	41	41
Profit since date of acquisition	-1	-1
Revenue if acquisition effected at start of year	2	2

Goodwill recognised in 2006 on immaterial acquisitions was EUR 63 million, resulting in total Goodwill recognised in 2006 of EUR 104 million as disclosed in Note 8 Intangible assets.

In October 2006 ING acquired 100% of ABN AMRO Asset Management (Taiwan) Ltd, a registered Securities Investment Trust Enterprise, for EUR 65 million. The purchase will strengthen ING's existing position as the Taiwanese largest overall asset manager.

Disposals

There were no material disposals of companies in 2006.

Additional information to the consolidated balance sheet of ING Insurance continued

Companies acquired and disposed in 2005

amounts in millions of euros	New Zealand	Total acquisitions	Life of Georgia	Total disposals
GENERAL				
Primary line of business	Life Insurance		Life Insurance	
PURCHASE PRICE				
Purchase price	98	98	235	235
Cash in company acquired/disposed			118	118
Cash outflow/inflow on acquisition/disposal	98	98	353	353
ASSETS				
Investments			1,809	1,809
Miscellaneous other assets	151	151		
LIABILITIES				
Insurance and investment contracts			1,503	1,503
Net assets	151	151	306	306
Minority interests				
Net assets acquired/disposed	151	151	306	306

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

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

Companies acquired and disposed in 2004

amounts in millions of euros	Allianz Canada	Total acquisitions	Other disposals	Total disposals
GENERAL				
Primary line of business	Non-Life Insurance		Life Insurance	
PURCHASE PRICE				
Purchase price	283	283	457	457
Cash in company acquired/disposed	532	532		
Cash outflow/inflow on acquisition/disposal	-249	-249	457	457
ASSETS				
Miscellaneous other assets	944	944	776	776
LIABILITIES				
Insurance and investment contracts	1,006	1,006	320	320
Net assets	-62	-62	456	456
Minority interests				
Net assets acquired/disposed	-62	-62	456	456

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

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

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

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

25 LEGAL PROCEEDINGS

ING Insurance 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, employers, investors and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, management does not believe that their outcome will have a material adverse effect on the ING Insurance's financial position or results of operations.

These legal proceedings include a dispute over certain hurricane damages claimed by a Mexican fertilizer producer Grupo Fertinal ('Fertinal') against ING Comercial América (now known as Seguros ING S.A. de C.V. and referred to hereinafter as 'Seguros'), a wholly owned subsidiary of ING Group. Fertinal claims EUR 228 million (USD 300 million), the maximum coverage under the insurance policy of their mining operations. A judge in Mexico ruled in favour of Fertinal. This decision was appealed to a Mexican Court of Appeal, which reduced the judgment to EUR 71 million (USD 94 million), plus interest. This decision has been appealed by all parties involved. Fertinal has also made criminal complaints alleging fraud against certain Seguros current and former employees. In addition to the claim by Fertinal, Seguros also has been the subject of complaints and suits concerning the performance of certain interest sensitive life insurance products. Both the claim by Fertinal and these matters are being defended vigorously; however, at this time, we are unable to assess their final outcome.

Recently, the issue of amongst others the costs charged by the insurance industry to customers in respect of universal life insurance products (commonly referred to as *beleggingsverzekeringen*, *beleggingspolissen* or *beleggingshypotheeken*) has received attention both in the Dutch public media and from the Dutch regulator for the insurance industry and consumer protection organisations. The Dutch insurance industry (including subsidiaries of ING Groep N.V., primarily Nationale-Nederlanden) sold these products to customers either directly or through intermediaries. The concern being publicly voiced in respect of these products is that the Dutch insurance industry has not been sufficiently transparent towards its customers as to the costs charged to the customers, and that costs in respect of certain of these products may have been unfairly high. If, in the future, legal proceedings would be lodged, individually or collectively, against Dutch insurance companies in relation to these products, such legal proceedings could also be lodged against Nationale-Nederlanden or other subsidiaries of ING Groep N.V. involved. No legal proceedings have as yet been lodged against any subsidiary of ING Groep N.V. Discussions are ongoing between the insurance industry and consumer organisations.

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

Additional information to the consolidated balance sheet of ING Insurance *continued*

26 DIVIDEND RESTRICTIONS

In addition to the restrictions in respect of minimum capital and solvency requirements that are imposed by industry regulators in the countries in which subsidiaries operate, other limitations exist in certain countries. The most significant restrictions for ING Insurance relate to the operations located in the United States, which are subject to limitations on the payment of dividends to the parent company imposed by the Insurance Commissioner of the state of domicile. For life, accident and health subsidiaries, dividends are generally limited to the greater of 10% of statutory surplus or the statutory net gain from operations. For the property and casualty subsidiaries, dividends are limited to a specified percentage of the previous year's shareholders' equity or previous year's net investment gains, which varies by state. Dividends paid in excess of these limitations require prior approval of the Insurance Commissioner of the state of domicile.

The management of ING Insurance does not believe that these limitations will affect the ability of ING Insurance to pay dividends to its shareholders in the future.

27 JOINT VENTURES

Joint ventures are included proportionally in the consolidated financial statements as follows:

Most significant joint ventures

2006	Interest held (%)	Assets	Liabilities	Income	Expenses
ING Australia Ltd	51	8,617	8,266	402	295
KB Life	49	292	279	167	166
JV New Zealand Business	51	132	28	38	29
Pacific-Aetna Life Insurance/Shanghai Branch	50	136	106	37	36
Total		9,177	8,679	644	526

Most significant joint ventures

2005	Interest held (%)	Assets	Liabilities	Income	Expenses
ING Australia Ltd	51	7,932	7,527	357	257
KB Life	49	160	148	97	96
JV New Zealand Business	51	151	48	10	6
Pacific-Aetna Life Insurance/Shanghai Branch	50	114	96	38	39
Total		8,357	7,819	502	398

ING and ANZ, one of Australia's major banks, formed a funds management and life insurance joint venture in Australia. The joint venture, ING Australia Ltd, is owned 51% by ING and 49% by ANZ.

28 RELATED PARTIES

In the normal course of business, ING Insurance 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.

Transactions with joint ventures and associates

	Joint ventures		Associates	
	2006	2005	2006	2005
Receivables	120	151	191	73
Liabilities			11	

Income received from and expenses paid to, joint ventures were EUR 8 million and nil respectively (2005: EUR 18 million and nil respectively) and income received from, and expenses paid to, associates were EUR 26 million and nil respectively (2005: EUR 1 million and nil respectively).

Transactions with ING Groep N.V. and ING Bank N.V.

	ING Groep N.V.		ING Bank N.V.	
	2006	2005	2006	2005
Receivables	35	35	283	435
Liabilities	2,604	1,908	1,520	3,861
Guarantees issued in favour of			1,781	2,205
Expenses paid	120	43	180	219
Income received	5	2	68	37

Transactions with key management personnel (Executive Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. Transactions with Post-employment benefit plans are disclosed in Note 17 Other liabilities.

Key management personnel compensation

amounts in thousands of euros	Executive Board		Supervisory Board		Total	
	2006	2005	2006	2005	2006	2005
Base salary and short-term bonus	18,250	12,514	578	549	18,828	13,063
Pension costs	7,195	3,088			7,195	3,088
Fair market value of long-term incentives	8,576	5,274			8,576	5,274
Total compensation	34,021	20,876	578	549	34,599	21,425

Loans and advances to key management personnel

amounts in thousands of euros	Amount outstanding 31 December		Average interest rate		Repayments	
	2006	2005	2006	2005	2006	2005
Executive Board members	2,023	699	4.3%	4.2%	20	74
Supervisory Board members		1,588		4.7%		
Total	2,023	2,287			20	74

The disclosures relating to key management personnel reflect the amounts relating to ING Group as a whole.

The remuneration of the members and former members of the Executive Board and Supervisory Board, who are also members and former members of the Executive Board and Supervisory Board of ING Group, including pension contributions, is paid by ING Group. These and other expenses of ING Group are charged in full by ING Group to its subsidiaries, on the basis of a general allocation formula.

The remuneration costs of ING Group amounted to EUR 34.0 million (2005: EUR 20.9 million; 2004: EUR 12.6 million) for members and former members of the Executive Board and EUR 0.6 million (2005: EUR 0.5 million; 2004: EUR 0.5 million) for members and former members of the Supervisory Board. The remuneration costs allocated to ING Insurance amount to EUR 12.7 million (2005: EUR 7.5 million; 2004: EUR 6.3 million) for members and former members of the Executive Board and EUR 0.3 million (2005: EUR 0.3 million; 2004: EUR 0.2 million) for members and former members of the Supervisory Board.

Additional information to the consolidated balance sheet of ING Insurance *continued*

29 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the estimated fair values of ING Insurance'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 hereunder does not represent, and should not be construed as representing, the underlying value of ING Insurance.

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	2006	2005	2006	2005
FINANCIAL ASSETS				
Cash and cash equivalents	3,017	2,745	3,017	2,745
Financial assets at fair value through profit and loss				
– trading	965	247	965	247
– investments for risk of policyholders	110,547	100,961	110,547	100,961
– non-trading derivatives	1,888	2,346	1,888	2,346
– designated as at fair value through profit and loss	1,268	758	1,268	758
Available-for-sale investments	140,490	144,508	140,490	144,508
Loans and advances to customers	38,505	38,916	37,559	38,467
Other assets ⁽¹⁾	10,326	10,435	10,326	10,435
	307,006	300,916	306,060	300,467
FINANCIAL LIABILITIES				
Subordinated loans	4,148	4,376	4,043	4,376
Debt securities in issue	5,468	4,329	5,439	4,226
Other borrowed funds	15,136	17,320	16,015	17,313
Investment contracts for risk of company	7,505	7,223	7,505	7,223
Investment contracts for risk of policyholders	13,245	11,410	13,245	11,410
Financial liabilities at fair value through profit and loss				
– trading	51		51	
– non-trading derivatives	879	896	879	896
Other liabilities ⁽²⁾	12,084	13,013	12,084	13,013
	58,516	58,567	59,261	58,457

⁽¹⁾ Other assets does not include (deferred) tax assets.

⁽²⁾ Other liabilities does not include (deferred) tax liabilities, pension liabilities, insurance provisions and other provisions.

The estimated fair values correspond with the amounts at which the financial instruments could have been traded at the balance sheet date between knowledgeable, willing parties in arm's-length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. Because substantial trading markets do not exist for all of these financial instruments various techniques have been developed to estimate their approximate fair values. These techniques are subjective in nature and involve various assumptions about the discount rate and the estimates of the amount and timing of the anticipated future cash flows. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

If the estimated fair value is lower than the balance sheet value a review has been performed to determine that the carrying amount is recoverable.

The following methods and assumptions were used by ING Insurance to estimate the fair value of the financial instruments.

FINANCIAL ASSETS

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates its fair value.

Financial assets at fair value through profit and loss

The fair values of securities in the trading portfolio and other assets at fair value through profit and loss are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings.

Investments

The fair values of equity securities are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment.

Loans and advances to customers

For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings. The fair values of non-performing loans are estimated by discounting the expected cash flows of recoveries.

The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings. The fair values of fixed-rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying values of variable-rate policy loans approximate their fair values.

Other assets

The carrying amount of other assets is not materially different to their fair value.

FINANCIAL LIABILITIES

Subordinated loans

The fair value of the subordinated loans is estimated using discounted cash flows based on interest rates that apply to similar instruments.

Investment contracts

For guaranteed investment contracts the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For other investment-type contracts, fair values are estimated based on the cash surrender values.

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 pricing models taking into account current cash flow assumptions and the counterparties' credit standings.

Debt securities in issue and Other borrowed funds

The fair value of debt securities in issue and other borrowed funds is estimated using discounted cash flows based on current market interest rates for these instruments.

Other liabilities

The carrying amounts of other liabilities are stated at their book value which is not materially different to fair value.

Additional information to the consolidated balance sheet of ING Insurance *continued*

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

2006	Published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs	Total
ASSETS				
Trading assets	746	1	218	965
Investments for risk of policyholders	109,465	813	269	110,547
Non-trading derivatives	98	518	1,272	1,888
Financial assets designated at fair value through profit and loss	197	2	1,069	1,268
Available-for-sale investments	129,482	10,707	301	140,490
	239,988	12,041	3,129	255,158
LIABILITIES				
Trading liabilities		51		51
Financial liabilities designated at fair value through profit and loss	178	276	425	879
Investment contracts (for contracts carried at fair value)	13,235		10	13,245
	13,413	327	435	14,175
Changes included in net profit	4,028	307	19	4,354

Sensitivities of fair values

The total amount of change in fair value estimated using a valuation technique recognised in net profit in 2006 was EUR 307 million for techniques supported by market inputs and EUR 19 million for techniques not supported by market inputs. Reasonably likely changes in the assumptions used in the valuation techniques not supported by recent market transactions would not have a significant impact on the fair values or on net profit.

30 REGULATORY REQUIREMENTS

European Union directives require insurance companies established in member states of the European Union to maintain minimum capital positions. The capital position of ING Insurance has been measured on the basis of this European Union requirement.

Capital position

	Total ING Verzekeringen N.V.		Non-insurance companies, core debt & other eliminations		Insurance companies	
	2006	2005	2006	2005	2006	2005
Available capital	25,505	22,541	-2,696	-2,579	28,201	25,120
Required capital	9,296	8,851			9,296	8,851
Surplus capital	16,209	13,690			18,905	16,269
Ratio of available versus required capital	274%	255%			303%	284%

In line with the final reporting to the supervisor, the 2005 split between Insurance companies and Non-Insurance companies, core debt and other eliminations has been adjusted. There is no impact on Total ING Verzekeringen N.V.

4 Consolidated annual accounts

Notes to the consolidated profit and loss account of ING Insurance amounts in millions of euros, unless stated otherwise

31 GROSS PREMIUM INCOME

Gross premium income

	2006	2005	2004
Gross premium income from life insurance policies	40,502	39,145	36,975
Gross premium income from non-life insurance policies	6,333	6,613	6,642
	46,835	45,758	43,617

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		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Direct premiums written gross	6,279	6,556	6,592	38,838	37,644	35,532	45,117	44,200	42,124
Reinsurance assumed premiums written gross	54	57	50	1,664	1,501	1,443	1,718	1,558	1,493
Total gross premiums written	6,333	6,613	6,642	40,502	39,145	36,975	46,835	45,758	43,617
Reinsurance ceded	339	526	756	2,004	2,031	1,619	2,343	2,557	2,375
	5,994	6,087	5,886	38,498	37,114	35,356	44,492	43,201	41,242

Effect of reinsurance on non-life premiums earned

	2006	2005	2004
Direct premiums earned gross	6,248	6,712	6,492
Reinsurance assumed premiums earned gross	58	57	50
Total gross premiums earned	6,306	6,769	6,542
Reinsurance ceded	377	636	729
	5,929	6,133	5,813

Gross premium income from life insurance policies

	Own account			Reinsurers' share			Gross		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Insurance contracts for risk of company	19,563	19,086	18,336	944	808	783	20,507	19,894	19,119
Insurance contracts for risk of policyholders	18,180	17,691	16,360	151	59	53	18,331	17,750	16,413
Total direct business	37,743	36,777	34,696	1,095	867	836	38,838	37,644	35,532
Indirect business	755	337	660	1,020	2,016	1,430	1,775	2,353	2,090
	38,498	37,114	35,356	2,115	2,883	2,266	40,613	39,997	37,622
Eliminations				111	852	647	111	852	647
	38,498	37,114	35,356	2,004	2,031	1,619	40,502	39,145	36,975

Notes to the consolidated profit and loss account of ING Insurance continued

Premiums written from direct life business

2006	Insurance contracts for risk of company			Insurance contracts for risk of policyholders		
	Own account	Reinsurers' share	Gross	Own account	Reinsurers' share	Gross
PERIODIC PREMIUMS						
Individual policies						
– without profit sharing	7,231	1,747	8,978	4,804	11	4,815
– with profit sharing	2,396	106	2,502			
	9,627	1,853	11,480	4,804	11	4,815
Group policies						
– without profit sharing	3,787	–926	2,861	6,709	16	6,725
– with profit sharing	662	13	675			
	4,449	–913	3,536	6,709	16	6,725
Total periodic premiums	14,076	940	15,016	11,513	27	11,540
SINGLE PREMIUMS						
Individual policies						
– without profit sharing	2,048	1	2,049	4,427	113	4,540
– with profit sharing	2,326		2,326			
	4,374	1	4,375	4,427	113	4,540
Group policies						
– without profit sharing	753		753	2,240	11	2,251
– with profit sharing	360	3	363			
	1,113	3	1,116	2,240	11	2,251
Total single premiums	5,487	4	5,491	6,667	124	6,791
Total life business premiums	19,563	944	20,507	18,180	151	18,331

Total single premiums includes EUR 313 million in 2006 (2005: EUR 520 million; 2004: EUR 457 million) from profit sharing.

Premiums written from direct life business

2005	Insurance contracts for risk of company			Insurance contracts for risk of policyholders		
	Own account	Rein-surers' share	Gross	Own account	Rein-surers' share	Gross
PERIODIC PREMIUMS						
Individual policies						
– without profit sharing	8,689	679	9,368	3,841	2	3,843
– with profit sharing	2,389	49	2,438			
	11,078	728	11,806	3,841	2	3,843
Group policies						
– without profit sharing	2,364	66	2,430	6,234	24	6,258
– with profit sharing	680	10	690			
	3,044	76	3,120	6,234	24	6,258
Total periodic premiums	14,122	804	14,926	10,075	26	10,101
SINGLE PREMIUMS						
Individual policies						
– without profit sharing	903	1	904	5,663	22	5,685
– with profit sharing	2,965		2,965			
	3,868	1	3,869	5,663	22	5,685
Group policies						
– without profit sharing	563		563	1,953	11	1,964
– with profit sharing	533	3	536			
	1,096	3	1,099	1,953	11	1,964
Total single premiums	4,964	4	4,968	7,616	33	7,649
Total life business premiums	19,086	808	19,894	17,691	59	17,750

Notes to the consolidated profit and loss account of ING Insurance continued

Premiums written from direct life business

2004	Own account	Insurance contracts for risk of company Rein- surers' share	Gross	Own account	Insurance contracts for risk of policyholders Rein- surers' share	Gross
PERIODIC PREMIUMS						
Individual policies						
– without profit sharing	5,973	632	6,605	3,565	1	3,566
– with profit sharing	4,139	74	4,213			
	10,112	706	10,818	3,565	1	3,566
Group policies						
– without profit sharing	2,165	58	2,223	6,616	37	6,653
– with profit sharing	788	14	802			
	2,953	72	3,025	6,616	37	6,653
Total periodic premiums	13,065	778	13,843	10,181	38	10,219
SINGLE PREMIUMS						
Individual policies						
– without profit sharing	1,475	1	1,476	4,010	1	4,011
– with profit sharing	2,716		2,716			
	4,191	1	4,192	4,010	1	4,011
Group policies						
– without profit sharing	677		677	2,169	14	2,183
– with profit sharing	403	4	407			
	1,080	4	1,084	2,169	14	2,183
Total single premiums	5,271	5	5,276	6,179	15	6,194
Total life business premiums	18,336	783	19,119	16,360	53	16,413

Non-life insurance policies by class of business

2006	Gross premiums written	Gross premiums earned ⁽²⁾	Gross claims expenses	Operating expenses	Acquisition costs and other underwriting expenditure ⁽³⁾	Net reinsurance income/ (expenses)	Operational result
Health	687	654	488	62	100	-4	20
Accident ⁽¹⁾	765	772	326	92	129	-5	389
Third-party liability motor	995	1,006	548	126	228	-10	256
Other motor	1,550	1,507	838	55	297	8	378
Marine and aviation	81	90	34	11	18	-17	14
Fire and other property losses	1,589	1,580	830	155	445	-51	155
General liability	420	423	174	52	119	-18	156
Credit and suretyship	56	59	3	9	11	-11	27
Legal assistance	30	32	9	8	8		8
Miscellaneous financial losses	106	125	60	16	21	-3	56
Indirect business	54	58	17	3	15	-10	32
	6,333	6,306	3,327	589	1,391	-121	1,491

⁽¹⁾ including disability insurance products.

⁽²⁾ excluding reinsurance.

⁽³⁾ including other underwriting income.

Non-life insurance policies by class of business

2005	Gross premiums written	Gross premiums earned ⁽²⁾	Gross claims expenses	Operating expenses	Acquisition costs and other underwriting expenditure ⁽³⁾	Net reinsurance income/ (expenses)	Operational result
Health	1,154	1,118	915	144	122	32	92
Accident ⁽¹⁾	780	803	470	128	98	-7	268
Third-party liability motor	927	946	544	132	118	-10	272
Other motor	1,442	1,467	723	170	240	12	379
Marine and aviation	109	127	56	17	17	-26	11
Fire and other property losses	1,503	1,551	1,287	242	324	365	101
General liability	406	408	156	88	85	-16	137
Credit and suretyship	61	64	24	13	10	-11	10
Legal assistance	40	40	22	13	6		
Miscellaneous financial losses	134	188	158	25	24	1	17
Indirect business	57	57	44	6	15	12	22
	6,613	6,769	4,399	978	1,059	352	1,309

⁽¹⁾ including disability insurance products.

⁽²⁾ excluding reinsurance.

⁽³⁾ including other underwriting income.

Notes to the consolidated profit and loss account of ING Insurance continued

Non-life insurance policies by class of business

2004	Gross premiums written	Gross premiums earned ⁽²⁾	Gross claims expenses	Operating expenses	Acquisition costs and other underwri- ting expen- diture ⁽³⁾	Net reinsurance income/ (expenses)	Operatio- nal result
Health	1,097	1,078	785	127	169	-50	77
Accident ⁽¹⁾	872	857	507	125	111	5	271
Third-party liability motor	840	839	556	106	94	-10	94
Other motor	1,335	1,344	663	161	204	-5	362
Marine and aviation	141	142	55	18	22	-38	9
Fire and other property losses	1,489	1,495	681	228	306	-135	156
General liability	438	430	228	69	89	-46	20
Credit and suretyship	57	54	3	10	10	-14	20
Legal assistance	35	35	25	13	6		-8
Miscellaneous financial losses	288	217	109	22	28	-49	509
Indirect business	50	51	24	4	-49	-5	99
	6,642	6,542	3,636	883	990	-347	1,609

⁽¹⁾ including disability insurance products.

⁽²⁾ excluding reinsurance.

⁽³⁾ including other underwriting income.

32 INVESTMENT INCOME

Investment income

	2006	2005	2004
Income from real estate investments	184	206	287
Dividend income	604	479	425
	788	685	712
Income from investment in debt securities	6,359	5,759	5,463
Income from loans			
– personal loans	200	260	322
– mortgage loans	1,659	1,736	1,664
– policy loans	212	223	171
– other	420	441	645
Income from investment in debt securities and loans	8,850	8,419	8,265
Realised gains/losses on disposal of debt securities	-56	245	
Reversals/Impairments of available-for-sale debt securities	36	34	
Realised gains/losses and impairments of debt securities	-20	279	
Realised gains/losses on disposal of equity securities	772	511	603
Impairments of available-for-sale equity securities	-25	-46	
Realised gains/losses and impairments of equity securities	747	465	603
Change in fair value of real estate investments	108	143	137
Investment income	10,473	9,991	9,717

33 COMMISSION INCOME

Fee and commission income

	2006	2005	2004
Insurance broking	992	890	136
Management fees	1,723	1,420	1,156
Brokerage and advisory fees	88	167	
Other	270	119	1,032
	3,073	2,596	2,324

Fee and commission expenses

	2006	2005	2004
Insurance broking	551	500	19
Management fees	805	686	686
Brokerage and advisory fees	7	10	
Other	75	54	419
	1,438	1,250	1,124

34 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives

	2006	2005
Change in fair value of derivatives relating to:		
– fair value hedges	–162	87
– hedges of net investment in foreign entities (ineffective portion)	–12	–16
– other non-trading derivatives	–85	–164
Net result on non-trading derivatives	–259	–93
Change in fair value of assets and liabilities (hedged items)	211	–98
Net valuation results	–48	–191

No figures are presented for 2004 as IAS 39 was adopted from 1 January 2005.

35 NET TRADING INCOME

Net trading income

	2006	2005	2004
Results from securities trading	159	84	323
Results from foreign exchange transactions	120	–87	–72
Other	–7	9	12
	272	6	263

Results from securities trading 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. Results from foreign currency exchange transactions include gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities.

The portion of trading gains and losses for the year ended 31 December 2006 that related to trading securities still held at 31 December amounts to EUR 26 million (2005: nil; 2004: nil).

Notes to the consolidated profit and loss account of ING Insurance continued

36 OTHER INCOME

There are no individually significant items within Other income.

37 UNDERWRITING EXPENDITURE**Underwriting expenditure**

	2006	2005	2004
Gross underwriting expenditure	53,065	54,594	48,925
Investment income for risk of policyholders	-2,702	-5,074	-2,309
Reinsurance recoveries	-2,175	-2,400	-1,232
Total underwriting expenditure	48,188	47,120	45,384

Underwriting expenditure by class

	2006	2005	2004
EXPENDITURE FROM LIFE UNDERWRITING			
Reinsurance and retrocession premiums	2,004	2,031	1,619
Gross benefits	26,234	22,129	25,774
Reinsurance recoveries	-1,705	-1,625	-929
Changes in life insurance provisions for risk of company	13,420	14,650	11,098
Costs of acquiring insurance business	1,083	1,060	1,324
Other underwriting expenditure	439	364	713
Profit sharing and rebates	801	2,214	684
	42,276	40,823	40,283
EXPENDITURE FROM NON-LIFE UNDERWRITING			
Reinsurance and retrocession premiums	339	526	756
Gross claims	3,848	4,343	3,598
Reinsurance recoveries	-470	-775	-303
Changes in the provision for unearned premiums	65	-46	73
Changes in the claims provision	-209	-49	58
Costs of acquiring insurance business	1,043	1,012	951
Other underwriting expenditure	-71	-52	-32
	4,545	4,959	5,101
EXPENDITURE FROM INVESTMENT CONTRACTS			
Costs of acquiring investment contracts	31	53	
Profit sharing and rebates	64	17	
Other changes in investment contract liabilities	1,272	1,268	
	1,367	1,338	
Total underwriting expenditure	48,188	47,120	45,384

Profit sharing and rebates

	2006	2005	2004
Distributions on account of interest or underwriting results	458	1,824	313
Bonuses added to policies	369	379	371
Deferred profit sharing expense	-26	11	
	801	2,214	684

Underwriting expenditure includes an amount of EUR 4,141 million in 2006 (2005: EUR 3,956 million; 2004: EUR 4,258 million) in respect of commission paid and payable with regard to the insurance operations. Amortisation of deferred acquisition costs amounted to EUR 1,444 million in 2006 (2005: EUR 1,475 million; 2004: EUR 2,031 million).

Expenditure from Life underwriting includes an amount of EUR 181 million in 2006 (2005: EUR 220 million; 2004: EUR 100 million) in relation to reserve strengthening for Insurance Asia/Pacific as further described under Segment reporting.

The investment income and valuation results regarding investment income for risk of policyholders of EUR 2,702 million (2005: EUR 5,074 million; 2004: EUR 2,309 million) has not been recognised in investment income and valuation results on assets and liabilities designated as at fair value through profit and loss but is recognised in Underwriting expenditure together with the equal amount of related change in insurance provisions for risk of policyholders.

ING Insurance transferred part of their life insurance business to Scottish Re in 2004 by means of a co-insurance contract. A loss amounting to EUR 160 million was recognised 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 amortised over the life of the underlying business, starting in 2005 and gradually decreasing in subsequent years as the business tails off. The amount amortised in 2006 was EUR 32 million (2005: EUR 34 million). The cumulative amortisation as at 31 December 2006 was EUR 66 million (2005: EUR 34 million).

38 OTHER IMPAIRMENTS

Other impairment losses recognised in the profit and loss account

	2006	2005	2004
Property and equipment	1	1	22
Other intangible assets	10	21	
	11	22	22

Impairment on Loans and advances to customers are presented under Investment income.

39 STAFF EXPENSES

Staff expenses

	2006	2005	2004
Salaries	2,012	1,982	1,824
Pension and other staff-related liability costs	101	134	144
Social security costs	196	208	185
Share-based compensation arrangements	54	36	14
Other staff costs	447	444	412
	2,810	2,804	2,579

Notes to the consolidated profit and loss account of ING Insurance continued

Pension and other staff-related benefit costs

	Pension benefits			Post-retirement benefits other than pensions			Other			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Current service cost	160	177	163	12	15	13	2	2	2	174	194	178
Past service cost		56					1			1	56	
Interest cost	251	250	226	8	18	17	1			260	268	243
Expected return on assets	-290	-267	-282							-290	-267	-282
Amortisation of unrecognised past service costs		2		-5						-5	2	
Amortisation of unrecognised actuarial gains/losses	9									9		
Effect of curtailment or settlement		-1	-3	-60	-126		4			-56	-127	-3
Defined benefit post-employment plans	130	217	104	-45	-93	30	8	2	2	93	126	136
Defined contribution plans										8	8	8
										101	134	144

Stock option and share plans

ING Insurance's parent, ING Group, has granted option rights on ING Group shares and conditional rights on depository receipts (share awards) for ING Group shares to a number of senior executives (members of the Executive Board, general managers and other officers nominated by the Executive Board), to all ING Insurance staff in the Netherlands and to a considerable number of employees outside the Netherlands. The purpose of the option and share schemes, apart from promoting a lasting growth of ING Insurance, is to attract, retain and motivate senior executives and staff.

ING Group holds its own shares in order to fulfil the obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned (so-called delta hedge). As at 31 December 2006 52,722,755 own shares (2005: 38,722,934; 2004: 29,427,538) were held in connection with the option plan compared to 74,175,909 options outstanding. As a result the granted option rights were (delta) hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour. The hedge is rebalanced regularly at predetermined points in time.

The option rights are valid for a period of five or ten years. Option rights that are not exercised within this period lapse. Option rights granted will remain valid until expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a certain continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Group shares at the date on which the options are granted.

The entitlement to the share awards for ING Group shares is granted conditionally. If the participant remains in employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional. In 2006 52,100 shares (2005: 73,500) have been granted to the members of the Executive Board and 2,432,686 shares (2005: 2,907,101) have been granted to senior management and other employees remaining in the service of ING Group.

Every year, the ING Group Executive Board will take a decision as to whether the option and share schemes are to be continued and, if so, to what extent.

Included in the tables below are the disclosures relating to ING Insurance whereas the information above relates to ING Group as a whole.

Changes in option rights

		Options outstanding		Weighted average exercise price		
	2006	2005	2004	2006	2005	2004
Opening balance	35,743,649	31,743,611	30,660,982	24.10	24.33	25.74
Granted	6,357,773	7,882,022	5,859,265	32.79	23.32	18.71
Exercised	7,002,953	2,351,541	877,661	21.98	20.93	16.84
Forfeited	670,783	182,825	330,283	24.82	22.60	19.94
Expired	2,632,650	1,347,618	3,568,692	28.35	30.80	29.44
Closing balance	31,795,036	35,743,649	31,743,611	25.94	24.10	24.33

The weighted average share price at the date of exercise for options exercised in 2006 is EUR 32.02.

Changes in option rights nonvested

		Options nonvested		Weighted average grant date fair value		
	2006	2005	2004	2006	2005	2004
Opening balance	17,416,026	20,893,607	23,417,402	3.56	4.72	6.26
Granted	6,357,773	7,882,022	5,859,265	6.48	3.56	4.72
Vested	5,349,325	11,185,078	8,085,875	4.32	5.67	8.35
Forfeited	412,131	174,525	297,185	4.10	3.50	3.57
Closing balance	18,012,343	17,416,026	20,893,607	4.53	3.56	4.72

Summary of stock options outstanding and exercisable

2006

range of exercise price in euros	Options outstanding as at 31 December 2006	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2006	Weighted average exercise price
0.00 – 15.00	3,137,231	6.19	12.81	3,137,231	12.81
15.00 – 20.00	4,899,227	7.20	18.71	80,878	18.44
20.00 – 25.00	6,889,513	8.24	23.28	16,950	23.12
25.00 – 30.00	7,292,909	4.49	27.70	7,195,372	28.73
30.00 – 35.00	6,304,028	9.17	32.79	80,134	33.09
35.00 – 40.00	3,272,128	4.16	35.60	3,272,128	35.60
	31,795,036			13,782,693	

Summary of stock options outstanding and exercisable

2005

range of exercise price in euros	Options outstanding as at 31 December 2005	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2005	Weighted average exercise price
0.00 – 15.00	6,661,478	7.18	12.78	2,197,958	12.90
15.00 – 20.00	5,418,670	8.19	18.71	236,514	18.66
20.00 – 25.00	7,654,103	9.23	23.28	117,966	23.23
25.00 – 30.00	10,393,888	5.38	28.62	10,159,675	28.63
30.00 – 35.00	166,868	4.86	33.15	166,868	33.15
35.00 – 40.00	5,448,642	4.01	35.54	5,448,642	35.54
	35,743,649			18,327,623	

The aggregate intrinsic value of options outstanding and exercisable at 31 December 2006 was EUR 250 million and EUR 102 million, respectively.

Notes to the consolidated profit and loss account of ING Insurance continued

As of 31 December 2006 there was EUR 41 million of total unrecognised compensation costs related to stock options (2005: EUR 50 million; 2004: EUR 24 million). These costs are expected to be recognised over a weighted average period of 1.9 years (2005: 2 years; 2004: 1.8 years). Cash received from stock option exercises for the year ended 31 December 2006 was nil (2005: nil; 2004: nil).

The fair value of options granted is recorded 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 model. This model takes the risk free interest rate into account, as well as the expected life of the options granted (from 0.5 years to 6.5 years), the exercise price (EUR 32.77 to EUR 33.92), the current share price, the expected volatility of the certificates of ING Groep N.V. shares (23%-41%) and the expected dividends yield (3.57%-3.69%).

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 recorded in Shareholders' equity.

40 INTEREST EXPENSES

Interest expenses mainly consists of interest on the subordinated loans.

Total interest income and total interest expense for items not valued at fair value through the profit and loss for 2006 were EUR 8,850 million and EUR 1,231 million respectively (2005: EUR 8,419 million and EUR 1,100 million respectively). Net interest income of EUR 7,619 million is presented in the following profit and loss account captions.

Net interest income

	2006	2005	2004
Investment income	8,850	8,419	8,265
Interest expense	1,231	1,100	1,138
	7,619	7,319	7,127

41 OPERATING EXPENSES**Operating expenses**

	2006	2005	2004
Depreciation of property and equipment	102	113	114
Computer costs	331	319	211
Office expenses	629	595	633
Travel and accommodation expenses	102	104	91
Advertising and public relations	177	150	128
External advisory fees	581	505	435
Other	565	528	483
	2,487	2,314	2,095
Addition of provision for reorganisations and relocations	-16	38	29
	2,471	2,352	2,124

Operating expenses include lease and sublease payments for the amount of EUR 3 million (2005: nil; 2004: nil) in respect to operating leases in which ING Insurance is the lessee.

42 TAXATION

Taxation by type

	Netherlands			International			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Current taxation	84	344	149	319	-25	315	403	319	464
Deferred taxation	99	-2	236	204	138	157	303	136	393
	183	342	385	523	113	472	706	455	857

Reconciliation of the statutory income tax rate to ING Insurance's effective income tax rate

	2006	2005	2004
Result before taxation	4,957	4,008	4,346
Statutory tax rate	29.6%	31.5%	34.5%
Statutory tax amount	1,467	1,263	1,499
Associates exemption	-276	-142	-288
Other income not subject to tax	-58	-77	-30
Expenses not deductible for tax purposes	12	37	1
Differences caused by different foreign tax rates	-26	11	-49
Adjustment to prior periods	-10	-11	
Change in tax rates	-108	-2	
Deferred tax benefit from previously unrecognised amounts		-172	
Current tax benefit from previously unrecognised amounts	-226	-273	
Write down/reversal of deferred tax assets		2	
Other	-69	-181	-276
Effective tax amount	706	455	857
Effective tax rate	14.2%	11.4%	19.7%

In 2006 Current tax benefit from previously unrecognised amounts consists of releases of tax provisions resulting from settlements with tax authorities.

The effect of the change in tax rates is mainly attributable to a reduction in the tax rate in the Netherlands from 29.6% to 25.5%.

Segment reporting

amounts in millions of euros, unless stated otherwise

43 PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

ING Insurance's business segments relate to the internal segmentation by business lines. These include the business lines: Insurance Europe, Insurance Americas and Insurance Asia-Pacific. Other mainly includes items not directly attributable to the business lines.

Each business line is headed by a member of the Executive Board. The Executive Board sets the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Executive Board.

The accounting policies of the business segments are the same as those described under Accounting policies for the consolidated balance sheet and profit and loss account. Transfer prices for inter-segment transactions are set at arm's length. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, or on the basis of income and/or assets of the segment.

With regard to capital gains on the shares portfolio, a fixed revaluation return of 3% is allocated to the insurance business lines. The differences between the actual capital gains on the shares portfolio and the allocated revaluation return are included in other insurance results.

ING Insurance evaluates the results of its business segments using a financial performance measure called underlying profit before taxation. Underlying profit before taxation is defined as profit before taxation excluding the impact of divestments and special items.

Business segments

	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Elimina- tions	Total
2006							
Income							
– external	15,918	29,775	13,310	665	59,668		59,668
– inter-segment	278	4	68	794	1,144	–1,144	
Total income	16,196	29,779	13,378	1,459	60,812	–1,144	59,668
Segment profit before taxation	2,389	1,992	636	–56	4,961	–4	4,957
Divestments	–34		–15		–49		–49
Underlying profit before taxation	2,355	1,992	621	–56	4,912	–4	4,908
Segment assets	117,303	162,229	54,454	44,413	378,399	–44,628	333,771
Segment liabilities	102,759	152,599	50,204	22,110	327,672	–17,588	310,084
Depreciation and amortisation	286	915	657		1,858		1,858
Impairments	1		10		11		11
Share in profit or loss of associates	447	8		10	465		465
Book value of associates	2,975	14	2	160	3,151		3,151
Cost incurred in 2006 to acquire property, equipment, and intangibles	1,322	243	90		1,655		1,655

The segment Insurance Asia/Pacific had a net reserve inadequacy using a prudent (90%) confidence level, and, in line with ING Insurance Policy, is taking measures to improve adequacy in that region. This inadequacy was offset by reserve adequacies in other segments, such that at the consolidated level there is a net adequacy at the prudent (90%) confidence level.

Business segments

2005	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Elimina- tions	Total
Income							
– external	15,804	28,030	13,161	411	57,406		57,406
– inter-segment	201	4	31	641	877	–877	
Total income	16,005	28,034	13,192	1,052	58,283	–877	57,406
Segment profit before taxation	2,032	1,941	478	–443	4,008		4,008
Divestments		38	–31		7		7
Underlying profit before taxation	2,032	1,979	447	–443	4,015		4,015
Segment assets	113,966	165,719	48,326	43,804	371,815	–43,005	328,810
Segment liabilities	101,065	158,330	44,697	22,878	326,970	–20,014	306,956
Depreciation and amortisation	372	934	613		1,919		1,919
Impairments	29	15	19	1	64		64
Reversal of impairments		41	1		42		42
Share in profit or loss of associates	346	12	34	9	401		401
Book value of associates	2,421	15	1	26	2,463		2,463
Cost incurred in 2005 to acquire property, equipment, and intangibles	1,081	142	46		1,269		1,269

Business segments

2004	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Elimina- tions	Total
Income							
– external	15,993	28,085	10,473	1,042	55,593		55,593
– inter-segment	30	4	21	82	137	–137	
Total income	16,023	28,089	10,494	1,124	55,730	–137	55,593
Segment profit before taxation	1,651	1,692	756	247	4,346		4,346
Divestments		–91	–281		–372		–372
Special items	–11			–375	–386		–386
Underlying profit before taxation	1,640	1,601	475	–128	3,588		3,588
Segment assets	101,162	132,101	31,622	29,280	294,165	–30,916	263,249
Segment liabilities	91,851	126,156	28,998	14,995	262,000	–13,738	248,262
Depreciation and amortisation	361	1,427	440	6	2,234		2,234
Impairments	2	52	3		57		57
Share in profit or loss of associates	147	35	10	3	195		195
Book value of associates	1,311	14	33	386	1,744		1,744
Cost incurred in 2006 to acquire property, equipment, and intangibles	1,065	68	45	18	1,196		1,196

Special items in 2004 comprise results from foreign currency hedges and a gain on old insurance business.

Segment reporting continued

Interest income (external) and interest expense (external) breakdown per business line

2006	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Elimina- tions	Total
Interest income	3,373	4,604	911	223	9,111		9,111
Interest expense	32	466	4	729	1,231		1,231
	3,341	4,138	907	-506	7,880		7,880

Interest income (external) and interest expense (external) breakdown per business line

2005	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Elimina- tions	Total
Interest income	3,497	4,492	856	54	8,899		8,899
Interest expense	113	341	4	642	1,100		1,100
	3,384	4,151	852	-588	7,799		7,799

Interest income (external) and interest expense (external) breakdown per business line

2004	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Other	Total segments	Elimina- tions	Total
Interest income	3,311	4,332	671	173	8,487		8,487
Interest expense	126	320	5	687	1,138		1,138
	3,185	4,012	666	-514	7,349		7,349

44 SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

ING Insurance's three business lines operate in seven main geographical areas: Netherlands, Belgium, Rest of Europe, North America, Latin America, Asia and Australia. Geographical distribution of income is based on the origin of revenue.

Geographical segments of ING Insurance

2006	Nether-lands	Bel-gium	Rest of Europe	North America	Latin America	Asia	Aus-tralia	Other	Elimi-nations	Total
Income										
– external	11,046	2,321	2,541	26,922	2,852	12,772	538	676		59,668
– inter-segment	243	33	2	4		42	26	794	–1,144	
Total income	11,289	2,354	2,543	26,926	2,852	12,814	564	1,470	–1,144	59,668
Segment profit before taxation	1,937	137	315	1,808	184	459	176	–59		4,957
Segment assets	91,990	14,635	10,678	155,106	7,139	44,877	9,577	–231		333,771
Cost incurred in 2006 to acquire property, equipment, and intangibles	1,286	1	34	204	39	50	41			1,655

Geographical segments of ING Insurance

2005	Nether-lands	Bel-gium	Rest of Europe	North America	Latin America	Asia	Aus-tralia	Other	Elimi-nations	Total
Income										
– external	11,180	2,473	2,151	25,354	2,676	12,650	511	411		57,406
– inter-segment	173	27	1	4			31	641	–877	
Total income	11,353	2,500	2,152	25,358	2,676	12,650	542	1,052	–877	57,406
Segment profit before taxation	1,600	174	258	1,782	159	278	200	–443		4,008
Segment assets	90,485	14,301	9,180	158,019	7,719	39,421	8,905	780		328,810
Cost incurred in 2005 to acquire property, equipment, and intangibles	1,068		13	103	39	29	17			1,269

Geographical segments of ING Insurance

2004	Nether-lands	Bel-gium	Rest of Europe	North America	Latin America	Asia	Aus-tralia	Other	Elimi-nations	Total
Income										
– external	11,285	2,894	1,814	25,434	2,651	8,672	1,801	1,042		55,593
– inter-segment	30			4			21	82	–137	
Total income	11,315	2,894	1,814	25,438	2,651	8,672	1,822	1,124	–137	55,593
Segment profit before taxation	1,326	144	180	1,487	205	312	444	248		4,346
Segment assets	81,900	11,924	7,493	126,525	5,567	24,153	7,470	–1,783		263,249
Cost incurred in 2004 to acquire property, equipment, and intangibles	1,047	2	16	41	27	19	26	18		1,196

4 Consolidated annual accounts

Segment reporting continued

Income by geographical area

	Life premiums written			Non-life premiums written			Investment income ⁽¹⁾			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Netherlands	5,229	5,449	5,822	1,607	1,642	1,693	4,722	4,390	3,697	11,558	11,481	11,212
Belgium	1,442	1,630	2,115	321	318	324	614	570	438	2,377	2,518	2,877
Rest of Europe	1,906	1,617	1,367	47	46	48	585	494	398	2,538	2,157	1,813
North America	19,130	17,624	17,923	2,806	3,099	2,741	5,069	4,685	4,733	27,005	25,408	25,397
Latin America	686	567	506	1,496	1,454	1,591	668	654	546	2,850	2,675	2,643
Asia	11,864	12,064	8,009	43	41	37	915	543	598	12,822	12,648	8,644
Australia	230	181	1,223			200	334	362	391	564	543	1,814
Other	19	15	13	99	133	142	980	705	1,535	1,098	853	1,690
	40,506	39,147	36,978	6,419	6,733	6,776	13,887	12,403	12,336	60,812	58,283	56,090
Income between geographical areas ⁽²⁾	-4	-2	-3	-86	-120	-134	-1,054	-755	-360	-1,144	-877	-497
Total	40,502	39,145	36,975	6,333	6,613	6,642	12,833	11,648	11,976	59,668	57,406	55,593

⁽¹⁾ including commission and other income.

⁽²⁾ mainly related to reinsurance premiums ceded between group companies in different geographical areas.

Profit before taxation by geographical area

	Life			Non-life			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Netherlands	1,614	1,325	958	593	390	267	2,207	1,715	1,225
Belgium	98	139	111	62	53	17	160	192	128
Rest of Europe	297	256	168	12	7	11	309	263	179
North America	891	623	362	673	820	780	1,564	1,443	1,142
Latin America	116	98	99	62	54	98	178	152	197
Asia	462	269	284	6	6	3	468	275	287
Australia	161	195	162	15		274	176	195	436
Other	-160	-209	527	55	-18	225	-105	-227	752
Total	3,479	2,696	2,671	1,478	1,312	1,675	4,957	4,008	4,346

Geographical analysis of claims ratio, cost ratio and combined ratio for non-life insurance policies

	Claims ratio			Cost ratio			Combined ratio		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Netherlands	44.7	56.0	60.6	40.3	39.0	36.8	85.0	95.0	97.4
Belgium	65.0	66.8	71.1	33.7	34.1	36.7	98.7	100.9	107.8
Rest of Europe	46.8	51.5	46.1	41.3	41.8	35.8	88.1	93.3	81.9
North America	59.2	59.7	61.0	29.9	29.4	27.6	89.1	89.1	88.6
Latin America	74.2	75.8	71.8	26.8	28.4	27.6	101.0	104.2	99.4
Asia	50.2	52.5	56.6	40.7	40.3	40.9	90.9	92.8	97.5
Australia			46.3			28.0			74.3
Other	60.1	119.7	62.8	-36.4	14.6	16.4	23.7	134.3	79.2
Total	58.6	62.7	63.0	31.8	31.9	30.6	90.4	94.6	93.6

The claims ratio is the claims, including claims handling expenses, expressed as a percentage of net earned premiums. The cost ratio is the costs expressed as a percentage of net premiums written. The claims ratio and the cost ratio together form the combined ratio. A combined ratio of more than 100% does not necessarily mean that there is a loss on non-life insurance policies, because the result also includes the allocated investment income.

Deferred acquisition costs by geographical area

	Investment contracts		Life insurance		Non-life insurance		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Netherlands			489	460	52	61	541	521
Belgium			45	43	17	16	62	59
Rest of Europe			251	221	4	4	255	225
North America			4,971	4,863	254	292	5,225	5,155
Latin America			94	97	106	115	200	212
Asia			3,795	3,359	2	2	3,797	3,361
Australia	83	71					83	71
Total	83	71	9,645	9,043	435	490	10,163	9,604

Insurance provisions own account by geographical area

	Provision for life insurance for risk of company		Provision for life insurance for risk of policyholders		Claims provisions		Other		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Netherlands	41,650	39,564	17,103	17,065	3,026	3,224	1,381	2,778	63,160	62,631
Belgium	8,739	7,731	285	175	557	540	458	893	10,039	9,339
Rest of Europe	5,745	5,272	2,573	1,808	30	28	349	484	8,697	7,592
North America	48,646	53,411	63,970	59,956	2,326	3,538	1,546	1,763	116,488	118,668
Latin America	2,895	3,021	75	54	268	301	676	692	3,914	4,068
Asia	23,954	22,534	13,277	10,473	26	26	1,351	495	38,608	33,528
Australia	66	96	21				1		88	96
Other	-9	-4			418	545	1	106	410	647
Total	131,686	131,625	97,304	89,531	6,651	8,202	5,763	7,211	241,404	236,569

Notes to the consolidated statement of cash flows of ING Insurance

amounts in millions of euros, unless stated otherwise

45 NET CASH FLOW FROM INVESTING ACTIVITIES

Information on the impact of companies acquired or disposed of is presented in Note 24 Principal subsidiaries and companies acquired/disposed.

46 BORROWED FUNDS AND DEBT SECURITIES

Borrowed funds and debts securities of EUR 1,185 million (2005: EUR 2,884 million) includes Proceeds from borrowed funds and debt securities of EUR 85,300 million (2005: EUR 71,705 million) and Repayments of borrowed funds and debts securities of EUR 84,115 million (2005: EUR 68,821 million). Gross proceeds and repayments are high, mainly due to the issue, repayment and renewal of short term certificates of deposits and commercial papers.

47 INTEREST AND DIVIDEND INCLUDED IN NET CASH FLOW

Interest and dividend received and paid

	2006	2005	2004
Interest received	9,112	8,899	8,489
Interest paid	1,224	1,096	1,138
	7,888	7,803	7,351
Dividend received	604	479	425
Dividend paid	1,684	1,595	630

Risk management

amounts in millions of euros, unless stated otherwise

INTRODUCTION

The objective of ING Insurance's risk management function is to build a sustainable competitive advantage by fully integrating risk management into daily business activities and strategic planning.

The following principles support this objective:

1. Products and portfolios are structured, underwritten, priced, approved and managed appropriately and internal and external rules and guidelines are complied with.
2. ING Insurance's risk profile is transparent, 'no surprises', and consistent with delegated authorities.
3. Delegated authorities are consistent with the overall Group strategy and risk appetite.
4. Transparent communication to internal and external stakeholders on risk management and value creation.

Taking risk is inherent to ING Insurance's business activities. To ensure prudent risk taking throughout the organisation, ING Insurance operates through a comprehensive risk governance framework. We believe this ensures the proper identification, measurement and control of risks in all levels of the organisation so that financial strength is safeguarded.

RISK GOVERNANCE

ING Insurance's risk governance framework provides clear charters and mandates for the management of risk. At the highest level, there are ING Group Board committees which oversee risk taking and have ultimate approval authority. One level below, ING Insurance has several risk committees which focus on a specific type of risk and have an advisory role to the ING Group Executive Board. In 2006, ING Insurance introduced the 'three lines of defence' concept described below.

Board risk oversight

ING Group has a two-tier Board structure consisting of the ING Group Executive Board and the ING Group Supervisory Board; both bodies play a crucial role in managing and monitoring the risk management framework.

- The ING Group Executive Board is responsible for managing risks associated with the activities of ING Insurance. Its responsibilities include ensuring that internal risk management and control systems are effective and that ING Insurance complies with relevant legislation and regulations. On a regular basis the ING Group Executive Board reports on these issues and discusses the internal risk management and control systems with the ING Group Supervisory Board. On a quarterly basis the ING Group Executive Board reports on the Group's risk profile to the ING Group Audit Committee, explaining changes in the risk profile.
- The ING Group Audit Committee is a sub-committee of the ING Group Supervisory Board. It assists the ING Group Supervisory Board in reviewing and assessing ING Insurance's major risk exposures and the operation of internal risk management and control systems. The ING Group Audit Committee is composed in such a way so as to ensure that specific business know-how and expertise relating to the activities of ING Insurance are available. In principle the ING Group Chief Financial Officer (ING Group CFO) and/or ING Group Deputy Chief Risk Officer attends the ING Group Audit Committee meetings.

Risk Management organisation- 'three lines of defence'

To ensure that the risk framework is effective and clear on responsibilities, ING Insurance adopted the three lines of defence concept. 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 belong to the first line of defence. Risk management, both at corporate and regional/local level, belongs to the second line of defence. All risk managers in the business lines have a functional reporting line to the Corporate Risk Managers. The Internal Audit function provides independent and objective assurance on the effectiveness of the overall system of internal control, including financial, operational, compliance and risk management and forms the third line of defence.

Risk management continued

Risk committees

The Insurance risk committees described below are part of the second line of defence. They act within the overall risk policy and delegated authorities granted by the ING Group Executive Board. These committees have an advisory role to the ING Group CFO and ensure a close link between the business lines and the Group risk management function through representation of the business heads and the Corporate Risk Managers on each committee.

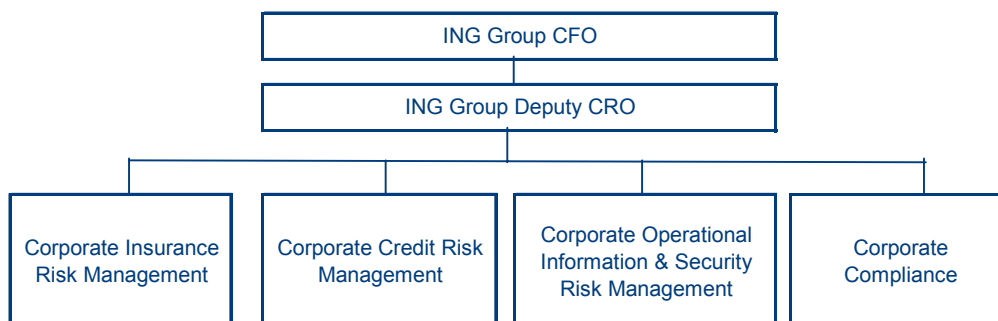
- ING Group Credit Committee – Policy (GCCP): Advises on policies, methodologies and procedures related to credit, insurance, market and operational risks within ING Insurance. The GCCP meets on a monthly basis.
- ING Group Credit Committee – Transaction Approval (GCCTA): Advises on transactions involving the taking of credit risk (including issuer investment risk). The GCCTA meets twice a week.
- ING Provisioning Committee (IPC): Advises on specific and collective loan loss provisions figures for ING Insurance. The IPC meets on a quarterly basis.
- Asset & Liability Committee ING Insurance (ALCO Insurance): Advises on all risks for ING's Insurance activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. ALCO Insurance meets six times a year.

Risk management function

Functional Reporting Lines

The risk management function is embedded in all levels of the ING Insurance organisation. In line with the commitment to implement best practice Enterprise Wide Risk Management, ING Group restructured its risk management organisation in 2006, strengthening the cohesion between the risk related functions. To emphasise the role and importance of risk management, an ING Group Deputy CRO was appointed who is responsible for the management and control of risk on a consolidated level. The ING Group Deputy CRO reports directly to the ING Group CFO who is a member of the ING Group Executive Board and bears primary overall responsibility for the ING Group Risk Function (It is the intention that the CRO function will be a full ING Group Executive Board function in 2007).

The organisation chart below illustrates the functional reporting lines within the ING Insurance Risk organisation.



The Group Risk Function is structured independently from the business lines and is organised through four departments:

- Corporate Insurance Risk Management (CIRM) is responsible for the insurance and market risk management of ING Insurance.
- Corporate Credit Risk Management (CCRM) is responsible for the credit risk management of ING Insurance.
- Corporate Operational Information & Security Risk Management is responsible for managing operational, information, and security risks within ING Insurance.
- Corporate Compliance assists, supports and advises Management in fulfilling its compliance responsibilities, advises employees on their (personal) compliance obligations and monitors the embedding of Compliance Policies in ING Insurance.

The heads of these departments (Corporate Risk Managers) report to the ING Group Deputy CRO and bear direct responsibility for risk (mitigating) decisions. The Corporate Risk Managers and the ING Group Deputy CRO advise the ING Group CFO and are responsible for the harmonisation and standardisation of risk management practices. The respective risk functions assist in the formulation of risk appetite, policies and limit structures for the management of risk and provide objective challenge, oversight and support of risk management activity across the business.

In addition the Risk Function has an independent Model Validation Unit. This department is responsible for the management of model risk, which is the risk created by ING Insurance's dependence on its own risk projections. The foundation of model governance is model validation: the official determination by an independent person that a model is acceptable for a given purpose. The department carries out period model validations of all risk models used by ING Insurance. The head of this department reports to the ING Group Deputy CRO.

Risk policies

The various risk management functions have each designed and issued a framework of risk management policies and procedures providing the lines of business guidance on how to manage risk. Policies and procedures are regularly reviewed and updated via the relevant Insurance risk committees.

RISK APPETITE AND STRATEGY

ING Insurance's risk appetite is determined by the ING Group Supervisory Board and the ING Group Executive Board who aim for a balance between risk, return and capital. The process is such that at least once annually, the ING Group Executive Board formulates the Strategic Plan and reports on the risks associated with the plan to the ING Group Supervisory Board for approval. As part of the planning process, strategic limits are explicitly discussed and planned.

From these overall risk appetite statements, operational limits cascade down into the organisation, e.g.

- Credit risk limits
- Market Value at Risk limits.

RISK MEASUREMENT

The major risk categories associated with the extensive volume and variety of financial instruments that ING Insurance uses are actuarial and underwriting risk, market risk (including liquidity risk), credit risk, operational, information and security risk and compliance risk. In the sections below ING Insurance's risk management activities are described respective to the various risk departments. Each risk department describes the types of risk it manages and the applicable risk measurement method that ING Insurance practices, including a quantification of the risks.

GENERAL

ING Insurance is engaged in selling life and non-life insurance products. For risk management purposes, life products include a broad range of traditional life, unit-linked, annuities, universal life, group life, pension, and (guaranteed) investment contracts. Non-life insurance products include all lines of insurance products that do not fall under the life insurance business – fire, automobile, accident and health, third-party liability and disability contracts, referred to as Property and Casualty (P&C), Health and Morbidity. In the remainder of the consolidated annual accounts, health and disability insurance is included in 'Life'.

Risks from these products arise with respect to the adequacy of insurance premium rate levels and provisions for insurance liabilities and capital position as well as uncertainty of the future returns on investments of the insurance premiums. Risks are classified as actuarial and underwriting, market risk, credit risk and operational risk.

Risk management continued

ING Insurance regularly monitors the solvency level for the total insurance business at a prudent level. ING Corporate Insurance Risk Management instructs and supervises all ING Insurance entities to make sure that ING Insurance total insurance liabilities (both reserves and capital) are tested for adequacy including the insurance premium rate levels and the uncertainty of future returns on investments. This includes valuing the insurance liabilities on current best estimate actuarial assumptions plus a risk margin. Thus, the reserves are reviewed to ensure they remain adequate based on current assumptions. ING Insurance believes its solvency level is adequate.

Where DAC amortisation is based on expected gross profits, the sensitivity analyses below include the impact on amortisation of DAC as a result of changes in expected gross profits.

Reserve adequacy – Taiwan

The adequacy of the provision for life policy liabilities (net of DAC and VOBA) is evaluated regularly. ING Insurance's policy for reserve adequacy testing is disclosed under 'Principles of valuation and determination of results'.

As at 31 December 2006 (and 31 December 2005), ING's life insurance businesses as a whole are sufficiently adequate at a 90% confidence level. All business lines are, on a stand-alone basis, adequate at a 90% confidence level, except for the business line Insurance Asia Pacific. The inadequacy in Insurance Asia Pacific is fully attributable to Taiwan.

At 31 December 2006 the inadequacy for Taiwan is EUR 2.4 billion based on a 90% confidence interval, on a Taiwan reserve level (net of DAC and VOBA) of EUR 10 billion. The inadequacy results from a material exposure in Taiwan to a sustained low interest rate environment. This is due to long term interest rate guarantees of 6-8% embedded in the life and health contracts sold by the business until 2001. These long term guarantees and the future premiums (which have a present value of approximately EUR 19 billion (2005: EUR 20 billion) create a liability for the portfolio with an effective duration of approximately 30, compared to an asset duration of approximately 10. ING Insurance stopped selling these high guarantees in its Taiwan life insurance products since 2002. The post 2001 business is adequate at a 90% confidence level, which partially compensates inadequacy related to the business sold until 2001. Furthermore, ING has over time strengthened reserves by EUR 682 million (2005: EUR 420 million) for this exposure and increased the internal capital allocation for this business.

The outcome of the reserve adequacy test for Taiwan is inherently uncertain given the use of various assumptions and the long term nature of the liability. The outcome can only be reliably estimated within broad ranges which are bound to vary significantly from period to period. The outcome of the test for Taiwan is especially sensitive to (changes in) interest rate assumptions. The reserve adequacy test at 31 December 2006 is based on the current 10-year swap rate in Taiwan at 31 December 2006 of 2.21% (2005: 2.35%), with the assumption that, in the long term, this swap rate will move to 5.75% (2005: 5.75%).

Management's best estimate, based on a 50% confidence level, is that Taiwan has a marginal adequacy of EUR 298 million (2005: EUR 165 million) which represents a 57% (2005: 53%) confidence level as at 31 December 2006. Under the Group's accounting policy, any inadequacy below the 50% level would be charged to the profit and loss account immediately.

The sensitivity to interest rates changes is explained below under ING Insurance – Interest rate sensitivity.

If the interest rates as at 31 December 2006 would have been 1% lower, Taiwan would have been inadequate at the 50% confidence level and, consequently, an amount of approximately EUR 1.5 billion after tax (2005: EUR 1.7 billion) would have been included as a charge in the profit and loss account, reflecting the amount necessary to bring reserves to a best estimate level. If the interest rates at both 31 December 2006 and 31 December 2005 would have been 1% higher, Taiwan would be sufficiently adequate at the 50% confidence level, but would still have been inadequate at the 90% confidence level. Consequently, the charge currently included in the profit and loss would likely have been reduced.

The Taiwan regulator currently allows mortality profits to be offset against losses from negative interest rate experience, thus eliminating the need to pay mortality dividends, and this practice is reflected in the reserve adequacy test.

ACTUARIAL AND UNDERWRITING RISK

General

Actuarial and underwriting risks are the risks resulting from the pricing and acceptance of insurance contracts. These risks are primarily managed through standard underwriting policies, product design requirements as set by ING's Insurance Risk Management function, independent product approval processes and risk limitations related to insurance policy terms and conditions with the client. Actuarial risks are managed through pricing procedures and included in the overall adequacy of provisions for insurance contract and investment contract liabilities. Underwriting risks are managed in the process whereby applications submitted for insurance coverage are reviewed. The maximum underwriting exposure is limited through exclusions, cover limits, and reinsurance.

Measurement

Profit and losses stemming from adverse claims in ING's insurance portfolios are managed by setting insurance risk tolerance levels which are reviewed annually by the Executive Board. ING Group has established actuarial and underwriting risk tolerance levels in specific areas of its insurance operations.

For non-life insurance, risk tolerance levels are set by line of business (in terms of maximum sums insured per individual risk) and for fire business also in terms of probable maximum loss limits. The losses considered to measure this probable maximum loss are those which are attributable to specific events (e.g. natural perils such as storms, earthquakes and floods). For the main non-life units (in The Netherlands, Belgium, Canada, Mexico) the risk tolerance is generally set at 2.5% of the Group's after tax earnings. For 2006, this translated into a (pre-tax) risk tolerance level of EUR 190 million (2005: EUR 170 million) for Mexico and The Netherlands-Belgium combined. For Canada the pre-tax risk tolerance level is set at EUR 169 million (derived from the above EUR 190 million but allowing for outside interests) (2005: EUR 149 million). The risk tolerance refers to the maximum allowable loss for catastrophic events. The probable maximum loss risk tolerance levels are set at a 1 in 250 return period for Canada, Mexico and The Netherlands-Belgium combined which is in line with industry practice. With respect to the Fire line of business this assessment is based on risk assessment models that are widely accepted in the industry. For the smaller non-life units, the (pre-tax) risk tolerance level for catastrophe related events for 2006 was set at EUR 5 million (2005: EUR 5 million) per event per business unit. For motor business the (pre-tax) risk tolerance level for 2006 was set at EUR 7.5 million (2005: EUR 5 million) per unit.

With respect to life business, ING Group's (pre-tax) risk tolerance level is set at EUR 22 million (2005: 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 life insurance contracts involving multiple lives, ING Insurance has made its own assessment and believes that the potential loss from a significant mortality event occurring in the normal course of business will not exceed an amount higher than the (pre-tax) risk tolerance level for 2006 of EUR 750 million (2005: EUR 750 million). Such an amount could result from a pandemic as observed during the Spanish flu pandemic in 1918, without taking into account medical improvements since that time. ING Insurance continues to model the possible impact of pandemics based on studies published by respected international organisations.

Overall exposures and concentrations are actively managed through the purchase of external reinsurance from approved high creditworthy reinsurers within the credit risk policy of ING Insurance. In case of the existence of exposures higher than the risk tolerance levels as defined above, appropriate procedures are in place, including third party reinsurance covers. Particularly for the property and casualty portfolio, ING Insurance purchases protection through which the exposure due to natural catastrophes is substantially mitigated. ING Insurance believes that the credit risks to which it is exposed under reinsurance contracts are minor.

Regarding catastrophic losses arising from events such as terrorism, ING Insurance believes that it is not possible to develop a business model that takes into account the possibility of very high losses resulting from these events. For the non-life business, losses that result from these events are generally not covered unless required by law. In various countries industry pools have been established to mitigate the terrorism risk to which the individual insurers are nevertheless still exposed. ING Insurance participates in such pools.

Risk management continued

Through scenario analyses, ING Insurance measured the potential changes in the realised after tax earnings of the insurance operations from an increase/decrease of the insurance risk factors over the year 2006. These changes to net profit can relate to realised claims or any other net profit item that would be affected by the change of these factors. In addition, ING Insurance has estimated the impact on the 31 December 2006 shareholders' equity of ING Insurance from the same change in insurance risk factors. The differentiation of sensitivities before and after risk mitigation typically refers to mitigation of the risks by reinsurance. ING Insurance assumes that not all these shifts presented below will happen everywhere at the same time.

Insurance risks sensitivity

		Effect on ING Insurance				Effect on ING Insurance			
		Net profit		Shareholders' equity		Net profit		Shareholders' equity	
		Before risk mitigation	After risk mitigation	Before risk mitigation	After risk mitigation	Before risk mitigation	After risk mitigation	Before risk mitigation	After risk mitigation
					2006				2005
Mortality	+10%	-91	-70	-87	-67	-82	-61	-85	-63
	-10%	80	70	78	67	80	61	83	64
Morbidity	+10%	-114	-106	-111	-103	-70	-66	-70	-67
	-10%	114	105	111	102	70	66	71	67
P&C	+10%	-196	-185	-188	-178	-125	-98	-130	-101
	-10%	196	185	188	178	125	98	130	101

The sensitivities represent a one-time increase/decrease of the realised claims of P&C and morbidity and an increase/decrease of the mortality rates over 2006.

MARKET RISK

General

Market risks arise when the market value of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, equity prices, foreign exchange rates and real estate prices can impact present and future earnings of the insurance operations as well as the shareholders' equity.

ING Insurance implemented Market Value at Risk (MVaR) limits to manage the market and credit risks resulting from the Insurance operations world-wide. ALCO Insurance has set a MVaR limit for ING Group Insurance and each of the business lines that relates to the market value based economic capital of ING Group Insurance. The MVaR is based on a 99.95% confidence level over a one-year horizon.

These limits are further allocated to the ING Insurance business units through MVaR sublimits by the business lines. These limits are managed by an ALCO Insurance structure on the respective organisational levels. Limit breaches by business lines are reported to ALCO Insurance and resolved in accordance with policy within the next quarter.

Corporate Insurance Risk Management (CIRM) consolidates and monitors the MVaR exposures of the business lines including diversification effects on a quarterly basis. In 2006 there were no breaches (2005: none) of the overall ING Insurance MVaR limit.

Measurement

CIRM is responsible for implementing and monitoring asset and liability management (ALM) practices and for consistency of the MVaR calculation methods world-wide.

The market risk of ING Insurance is primarily related to interest rate risk and equity risk although it also includes real estate and foreign currency risks. The following text provides an analysis of the exposures of the different types of market risks.

ALM risk – interest rate risk

ING's insurance operations are exposed to changes in interest rates with respect to guaranteed interest rates on insurance and investment contract liabilities. ING's insurance operations are also exposed to changes in interest rates with respect to investment income. The current product portfolio also includes products where interest rate risks are entirely or partially passed on to the policyholder, thereby reducing ING Insurance's exposure to interest rate movements.

Through scenario analyses, ING Insurance measured the potential changes in earnings of the insurance operations from an instantaneous increase/decrease in interest rates of 100 basis points. These changes to net profit can relate to assets as well as liabilities such as investment income, interest paid to policyholders, adequacy of provision for liabilities, market value adjustments, amortisation of Deferred Acquisition Costs (DAC) or any other net profit item that would be affected by interest rate changes. The effect of interest rate changes is different by business line and by product. In addition, ING Insurance has estimated the impact on the 31 December 2006 shareholders' equity of ING Insurance from such an instantaneous change in interest rates.

Interest-rate sensitivity

	Effect on ING Insurance		Effect on ING Insurance	
	Net profit	Share-holders' equity 2006	Net profit	Share-holders' equity 2005
Increase interest rates by 1%	8	-3,185	-68	-2,814
Decrease interest rates by 1%	-1,600	1,880	-1,743	1,255

The sensitivities represent an instantaneous increase/decrease of interest rates as of 31 December 2006. The net profit sensitivity reflects the related effect on net profit after tax for the year 2006 if interest rates remain 100 basis points higher (or lower) for at least 12 months. Sensitivity disclosures include the effect of embedded derivatives contained in insurance contracts.

The most significant interest rate risk within ING's insurance businesses exists in Taiwan where ING Insurance has material exposure to a sustained low interest rate environment. This is due to long term interest rate guarantees of 6-8% embedded in the life contracts sold by the business until 2001. Since 2002, ING Insurance has changed the design of its Taiwan life insurance products, strengthened reserves and increased the internal capital allocation for this business.

The net profit impact related to a 1% change in current interest rates is asymmetric due to the need to increase reserves for ING Insurance's business in Taiwan if interest rates were 1% lower. The IFRS profit impact on Taiwan of 1% lower interest rates at 31 December 2006 is EUR 1.5 billion (2005: EUR 1.7 billion). This is the amount necessary to bring reserves to a best estimate (50%) level in this sensitivity. There is not a corresponding benefit for rising interest rates in 2006 since the additional benefit from a rising interest scenario is not recognised in profit through unlocking of reserves.

Shareholders' equity impacts also relate directly to use of market values for available for sale securities offset by deferred profit sharing and shadow accounting of reserves and DAC/VOBA where possible.

Risk management continued

ALM risk – equity risk

ING's insurance operations are exposed to changes of prices in equity markets on two levels: (1) business units that have direct equity holdings in their general accounts; and (2) products where the revenues of the insurance operations are linked to the value of underlying equity funds, since this has an impact on the level of charges deducted for unit-linked and variable business.

Through scenario analyses ING Insurance measured the potential changes in earnings of the insurance operations resulting from an instantaneous increase/decrease in equity markets of 10%. These changes to net profit can relate to fee income, unrealised or realised gains and losses, amortisation of DAC or any other net profit item that would be affected by a substantial change to equity markets. The effect of equity market changes is different by business line and by product. In addition, ING Insurance has estimated the impact on the 31 December 2006 shareholders' equity of ING Insurance from such a change in equity markets.

Equity sensitivity

	Effect on ING Insurance		Effect on ING Insurance	
	Net profit	Share-holders' equity 2006	Net profit	Share-holders' equity 2005
Increase of equity by 10%	120	1,325	59	1,072
Decrease of equity by 10%	-150	-1,347	-80	-1,094

The sensitivities represent an instantaneous increase/decrease in equity markets as of 31 December 2006. The net profit sensitivity reflects the related effect on net profit after tax for the year if equity markets remain 10% higher (or lower) for at least 12 months. Sensitivity disclosures include the effect of embedded derivatives contained in insurance contracts. The largest exposures to equity movements are in the ING Insurance business units in The Netherlands, United States, Canada and Belgium.

ALM risk – foreign exchange risk

Foreign exchange risk in the investments backing ING's insurance and investment contract liabilities is dealt with in the investment management processes in each business unit. An immaterial portion of the investment portfolio backing insurance liabilities is invested in assets of a different currency from that of the liabilities.

Another type of foreign exchange risk exists in relation to translation risk. Locally required capital levels are invested in local currencies in order to satisfy regulatory requirements and to support local insurance business regardless of currency movements. These capital levels may affect the consolidated balance sheet when translated to Euros. Depending on hedging costs and the capital exposure, ING Insurance may hedge the capital over locally required margins.

Through scenario analysis ING Insurance measured the potential changes in the reported earnings of the insurance operations resulting from an instantaneous increase/decrease on 31 December 2006 in foreign exchange markets of 10%. In addition, ING Insurance has estimated the impact on the 31 December 2006 shareholders' equity of ING Insurance from such a change in foreign exchange markets.

Foreign currency sensitivity

	Effect on ING Insurance		Effect on ING Insurance	
	Net profit	Share-holders' equity 2006	Net profit	Share-holders' equity 2005
10% Increase of euro versus all other currencies	-26	-1,014	-81	-950
10% Decrease of euro versus all other	29	1,031	87	1,041

The sensitivities represent an instantaneous increase/decrease in the euro on 31 December 2006.

The net profit sensitivity reflects the related effect on net profit after tax for the year 2006 if the foreign exchange rate of euro against the other currencies remain 10% higher (or lower) for at least 12 months. Sensitivity disclosures include the effect of embedded derivatives contained in insurance contracts.

The main foreign exchange risks of ING Insurance relate to the translation risk from net profit and equity from business units in United States, Canada and certain Latin American countries. For net profit the impact is mitigated through the usage of average yearly exchange rates. During 2006 the euro has increased in value compared to most other currencies of countries where ING Insurance has business.

ALM risk – Real estate risk

Real estate risk exists in some of the investment portfolios of ING Insurance, most significantly in the Netherlands. ING Insurance is exposed to the risk of decreasing real estate prices to the extent these cannot be shared with contract holders in participating insurance plans.

Through scenario analyses, ING Insurance measured the potential changes in the earnings of the insurance operations resulting from an instantaneous increase/decrease in real estate markets of 10%. In addition, ING Insurance has estimated the impact on the 31 December 2006 shareholders' equity of ING Insurance from such a change in real estate markets.

Real estate sensitivity

	Effect on ING Insurance		Effect on ING Insurance	
	Net profit	Share-holders' equity	Net profit	Share-holders' equity
		2006		2005
Increase of real estate of 10%	480	490	509	525
Decrease of real estate of 10%	-480	-490	-513	-525

The sensitivities represent an instantaneous increase/decrease in real estate markets as of 31 December 2006.

The net profit sensitivity reflects the related immediate effect on net profit after tax for the year 2006 if the real estate markets remain 10% higher (or lower) for at least 12 months.

The most significant real estate risk of ING Insurance exists within the ING Real Estate investment portfolio in The Netherlands.

LIQUIDITY RISK

Liquidity problems arise if an insurance business does not have enough cash or liquid assets to meet its cash obligations. Demands for funds can usually be met through ongoing normal operations, premiums received and the sale of assets or borrowing. Unexpected demands for liquidity may be triggered by a credit rating downgrade, negative publicity, deterioration of the economy, reports of problems of other companies in the same or similar lines of business, significant unanticipated policy claims, or other unexpected cash demands from policyholders.

Liquidity risk decreases as the time frame allowed for generating cash increases. Longer time frames increase the probability of finding a buyer for some of the company's non-maturing or less liquid assets or securing external financing. Expected liquidity demands within ING Insurance are managed through a combination of treasury, investment and asset-liability management guidelines, which are monitored on an ongoing basis. Unexpected liquidity demands are managed through a combination of product design, diversification limits on liabilities, investment strategy, systematic monitoring and advance contingency planning. CIRM has issued formal guidelines requiring all insurance businesses to regularly assess, monitor and report on their liquidity risk profile. The guidelines require an analysis of liabilities that increase liquidity risk, a review of the investment portfolio to ensure adequate liquidity, and analysis of the expected asset and liability cash flows in regards to the ability of the business to meet cash demands.

Lapses in the course of normal business conditions, including lapses triggered by fundamental market movements are included in the market risk factor sensitivities. ING Group specific liquidity stress scenarios are not reported.

Risk management continued

CREDIT RISK

General

ING Insurance'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 Lines of Business by means of top-down concentration limits for countries, individual borrowers and borrower groups. Within the Insurance companies, the goal is to maintain a low risk, well diversified credit risk portfolios that meets or exceeds market based benchmark returns.

Measurement

Credit risk

Credit risk is the risk of loss from default by debtors (including bond issuers) or counterparties. Credit risks arise in ING Insurance's investment activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

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 Insurance has paid or delivered its side of the trade. The risk is that ING Insurance delivers, but does not receive delivery from the counterparty. Settlement risk can most commonly be contained and reduced by entering into transactions with delivery-versus-payment (DVP) settlement methods, as is common with most clearing houses, or settlement netting agreements.

For those transactions where DVP settlement is not possible, ING establishes settlement limits through the credit approval process. Settlement risk is then monitored and managed through the credit risk management units. Risk is further mitigated by operational procedures requiring trade confirmations to counterparties with all transaction details, and entering into internationally accepted documentation, such as International Swaps and Derivatives Association (ISDA) Master Agreements for derivative transactions.

Country risk

Country risk is the risk specifically attributable to events in a specific country (or group of countries). Country risk is identified in investment activities. All transactions generated by ING Insurance include country risk. Country risk is further divided into economic and transfer risk. Economic risk is the concentration risk relating to any event in the risk country which may affect transactions and other exposure in that country, regardless of the currency. Transfer risk is the risk incurred through the inability of ING Insurance or its counterparties to meet their respective foreign currency obligations due to a specific country event.

In countries where ING Insurance 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 investment activities are then measured and reported against these country limits on a daily basis. Country risk limits are assigned for transfer risk generally only in emerging markets.

Collateral policies

As with all financial institutions, ING Insurance is in the business of taking credit risks. As such, the creditworthiness of customers, trading partners and investments is continually evaluated for their ability to meet their financial obligations to ING Insurance. During the assessment process of creating new investments, as well as reviewing existing investments, ING Insurance 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. Laws in various jurisdictions also affect the type and amount of collateral that ING Insurance can receive or pledge. Additionally, ING Insurance will sometimes enter into credit default swaps, and other similar instruments, in order to reduce the perceived credit risk on a given borrower or portfolio. The type of collateral which is held as security for investments is determined by the structure of the investment. 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.

Restructuring

In some cases, ING Insurance will work with an obligor and its other creditors, if any, to restructure the obligor's business and its financial obligations in order to minimise any financial losses to the creditors as a whole, and ING Insurance in particular. This can be accomplished through many means available to the creditors, the most common of which are (a) extending the repayment period, (b) selling assets, (c) selling business lines of the obligor, (d) forgiving part of the financial obligations, and (e) a combination of the above. The decision to enter into such a restructuring is done only after careful internal assessment and approval by the appropriate (internal) delegated authorities. Once a restructuring is completed, the obligor is again subject to normal credit risk monitoring procedures.

Past-due obligations

ING Insurance 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 constitute operational risk. After this period, letters will be sent to the obligor reminding the obligor of its (past due) payment obligations. If the arrear still exists after 90 days, the obligation is usually transferred to one of the "problem loan" units. In order to reduce the number of arrears, ING units encourage their obligors to set up automatic debits from their (current) accounts to ensure timely payments.

There is no significant concentration of a particular type of loan structure in the watch list, past due or the impaired loan portfolio.

Generally, all loans with past due financial obligations of more than 90 days are automatically reclassified as impaired. However, there can also be other reasons for declaring a loan impaired prior to being 90 days past due. These include, but are not limited to, ING Insurance's assessment of the customer's perceived inability to meet its financial obligations, or the customer filing for bankruptcy or bankruptcy protection. In some cases, a material breach of financial covenants will also trigger a reclassification of a loan to the impaired category.

Repossession policy

It is ING Insurance's general policy not to take possession of assets of defaulted debtors. Rather, ING Insurance 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 Insurance does take possession of the collateral, ING Insurance 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.

Credit Risk exposure

ING Insurance's credit exposure arises from the investment of insurance premiums into credit risk assets, largely in the form of bond investment activities on an unsecured basis. While ING Insurance has a policy of maintaining a high quality investment grade portfolio, a certain portion of the portfolio is invested in residential mortgages and structured finance products. Credit exposure also arises from derivatives, sell/repurchase transactions, securities lending/borrowing and reinsurance contracts used to hedge the portfolio. Derivative transactions are generally entered into in relation to hedging activities.

Overall credit risk limits are established by ALCO Insurance based on risk classes and the perceived creditworthiness of the underlying obligor. Issuer limits are determined based on the obligor's rating. These limits are managed in the region where the parent company is domiciled. In addition each Insurance company has one or more investment mandates that specify credit risk appetite by issuer, type and quality.

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 Insurance portfolio, as % of total outstandings⁽¹⁾

(in percentages)	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
	2006	2005	2006	2005	2006	2005	2006	2005
1 (AAA)	26.9	28.3	27.8	27.3	12.1	13.5	25.1	26.3
2-4 (AA)	21.8	15.0	19.8	21.8	33.4	59.0	22.6	23.0
5-7 (A)	20.0	30.4	20.5	43.2	32.4	15.1	22.0	32.8
8-10 (BBB)	19.7	22.5	14.6	5.8	7.9	9.9	15.8	14.3
11-13 (BB)	7.0	2.5	15.7	0.8	4.1	2.1	10.3	2.5
14-17 (B)	4.6	0.7	1.2	1.0	10.1	0.2	4.0	0.8
18-22 (Problem Grade)	0.0	0.6	0.4	0.1	0.0	0.2	0.2	0.3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

⁽¹⁾ The 2005 figures exclude the residential mortgage portfolios in the Americas and Asia/Pacific. The table reflects probabilities of default and does not take collateral into consideration.

Risk management continued

The downward shift in risk ratings within Insurance Europe is the result of a re-rating exercise performed on the Dutch mortgage portfolios to bring them in line with the rating methodology that is used for similar assets within ING Bank. Under the new methodology, the ratings are distributed over rating classes 8-17. A similar shift is seen in the Americas and Asia Pacific, as a result of the inclusion of residential mortgages for the first time in 2006. Hence, the movement mainly represents a reclassification between risk rating classes and not a deterioration of the underlying credit risk profile.

Risk concentration: ING Insurance portfolio, by economic sector⁽¹⁾

(in percentages)	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
	2006	2005	2006	2005	2006	2005	2006	2005
Construction, infrastructure & Real Estate	9.9	14.2	2.4	1.7	2.2	10.3	5.6	8.7
Financial Institutions	61.0	51.6	25.4	21.2	29.9	24.2	41.3	36.3
Private Individuals	3.4	0.0	22.1	25.0	9.1	0.0	12.1	10.1
Public Administration	3.4	5.5	33.4	39.3	40.0	49.4	21.4	24.0
Utilities	4.0	5.0	1.7	2.4	3.0	4.1	2.9	3.8
Other	18.3	23.7	15.0	10.4	15.8	12.0	16.7	17.1
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

⁽¹⁾ The 2005 figures exclude the residential mortgage portfolios in the Americas and Asia/Pacific. These are included under Private Individuals.

The industry coding methodology for the insurance company was aligned with the methodology used within the ING Bank operations in 2006. Under the new methodology, investments in structured bond instruments, such as securitisations, are included in the Financial Institutions industry.

Largest economic exposures: ING Insurance portfolio, by country⁽¹⁾

amounts in billions of euros	Insurance Americas		Insurance Europe		Insurance Asia/Pacific		Total ING Insurance	
	2006	2005	2006	2005	2006	2005	2006	2005
United States	57.4	61.5	2.0	3.2	2.3	1.9	61.7	66.6
Netherlands	0.7	0.8	34.2	25.8	0.5	0.1	35.4	26.7
Italy	0.3	0.5	7.5	7.7	0.1	0.0	7.9	8.2
Germany	0.2	0.4	6.6	6.8	0.3	0.4	7.1	7.6
Taiwan	0.0	0.0	0.0	0.0	6.9	7.4	6.9	7.4
Canada	6.3	5.9	0.3	0.1	0.0	0.0	6.6	6.0
France	0.4	0.5	5.6	5.3	0.5	0.9	6.5	6.7
United Kingdom	1.6	1.9	3.6	3.2	0.3	0.2	5.5	5.3
South Korea	0.0	0.0	0.0	0.0	5.4	3.9	5.4	3.9
Spain	0.3	0.3	4.5	3.9	0.4	0.0	5.2	4.2

⁽¹⁾ Only covers total exposures in excess of EUR 5 billion.

The country concentrations in the Insurance portfolio did not change significantly in 2006. The growth in most countries is related to the growth of the underlying insurance companies investment portfolios in the respective markets. Italian, German, French and British portfolios are principally related to government bonds held by insurance companies in the Netherlands and Belgium.

OPERATIONAL INFORMATION AND SECURITY RISK

General

The aim of the ING Insurance and local Operational Information and Security Risk Management departments is to support general management of the business lines (first line of defence) which is responsible for managing operational information and security risk (hereafter referred to as operational risk). This is done by raising operational risk awareness and insight, increasing operational risk and loss transparency, improving early warning information and allocating risk ownership and responsibilities. This contributes to more stable business processes and lower operational risk costs. Furthermore, implementing an operational risk management function has led to more effective risk management and has prepared ING Insurance for the future requirements of Solvency II.

Management

ING Insurance has developed a comprehensive framework supporting the process of identifying, measuring and monitoring operational risks.

Risk Management Processes	Examples of Risk management Tools
Risk Identification	Risk and Control Self Assessments Risk Awareness Programs Fraud detection
Risk Measurement	Incidents Reporting and Analysis Quality of Control Scorecards
Risk Monitoring	Operational Risk Committee Audit Findings Action Tracking Key Risk Indicator Reporting Operational Risk Dashboard
Risk Mitigation	New Product Approval Process (Information) Security plans & implementation Crisis management & Business Continuity Planning

ING Insurance is promoting effective management of operational risk (ORM) by requiring business units to demonstrate that the appropriate steps have been taken to control operational risk. ING Insurance applies scorecards for this purpose. The purpose of the semi-annual scorecards is to measure the quality of ORM processes within a business. Scoring is based on the ability to demonstrate that the required risk management processes (risk governance, identification, measurement, monitoring and mitigation) are in place with the business units. The scorecards indicate the level of control with the business units. The scoring results in a decrease or increase of the risk capitals, depending on both the maturity of implemented ORM and the control measures taken.

The scorecard consists of five modules that supplement each other:

Risk Management Process	Focus
Risk Governance	Clear allocation of responsibilities
Risk Identification	Early identification of key risks and mitigation
Risk Measurement	Risk cost transparency and risk awareness
Risk Monitoring	Ongoing steering information
Risk Mitigation	Management responsiveness

The overall scorecard outcome showed good progress in 2006 in all business lines. During 2006, operational, information and security risk as well as compliance requirements were integrated in the scorecard.

Measurement

Operational risk (OR) is expressed as the amount of operational risk capital required for a business line as calculated using the OR capital model. This risk measurement model uses both external and internal loss data (exceeding EUR 1 million) within an actuarial model. The model is adjusted for the scorecard results, taking into account the specific quality of internal control in a business line. This provides an incentive to business unit management to better manage operational risk. The outcome is periodically challenged and benchmarked. The capital calculation model meets industry standards. ING Insurance is member of the Operational Risk data eXchange Association (ORX), the world's leading operational risk loss data consortium for the financial services industry. In order to protect ING Insurance against financial consequences of uncertain operational events ING Insurance has acquired insurance policies issued by third party insurers, with world-wide cover for (Computer) Crime, Professional Liability, Directors & Officers Liability, Employment Practices Liability and Fiduciary Liability. ING Insurance retains a portion of these risks that matches industry practice.

Developments in 2006

ORM has piloted the COSO (a control framework on Enterprise Risk Management (ERM) issued by the Committee of Sponsoring Organisations of the Treadway Commission in the United States) Enterprise Risk Management model in its Intermediaries Division in the Netherlands. Further, ING Insurance has now completed the embedding of its product approval process for new and amended products in all business units. Also during 2006, ING Insurance reached full coverage of the risk management systems for action tracking, incident management and scorecard evidencing within all ING Insurance entities.

Risk management continued

CORPORATE COMPLIANCE

Financial institutions in general are coming under closer scrutiny by society to ensure they comply with laws, regulations, standards and expectations. Regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinise payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. Regulators and other authorities have the power to bring administrative or judicial proceedings against ING Insurance, which could result, amongst other things, in suspension or revocation of ING Insurance's licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm ING Insurance's results of operations and financial condition.

Like many other large international financial institutions, ING engages and in the past has engaged in a limited amount of business with counterparties, including government or government-related counterparties, in countries such as Cuba, Iran and Syria, countries which have been identified as state sponsors of terrorism by the US State Department and subject to sanctions by various government agencies. ING does not believe that its revenues in such countries are or have been material to its overall business. In light of increased scrutiny of transactions involving such countries on the part of US and non-US regulatory authorities, investors and the media, as well as initiatives on the part of various institutions to adopt or enforce laws or regulations prohibiting transactions with or requiring divestment from entities doing business with such countries, ING has in the course of 2006 and is continuing to significantly strengthen its compliance function generally as it has done in 2006.

A priority for ING Insurance during 2006 has been to increase compliance awareness group-wide and to implement the ING Group Compliance Policy. The implementation of the ING Group Compliance Policy has been a key performance target for all senior managers. Senior management received updates on compliance related issues and on the progress made in implementing the policy. Further embedding in procedures and processes in the organisation has high priority to be completed in 2007.

Another initiative ING Group undertook during 2006 to increase compliance awareness was the allocation of 130 extra Full Time Equivalents (FTEs) employees to Compliance, increasing the number of dedicated compliance FTEs on ING Group level to around 700. As well Compliance and Operational Risk Management have an established governance structure in which the ING Group Audit Committee is informed regularly about any incidents with a major financial and compliance impact. The incident reporting process provides information on financial and compliance incidents on a timely basis. The ING Group Executive Board continued to emphasise the importance of compliance in internal conferences and interviews. Additional 2006 compliance initiatives included a mandatory compliance e-learning course for all Netherlands employees, regional compliance conferences and in the United States a Compliance Awareness Week program.

In 2006, in the context of changing legislation, regulation and regulatory scrutiny, ING revised amongst other policies its Financial Economic Crime Policy to comply with the third the EU Anti-Money Laundering directive and other applicable laws and regulations. As a result of the revision of the Financial Economic Crime Policy, a review of all customer files to assist ING to prevent its businesses and systems from being used to launder money or finance terrorist activities, is in progress. An additional benefit of reviewing customer files is that increased knowledge of its customers enables ING to provide services that are better tailored to customer needs.

AUTHORISATION OF ANNUAL ACCOUNTS

Amsterdam, 12 March 2007

THE SUPERVISORY BOARD

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5 Parent company annual accounts

Parent company balance sheet of ING Insurance as at 31 December before profit appropriation

amounts in millions of euros	2006	2005
ASSETS		
Investments in wholly owned subsidiaries 1	24,133	25,719
Other assets 2	16,866	17,078
Total assets	40,999	42,797
EQUITY 3		
Share capital	174	174
Share premium	4,374	4,374
Share of associates reserve	7,998	8,156
Currency translation reserve	-344	234
Other reserve	5,755	4,398
Net profit	3,960	3,291
	21,917	20,627
LIABILITIES		
Subordinated loans 4	4,043	4,376
Other liabilities 5	15,039	17,794
Total equity and liabilities	40,999	42,797

References relate to the notes starting on page 106 which form an integral part of the parent company annual accounts.

Parent company profit and loss account of ING Insurance for the years ended 31 December

amounts in millions of euros

	2006	2005
Result of group companies after taxation	3,887	3,267
Other results after taxation	73	24
Net profit	3,960	3,291

5 Parent company annual accounts

Parent company statement of changes in equity of ING Insurance for the years ended 31 December

amounts in millions of euros	Share capital	Share premium	Share of associates	Currency translation reserve	Other reserves	Total
Balance as at 1 January 2005	174	4,374	1,683	-381	7,429	13,279
Implementation IAS 32/39 and IFRS 4			3,771	2	-1,550	2,223
Unrealised revaluations after taxation			1,832		38	1,870
Realised gains/losses transferred to profit and loss			-501			-501
Transfer to insurance liabilities/DAC			-89			-89
Change in cash flow hedge reserves			526			526
Unrealised revaluations from net investment hedges				1,294		1,294
Exchange rate differences			934	-681	43	296
Employee stock option and share plans					33	33
Total amount recognised directly in equity			2,702	613	114	3,429
Net profit					3,291	3,291
			2,702	613	3,405	6,720
Dividend					-1,595	-1,595
Balance as at 31 December 2005	174	4,374	8,156	234	7,689	20,627
Unrealised revaluations after taxation			-240		237	-3
Realised gains/losses transferred to profit and loss			-614			-614
Transfer to insurance liabilities/DAC			820			820
Change in cash flow hedge reserves			-273			-273
Unrealised revaluations from net investment hedges				75		75
Exchange rate differences			-423	-653		-1,076
Employee stock option and share plans					51	51
Total amount recognised directly in equity			-730	-578	288	-1,020
Net profit			700		3,260	3,960
			-30	-578	3,548	2,940
Dividend			-128		-1,522	-1,650
Balance as at 31 December 2006	174	4,374	7,998	-344	9,715	21,917

Accounting policies for the parent company balance sheet and profit and loss account of ING Insurance

BASIS OF PRESENTATION

The parent company accounts of ING Insurance are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The accounting policies with regard to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The principles of valuation and determination of results stated in connection with the consolidated balance sheet and profit and loss account are also applicable to the parent company balance sheet and profit and loss account with the exception of investments in group companies and investments in associates which are initially recognised at cost and subsequently accounted for using the equity method of accounting.

The profit and loss account has been drawn up in accordance with Section 402, Book 2, of the Dutch Civil Code.

A list containing the information referred to in Section 379(1), Book 2, of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Section 379(5), Book 2, of the Dutch Civil Code.

Changes in balance sheet values due to changes in the Revaluation reserves of associates are reflected in the Share of associates reserve, which forms part of Shareholders' equity. Changes in balance sheet values due to the results of these associates, accounted for in accordance with ING Insurance accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these associates, other than those due to changes in share capital, are included in the Reserve for associates.

A statutory reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Reserve for associates, which forms part of Shareholders' equity.

CHANGES IN PRESENTATION

The presentation of, and certain terms used in, the balance sheet, the profit and loss account, cash flow statement, statement of changes in equity and certain notes has been changed in 2006 to provide additional and more relevant information. Certain comparative amounts have been reclassified to conform with the current period presentation. None of the changes are significant in nature.

5 Parent company annual accounts

Notes to the parent company balance sheet of ING Insurance
amounts in millions of euros, unless stated otherwise

ASSETS

1 INVESTMENTS IN WHOLLY OWNED SUBSIDIARIES

Investments in wholly owned subsidiaries

	2006	2005
Name of investee:		
ING Verzekering Nederland N.V.	11,233	10,341
ING America Insurance Holding inc	5,582	5,450
ING Insurance International B.V.	5,848	5,319
Aconto B.V.		2,207
ING Holdinvest B.V.		471
ING Continental Europe B.V.	1,241	989
Other	229	942
Closing balance	24,133	25,719

Changes in investments in wholly owned subsidiaries

	2006	2005
Opening balance	25,719	17,342
Change in accounting policies		2,500
Disposals of group companies	-2	
Revaluations	-1,016	3,211
Result of the group companies	3,887	3,267
Dividend	-4,455	-601
Closing balance	24,133	25,719

2 OTHER ASSETS

Other assets

	2006	2005
Receivables from group companies	16,473	16,669
Other receivables, prepayments and accruals	393	409
	16,866	17,078

EQUITY

3 EQUITY

The Share of associates reserve and Currency translation reserve cannot be freely distributed. The reserve for cash flow hedges is included in the Share of associates reserve on a net basis. Retained earnings can be freely distributed. Unrealised gains and losses on derivatives, other than those used in cash flow hedges, are presented in the profit and loss account and are thus part of Retained earnings.

The total amount of Equity in the parent company annual accounts equals Shareholders' equity (parent) in the consolidated annual accounts. Certain components within equity are different, as a result of the following presentation differences between the parent company accounts and consolidated accounts:

- Unrealised revaluations within consolidated group companies, presented in the Revaluation reserve in the consolidated accounts, are presented in the Reserve for associates in the parent company accounts;
- Foreign currency translation on consolidated group companies, presented in the Currency translation reserve in the consolidated accounts, is presented in the Reserve for associates in the parent company accounts;
- Revaluations on investment property recognised in income and consequently presented in Retained earnings in the consolidated accounts, is presented in the reserve for associates in the parent company accounts.

The total amount of non-distributable reserves is EUR 570 million (2005: EUR –2 million).

See Note 11 Shareholders' equity (parent) in to the consolidated annual accounts for additional information.

Equity

	2006	2005
Share capital	174	174
Share premium	4,374	4,374
Share of associates reserve	7,998	8,156
Currency translation reserve	–344	234
Other reserves	9,715	7,689
Equity	21,917	20,627

Share capital

	Ordinary shares (par value EUR 1.13)			
	Number X1,000		Amount	
	2006	2005	2006	2005
Authorised share capital	680,000	680,000	768	768
Unissued share capital	526,116	526,116	594	594
Issued share capital	153,884	153,884	174	174

Notes to the parent company balance sheet of ING Insurance continued

Other reserves

2006	Retained earnings	Other reserves	Total
Opening balance	7,585	104	7,689
Profit for the year	3,960		3,960
Unrealised revaluations	411	-174	237
Transfer to share of associates reserve	-572		-572
Dividend	-1,650		-1,650
Other		51	51
Closing balance	9,734	-19	9,715

Other reserves

2005	Retained earnings	Other reserves	Total
Opening balance	7,522	2	7,524
Implementation IAS 32/39 and IFRS 4	-1,552		-1,552
Profit for the year	3,291		3,291
Unrealised revaluations	-81	69	-12
Dividend	-1,595		-1,595
Other		33	33
Closing balance	7,585	104	7,689

LIABILITIES

4 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of Issue	Due date	Notional amount in original currency	Balance sheet value	
				2006	2005
5.775%	2005	Unlimited	USD 1,000	759	859
4.176%	2005	Unlimited	EUR 300	284	298
6.125%	2005	Unlimited	USD 200	143	167
6.125%	2005	Unlimited	USD 100	71	84
6.375%	2002	7 May 2027	EUR 1,000	1,100	1,173
7.200%	2002	Unlimited	USD 500	379	423
6.250%	2001	21 June 2021	EUR 1,250	1,307	1,372
				4,043	4,376

5 OTHER LIABILITIES

Other liabilities by type

	2006	2005
Debenture loans	4,866	3,681
Amounts owed to group companies	5,718	10,259
Other amounts owed and accrued liabilities	4,455	3,854
	15,039	17,794

Debenture loans

Interest rate	Year of issue	Due date	Balance sheet value	
			2006	2005
2.500%	2006	Apr 2012	182	
Floating	2006	Sep 2013	997	
4.000%	2006	Sep 2013	994	
3.500%	2005	Nov 2012	497	497
4.750%	2005	Mar 2010	334	326
2.000%	2005	Nov 2011	187	194
2.000%	2005	Nov 2011	185	190
3.500%	2005	Nov 2012	96	100
3.750%	2004	Feb 2009	505	507
3.000%	2002	Jan 2007	187	195
3.000%	2001	Jan 2007	249	261
5.500%	2001	Sep 2006		254
3.500%	2001	Aug 2006		195
5.500%	2001	Sep 2006		170
6.000%	1999	May 2006		339
5.875%	1997	Sep 2007	340	340
6.250%	1994	Jan 2009	113	113
			4,866	3,681

Notes to the parent company balance sheet of ING Insurance continued

Amounts owed to group companies by remaining term

	2006	2005
Within 1 year	1,695	10,185
More than 1 year but less than 5 years	4,023	74
	5,718	10,259

GUARANTEES

At 31 December 2006 ING Verzekeringen N.V. has guarantees given on behalf of third parties of EUR 4,193 million (2005: EUR 4,940 million).

ING Verzekeringen N.V. has issued statements of liabilities in connection with Article 403 of the Dutch Civil Code and other guarantees for a number of group companies.

REMUNERATION OF SENIOR MANAGEMENT, EXECUTIVE BOARD AND SUPERVISORY BOARD

See Note 28 Related parties to the consolidated Annual Accounts for additional information.

Amsterdam, 12 March 2007

THE SUPERVISORY BOARD

Cor A.J. Herkströter, *Chairman*
 Eric Bourdais de Charbonnière, *Vice-Chairman*
 Luella Gross Goldberg
 Paul F. van der Heijden
 Claus Dieter Hoffmann
 Jan H.M. Hommen
 Piet C. Klaver
 Wim Kok
 Godfried J.A. van der Lugt
 Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, *Chairman*
 Cees Maas, *Vice-Chairman and CFO*
 Eric F. Boyer de la Giroday
 Dick H. Harryvan
 Eli P. Leenaars
 Tom J. McInerney
 Hans van der Noordaa
 Jacques M. de Vaucleroy

Auditor's report

To the shareholder, Supervisory Board and Executive Board of ING Verzekeringen N.V.

REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts 2006 of ING Verzekeringen N.V., Amsterdam. The annual accounts consist of the consolidated annual accounts and the parent company annual accounts. The consolidated annual accounts comprise the consolidated balance sheet as at 31 December 2006, the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The parent company annual accounts comprise the parent company balance sheet as at 31 December 2006, the parent company profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated annual accounts

In our opinion, the consolidated annual accounts give a true and fair view of the financial position of ING Verzekeringen N.V. as at 31 December 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the parent company annual accounts

In our opinion, the parent company annual accounts give a true and fair view of the financial position of ING Verzekeringen N.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part e of the Dutch Civil Code, we report, to the extent of our competence, that the report of the Executive Board is consistent with the annual accounts as required by 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 12 March 2007

for Ernst & Young Accountants

signed by Jan J. Nooitgedagt

Proposed profit appropriation

The profit is appropriated pursuant to Article 35 of the Articles of Association of ING Verzekeringen N.V., the relevant stipulations of which state that the part of the profit remaining after the cash dividend to the preference shareholders is made payable, shall be at the disposal of the General Meeting of Shareholders.

Proposed profit appropriation

amounts in millions of euros

Net profit	3,960
Addition to reserves pursuant to Article 35.1 of the Articles of Association	2,310
At the disposal of the General Meeting of Shareholders pursuant to Article 35.2 of the Articles of Association	1,650

DISCLAIMER

Certain of the statements contained in this Annual Report are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING's core markets, (ii) performance of financial

markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest-rate levels, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, and (x) changes in the policies of governments and/or regulatory authorities. ING assumes no obligation to update any forwardlooking information contained in this document.



The trademark of the Forest Stewardship Council (FSC) indicates that the wood used to make this report comes from a forest that is well-managed according to strict environmental, social and economic standards.

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