ING GROEP NV
Form 6-K
October 26, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
Commission File Number 1-14642
ING Groep N.V.
Amstelveenseweg 500
1081 KL Amsterdam
The Netherlands

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F þ **Form 40-F** o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T rule 101(b) (1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T rule 101(b) (7): o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o **No** þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b).

THIS REPORT ON FORM 6-K TOGETHER WITH OUR REPORT ON FORM 6-K SUBMITTED ON SEPTEMBER 8, 2009 (EXCEPT IN EACH CASE FOR REFERENCES THEREIN TO UNDERLYING RESULT BEFORE TAX AND ANY OTHER NON-GAAP FINANCIAL MEASURE AS SUCH TERM IS DEFINED IN REGULATION G UNDER THE SECURTIES EXCHANGE ACT OF 1934, AS AMENDED) SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-155937) OF ING GROEP N.V. AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED. FOR THE AVOIDANCE OF DOUBT, THE DISCLOSURE CONTAINING REFERENCES TO UNDERLYING RESULT BEFORE TAX AND ANY OTHER NON-GAAP FINANCIAL MEASURE CONTAINED IN THE ATTACHED REPORT IS NOT INCORPORATED BY REFERENCE INTO THE ABOVE-MENTIONED REGISTRATION STATEMENT OF ING GROEP N.V.

This Form 6-K provides Consolidated Financial Statements and related Form 20-F disclosures revised to include amounts in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, consistent with the presentation set forth in the Company s Form 6-K submitted on September 8, 2009 in respect of the period ending June 30, 2009.

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PRESENTATION OF INFORMATION

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

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

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of euro 1.00 = $ 1.2674, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 6, 2009.

The financial information contained herein is prepared under International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). International Financial Reporting Standards as issued by the IASB provide several options in accounting policies. ING Group s accounting policies under International Financial Reporting Standards, as issued by the IASB 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-IASB is used to refer to International Financial Reporting Standards as issued by the IASB, including the decisions ING Group made with regard to the options available under International Financial Reporting Standards as adopted by the IASB.

IFRS-EU refers to International Financial Reporting Standards as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU. The published 2008 Consolidated Annual Accounts of ING Group are presented in accordance with IFRS-EU. The Annual Accounts of ING Group will remain to be prepared under IFRS-EU. IFRS-EU differs from IFRS-IASB in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk.

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

The financial information contained herein is prepared under IFRS-IASB. This information is prepared by reversing the hedge accounting impacts that are applied under the EU carve out version of IAS 39. Financial information under IFRS-IASB accordingly does not take account of the fact that had ING Group applied IFRS-IASB as its primary accounting framework it may have applied alternative hedge strategies where those alternative hedge strategies could have qualified for IFRS-IASB compliant hedge accounting, which could have resulted in different shareholders equity and net result amounts compared to those disclosed herein.

A reconciliation between IFRS-EU and IFRS-IASB is included in Note 2.1 Basis of preparation.

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

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

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

References herein to Items are, to the extent such items are not included herein, to the relevant item in our Annual Report on Form 20-F for the year ended December 31, 2008.

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Item 3. Key Information

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

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

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	Year ended December 31,					
	2008 USD[1]	**2008 EUR**	**2007[2] EUR**	**2006[2] EUR**	**2005[2] EUR**	**2004[2] EUR**
	(in millions, except amounts per share and ratios)					
IFRS-IASB Consolidated Income Statement Data						
Income from insurance operations:						
Gross premiums written:						
Life	49,261	38,868	40,732	40,501	39,144	36,975
Non-life	6,266	4,944	6,086	6,333	6,614	6,642
Total	55,527	43,812	46,818	46,834	45,758	43,617
Commission income	2,624	2,070	1,901	1,636	1,346	1,198
Investment and Other income	11,369	8,970	13,488	11,172	10,299	10,787
Total income from insurance operations	69,519	54,851	62,208	59,642	57,403	55,602
Income from banking operations:						
Interest income	124,460	98,201	76,859	59,262	48,342	25,471
Interest expense	110,410	87,115	67,823	49,927	39,180	16,772
Net interest result	14,050	11,085	9,036	9,335	9,162	8,699
Investment income	(3,117)	(2,459)	1,969	849	937	363
Commission income	3,669	2,895	2,926	2,681	2,401	2,581
Other income	(4,436)	(3,500)	1,182	1,513	1,348	1,035
Total income from banking operations	10,167	8,022	15,113	14,378	13,848	12,678
Total income [3]	**79,316**	**62,582**	**77,097**	**73,804**	**71,120**	**68,159**
Expenditure from insurance operations:						
Life	65,426	51,622	49,526	49,106	47,156	44,988
Non-life	6,165	4,864	6,149	5,601	6,269	6,292
Total expenditure from insurance operations	71,590	56,486	55,675	54,707	53,425	51,280
Total expenditure from banking operations	14,680	11,583	10,092	9,190	8,932	9,260
Total expenditure[3][4]	**85,902**	**67,778**	**65,543**	**63,681**	**62,226**	**60,419**

Result before tax from insurance operations:						
Life	(2,720)	(2,146)	5,314	3,436	2,666	2,647
Non-life	648	511	1,219	1,499	1,312	1,675
Total	(2,072)	(1,635)	6,533	4,935	3,978	4,322
Result before tax from banking operations	(4,513)	(3,561)	5,021	5,188	4,916	3,418
Result before tax	**(6,585)**	**(5,196)**	**11,554**	**10,123**	**8,894**	**7,440**
Taxation	(2,113)	(1,667)	1,665	1,961	1,379	1,709
Minority interests	(47)	(37)	267	341	305	276
Net result	**(4,426)**	**(3,492)**	**9,622**	**7,821**	**7,210**	**5,755**
Dividend on Ordinary shares	1,901	1,500	3,180	2,865	2,588	2,359
Addition to shareholders equity	(5,788)	(4,567)	6,442	4,956	4,622	3,396
Payable on non-voting equity securities (7)					(539)	(425)
Net result attributable to equity holders of the Company	(924)	(729)	9,241	7,692	7,210	5,755
Basic earnings per share(5)	(2.17)	(1.71)	4.49	3.62	3.32	2.71
Diluted earnings per share(5)	(2.17)	(1.71)	4.46	3.59	3.32	2.71
Dividend per Ordinary share (5)	0.94	0.74	1.48	1.32	1.18	1.07
Interim Dividend	0.94	0.74	0.66	0.59	0.54	0.49
Final Dividend			0.82	0.73	0.64	0.58
Number of Ordinary shares outstanding (in millions)	2,063.1	2,063.1	2,226.4	2,205.1	2,204.9	2,204.7
Dividend pay-out ratio (6)	n.a.	n.a.	34.3%	37.0%	35.5%	39.5%

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	2008 USD(2)	2008 EUR	2007 2) EUR	2006(2) EUR	2005(2) EUR	2004(2) EUR
	Year ended December 31, (in billions, except amounts per share and ratios)					
IFRS-IASB Consolidated Balance Sheet Data						
Total assets	1,683.9	1,328.6	1,313.2	1,226.5	1,158.6	876.4
Investments:						
Insurance	138.8	109.5	132.3	140.5	144.5	112.1
Banking	188.6	148.8	160.4	171.1	180.1	164.2
Total	327.4	258.3	292.6	311.6	324.6	276.3
Loans and advances to customers	781.7	616.8	553.7	474.6	439.2	330.5
Insurance and investment contracts:						
Life	270.0	213.0	232.4	237.9	232.1	205.5
Non-life	8.6	6.8	9.6	10.1	12.8	11.4
Investment contracts	26.7	21.1	23.7	20.7	18.6	
Total	305.3	240.8	265.7	268.7	263.5	216.9
Customer deposits and other funds on deposit:						
Savings accounts of the banking operations	347.6	274.3	275.1	283.1	269.4	219.4
Other deposits and bank funds	314.9	248.5	250.1	213.6	196.3	129.8
Total	662.6	522.8	525.2	496.7	465.7	349.2
Amounts due to banks	193.0	152.3	167.0	120.8	122.2	95.9
Share capital (in millions)		2,063.1	2,242.4	2,268.1	2,292.0	2,291.8
Shareholders equity	19.1	15.1	37.7	38.4	36.7	24.1
Non-voting equity securities	12.8	10.0				
Shareholders equity per Ordinary share 5)	9.43	7.44	17.73	17.78	16.96	12.95

(1) Euro amounts have been translated into U.S. dollars at the exchange rate of $ 1.2674 to EUR 1.00, the noon buying rate in New York City on March 6, 2009 for cable

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

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

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

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

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

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

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

(7) For details of the agreements with the Dutch State see Note 12 of Note 2.1 to the consolidated financial statements.

EXCHANGE RATES

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

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

	U.S. dollars per euro			
Calendar Period	**Period End**(1)	**Average Rate**(2)	**High**	**Low**
2004	1.3538	1.2478	1.3625	1.1801
2005	1.1842	1.2397	1.3476	1.1670
2006	1.3197	1.2661	1.3327	1.1860
2007	1.4603	1.3794	1.4862	1.2904
2008	1.3919	1.4695	1.6010	1.2446
2009 (through March 6, 2009) (2)	1.2674	1.2710	1.3718	1.2549

(1) The Noon Buying Rate at such dates differ from the rates used in the preparation of

ING s consolidated financial statements as of such date. See Note 2.1 to the consolidated financial statements.

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

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

	High	**Low**
September 2008	1.4737	1.3939
October 2008	1.4058	1.2446
November 2008	1.3039	1.2525
December 2008	1.4358	1.2634
January 2009	1.3718	1.2804
February 2009	1.3064	1.2547
March 2009 (through March 6, 2009)	1.2674	1.2549

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

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Item 5. Operating and financial review and prospects

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

FACTORS AFFECTING RESULTS OF OPERATIONS

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

General market conditions

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

Fluctuations in equity markets

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

Fluctuations in interest rates

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

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

Market developments in 2008

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

Impact of financial crisis

Impact on pressurised asset classes

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

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

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

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

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

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

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

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

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

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

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

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

Impact on Real Estate

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

Impact on Equity securities available-for-sale

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

Impact on other asset classes

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

Impact on counterparty risk

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

Impact on Liquidity profile

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

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Fluctuations in exchange rates

ING Group is exposed to fluctuations in exchange rates. Our management of exchange rate sensitivity affects the results of our operations both through the trading activities for our own account and because of the fact that we publish our consolidated financial statements in euros. Because a substantial portion of our income and expenses are denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. dollar, the Australian dollar, the Canadian dollar, the Turkish lira, the Japanese yen, the Korean won, the Pound sterling and the Polish zloty into euros will impact our reported results of operations and cash flows from year to year. This exposure is mitigated by the fact that realized results in non-Euro currencies are translated into euro by monthly hedging. See Note 23 of Note 2.1 to the consolidated financial statements for a description of our hedging activities with respect to foreign currencies. Fluctuations in exchange rates will also impact the value (denominated in euro) of our investments in our non-Euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of our non-euro reporting subsidiaries are generally denominated in the same currencies. For the main foreign currencies, in which ING s income and expenses are denominated namely the U.S. dollar, Pound sterling, Canadian dollar, Australian dollar, Turkish lira and Polish zloty, the translation risk is managed taking into account the effect of translation results on the Tier-1 ratio. For all other currencies the translation risk is managed within a Value-at-Risk limit.

The weakening of most currencies against the euro during 2008 had a negative impact of EUR 163 million on (underlying) net result. In 2007 and 2006 exchange rates influenced net result, respectively, by EUR 159 million negatively and EUR 20 million positively.

For the years 2008, 2007 and 2006, the year-end exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for balance sheet items not denominated in euros) and the average quarterly exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for income statement items and cash flows not denominated in euros) were as follows for the currencies specified below:

	Average[1)]					
	4Q 2008	**3Q 2008**	**2Q 2008**	**1Q 2008**	**2007**	**2006**
U.S. dollar	1.345	1.511	1.566	1.514	1.375	1.257
Australian dollar	1.922	1.694	1.664	1.674	1.639	1.664
Canadian dollar	1.590	1.559	1.579	1.509	1.470	1.422
Pound sterling	0.844	0.796	0.792	0.761	0.686	0.682
Japanese yen	130.787	161.518	162.530	159.662	161.685	146.188
South Korean won	1,748.405	1,640.581	1,589.017	1,438.373	1,275.559	1,199.328
Turkish lira	1.995	1.825	1.973	1.838	1.786	1.798
Polish zloty	3.741	3.327	3.425	3.566	3.781	3.897

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

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

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

Critical Accounting Policies

See Note 2.1. to the consolidated financial statements.

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CONSOLIDATED RESULTS OF OPERATIONS

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

While these excluded items are significant components in understanding and assessing the Group s consolidated financial performance, ING Group believes that the presentation of underlying result before tax enhances the understanding and comparability of its segment performance by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. For example, we believe that trends in the underlying profitability of our segments can be more clearly identified without the effects of the realized gains/losses on divestitures as the timing is largely subject to the Company s discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Underlying result before tax is not a substitute for result before tax as determined in accordance with IFRS-IASB. ING Group s definition of underlying result before tax may differ from those used by other companies and may change over time. For further information on underlying result before tax as well as the reconciliation of our segment underlying result before tax to our result before taxation see Item 5. Operating and Financial Review and Prospects Segment Reporting and Note 49 of Note 2.1 to the consolidated financial statements.

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

	Insurance		**Banking**		**Eliminations**		**Total**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
				(EUR millions)				
Premium income	43,812	46,818					43,812	46,818
Interest result banking operations			11,085	9,036	43	60	11,042	8,976
Commission income	2,070	1,901	2,895	2,926			4,965	4,827
Investment and Other income	8,970	13,488	(5,959)	3,151	248	163	2,763	16,476
Total income	**54,851**	**62,208**	**8,022**	**15,113**	**291**	**223**	**62,582**	**77,097**
Underwriting expenditure	49,485	48,833					49,485	48,833
Other interest expenses	1,269	1,326			291	223	978	1,103
Operating expenses	5,422	5,515	10,303	9,967			15,725	15,481
Impairments/additions to the provision for loan losses	310	1	1,280	125			1,590	126
Total expenditure	**56,486**	**55,675**	**11,583**	**10,092**	**291**	**223**	**67,778**	**65,543**
Result before tax	**(1,635)**	**6,533**	**(3,561)**	**5,021**			**(5,196)**	**11,554**
Taxation	(483)	775	(1,184)	889			(1,667)	1,665
Result before minority interests	**(1,152)**	**5,758**	**(2,377)**	**4,132**			**(3,529)**	**9,889**
Minority interests	31	155	(69)	112			(38)	267

Net result	**(1,183)**	**5,603**	**(2,309)**	**4,019**	**(3,492)**	**9,622**
Result before tax	**(1,635)**	**6,533**	**(3,561)**	**5,021**	**(5,196)**	**11,554**
Gains/losses on divestments[1]	(8)	(382)		(32)	(8)	(414)
Result/loss divested units	88	(39)			88	(39)
Special items [2]	321		301	489	622	489
Underlying result before tax	**(1,235)**	**6,113**	**(3,260)**	**5,478**	**(4,495)**	**11,591**

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

(2) Special items Insurance: integration costs CitiStreet (EUR (93) million, 2008), Nationalization/Annuity business Argentina (EUR (228) million, 2008); Special items Banking: impairment costs for not launching ING Direct Japan (EUR (30) million, 2008), provision for combining ING Bank and Postbank (EUR (271) million, 2008 and EUR (299) million, 2007) and restructuring provisions and hedge on purchase price Oyak Bank

acquisition (EUR
190 million, 2007).

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

	Insurance		Banking		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
			(EUR millions)					
Premium income	46,818	46,834					46,818	46,834
Interest result banking operations			9,036	9,335	60	143	8,976	9,192
Commission income	1,901	1,636	2,926	2,681			4,827	4,317
Investment and Other income	13,488	11,172	3,151	2,362	163	73	16,476	13,461
Total income	**62,208**	**59,642**	**15,113**	**14,378**	**223**	**216**	**77,097**	**73,804**
Underwriting expenditure	48,833	48,188					48,833	48,188
Other interest expenses	1,326	1,233			223	216	1,103	1,017
Operating expenses	5,515	5,275	9,967	9,087			15,481	14,362
Impairments/additions to the provision for loan losses	1	11	125	103			126	114
Total expenditure	**55,675**	**54,707**	**10,092**	**9,190**	**223**	**216**	**65,544**	**63,681**
Result before tax	**6,533**	**4,935**	**5,021**	**5,188**			**11,554**	**10,123**
Taxation	775	702	889	1,259			1,665	1,961
Result before minority interests	**5,758**	**4,233**	**4,132**	**3,929**			**9,889**	**8,162**
Minority interests	155	281	112	60			267	341
Net result	**5,603**	**3,952**	**4,019**	**3,869**			**9,622**	**7,821**
Result before tax	**6,533**	**4,935**	**5,021**	**5,188**			**11,554**	**10,123**
Gains/losses on divestments[1]	(382)	(49)	(32)	112			(414)	63
Result divested units	(39)	(79)		(65)			(39)	(144)
Special items			489				489	
Underlying result before tax	**6,113**	**4,807**	**5,478**	**5,235**			**11,591**	**10,042**

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

SulAmerica in Brazil (EUR 93 million, 2007), unwinding Piraeus (EUR 34 million, 2006), sale of Australia non-life (EUR 15 million, 2006);. Divestments Banking: sale of RegioBank (EUR 32 million, 2007), sale of Willams de Broë (EUR (9) million, 2006), sale of Deutsche Hypothekenbank (EUR (80) million, 2006), sale of Degussa Bank (EUR (23) million, 2006).

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GROUP OVERVIEW

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

Total result before tax decreased by EUR 16,750 million, or 145.0%, from EUR 11,554 million in 2007 to EUR (5,196) million in 2008 and total underlying result before tax decreased by EUR 16,086 million or 138.8% from EUR 11,591 million in 2007 to EUR (4,495) million in 2008. The worldwide financial crisis led to extreme market volatility and sharp declines in asset prices, especially in the third and fourth quarters of 2008 which led to losses in the insurance operations and a decline in result of the banking operations in 2008. The decrease in total result before tax is also impacted by divestments which resulted in a gain of EUR 8 million and EUR 414 million for 2008 and 2007, respectively, and special items in 2008 and 2007 influenced result before tax negatively by EUR 622 million and EUR 489 million, respectively.

Net result decreased by EUR 13,114 million, or 136.3%, from EUR 9,622 million in 2007 to EUR (3,492) million in 2008. This lower loss compared with the decrease in result before tax was due to a conversion from a large profit into a loss, which resulted in a change in taxation from EUR 1,665 million in 2007 to EUR (1,667) million in 2008. Underlying net result decreased from EUR 9,589 million in 2007 to EUR (2,934) million in 2008.

Basic earnings per share decreased to EUR (1.71) in 2008 from EUR 4.49 in 2007.

Currency impact

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

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital (see the discussion under Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources ING Group Consolidated Cash Flows), which differs from total equity attributable to equity holders of the Company in that it excludes unrealized gains and losses on debt securities, the cash flow hedge reserve and goodwill and includes hybrid capital. On this basis, the debt/equity ratio of ING Group increased to 13.5% in 2008 compared with 9.5% in 2007, partly due to the buyback of ING s own shares, dividend payments and the recorded loss, partly offset by the issuance of Core Tier-1 Securities. The capital coverage ratio of ING Verzekeringen N.V. increased to 256% of E.U. regulatory requirements at the end of December 2008, compared with 244% at the end of December 2007, as the decrease in available capital was more than offset by the decline in required capital. The tier-1 ratio of ING Bank N.V. stood at 9.32% (based on Basel II risk weighted assets) at the end of 2008, up from 7.39% (based on Basel I risk weighted assets) at the end of 2007, well above the 7.20% target. Tier-1 capital increased from EUR 29.8 billion to EUR 32.0 billion, mainly thanks to net capital injections of EUR 3.0 billion by ING Group. Following the introduction of Basel II in 2008, risk weighted assets dropped from EUR 402.7 billion on December 31, 2007 to EUR 293.0 billion on January 1, 2008. During the year risk weighted assets increased to EUR 343.4 billion at year-end 2008.

INSURANCE OPERATIONS

Income

Total premium income decreased 6.4%, or EUR 3,006 million from EUR 46,818 million in 2007 to EUR 43,812 million in 2008. Underlying life premiums decreased 3.7%, or EUR 1,506 million from EUR 40,254 million in 2007 to EUR 38,748 million in 2008. Excluding Taiwan and currency impacts, underlying life premiums increased 3.3%, mainly driven by the US, Australia, and most countries in Asia. Underlying non-life premiums decreased 8.1%, or EUR 388 million from EUR 4,790 million in 2007 to EUR 4,402 million in 2008.

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

Underwriting Expenditure

Underwriting expenditure increased by EUR 652 million, or 1.3% from EUR 48,833 million in 2007 to EUR 49,485 million in 2008. The underwriting expenditure of the life insurance operations increased by EUR

1,657 million, or 3.8%. The underwriting expenditure of the non-life insurance operations decreased by EUR 1,005 million, or 21.2%.

Expenses

Operating expenses from the insurance operations decreased 1.7%, or EUR 93 million to EUR 5,422 million in 2008, from EUR 5,515 million in 2007, as ongoing cost reduction helped to offset most of the costs to support growth of the business in Asia/Pacific and Central and Rest of Europe. The expense ratios for the life insurance operations reflected the change in product mix as clients preferred traditional business over investment-linked business in the course of the year. Expenses as a percentage of assets under management for investment products deteriorated to 0.86% in 2008 compared with 0.76% in 2007. Expenses as a percentage of premiums for life products decreased to 14.0% in 2008 from 14.3% in 2007. The cost ratio for the non-life operations went up slightly to 32.2% in 2008 from 31.8% in 2007.

Result before tax and net result

Total result before tax from Insurance decreased 125.0%, or EUR 8,168 million, to a loss of EUR 1,635 million in 2008 from a profit of EUR 6,533 million in 2007, mainly due to the deterioration of the financial markets in the second half of 2008, as well as EUR 2,087 million gains on the sale of ING s stakes in ABN AMRO and Numico in 2007. The impact of divestments amounted to EUR 8 million in 2008 and EUR 382 million in 2007. Divested units contributed a loss of EUR 88 million before tax in 2008 and a profit of EUR 40 million to result before tax in 2007. Special items had a negative impact of EUR 321 million in 2008 compared to no impact in 2007. The net result from insurance deteriorated by 121.1%, or EUR 6,786 million to a loss of EUR 1,183 million in 2008 from a profit of EUR 5,603 million in 2007.

Underlying result before tax

The underlying result before tax (excluding the impact of divestments and special items) decreased to a loss of EUR 1,235 million in 2008 from a profit of EUR 6,113 in 2007. The sharp decline in results was mainly due to the deterioration of the financial markets in the second half of 2008, as well as EUR 2,087 million gains on the sale of ING s stakes in ABN AMRO and Numico in 2007. The underlying result from life insurance decreased by EUR 6,575 million to a loss of EUR 1,744 million from a profit of EUR 4,831 in 2007. Investment income was negatively impacted by capital losses and impairments on equity and debt securities, as well as negative fair value changes on real estate and private equity investments. Further, the result was negatively impacted by deferred acquisition cost (DAC) unlocking in the U.S. as well as losses on the SPVA business in Japan due to hedge losses. Underlying profit before tax from non-life insurance declined 60.3% to EUR 509 million from EUR 1,282 million in 2007, due primarily to capital losses and impairments on equities, as well as unfavourable underwriting results in Canada.

BANKING OPERATIONS

Income

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

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

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

Investment income decreased by EUR 7,625 million to a loss of EUR 6,168 million in 2008 from a profit of EUR 1,457 million in 2007. The decrease was partly entirely due to results on securities (including impairments) and fair value changes on real estate investments, changing from a profit of EUR 487 million in 2007 to a loss of EUR 2,739 million in 2008. Of this loss, EUR 2,087 million relates to debt securities (mainly impairments on the Alt-A portfolio at ING Direct), EUR 302 million relates to equity securities and EUR 350 million is attributable to real estate investments. Furthermore, rental income decreased by EUR 46 million and other investment income decreased by EUR 78 million. In addition, the decrease was partly due to negative fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB.

Other income decreased by EUR 1,484 million, or 87.7%, to EUR 209 million in 2008 from EUR 1,693 million in 2007. Net trading income declined EUR 1,154 million from a profit of EUR 749 million in 2007 to a loss of EUR 405 million in 2008. The share of profit from associates decreased by EUR 448 million from EUR 238 million in 2007 to a loss of EUR 210 million in 2008, mainly due to the downward valuation of listed funds at ING Real Estate. Other revenues, including income from operating lease, were EUR 88 million lower. These developments were partly offset by an increase of EUR 206 million in valuation results from non-trading derivatives, for which hedge accounting is not applied.

Expenses

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

The addition to the provision for loan losses

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

Result before tax and net result

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

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

Underlying result before tax

Excluding the effects of divestments and excluding special items, ING s banking operations showed a decrease in underlying result before tax of EUR 8,738 million, or 159.5%, from EUR 5,478 million in 2007 to EUR (3,260) million in 2008. Underlying net result decreased by EUR 6,404 million, or 146.8%, from EUR 4,363 million in 2007 to EUR (2,041) million in 2008, due to the tax rebate.

GROUP OVERVIEW

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

Total result before tax increased by EUR 1,431 million, or 14.1% from EUR 11,554 million in 2006 to EUR 11,553 million in 2007 and total underlying result before tax increased by EUR 1,549 million or 15.4% from EUR 10,042 million in 2006 to EUR 11,591 million in 2007. The increase in result before tax was supported by EUR 2,087 million in gains on the sale of stakes in ABN AMRO and Numico. However, the result before tax of ING Direct decreased by 23.3% due to losses related to repositioning the UK business as well as an impairment on asset-backed commercial paper in Canada in the fourth quarter 2007. The increase in total result before tax is also impacted by divestments which resulted in a gain of EUR 414 million and a loss of EUR 63 million for 2007 and 2006, respectively. Special items in 2007 influenced result before tax negatively by EUR 489 million, in 2006 there were no special items.

Net result rose by EUR 1,801 million, or 23.0% from EUR 7,821 million in 2006 to EUR 9,622 million in 2007. This higher growth compared with the increase in result before tax was due to a lower effective tax rate in 2007. The effective tax rate decreased to 14.4% in 2007 from 19.4% in 2006 mainly due to high tax-exempt gains on equity investments (ABN AMRO and Numico) in 2007 compared to 2006. Underlying net result increased from EUR 7,810 million in 2006 to EUR 9,589 million in 2007.

Earnings per share attributable to equity holders of the Company increased to EUR 4.49 in 2007 from EUR 3.62 in 2006.

Currency impact

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

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital (see the discussion under Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources ING Group Consolidated Cash Flows), which differs from total equity attributable to equity holders of the Company in that it excludes unrealized gains and losses on debt securities, the cash flow hedge reserve and goodwill and includes hybrid capital. On this basis, the debt/equity ratio of ING Group increased to 9.5% in 2007 compared with 9.0% in 2006, partly due to the buyback of own shares. The capital coverage ratio of ING Verzekeringen N.V. decreased to 244% of E.U. regulatory requirements at the end of December 2007, compared with 274% at the end of December 2006, due to the decrease in available capital. The tier-1 ratio of ING Bank N.V. stood at 7.39% at the end of 2007, down from 7.63% at the end of 2006, but remained above the 7.20% target. This decrease was caused by strong growth in risk-weighted assets and the deduction of EUR 1.2 billion in goodwill and other intangibles related to the purchase of Oyak Bank, partly compensated by a capital injection of EUR 2.2 billion from ING Group to ING Bank in the fourth quarter. Total risk-weighted assets of the banking operations increased by EUR 64.8 billion, or 19.2%, to EUR 402.7 billion as of December 31, 2007 from EUR 337.9 billion as of December 31, 2006, driven by growth in Wholesale Banking and Retail Banking.

INSURANCE OPERATIONS

Income

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

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

Underwriting Expenditure

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

Expenses

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

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Result before tax and net result

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

Underlying result before tax

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

BANKING OPERATIONS

Income

Total income from banking increased 5.1%, or EUR 735 million, to EUR 15,113 million in 2007 from EUR 14,378 million in 2006. This increase was experienced despite a decrease in the interest result, which was primarily attributable to a sharp decline in margins, but which was more than offset by increases in commission income and investment income.

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

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

Investment income increased by EUR 791 million, or 118.9%, to EUR 1,457 million in 2007 from EUR 666 million in 2006. The increase was partly due to EUR 56 million in gains recognized on divestments in 2007 and losses of EUR 78 million on divestments in 2006. Furthermore, rental income increased EUR 113 million and realized gains on equities grew EUR 181 million compared to 2006, mainly due to the substantial capital gains following the sale of shares in the stock exchange and the derivatives market in Sao Paulo and a sizeable gain from the sale of an equity stake at Wholesale Banking.

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

Expenses

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

The addition to the provision for loan losses

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

Result before tax and net result

Total result before tax decreased 3.2%, or EUR 167 million, to EUR 5,021 million in 2007 from EUR 5,188 million in 2006. Divestments and special items had a negative impact of EUR 458 million on result before tax in 2007, including EUR 489 million in special items, partly offset by EUR 32 million realized gains on divestments. In 2006, divestments resulted in a realized loss of EUR 112 million. The divested units contributed EUR 65 million to result before tax in 2006.

Net result from banking increased 3.9%, or EUR 150 million from EUR 3,869 million in 2006 to EUR 4,019 million in 2007. This decrease is moderated due to the effective tax rate for ING s banking operations which decreased from 24.3% (EUR 1,259 million) for 2006 to 17.7% (EUR 889 million) for 2007, caused by high tax-exempted gains, the release of some tax liabilities, a lower corporate tax rate in the Netherlands and the impact of a tax asset in Germany.

Underlying result before tax

Excluding the effects of divestments and excluding special items, ING s banking operations showed an increase in underlying result before tax of EUR 243 million, or 4.6%, from EUR 5,235 million in 2006 to EUR 5,478 million in 2007. Underlying net result increased by EUR 418 million, or 10.6%, from EUR 3,945 million in 2006 to EUR 4,363 million in 2007, due to the low effective tax rate.

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CONSOLIDATED ASSETS AND LIABILITIES

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

	2008	2007	2006
	(EUR billions, except amounts per share)		
Investments	258.3	292.7	311.6
Financial assets at fair value through the profit and loss account	280.5	327.1	317.5
Loans and advances to customers	616.8	553.7	474.6
Total assets	1,328.6	1,313.2	1,226.5
Insurance and investment contracts:			
Life	213.0	232.4	237.9
Non-life	6.7	9.6	10.1
Investment contracts	21.1	23.7	20.7
Total insurance and investment contracts	240.8	265.7	268.7
Customer deposits and other funds on deposits [1]	522.8	525.2	496.7
Debt securities in issue/other borrowed funds	127.7	94.1	107.8
Total liabilities (including minority interests)	1,301.9	1,273.2	1,188.1
Non-voting equity securities	10.0		
Shareholders equity	15.1	37.7	38.4
Shareholders equity per Ordinary share (in EUR)	7.44	17.73	17.78

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

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

Total assets increased by 1.2% in 2008 to EUR 1,328.6 billion, mainly due to increased loans and advances to customers, partly offset by decreased investments and financial assets at fair value through the profit and loss account. Investments decreased by EUR 34.4 billion, or 11.7%, to EUR 258.3 billion in 2008 from EUR 292.7 billion in 2007, representing a decrease of EUR 22.8 billion in insurance investments and a decrease of EUR 11.6 billion in banking investments.

Loans and advances to customers increased by EUR 63.1 billion, or 11.4%, rising to EUR 616.8 billion at the end of December 2008 from EUR 553.7 billion at the end of December 2007. Loans and advances to customers of the insurance operations decreased EUR 1.9 billion. Loans and advances of the banking operations increased by EUR 70.1 billion. The Netherlands operations increased by EUR 34.9 billion and the international operations by EUR 33.3 billion.

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

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

Total assets increased by 7.1% in 2007 to EUR 1,313.2 billion, mainly due to increased loans and advances to customers and financial assets at fair value through the profit and loss account. Investments decreased by EUR 18.9 billion, or 6.1%, to EUR 292.7 billion in 2007 from EUR 311.6 billion in 2006, representing a decrease of EUR 8.2 billion in insurance investments and a decrease of EUR 10.7 billion in banking investments.

Loans and advances to customers increased by EUR 79.1 billion, or 16.7%, rising to EUR 553.7 billion at the end of December 2007 from EUR 474.6 billion at the end of December 2006. Loans and advances to customers of the insurance operations decreased EUR 10.0 billion. Loans and advances of the banking operations increased by EUR 89.1 billion. The Netherlands operations increased by EUR 30.7 billion and the international operations by EUR 58.4 billion. The impact of the inclusion of Oyak Bank was EUR 4.8 billion. ING Direct contributed EUR 25.1 billion to the increase, of which EUR 28.0 billion was due to personal lending.

Shareholders equity decreased by 1.8% or EUR 677 million to EUR 37,718 million at December 31, 2007 compared to EUR 38,395 million at December 31, 2006. Net result from the year 2007 added EUR 9,622 million to equity and unrealized revaluation shares added EUR 2,997 million, partially offset by unrealized revaluations debt securities of EUR 4,725 billion, realized gains equity securities released to profit and loss of EUR 3,044 million, change due to treasury shares of EUR 2,304 million and a cash dividend of EUR 2,999 million.

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

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SEGMENT REPORTING

ING Group s segments are based on the management structure of the Group, which is different from its legal structure. The following table sets forth the contribution of our six business lines to our underlying result before tax for each of the years 2008, 2007 and 2006 See Note 49 of Note 2.1 to the consolidated financial statements for further disclosure of our segment reporting.

2008	Insurance	Insurance	Insurance	Wholesale	Retail			Total
(EUR millions)	Europe	Americas	Asia/Pacific	Banking(3)	Banking (3)	ING Direct	Other(1)	Group
Total income	**14,489**	**27,738**	**14,159**	**398**	**7,399**	**878**	**(2,479)**	**62,852**
Total expenditure	**13,838**	**28,327**	**14,372**	**3,498**	**5,979**	**2,033**	**(269)**	**67,778**
Result before tax	**651**	**(589)**	**(213)**	**(3,100)**	**1,420**	**(1,155)**	**(2,210)**	**(5,196)**
Gains/losses on divestments		(237)	214				15	(8)
Result before tax from divested units		(28)	115					88
Special items		321			271	30		622
Underlying result before tax	**651**	**(534)**	**116**	**(3,100)**	**1,691**	**(1,125)**	**(2,194)**	**(4,495)**

2007	Insurance	Insurance	Insurance	Wholesale	Retail			Total
(EUR millions)	Europe	Americas	Asia/Pacific	Banking	Banking	ING Direct	Other 1) 2)	Group
Total income	**16,262**	**29,681**	**14,383**	**5,312**	**7,483**	**2,196**	**1,781**	**77,097**
Total expenditure	**13,962**	**27,529**	**13,807**	**2,836**	**5,405**	**1,667**	**338**	**65,544**
Result before tax	**2,300**	**2,152**	**576**	**2,476**	**2,079**	**530**	**1,443**	**11,554**
Gains/losses on divestments	(418)	(93)			(32)		129	(414)
Result before tax from divested units	(42)	3						(39)
Special items				94	355		40	489
Underlying result before tax	**1,840**	**2,062**	**576**	**2,570**	**2,402**	**530**	**1,611**	**11,591**

2006	Insurance	Insurance	Insurance	Wholesale	Retail			Total
(EUR millions)	Europe	Americas	Asia/Pacific	Banking	Banking	ING Direct	Other 1)	Group
Total income	**16,170**	**29,779**	**13,378**	**4,921**	**7,166**	**2,289**	**101**	**73,804**
Total expenditure	**13,808**	**27,787**	**12,742**	**2,686**	**4,803**	**1,598**	**258**	**63,681**
Result before tax	**2,362**	**1,992**	**636**	**2,235**	**2,363**	**691**	**(157)**	**10,123**

Gains/losses on divestments	(34)		(15)	89		23		63
Result before tax from divested units	(79)			(45)		(20)		(144)
Special items								
Underlying result before tax	**2,249**	**1,992**	**621**	**2,279**	**2,363**	**694**	**(157)**	**10,042**

(1) Other mainly includes items not directly attributable to the business lines and intercompany relations. See Note 49 of Note 2.1 to the consolidated financial statements for further disclosure of our segment reporting.

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

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

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

INSURANCE EUROPE

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

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

Income

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

Expenses

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

Result before tax

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

Underlying result before tax

Underlying result before tax for Insurance Europe declined by EUR 1,189 million to EUR 651 million in 2008 from EUR 1,840 million in 2007 due to lower investment income across most asset classes. Income from real

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

The Netherlands

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

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

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

Belgium

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

Central and Rest of Europe

Underlying result before tax declined marginally to EUR 329 million in 2008 from EUR 332 million in 2007. Underlying pre-tax profit was down in Spain to EUR 35 million from EUR 44 million in 2007, and in Hungary to EUR 68 million from EUR 79 million in 2007, which was offset by Poland where pre-tax profit increased to EUR 158 million in 2008 from EUR 135 million in 2007. Results in Hungary and Spain were impacted by impairments on fixed income securities and equity hedge losses. Life premium income increased to EUR 2,446 million from EUR 2,394 as higher premiums in Poland were partially offset by lower premiums in Hungary and Spain. Premium income in Spain and Hungary was impacted by lower sales of unit linked products and variable annuities amidst unfavorable market conditions. The successful introduction of a single premium investment product in Poland generated EUR 542 million in sales, which were not reflected in gross premiums.

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

Income

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

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income declined by 6.8%, or EUR 135 million to EUR 1,839 million from EUR 1,974 million in 2006, due to lower premiums in all regions after rate reductions in the Benelux as well as the disposition of bond insurer Nationale Borg in the Netherlands and the broker and employee benefits business in Belgium.

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

Expenses

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

Result before tax

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

Underlying result before tax

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

Netherlands

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

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

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

Belgium

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

Central and Rest of Europe

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

INSURANCE AMERICAS

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

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

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

Income

Total premium income decreased by 4.2%, or EUR 988 million, from EUR 23,537 million in 2007 to EUR 22,549 million in 2008. Underlying life premiums increased by 0.8%, or 8.8% excluding currency impacts to EUR 19,216 million, primarily attributable to the US (increase of 8.4% in local currency) driven by variable annuities, retirement services and fixed annuities. Underlying non-life premium income decreased by 12.6%, mainly due to the sale of the health business in Chile in the first quarter of 2008. Premium income in Canada decreased by 4.2%, but increased by 1.7% excluding currency impacts due to an increase in average premiums, while the number of new risks insured decreased.

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Commission income increased by 21.0%, or EUR 218 million to EUR 1,254 million in 2008 from EUR 1,036 million in 2007, primarily due to the acquisitions of the annuity and pension business from Santander in Latin America at the end of 2007. Investment and Other income decreased 23.0% or EUR 1,173 million from EUR 5,108 million in 2007 to EUR 3,935 million in 2008 due to credit related losses and impairments, unfavorable results on non-trading derivatives and losses from limited partnerships.

Expenses

Operating expenses increased by 2.2%, or EUR 55 million from EUR 2,519 million in 2007 to EUR 2,574 million in 2008. Underlying expenses increased 10.5% excluding currency impacts, mainly due to integration and operating expenses triggered by the acquisition of CitiStreet in the US and the acquisition of pension business from Santander in Latin America. Expenses as a percentage of assets under management for investment products deteriorated from 0.74% to 0.87%, while expenses as a percentage of premiums for life products improved to 14.6% in 2008.

Result before tax

Result before tax in 2008 included a gain of EUR 55 million, which resulted from the divestment of Chile health business in the first quarter of 2008 and a gain of EUR 182 million which resulted from the divestment of Mexico insurance business in the third quarter of 2008. In addition, the result before tax in 2008 includes EUR 28 million profit generated by the Mexico divested insurance businesses. The special items in 2008 related to integration expenses for CitiStreet in the US (EUR 90 million before tax), losses from annuity and pension businesses in Argentina following the nationalization of the private pension business in the fourth quarter of 2008 (EUR 228 million before tax), and restructuring charges in several countries in Latin America (EUR 3 million before tax).

Underlying result before tax

Underlying result before tax from Insurance Americas decreased to a loss of EUR 534 million in 2008 from a profit of EUR 2,062 million in 2007. Underlying result before tax in the US decreased by EUR 2,473 million from a profit of EUR 1,356 million in 2007 to a loss of EUR 1,117 in 2008, primarily due to net investment losses and negative impact from deferred acquisition costs unlocking. The Canadian business had a 22.6%, or EUR 106 million decrease in underlying result before tax from EUR 470 million in 2007 to EUR 364 million in 2008 due to lower underwriting income, including higher catastrophe claims. In Latin America underlying profit before tax decreased by 6.8%, or EUR 16 million to EUR 220 million in 2008 from EUR 236 million in 2007. The underlying profit before tax in the life businesses decreased by EUR 44 million due to lower investment gains in 2008 (especially in Mexico), and lower investment results on the legally-required capital in the pension businesses (especially in Chile and Peru). The underlying profit before tax in the non-life businesses increased EUR 28 million, due to higher non-life results in Brazil, including a tax reserve release of EUR 24 million.

United States

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

Canada

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

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

Income

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

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

Expenses

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

Result before tax

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

Underlying result before tax

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

United States

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

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Canada

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

INSURANCE ASIA/PACIFIC

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

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

Income

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

Commission income decreased by 16.5%, or EUR 63 million to EUR 319 million in 2008 from EUR 382 million in 2007, mainly due to negative market performance and currency impact in Australia.

Expenses

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

Result before tax

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

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Underlying result before tax

Underlying result before tax decreased by 79.9%, or EUR 460 million to EUR 116 million in 2008 from EUR 576 million in 2007. Japan recorded a loss of EUR 167 million in 2008 compared to a profit of EUR 24 million in 2007, driven by losses on the variable annuity business as a consequence of extreme market volatility. Turmoil in the global financial markets led to negative revaluations on credit and equity linked securities, and impairments on fixed income investments, which further contributed to the decrease in the underlying result. Excluding Japan and currency impacts, underlying profit before tax declined by 15.5%.

Australia and New Zealand

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

South Korea

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

Taiwan

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

Japan

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

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

Income

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

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

Expenses

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

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Result before tax

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

Underlying result before tax

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

Australia and New Zealand

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

South Korea

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

Taiwan

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

Japan

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

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WHOLESALE BANKING

	Wholesale Banking		
(EUR millions)	**2008**	**2007**	**2006**
Interest result	3,240	1,748	1,953
Commission income	1,213	1,235	1,170
Investment income	(314)	780	320
Other income	(3,741)	1,549	1,477
Total income	**398**	**5,312**	**4,921**
Operating expenses	2,902	2,978	2,818
Additions to the provision for loan losses	596	(142)	(132)
Total expenditure	**3,498**	**2,836**	**2,686**
Result before tax	**(3,100)**	**2,476**	**2,235**
Gains/losses on divestments			89
Result before tax from divested units			(45)
Special items		94	
Underlying result before tax	**(3,100)**	**2,570**	**2,279**

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

Income

Total income decreased by 92.5%, or EUR 4,914 million, to EUR 398 million in 2008 from EUR 5,312 million in 2007. The total interest result increased by 85.4%, or EUR 1,492 million, to EUR 3,240 million in 2008 from EUR 1,748 million in 2007, due to both higher margins and increased volumes. Commission income declined 1.8%, or EUR 22 million, to EUR 1,213 million in 2008 from EUR 1,235 million in 2007. Investment and other income declined by EUR 6,384 million, to a loss of EUR 4,055 million in 2008 from a profit of EUR 2,329 million in 2007. ING Real Estate contributed EUR 947 million to this decrease, of which EUR 450 million lower fair value changes in the investment portfolio and EUR 415 million lower result from associates. Investment and other income at Financial Markets was EUR 797 million lower, of which EUR 298 million investment income and EUR 499 million Other income, but this was more than compensated for by the EUR 901 million increase in interest result. Further more, Investment and other income decreased due to negative fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB.

Expenses

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

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

Result before tax

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

Underlying result before tax

Underlying result before tax from Wholesale Banking declined by 220.6%, or EUR 5,670 million, to EUR (3,100) million in 2008 from EUR 2,570 million in 2007. Lower underlying results before tax were recorded in all product lines except for Financial Markets. The results of General Lending & PCM and Structured Finance declined despite strong income growth due to higher additions to the provision for loan losses. Leasing & Factoring was down due to lower results in car leasing and higher risk costs in general leasing. ING Real Estate turned into a loss driven by negative revaluations on real estate investments and impairments on development projects.

General Lending & PCM

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

Structured Finance

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

Leasing & Factoring

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

Financial Markets

Underlying result before tax from Financial Markets decreased by 513.6%, or EUR (4,165) million, to EUR (3,354) million in 2008 from EUR 811 million in 2007, in spite of increased impairments and credit-related markdowns due to the financial crisis and negative fair value changes on derivatives for which no hedge accounting is applied under IFRS-IASB. Total income decreased by 277.0%, or EUR (4,139) million, to EUR (2,645) million in 2008 from EUR 1,494 million in 2007, as higher results from Asset & Liability Management and the client-related business within Financial Markets. This was partially offset by EUR 400 million of impairments and credit-related markdowns in 2008 compared with EUR 118 million in 2007. Operating expenses increased by 4.1%, or EUR 28 million, to EUR 707 million in 2008 from EUR 679 million in 2007. The addition to the loan loss provisions in 2008 was only EUR 2 million.

Other Wholesale products

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

ING Real Estate

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

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

Income

Total income increased 7.9%, or EUR 391 million, to EUR 5,312 million in 2007 from EUR 4,921 million in 2006. Excluding the impact of the divestment of Williams de Broë and Deutsche Hypothekenbank in 2006, income increased 1.6% or EUR 405 million. The total interest result declined 10.5%, or EUR 205 million, to EUR 1,748 million in 2007 from EUR 1,953 million in 2006, due to divestments and pressure on margins. Commission, investment and other income rose by 20.1%, or EUR 596 million, to EUR 3,564 million in 2007 from EUR 2,968 million in 2006. ING Real Estate contributed EUR 169 million to this rise, driven by growth in the investment management activities and by higher realized gains and fair value changes in the investment portfolio. The remaining increase mainly includes higher capital gains on equities partly offset by the direct impact of the market and credit crisis in the second half of 2007.

Expenses

Operating expenses increased by EUR 160 million, or 5.7%, to EUR 2,978 million in 2007 from EUR 2,818 million in 2006. Excluding the impact of divestments in 2006, and excluding EUR 94 million in special items in 2007, operating expenses rose by EUR 121 million or 4.4% to EUR 2,884 million. Of this increase 3.4%-point can be attributed to fast growing ING Real Estate. The EUR 94 million in special items related to provisions for initiatives started in 2007 to stimulate growth and reduce operating expenses, including EUR 45 million for the reduction of 300 full-time functions across Wholesale Banking and EUR 49 million to reinforce its Financial Markets business in selected developing markets. The cost/income ratio deteriorated to 62.0% in 2007 compared with 59.5% in 2006. Excluding the impact of divestments and special items, the underling cost/income ratio deteriorated to 60.1% from 58.5% in 2006.

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

Result before tax

Result before tax increased EUR 241 million, or 10.8%, to EUR 2,476 million in 2007 from EUR 2,235 million in 2006. Special items in 2007 (provisions for initiatives to stimulate growth and reduce operating expenses) had a negative impact of EUR 94 million. The divestment in 2006 of Williams de Broë and Deutsche Hypothekenbank resulted in a loss of EUR 89 million, while these divested units contributed EUR 45 million to result before tax in 2006.

Underlying result before tax

Underlying result before tax from Wholesale Banking increased 12.8%, or EUR 291 million, to EUR 2,570 million in 2007 from EUR 2,279 million in 2006. Higher underlying results before tax were recorded in General Lending & Payments and Cash Management, ING Real Estate and the Other Wholesale Products. Underlying result from Structured Finance decreased 22.5% to EUR 395 million, including a markdown of EUR 29 million on the Leveraged Finance book in the third quarter of 2007. Financial Markets result declined 37.7% to EUR 300 million, mainly due to the sub-prime crisis and related issues.

General Lending & PCM

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

Structured Finance

In Structured Finance, underlying result before tax declined 22.5%, or EUR 115 million, to EUR 395 million in 2007 from EUR 510 million in 2006. Income decreased 4.0%, or EUR 31 million, to EUR 735 million in 2007 from EUR

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

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Leasing & Factoring

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

Financial Markets

Underlying result before tax from Financial Markets increased 22.3%, or EUR 148 million, to EUR 811 million from EUR 663 million in 2006, mainly due to the EUR 106 million in losses related to sub-prime (residential mortgage-backed securities) and monoline insurers in the proprietary trading and credit markets business in the fourth quarter of 2007. Total income increased 11.1%, or EUR 149 million, to EUR 1,494 million in 2007 from EUR 1,345 million in 2006, mainly in the proprietary trading and credit markets business, partly offset by higher income from the client-related business within Financial Markets. Operating expenses decreased 0.4%, or EUR 3 million, to EUR 679 million in 2007 from EUR 682 million in 2006. The addition to the loan loss provisions in 2007 was only EUR 4 million or 2 basis points of average credit-risk weighted assets compared with nil in 2006.

Other Wholesale products

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

ING Real Estate

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

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RETAIL BANKING

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

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

Income

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

Expenses

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

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

Result before tax and underlying result before tax

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

Netherlands

In the Netherlands, underlying result before tax declined by 25.4%, or EUR 431 million, to EUR 1,269 million in 2008 from EUR 1,700 million in 2007. Income declined by 7.6% to EUR 4,346 million in 2008 from EUR 4,705 million in 2007 as margins declined due to the continued competition for savings combined with lower fee income. Average retail balances were up 5%. Underlying operating expenses increased by 0.2% to EUR 2,826 million. The addition to the loan loss provisions increased by EUR 66 million to EUR 251 million in 2008 due to higher risk costs in the mid-corporate segment, small business lending and the residential mortgage portfolio.

Belgium

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

Central Europe

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

Asia

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

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

Income

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

Expenses

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

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

Result before tax and underlying result before tax

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

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

Netherlands

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

Belgium

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

Central Europe

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

Asia

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

ING DIRECT

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

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

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

Income

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

Expenses

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

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

Result before tax

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

Underlying result before tax

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

Country developments

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

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

Income

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

Expenses

Operating expenses rose by 3.9%, or EUR 60 million, to EUR 1,598 million in 2007 from EUR 1,538 million in 2006. Excluding the EUR 56 million expenses of the divested Degussa Bank in 2006, underlying operating expenses increased by 7.8%, or EUR 116 million, to EUR 1,598 million, reflecting higher staff numbers to drive the growth in mortgages and payments accounts, preparations for the launch of ING Direct in Japan, the consolidation of Sharebuilder in the US, as well as costs for repositioning the UK business. The underlying cost/income ratio increased to 72.8% in 2007 from 66.4% in 2006. The operational cost to client retail balance ratio, which excludes marketing expenses, rose to 0.37% compared with 0.36% in 2006. The number of full-time staff increased to 8,883 at the end of 2007 from 7,565 a year earlier.

The addition to the provision for loan losses increased by 13.3%, or EUR 8 million, to EUR 68 million in 2007 from EUR 60 million in 2006. The addition equalled 9 basis points of average credit-risk-weighted assets, up from 7 basis points in 2006.

Result before tax

Result before tax from ING Direct declined by 23.3%, or EUR 161 million, to EUR 530 million in 2007 from EUR 691 million in 2006, primarily driven by a narrowing of the interest margin, the outflow of funds entrusted in the UK and an impairment in Canada.

Underlying result before tax

Result before tax from ING Direct in 2006 included a loss of EUR 23 million on the sale of Degussa Bank, while the operating profit from Degussa Bank was EUR 20 million. Excluding both the loss and the profit, ING Direct s underlying result before tax declined by 23.6%, or EUR 164 million, to EUR 530 million from EUR 694 million in 2006.

Country developments

ING Direct s overall result was driven by the business units in Germany/Austria, Australia, US, Spain, Italy and France. In the UK, ING Direct posted a pre-tax loss of EUR 120 million compared with a profit of EUR 19 million in 2006. The decrease is mainly caused by a 39% net outflow of funds entrusted from rate-sensitive customers as it lagged rate increases by the Bank of England. Measures have been taken to reposition the business. Savings rates were increased and marketing has been stepped up to attract less rate-sensitive customers. Result before tax in ING Direct Canada declined to EUR 30 million (excluding an impairment of EUR 29 million on asset-backed commercial paper investments) from EUR 60 million in 2006. This was caused by lower interest results.

LIQUIDITY AND CAPITAL RESOURCES

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

As a holding company, ING Groep N.V. s principal sources of funds are funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends received from its subsidiaries. ING Groep N.V. s total debt and capital securities outstanding to third parties at December 31, 2008 was EUR 18,841 million, at December 31, 2007, EUR 14,709 million and at December 31, 2006, EUR 12,376. The EUR 18,840 million of debt outstanding at December 31, 2008, consisted of EUR 10 million principal amount of 9.000% perpetual debt securities issued in September 2008, EUR 1,393 million principal amount of 8.500% perpetual debt securities issued in June 2008, EUR 1,474 million principal amount of 8.000% perpetual debt securities issued in April 2008, EUR 1,048 million principal amount of 7.375% perpetual debt securities issued in October 2007, EUR 731 million principal amount of 6.375% perpetual debt securities issued in June 2007, EUR 1,071 million principal amount of 8.439% perpetual debt securities issued in December 2000, EUR 563 million principal amount of 7.05% perpetual debt securities issued in July 2002, EUR 773 million principal amount of 7.20% perpetual debt securities issued in December 2002, EUR 684 million principal amount perpetual debt securities with a variable interest rate issued in June 2003, EUR 348 million principal amount of 6.20% perpetual debt securities issued in October 2003, EUR 939 million principal amount perpetual debt securities with a variable interest rate issued in 2004, EUR 497 million principal amount of 4.176%

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

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

At December 31, 2008, 2007 and 2006, ING Groep N.V. also owed EUR 1,254 million, EUR 174 million and EUR 35 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. Of the EUR 1,254 million owed by ING Groep N.V. to ING Group companies at December 31, 2008, EUR 2 million was owed to ING Insurance companies, EUR 1,252 million was owed to ING Bank companies and EUR 0 million was owed to direct subsidiaries of ING Group companies, as a result of normal intercompany transactions.

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

At December 31, 2008, 2007 and 2006, ING Groep N.V. had EUR 33 million, EUR 162 million and EUR 103 million of cash, respectively. Dividends paid to the Company by its subsidiaries amounted to EUR 7,050 million, EUR 5,900 million and EUR 3,450 million in 2008, 2007 and 2006, respectively, in each case representing dividends declared and paid with respect to the reporting calendar year and the prior calendar year. Of the amounts paid to the Company, EUR 2,800 million, EUR 4,600 million and EUR 1,650 million were received from ING Insurance in 2008, 2007 and 2006, respectively; EUR 4,250 million, EUR 1,300 million and EUR 1,800 million were received from ING Bank in 2008, 2007 and 2006, respectively, and for 2008 EUR 0 million was received from other ING Group companies. On the other hand, the Company injected EUR 12,650 million, EUR 2,200 million and EUR 0 million into its direct subsidiairies during the reporting year 2008, 2007, and 2006, respectively. Of the amounts injected by the Company, EUR 5,450 million, EUR 0 million and EUR 0 million were injected into ING Insurance in 2008, 2007 and 2006, respectively; EUR 7,200 million, EUR 2,200 million and EUR 0 million were injected into ING Bank in 2008, 2007 and 2006, respectively, and for 2008 EUR 0 million was injected into other ING Group companies. Repayments to ING by its subsidiaries amounted to EUR 0 million, EUR 0 million and EUR 563 million in 2008, 2007 and 2006, respectively, of the amounts paid to the Company, EUR 0 million and EUR 563 million were received from ING Bank in 2007 and 2006, respectively and EUR 0 million in 2008 from other ING Group companies. ING and its Dutch subsidiaries are subject to legal restrictions on the amount of dividends they can pay to their shareholders. The Dutch Civil Code provides that dividends can only be paid by Dutch companies up to an amount equal to the excess of a company s shareholders equity over the sum of (1) paid-up capital and (2) shareholders reserves required by law. Further, certain of the Group companies are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to ING Groep N.V.

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

ING Group Consolidated Cash Flows

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

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

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

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Net cash used in investment activities in 2008 was EUR 10,003 million, compared to EUR 13,933 million in 2007. The increase was mainly caused by higher disposals and redemptions of available-for-sale investments.
Net cash flow from financing activities was EUR 45,726 million in 2008, compared to EUR (12,831) million in 2007. The increase of EUR 58,557 million in net cash flow from financing activities is mainly due to a higher repayments/proceeds of borrowed funds and debt securities.
The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2008 of EUR 31,271 million, compared to EUR (16,811) million at year-end 2007, an increase of EUR 48,082 million from 2007 levels

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

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

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

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

ING Insurance Cash Flows

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

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

Premium income and Investment and Other income totaled EUR 43,812 million and EUR 8.970 million in 2008, and EUR 46,818 million and EUR 13,488 million in 2007. Uses of funds by ING Insurance include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims and profit sharing by life policyholders) and employee and other operating expenses, as well as interest expense on outstanding borrowings. Underwriting expenditures, employee and other operating expenses and interest expense for ING Insurance totaled EUR 49,485 million, EUR 5,422 million and EUR 1,269 million in 2008 and EUR 48,833 million, EUR 5,515 million and EUR 1,326 million in 2007.

ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 14,440 million at December 31, 2008 and EUR 3,115 million at December 31, 2007.

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

Net cash provided by operating activities was EUR 13,129 million in 2008 and EUR 23,118 million in 2007.

Net cash used by ING Insurance in investment activities was EUR 8,034 million in 2008 and EUR 15,072 million in 2007.

Cash provided by ING Insurance s financing activities amounted to EUR 6,275 million and EUR (7,941) million in 2008 and 2007, respectively.

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

Premium income and Investment and Other income totaled EUR 46,818 million and EUR 13,488 million in 2007, and EUR 46,834 million and EUR 11,172 million in 2006. Uses of funds by ING Insurance include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims and profit sharing by life policyholders) and employee and other operating expenses, as well as interest expense on outstanding borrowings. Underwriting expenditures, employee and other operating expenses and interest expense for ING Insurance totaled EUR 48,833 million, EUR 5,515 million and EUR 1,326 million in 2007 and EUR 48,188 million, EUR 5,275 million and EUR 1,233 million in 2006.

ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 3,115 million at December 31, 2007 and EUR 3,017 million at December 31, 2006.

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

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

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

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

Capital Base Margins and Capital Requirements

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

ING Bank Cash Flows

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

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

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

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

Specification of cash position (EUR millions):

	2008	**2007**
	(EUR millions)	
Cash	18,169	9,829
Short dated government paper	7,009	4,130
Banks on demand	38,639	19,655
Cash balance and cash equivalents	**63,817**	**33,614**
Overnight deposits	1,908	(25,871)
Repo s/reverse repo s	(38,330)	(27,132)
Cash balance and cash equivalents	**27,395**	**(19.389)**

Net cash flow for investment activities was EUR 4,101 million cash outflow and EUR 1,526 million cash inflow in 2008 and 2007, respectively. Investment in interest-earning securities was EUR 95,036 million and EUR 95,546 million in 2008 and 2007, respectively. Dispositions and redemptions of interest-earning securities was EUR 96,616 million and EUR 101,119 million in 2008 and 2007, respectively.

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

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

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

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

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

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

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

Capital Adequacy

Capital adequacy and the use of capital are monitored by ING Bank and its subsidiaries, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision and implemented by the EU and the Dutch Central Bank for supervisory purposes. See Item 4, Information on the Company .
The following table sets forth the risk-weighted capital ratios of ING Bank N.V. as of December 31, 2008, 2007 and 2006.

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

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

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

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Adjusted Capital

ING calculates certain capital ratios on the basis of adjusted capital . Adjusted capital differs from Shareholders equity in the consolidated balance sheet. The main differences are that adjusted capital excludes unrealized gains and losses on debt securities, goodwill and the cash flow hedge reserve and includes hybrid capital and the Core Tier-1 Securities. Adjusted capital for 2008 and 2007 is reconciled to shareholders equity as follows:

	2008	**2007**
	(EUR million)	
Shareholders equity	15,080	37,718
Difference between IFRS-IASB and IFRS-EU	2,254	(510)
Core Tier-1 Securities	10,000	
Group hybrid capital	11,655	8,620
Revaluation reserves debt securities and other	6,769	(963)
Adjusted capital	**45,758**	**44,865**

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

Revaluation reserves debt securities and other includes unrealized gains and losses on available-for-sale debt securities and revaluation reserve crediting to policyholders of EUR 11,221 million in 2008, EUR 1,895 million in 2007 and EUR (1,709) million in 2006, the cash flow hedge reserve of EUR (1,177) million in 2008, EUR (431) million in 2007 and EUR (1,357) million in 2006 and capitalized goodwill of EUR (3,275) million in 2008, EUR (2,420) million in 2007 and EUR (286) million in 2006.

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

adjusted capital is calculated based on the criteria in the capital model that is used by Standard and Poor s to measure, compare and analyze capital adequacy and leverage for insurance groups, and the level of our adjusted capital may thus have an impact on the S&P ratings for the Company and its operating insurance subsidiaries;

ING believes its Standard and Poor s financial strength and other ratings are one of the most significant factors looked at by our clients and brokers, and accordingly are important to the operations and prospects of our insurance operating subsidiaries, and a major distinguishing factor vis-à-vis our competitors and peers.

To the extent our debt/equity ratio (based on adjusted capital) increases or the components thereof change significantly period over period, we believe that rating agencies and regulators would all view this as material information relevant to our financial health and solvency. On the basis of adjusted capital, the debt/equity ratio of ING increased to 13.5% in 2008 from 9.5% in 2007. The debt/equity ratio of ING Group between December 31, 2002 and December 31, 2006 has been in the range of 19.9% to 9.0% and has declined consistently during this period as a result of capital management action and favorable equity markets. Although rating agencies take many factors into account in the ratings process and any of those factors alone or together with other factors may affect our rating, we believe that an increase of our debt/equity ratio in a significant way, and for an extended period of time, could result in actions from rating agencies including a possible downgrade of the financial strength ratings of our operating subsidiaries. Similarly, although regulatory authorities do not currently set any explicit leverage requirements for ING Group, such an increase of our debt/equity ratio could also likely result in greater scrutiny by regulatory authorities. ING has targeted a 15% debt/equity ratio for ING Group during 2008. This target is reviewed at least once a year and approved by the Executive Board. During the yearly review many factors are taken into account to establish this target, such as rating agency guidance, regulatory guidance, peer review, risk profile and strategic objectives. During the year, the ratio is managed by regular reporting, forecasting and capital management actions. Management has full discretion to change the target ratio if circumstances change.

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Off-Balance-Sheet-Arrangements

See Note 26 of Note 2.1 to the consolidated financial statements.

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

Contractual obligations

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

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

(1) Amounts included in the table reflect best estimates of cash payments to be made to policyholders. Such best estimate cash outflows reflect mortality, retirement, and other appropriate factors, but are undiscounted with respect to interest. As a result, the sum of the cash outflows shown for all years in the table differs from the corresponding liability included in our consolidated financial statements at December 31, 2008.

Furthermore, the table does not include insurance or investment contracts for risk of policyholders, as these are products where the policyholder bears the investment risk.

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ADDITIONAL INFORMATION

SELECTED STATISTICAL INFORMATION ON BANKING OPERATIONS

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

	Year Ended December 31,		
	2008	**2007**	**2006**
Return on equity of the banking operations	1.8%	16.7%	19.4%
Return on equity of ING Group	(2.1)%	24.2%	23.5%
Dividend pay-out ratio of ING Group	n.a.	34.3%	37.0%
Return on assets of ING Group	(0.2)%	0.7%	0.6%
Equity to assets of ING Group	2.0%	3.0%	3.1%
Net interest margin of the banking operations	1.1%	0.9%	1.1%

AVERAGE BALANCES AND INTEREST RATES

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

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ASSETS

	Interest-earning assets								
	2008			2007			2006		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(EUR millions)		%	(EUR millions)		%	(EUR millions)		%
Time deposits with banks									
domestic	22,685	895	3.9	25,730	960	3.7	13,138	522	4.0
foreign	40,557	1,764	4.3	61,531	2,381	3.9	51,553	1,799	3.5
Loans and advances									
domestic	308,796	12,926	4.2	270,588	11,290	4.2	243,398	9,566	3.9
foreign	339,812	17,577	5.2	296,055	17,044	5.8	273,383	13,520	4.9
Interest-earning securities(1)									
domestic	30,398	1,234	4.1	34,993	1,295	3.7	38,310	1,248	3.3
foreign	158,844	8,747	5.5	173,248	8,660	5.0	185,411	8,003	4.3
Other interest-earning assets									
domestic	13,713	547	4.0	8,208	514	6.3	5,910	165	2.8
foreign	14,844	540	3.6	11,520	517	4.5	9,743	333	3.4
Total	**929,649**	44,230	**4.8**	**881,873**	42,661	**4.8**	**820,846**	35,156	**4.3**
Non-interest earning assets	73,994			57,980			51,317		
Derivatives assets	**49,042**			**33,025**			**27,212**		
Total assets(1)	**1,052,685**			**972,878**			**899,375**		
Percentage of assets applicable to foreign operations	59.7%			61.1%			63.6%		
Interest income									
on derivatives		53,037			33,622			23,521	
other		933			576			585	
Total interest income		**98,200**			**76,858**			**59,262**	

(1)

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

LIABILITIES

	Interest-bearing liabilities								
	2008			2007			2006		
	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield
	(EUR millions)		%	(EUR millions)		%	(EUR millions)		%
Time deposits from banks									
domestic	49,198	2,020	4.1	40,487	1,801	4.4	46,930	1,979	4.2
foreign	43,046	2,176	5.1	37,583	1,991	5.3	34,368	1,255	3.7
Demand deposits(5)									
domestic	115,827	1,574	1.4	106,597	1,682	1.6	92,488	1,293	1.4
foreign	46,832	766	1.6	40,173	1,060	2.6	32,533	692	2.1
Time deposits(5)									
domestic	35,048	1,449	4.1	28,535	1,388	4.9	27,983	1,168	4.2
foreign	33,303	1,671	5.0	35,281	1,338	3.8	31,160	1,205	3.9
Savings deposits(5)									
domestic	57,537	1,630	2.8	63,109	1,475	2.3	66,845	1,562	2.3
foreign	229,149	9,070	3.9	228,030	8,603	3.8	228,656	7,682	3.4
Short term debt									
domestic	11,511	558	4.8	5,557	285	5.1	4,133	165	4.0
foreign	40,760	1,927	4.7	46,548	2,685	5.8	35,605	1,768	5.0
Long term debt									
domestic	20,379	1,110	5.4	12,903	813	6.3	14,050	798	5.7
foreign	23,325	1,277	5.5	21,155	1,063	5.0	40,291	1,532	3.8
Subordinated liabilities									
domestic	20,238	1,124	5.6	18,938	1,079	5.7	18,713	1,023	5.5
foreign	1,293	61	4.7	1,574	82	5.2	2,229	119	5.3
Other interest-bearing liabilities									
domestic	92,042	3,174	3.4	77,426	3,220	4.2	46,096	1,260	2.7
foreign	100,179	3,527	3.5	90,157	5,131	5.7	72,665	2,471	3.4
Total	919,667	33,114	3.6	854,053	33,696	3.9	794,745	25,972	3.3
Non-interest bearing liabilities	62,947			64,768			57,126		
Derivatives liabilities	48,243			30,591			25,706		
Total Liabilities	1,030,857			949,412			877,577		
Group Capital	21,828			23,466			21,798		
Total liabilities and capital	**1,052,685**			**972,878**			**899,375**		

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

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

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ANALYSIS OF CHANGES IN NET INTEREST INCOME

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

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

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

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

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INVESTMENTS OF THE GROUP S BANKING OPERATIONS

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

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

(1) Including commuted ground rents

Banking investment strategy

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

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

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Portfolio maturity description

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

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

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

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

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

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

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

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

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

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

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LOAN PORTFOLIO

Loans and advances to banks and customers

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

IFRS-IASB

	Year ended December 31				
	2008	**2007**	**2006**	**2005**	**2004**
			(EUR millions)		
By domestic offices:					
Loans guaranteed by public authorities	16,288	14,679	16,450	13,907	7,296
Loans secured by mortgages	158,861	141,314	120,753	111,257	103,594
Loans to or guaranteed by credit institutions	15,528	16,347	6,747	4,573	7,323
Other private lending	7,158	6,975	6,484	9,943	6,420
Other corporate lending	123,758	105,808	90,182	80,540	35,897
Total domestic offices	**321,593**	**285,123**	**240,616**	**220,220**	**160,530**
By foreign offices:					
Loans guaranteed by public authorities	10,099	8,961	9,503	17,535	17,118
Loans secured by mortgages	145,090	132,614	87,457	69,855	53,156
Loans to or guaranteed by credit institutions	25,810	31,929	32,072	23,721	26,471
Other private lending	20,389	17,784	16,422	15,200	8,474
Other corporate lending	118,958	100,601	89,547	84,355	88,639
Total foreign offices	**320,346**	**291,889**	**235,001**	**210,666**	**193,858**
Total gross loans and advances to banks and customers	**641,939**	**577,012**	**475,617**	**430,886**	**354,388**

Maturities and sensitivity of loans to changes in interest rates

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

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

Other corporate lending	102,795	15,398	5,563	123,756
Total domestic offices	**136,906**	**35,058**	**149,627**	**321,591**
By foreign offices:				
Loans guaranteed by public authorities	3,805	2,835	3,459	10,099
Loans secured by mortgages	13,217	24,969	106,904	145,090
Loans guaranteed by credit institutions	19,820	4,548	1,442	25,810
Other private lending	12,244	3,602	4,543	20,389
Other corporate lending	42,527	44,183	32,250	118,960
Total foreign offices	**91,613**	**80,137**	**148,598**	**320,348**
Total gross loans and advances to banks and customers	**228,519**	**115,195**	**298,225**	**641,939**

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

	1 year or less	Over 1 year	Total
		(EUR millions)	
Non-interest earning	4,343	408	4,751
Fixed interest rate	74,449	125,089	199,538
Semi-fixed interest rate[1]	5,392	170,333	175,725
Variable interest rate	144,335	117,590	261,925
Total	**228,519**	**413,420**	**641,939**

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

Loan concentration

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

	Total outstanding
Financial institutions	30.9%
Private individuals	34.4%

Risk elements

Loans Past Due 90 days and Still Accruing Interest

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

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

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

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

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

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

Troubled Debt Restructurings

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

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

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

Interest Income on Troubled Debt Restructurings

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

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

Potential Problem Loans

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

Cross-border outstandings

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets that are

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

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

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

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

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

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

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

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

Summary of Loan Loss Experience

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

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

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

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

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

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IFRS-IASB	2008	2007	Calendar period 2006 (EUR millions)	2005	2004
Balance on December 31	**2,611**	**2,001**	**2,642**	**3,313**	**4,262**
Ratio of net charge-offs to average loans and advances to banks and customers	0.10%	0.16%	0.12%	0.17%	0.24%

(1) Consists of release of unallocated provision for loan losses of EUR (592) million and reclassification from other assets for provision for interest on impaired loans of EUR 194 million.

Additions to the provision for loan losses presented in the table above were influenced by developments in general economic conditions as well as certain individual exposures.

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

	Year ended December 31									
	2008		2007		2006		2005		2004	
	EUR	%(1)	EUR	%(1)	EUR	%(1)			EUR	%(1)
IFRS-IASB					(EUR millions)					
Domestic:										
Loans guaranteed by public authorities		2.54		2.56		3.46	1	3.23	1	2.06
Loans secured by mortgages	167	24.76	96	24.62	96	25.40	93	25.82	198	29.23
Loans to or guaranteed by credit institutions	68	2.42	11	2.85		1.42		1.06		2.07
Other private lending	120	1.12	181	1.21	357	1.36	230	2.31	181	1.81

Other corporate lending	474	19.24	377	17.91	280	18.93	594	18.69	692	10.13
Total domestic	829	50.08	665	49.15	733	50.57	918	51.11	1,072	45.30
Foreign:										
Loans guaranteed by public authorities	2	1.57	1	1.56	2	2.00	2	4.07	36	4.83
Loans secured by mortgages	425	22.61	203	23.10	177	18.40	273	16.20	213	15.00
Loans to or guaranteed by credit institutions	17	4.02	3	5.56	6	6.75	13	5.51	23	7.47
Other private lending	533	3.18	374	3.10	408	3.45	408	3.53	344	2.39
Other corporate lending	805	18.54	755	17.53	1,316	18.83	1,699	19.58	2,574	25.01
Total foreign	1,782	49.92	1,336	50.85	1,909	49.43	2,395	48.89	3,190	54.70
Total	**2,611**	**100.00**	**2,001**	**100.00**	**2,642**	**100.00**	**3,313**	**100.00**	**4,262**	**100.00**

(1) The percentages represent the loans in each category as a percentage of the total loan portfolio for loans and advances to banks and customers.

DEPOSITS

The aggregate average balance of all the Group s interest-bearing deposits (from banks and customer accounts) increased by 2.3% to EUR 681,766 million for 2008, compared to 2007. Interest rates paid reflect market conditions. The effect on net interest income depends upon competitive pricing and the level of interest income that can be generated through the use of funds.

Deposits by banks are primarily time deposits, the majority of which are raised by the Group s Amsterdam based money market operations in the world s major financial markets.

Certificates of deposit represent 44% of the category Debt securities (31% at the end of 2007). These instruments are issued as part of liquidity management with maturities generally of less than three months.

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The following table includes the average deposit balance by category of deposit and the related average rate.

	2008		2007		2006	
	Average deposit (EUR millions)	**Average rate %**	**Average deposit (EUR millions)**	**Average rate %**	**Average deposit (EUR millions)**	**Average rate %**
Deposits by banks						
In domestic offices:						
Demand non-interest bearing	9,797		4,278		2,404	
interest bearing	11,821	3.8	20,909	5.3	16,118	4.5
Time	49,147	3.7	58,601	3.1	31,896	4.3
Other	12,213	3.6	1,900	4.1	1,474	4.0
Total domestic offices	82,978		85,688		51,892	
In foreign offices:						
Demand non-interest bearing	3,374		2,149		1,556	
interest bearing	12,175	3.9	7,295	5.8	4,184	3.2
Time	40,425	5.1	35,679	5.3	33,802	3.4
Other	31,121	4.8	31,975	4.7	31,520	4.5
Total foreign offices	87,095		77,098		71,062	
Total deposits by banks	**170,073**		**162,786**		**122,954**	
Customer accounts						
In domestic offices:						
Demand non-interest bearing	15,041		16,702		15,804	
interest bearing	108,589	1.7	100,618	2.1	86,748	1.8
Savings	57,475	2.8	63,001	2.3	66,765	2.3
Time	34,856	4.1	35,767	3.9	20,062	4.6
Other	7,202	3.6	1,578	4.8	1,809	4.5
Total domestic offices	223,163		217,666		191,188	
In foreign offices:						
Demand non-interest bearing	4,581		4,887		4,401	
interest bearing	52,089	2.8	41,519	3.5	33,403	2.3
Savings	229,149	3.9	228,030	3.8	228,636	3.4
Time	33,018	5.0	34,987	3.8	28,149	3.9
Other	2,486	4.9	4,672	3.6	9,673	1.4
Total foreign offices	321,323		314,095		304,262	
	544,486		**531,761**		**495,450**	

Total customers accounts						
Debt securities						
In domestic offices:						
Debentures	13,379	4.8	5,054	5.0	5,481	4.4
Certificates of deposit	8,887	4.6	3,441	4.7	2,531	3.8
Other	2,691	5.4	2,216	5.7	1,722	4.2
Total domestic offices	24,957		10,711		9,734	

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	2008		2007		2006	
	Average deposit (EUR millions)	Average rate %	Average deposit (EUR millions)	Average rate %	Average deposit (EUR millions)	Average rate %
In foreign offices:						
Debentures	8,552	6.0	8,609	5.8	23,197	3.8
Certificates of deposit	25,665	5.4	17,815	5.9	11,027	5.0
Other	18,611	3.5	32,008	5.3	28,150	4.7
Total foreign offices	52.828		58,432		62,374	
Total debt securities	**77,785**		**69,143**		**72,108**	

For the years ended December 31, 2008, 2007 and 2006, the aggregate amount of deposits by foreign depositors in domestic offices was EUR 77,958 million, EUR 78,227 million and EUR 69,838 million, respectively.

On December 31, 2008, the maturity of domestic time certificates of deposit and other time deposits, exceeding EUR 20,000, was:

	Time certificates of deposit		Other time deposits	
	(EUR millions)	%	(EUR millions)	%
3 months or less	5,374	82.8	82,307	81.4
6 months or less but over 3 months	733	11.3	8,952	8.8
12 months or less but over 6 months	235	3.6	7,678	7.6
Over 12 months	149	2.3	2,196	2.2
Total	**6,491**	**100**	**101,133**	**100**

The following table shows the amount outstanding for time certificates of deposit and other time deposits exceeding EUR 20,000 issued by foreign offices on December 31, 2008.

	(EUR millions)
Time certificates of deposit	20,400
Other time deposits	100,784
Total	**121,184**

Short-term Borrowings

Short-term borrowings are borrowings with an original maturity of one year or less. Commercial paper and securities sold under repurchase agreements are the only significant categories of short-term borrowings within our banking operations.

The following table sets forth certain information relating to the categories of our short-term borrowings.

	Year ended December 31		
	2008	2007	2006
		(EUR millions,	

IFRS-IASB		except % data)	
Commercial paper:			
Balance at the end of the year	18,444	14,393	35,682
Monthly average balance outstanding during the year	17,949	30,403	26,416
Maximum balance outstanding at any period end during the year	**19,319**	**37,304**	**35,682**
Weighted average interest rate during the year	**3.80%**	**5.80%**	**4.87%**
Weighted average interest rate on balance at the end of the year	**3.70%**	**6.02%**	**3.60%**

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	Year ended December 31		
	2008	**2007**	**2006**
IFRS-IASB		**(EUR millions, except % data)**	
Securities sold under repurchase agreements:			
Balance at the end of the year	110,202	127,111	101,239
Monthly average balance outstanding during the year	148,613	124,723	103,951
Maximum balance outstanding at any period end during the year	**178,185**	**142,753**	**122,619**
Weighted average interest rate during the year	**3.17%**	**4.66%**	**3.03%**
Weighted average interest rate on balance at the end of the year	**4.27%**	**4.57%**	**3.11%**

Item 18: ING Group Consolidated Financial Statements (IFRS-IASB)

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE VI: SUPPLEMENTARY INFORMATION CONCERNING NON-LIFE INSURANCE OPERATIONS	**F 200**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of ING Groep N.V. (ING Group), as of December 31, 2008 and 2007, and the related consolidated profit and loss accounts, consolidated statements of cash flows and consolidated statements of changes in equity for each of the three years in the period ended December 31, 2008 as included in this Form 6-K. Our audits also included the financial statement schedules listed in the Index at Item 18. These financial statements and schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits. We did not audit the consolidated financial statements of ING Bank N.V., a wholly owned subsidiary, for the years ending December 31, 2007 and 2006. In our position we did not audit capital base, as defined in Note 2.2.2 of the notes to the consolidated financial statements, constituting 41% in 2007 and net profit constituting 32% in 2007 and 38% in 2006 of the related consolidated totals of ING Groep N.V. These data were reported on by other auditors whose report has been furnished to us, and our opinion insofar as it relates to data included for ING Bank N.V. is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts (including the conversion of the financial statements of ING Bank N.V. to International Financial Reporting Standards as issued by the International Accounting Standards Board as of December 31, 2007 and for each of the two years in the period then ended) and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the ING Groep N.V. as of December 31, 2008 and 2007, and the consolidated results of its operations, and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of ING Groep N.V. s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2009 expressed an unqualified opinion thereon.

Amsterdam, the Netherlands
October 23, 2009
Ernst & Young Accountants LLP

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

amounts in millions of euros	**2008**	2007
ASSETS		
Cash and balances with central banks **1)**	**22,045**	12,406
Amounts due from banks **2)**	**48,447**	48,875
Financial assets at fair value through profit and loss **3)**		
trading assets	**160,378**	193,213
investments for risk of policyholders	**95,366**	114,827
non-trading derivatives	**16,484**	7,637
designated as at fair value through profit and loss	**8,277**	11,453
Investments **4)**		
available-for-sale	**242,852**	275,897
held-to-maturity	**15,440**	16,753
Loans and advances to customers **5)**	**616,776**	553,658
Reinsurance contracts **17)**	**5,797**	5,874
Investments in associates **6)**	**4,355**	5,014
Real estate investments **7)**	**4,300**	4,829
Property and equipment **8)**	**6,396**	6,237
Intangible assets **9)**	**6,915**	5,740
Deferred acquisition costs **10)**	**11,843**	10,692
Other assets **11)**	**62,977**	40,099
Total assets	**1,328,648**	1,313,204
EQUITY		
Shareholders equity (parent) **12)**	**15,080**	37,718
Non-voting equity securities **12)**	**10,000**	
	25,080	37,718
Minority interests	**1,594**	2,323
Total equity	**26,674**	40,041
LIABILITIES		
Preference shares **13)**		21
Subordinated loans **14)**	**10,281**	7,325
Debt securities in issue **15)**	**96,488**	66,995
Other borrowed funds **16)**	**31,198**	27,058
Insurance and investment contracts **17)**	**240,790**	265,712
Amounts due to banks **18)**	**152,265**	166,972
Customer deposits and other funds on deposit **19)**	**522,783**	525,216
Financial liabilities at fair value through profit and loss **20)**		
trading liabilities	**152,616**	148,988
non-trading derivatives	**21,773**	6,951

designated as at fair value through profit and loss	**14,009**	13,882
Other liabilities **21)**	**59,771**	44,043
Total liabilities	**1,301,974**	1,273,163
Total equity and liabilities	**1,328,648**	1,313,204

References relate to the notes starting on page F-28. These form an integral part of the consolidated annual accounts.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP
For the years ended December 31,

amounts in millions of euros	**2008**	**2008**	2007	2007	2006	2006
Interest income banking operations	**97,011**		76,749		59,170	
Interest expense banking operations	**(85,969)**		(67,773)		(49,978)	
Interest result banking operations **34)**		**11,042**		8,976		9,192
Gross premium income **35)**		**43,812**		46,818		46,835
Investment income **36)**		**4,664**		13,352		10,907
Net gains/losses on disposals of group companies		**17**		430		1
Gross commission income	**7,504**		7,693		6,867	
Commission expense	**(2,539)**		(2,866)		(2,551)	
Commission income **37)**		**4,965**		4,827		4,316
Valuation results on non-trading derivatives **38**		**(1,409)**		(50)		272
Net trading income **39)**		**(749)**		1,119		1,172
Share of profit from associates **6)**		**(404)**		740		638
Other income **40)**		**644**		885		471
Total income		**62,582**		77,097		73,804
Gross underwriting expenditure **41)**	**18,831**		51,818		53,065	
Investment result for risk of policyholders	**32,408**		(1,079)		(2,702)	
Reinsurance recoveries	**(1,754)**		(1,906)		(2,175)	
Underwriting expenditure **41)**		**49,485**		48,833		48,188
Addition to loan loss provisions **5)**		**1,280**		125		103
Intangible amortization and other impairments **42)**		**464**		15		35
Staff expenses **43)**		**8,764**		8,261		7,918
Other interest expenses **44)**		**978**		1,102		1,016
Other operating expenses **45)**		**6,807**		7,207		6,421
Total expenses		**67,778**		65,543		63,681
Result before tax		**(5,196)**		11,554		10,123
Taxation **46)**		**(1,667)**		1,665		1,961
Net result (before minority interests)		**(3,529)**		9,889		8,162

Attributable to:

Equityholders of the parent	**(3,492)**	9,622	7,821
Minority interests	**(37)**	267	341
	(3,529)	9,889	8,162

amounts in euros	**2008**	2007	2006
Basic earnings per ordinary share **47)**	**(1.71)**	4.49	3.62
Earnings after attribution to non-voting equity securities per ordinary share **47)**	**(1.92)**	4.49	3.62
Diluted earnings per ordinary share **47)**	**(1.71)**	4.46	3.59
Dividend per ordinary share **48)**	**0.74**	1.48	1.32

References relate to the notes starting on page F-88. These form an integral part of the consolidated annual accounts.

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CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP
For the years ended December 31,

amounts in millions of euros	2008	2007	2006
Result before tax	**(5,196)**	11,554	10,123
Adjusted for			
depreciation	**1,492**	1,382	1,298
deferred acquisition costs and value of business acquired	**(444)**	(1,338)	(1,317)
increase in provisions for insurance and investment contracts	**16,363**	26,494	17,689
addition to loan loss provisions	**1,280**	125	103
other	**6,955**	(3,897)	(4,778)
Taxation paid	**(49)**	(1,347)	(1,739)
Changes in			
amounts due from banks, not available on demand	**7,162**	(8,690)	3,117
trading assets	**32,386**	2,997	(48,168)
non-trading derivatives	**(2,020)**	261	(179)
other financial assets at fair value through profit and loss	**3,174**	(4,878)	3,930
loans and advances to customers	**(72,506)**	(76,012)	(59,983)
other assets	**(11,847)**	(6,534)	1,218
amounts due to banks, not payable on demand	**13,210**	15,414	1,925
customer deposits and other funds on deposit	**6,831**	28,640	47,521
trading liabilities	**3,501**	20,916	38,821
other financial liabilities at fair value through profit and loss	**13,016**	44	2,405
other liabilities	**(485)**	6,577	(2,416)
Net cash flow from operating activities	**12,823**	11,708	9,570
Investments and advances			
group companies	**(1,725)**	(3,215)	(2,358)
associates	**(1,034)**	(1,221)	(449)
available-for-sale investments	**(228,291)**	(284,006)	(295,086)
held-to-maturity investments	**(314)**		
real estate investments	**(905)**	(876)	(1,588)
property and equipment	**(708)**	(575)	(568)
assets subject to operating leases	**(1,401)**	(1,393)	(1,164)
investments for risk of policyholders	**(64,735)**	(54,438)	(44,116)
other investments	**(881)**	(316)	(250)
Disposals and redemptions			
group companies	**1,590**	1,012	490
associates	**972**	1,049	459
available-for-sale investments	**225,539**	281,198	271,983
held-to-maturity investments	**1,640**	822	1,343
real estate investments	**415**	309	1,294
property and equipment	**137**	151	292
assets subject to operating leases	**428**	417	402
investments for risk of policyholders	**59,251**	47,136	37,945
other investments	**19**	13	51

Net cash flow from investing activities **51)**	**(10,003)**	(13,933)	(31,320)
Proceeds from issuance of subordinated loans	**2,721**	1,764	865
Repayments of subordinated loans			(600)
Proceeds from borrowed funds and debt securities	**391,915**	455,629	304,228
Repayments of borrowed funds and debt securities	**(354,015)**	(464,982)	(283,728)
Issuance of ordinary shares	**448**	397	5
Issuance of non-voting equity securities	**10,000**		
Payments to acquire treasury shares	**(2,388)**	(3,446)	(1,422)
Sales of treasury shares	**252**	846	373
Dividends paid	**(3,207)**	(3,039)	(2,716)
Net cash flow from financing activities	**45,726**	(12,831)	17,005
Net cash flow **52)**	**48,546**	(15,056)	(4,745)
Cash and cash equivalents at beginning of year	**(16,811)**	(1,795)	3,335
Effect of exchange rate changes on cash and cash equivalents	**(464)**	40	(385)
Cash and cash equivalents at end of year **53)**	**31,271**	(16,811)	(1,795)

Cash and cash equivalents as at December 31, 2008 of EUR 31,271 million (2007: EUR (16,811) million) includes cash and balances with central banks of EUR 22,045 million (2007: EUR 12,406 million). Reference is made to Note 53 Cash and Cash equivalents .

References relate to the notes starting on page F-104. These form an integral part of the consolidated annual accounts.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ING GROUP
For the years ended December 31,

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholders equity (parent)	Non-voting equity securities	Minority interests	Total equity
Balance as at January 1, 2006	530	8,343	27,863	36,736		1,689	38,425
Unrealized revaluations after taxation			(1,096)	(1,096)		(8)	(1,104)
Realized gains/losses transferred to profit and loss			(759)	(759)		(1)	(760)
Changes in cash flow hedge reserve			(696)	(696)			(696)
Transfer to insurance liabilities/DAC			820	820		(3)	817
Employee stock option and share plans			100	100		2	102
Exchange rate differences			(1,335)	(1,335)		(70)	(1,405)
Total amount recognized directly in equity			(2,966)	(2,966)		(80)	(3,046)
Net result			7,821	7,821		341	8,162
			4,855	4,855		261	5,116
Changes in the composition of the group						1,034	1,034
Dividends [1]			(2,681)	(2,681)		(35)	(2,716)
Purchase/sale of treasury shares			(520)	(520)			(520)
Exercise of warrants and options		5		5			5
Balance as at December 31, 2006	530	8,348	29,517	38,395		2,949	41,344
Unrealized revaluations after taxation			(1,135)	(1,135)		(109)	(1,244)
Realized gains/losses transferred to profit and loss			(3,186)	(3,186)			(3,186)
Changes in cash flow hedge reserve			(925)	(925)			(925)
Transfer to insurance liabilities/DAC			1,132	1,132		5	1,137

Employee stock option and share plans			104	104		104
Exchange rate differences [3]			(1,381)	(1,381)	23	(1,358)
Other revaluations					31	31
Total amount recognized directly in equity			(5,391)	(5,391)	(50)	(5,441)
Net result			9,622	9,622	267	9,889
			4,231	4,231	217	4,448
Changes in the composition of the group					(745)	(745)
Dividends [2]			(2,999)	(2,999)	(40)	(3,039)
Purchase/sale of treasury shares			(2,304)	(2,304)		(2,304)
Exercise of warrants and options	4	391		395		395
Change in minority interest shareholdings					(58)	(58)
Balance as at December 31, 2007	534	8,739	28,445	37,718	2,323	40,041

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ING GROUP
For the years ended December 31,

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholders equity (parent)	Non-voting equity securities	Minority interests	Total equity
Unrealized revaluations after taxation			**(18,437)**	**(18,437)**		**(48)**	**(18,485)**
Realized gains/losses transferred to profit and loss			**2,476**	**2,476**			**2,476**
Changes in cash flow hedge reserve			**746**	**746**			**746**
Transfer to insurance liabilities/DAC			**2,193**	**2,193**			**2,193**
Employee stock option and share plans			**31**	**31**			**31**
Issuance costs incurred			**(20)**	**(20)**			**(20)**
Exchange rate differences [3]			**(952)**	**(952)**		**(134)**	**(1,086)**
Other revaluations						**(23)**	**(23)**
Total amount recognized directly in equity			**(13,963)**	**(13,963)**		**(205)**	**(14,168)**
Net result			**(3,492)**	**(3,492)**		**(37)**	**(3,529)**
			(17,455)	**(17,455)**		**(242)**	**(17,697)**
Issue of non-voting equity securities					**10,000**		**10,000**
Changes in the composition of the group						**(455)**	**(455)**
Dividends [4]			**(3,600)**	**(3,600)**		**(32)**	**(3,632)**
Purchase/sale of treasury shares	**(44)**		**(1,986)**	**(2,030)**			**(2,030)**
Exercise of warrants and options	**5**	**443**		**448**			**448**
Balance as at December 31, 2008	**495**	**9,182**	**5,404**	**15,080**	**10,000**	**1,594**	**26,674**

(1) 2005 final dividend of EUR 0.64 per ordinary share and 2006 interim dividend

of EUR 0.59 per ordinary share.

(2) 2006 final dividend of EUR 0.73 per ordinary share and 2007 interim dividend of EUR 0.66 per ordinary share.

(3) Exchange rate differences include Exchange rate differences for the year of EUR (952) million (2007: EUR (1,153) million; 2006: EUR (1,335) million) and Realized gains/losses transferred to profit and loss of nil (2007: EUR (228) million; 2006: nil). Reference is made to Note 12 Shareholders equity/non-voting equity securities .

(4) 2007 final dividend of EUR 0.82 per ordinary share, 2008 interim dividend of EUR 0.74 per ordinary share and EUR 0.425 per non-voting equity security.

In 2008, deferred taxes for the year with regard to unrealized revaluations amounted to EUR 5,381 million (2007: EUR 1,451 million). For details on deferred tax see Note 21 Other liabilities .

Reserves include Revaluation reserve of EUR (8,502) million (2007: EUR 4,937 million; 2006: EUR 9,453 million), Currency translation reserve of EUR (1,918) million (2007: EUR (1,354) million; 2006: EUR (473) million) and Other reserves of EUR 15,823 million (2007: EUR 24,862 million; 2006: EUR 20,537 million). Changes in individual components are presented in Note 12 Shareholders equity (parent)/ non-voting equity securities .

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Amounts in millions of euros, unless stated otherwise

2.1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1.1. ACCOUNTING POLICIES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCO

AUTHORIZATION OF ANNUAL ACCOUNTS

The consolidated annual accounts of ING Groep N.V. (ING Group) for the year ended December 31, 2008 were authorized for issue in accordance with a resolution of the Executive Board on March 16, 2009. ING Groep N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principal activities of ING Group are described in the section ING at a glance in section 1.1.

BASIS OF PRESENTATION

ING Group applies International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The following standards and interpretations became effective in 2008: International Financial Reporting Interpretation Committee (IFRIC) 12 Service Concession Arrangements , IFRIC 14 IAS 19-The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction and Reclassification of Financial Assets: Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures . None of these recently issued standards and interpretations has had a material effect on equity or result for the year.

The following new and revized standards and interpretations were issued by the IASB, which become effective for ING Group as of 2009 (unless otherwise indicated):

Amendment to IFRS 1 First-time adoption of IFRS (effective as of 2010)

Amendment to IFRS 2 Share-based Payments Vesting Conditions and Cancellations

IFRS 3 Business Combinations (revized) and IAS 27 Consolidated and Separate Financial Statements (amended) (effective as of 2010)

IFRS 8 Operating Segments

IAS 1 Presentation of Financial Statements

IAS 23 Borrowing Costs

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements Determining the cost of an Investment in the Separate Financial Statements

Amendment to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items (effective as of 2010)

IFRIC 13 Customer Loyalty Programmes

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

2008 Annual Improvements to IFRS

IFRIC 17 Distributions of Non-cash Assets to Owners (effective as of 2010)

IFRIC 18 Transfers of Assets from Customers (effective as of 2010)

Amendment to IFRS 7 Improving Disclosures about Financial Instruments

Amendment to IFRIC 9 and IAS 39 Embedded Derivatives .

ING Group does not expect the adoption of these new or revized standards and interpretations to have a significant effect on the consolidated financial statements.

International Financial Reporting Standards as issued by the IASB provide several options in accounting policies. ING Group s accounting policies under International Financial Reporting Standards, as issued by the IASB 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-IASB is used to refer to International Financial Reporting Standards as issued by the IASB, including the decisions ING Group made with regard to the options available under International Financial Reporting Standards as adopted by the IASB.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

The presentation of, and certain terms used in, the consolidated balance sheet, the consolidated profit and loss account, consolidated statement of cash flows, consolidated statement of changes in equity and certain notes has been changed to provide additional and more relevant information.

IFRS-EU refers to International Financial Reporting Standards as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU. The published 2008 Consolidated Annual Accounts of ING Group are presented in accordance with IFRS-EU. The statutory Annual Accounts of ING Group that are filed in the Netherlands will remain to be prepared under IFRS-EU. IFRS-EU differs from IFRS-IASB in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk. Under IFRS-EU, ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU carve out version of IAS 39. Under the EU IAS 39 carve-out , hedge accounting may be applied, in respect of fair value macro hedges, to core deposits and hedge ineffectiveness is only recognized when the revised estimate of the amount of cash flows in scheduled time buckets falls below the original designated amount of that bucket and is not recognized when the revised amount of cash flows in scheduled time buckets is more than the original designated amount. Under IFRS-IASB, hedge accounting for fair value macro hedges can not be applied to core deposits and ineffectiveness arises whenever the revised estimate of the amount of cash flows in scheduled time buckets is either more or less than the original designated amount of that bucket. ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU carve-out to its retail operations. The net exposures of retail funding (savings and current accounts) and retail lending (mortgages) are hedged. The hedging activities are designated under a portfolio fair value hedge on the mortgages. Changes in the fair value of the derivatives are recognized in the profit and loss account, together with the fair value adjustment on the mortgages (hedged items) insofar as attributable to interest rate risk (the hedged risk).

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

A reconciliation between IFRS-EU and IFRS-IASB is included below.

Both IFRS-EU and IFRS-IASB differ in several areas from accounting principles generally accepted in the United States of America (US GAAP).

Reconciliation shareholders equity and net result under IFRS-EU and IFRS-IASB:

	Shareholders equity			**Net result**		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
In accordance with IFRS-IASB	25,080	37,718	38,395	(3,492)	9,622	7,821
Adjustment of the EU IAS 39 carve-out	3,015	(694)	(183)	3,709	(511)	(183)
Tax effect of the adjustment	(761)	184	54	(946)	130	54
Effect of adjustment after tax	2,254	(510)	(129)	2,763	(381)	**(129)**
In accordance with IFRS-EU	**27,334**	**37,208**	**38,266**	**(729)**	**9,241**	**7,692**

CRITICAL ACCOUNTING POLICIES

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

Insurance provisions, Deferred acquisition costs (DAC) and Value of business acquired (VOBA)

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

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

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

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

The process of defining methodologies and assumptions for insurance provisions, DAC and VOBA is governed by ING Insurance risk management governance as described in the Risk management section.

See the Risk management section for a sensitivity analysis of net result and shareholders equity to insurance, interest rate, equity, foreign currency and real estate risks. These sensitivities are based on changes in assumptions that management considers reasonably likely at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

Loan loss provisions

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

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

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

Fair values of real estate

Real estate investments are reported at fair value; all changes in fair value are recognized directly in the profit and loss account. The fair value of real estate investments is based on regular appraisals by independent qualified valuers. The fair values represent the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm s-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The valuations are based on the assumption that the properties are let and sold to third parties based on the actual letting status. The valuations are based on discounted cash flow analysis of each property. The discounted cash flow analyses are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values when leases expire.

For each reporting period every property is valued either by an independent valuer or internally. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions and disposals are monitored as part of the procedures to back test the indexation methodology. Valuations performed earlier in the year are updated if necessary to reflect the situation at year end.

The valuation of real estate involves various assumptions and techniques. The use of different assumptions and techniques could produce significantly different revaluations.

Fair values of financial assets and liabilities

Fair values of financial assets and liabilities are determined using quoted market prices where available. Market prices are obtained from independent market vendors, brokers, or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

In certain markets that have become significantly less liquid or illiquid, the range of prices for the same security from different price sources can be significant. Selecting the most appropriate price within this range requires judgement. The choice of different prices could produce materially different estimates of fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations, credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce materially different estimates of fair value.

Price testing is performed to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the profit and loss account. Price testing is performed to minimize the potential risks for economic losses due to materially incorrect or misused models.

Certain asset backed securities in the Unites States are valued using external price sources that are obtained from third party pricing services and brokers. During 2008 the markets for these assets have become inactive and as a result, the dispersion between different prices for the same security is significant. In such cases, management applies additional processes to select the most appropriate external price, including an internally developed price validation matrix and a process to challenge the price source. The valuation of these portfolios would have been significantly different had different prices been selected.

See Note 33 Fair value of financial assets and liabilities for the basis of the determination of the fair value of financial instruments and related sensitivities.

Impairments

Impairment evaluation is a complex process that inherently involves significant judgements and uncertainties that may have a material impact on the ING Group s consolidated financial statements. Impairments are especially relevant in two areas: Available-for-sale debt and equity securities and Goodwill/Intangible assets.

All debt and equity securities (other than those carried at fair value through profit or loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due.

Equity securities are impaired when management believes that, based on (the combination of) a significant or prolonged decline of fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. Significant and prolonged are interpreted on a case-by-case basis for specific equity securities; generally 25% and 6 months are used as triggers.

Upon impairment, the full difference between amortized cost and fair value is removed from equity and recognized in net profit or loss. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities may not be reversed.

Impairments on other debt instruments (Loans and held-to-maturity investments) are part of the loan loss provision as described above.

Impairment reviews with respect to goodwill and intangible assets are performed at least annually, and more frequently if events indicate that an impairment may have occurred. Goodwill is tested for impairment by comparing the book value (including goodwill) to the best estimate of the fair value of the reporting unit to which the goodwill has been allocated. A reporting unit is the lowest level at which goodwill is monitored. Intangible assets are tested for impairment by comparing its book value with the best estimate of its recoverable amount.

The identification of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management s judgement and other information available prior to the issuance of the financial statements. Materially different results can occur as circumstances change and additional information becomes known.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Employee benefits

Group companies operate various defined benefit retirement plans covering a significant number of ING s employees. The liability recognized in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains and losses, and unrecognized past service costs.

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

The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan liabilities and future pension costs. The effects of changes in actuarial assumptions and experience adjustments are not recognized in the profit and loss account unless the accumulated changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets and the excess is then amortized over the employees expected average remaining working lives. See Note 21 Other liabilities for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

Consolidation

ING Group (the Group) comprises ING Groep N.V. (the Company), ING Verzekeringen N.V., ING Bank N.V. and all other subsidiaries. The consolidated financial statements of ING Group comprise the accounts of ING Groep N.V. and all entities in which it either owns, directly or indirectly, more than half of the voting power or over which it has control of their operating and financial policies through situations including, but not limited to:

- Ability to appoint or remove the majority of the board of directors;
- Power to govern such policies under statute or agreement; and
- Power over more than half of the voting rights through an agreement with other investors.

A list of principal subsidiaries is included in Note 28 Principal subsidiaries .

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

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in net result.

A subsidiary which ING Group has agreed to sell but is still legally owned by ING Group may still be controlled by ING Group at the balance sheet date and, therefore, still be included in the consolidation. Such a subsidiary may be presented as a held for sale disposal group if certain conditions are met. Disposal groups (and Non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group (or asset) is available for immediate sale in its present condition; management must be committed to the sale, which should be expected to occur within one year from the date of classification as held for sale.

All intercompany transactions, balances and unrealized surpluses and deficits on transactions between group companies have been eliminated. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of ING Groep N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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ING Group s interests in jointly controlled entities are accounted for using proportionate consolidation. ING Group proportionately consolidates its share of the joint ventures individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in ING Group s financial statements. ING Group recognizes the portion of gains or losses on the sale of assets to the joint venture that is attributable to the other venturers. ING Group does not recognize its share of profits or losses from the joint venture that results from the purchase of assets by ING Group from the joint venture until it resells the assets to 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 recognized immediately.

Use of estimates and assumptions

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

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

Segmental reporting

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

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is 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. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

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

Exchange rate differences in the profit and loss account are generally included in Net trading income. Refer to Note 39 Net trading income , which discloses the amounts included in the profit and loss account. Exchange rate differences relating to the disposal of Available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognized in Investment income. As mentioned in Group companies below any exchange rate differences deferred in equity are recognized in the profit and loss account in Net gains and losses on disposals of group companies. Refer also to Note 12 Shareholders equity (parent) / non-voting equity securities, which discloses the amounts included in the profit and loss account.

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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 recognized in a separate component of equity.

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

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

Fair values of financial assets and liabilities

The fair values of financial instruments are based on quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by the Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

See Note 33 Fair value of financial assets and liabilities for the basis of the determination of the fair value of financial instruments.

Financial assets

Recognition of financial assets

All purchases and sales of financial assets classified as fair value through profit and loss, held-to-maturity and available-for-sale that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) are recognized at trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognized at settlement date, which is the date on which the Group receives or delivers the asset.

Derecognition of financial assets

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

Realized gains and losses on investments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

Classification of financial instruments

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include equity securities, debt securities, derivatives, loans and receivables and other, and comprise the following sub-categories: trading assets, non-trading derivatives, financial assets designated at fair value through profit and loss by management and investments for risk of policyholders.

A financial asset is classified as at fair value through profit and loss if acquired principally for the purpose of selling in the short term or if so designated by management. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

Investments for risk of policyholders are investments against insurance liabilities for which all changes in fair value of invested assets are offset by similar changes in insurance liabilities. Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit and loss is recognized in Interest income from banking operations and Investment income in the profit and loss account, using the effective interest method.

Dividend income from equity instruments classified as at fair value through profit and loss is generally recognized in Investment result in the profit and loss account when dividend has been declared. Investment result from investments for risk of policyholders is recognized in investment result for risk of policyholders. For derivatives reference is made to the Derivatives and hedge accounting section. For all other financial assets classified as at fair value through profit and loss changes in fair value are recognized in Net trading income.

Investments

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

Available-for-sale financial assets

Available-for-sale financial assets include available-for-sale debt securities and available-for-sale equity securities. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortized. Interest income is recognized using the effective interest method. Available-for-sale financial assets are measured at fair value. Interest income from debt securities classified as available-for-sale is recognized in Interest income from banking operations and Investment income in the profit and loss account using the effective interest method. Dividend income from equity instruments classified as available-for-sale is generally recognized in Investment income in the profit and loss account when the dividend has been declared. Unrealized gains and losses arising from changes in the fair value are recognized in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as investment income. For impairments of available-for-sale financial assets reference is made to the section Impairments of other financial assets . Investments in prepayment sensitive securities such as Interest-Only and Principal-Only strips are generally classified as available-for-sale.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the positive intent and ability to hold to maturity and which are designated as held-to-maturity assets are initially recognized at fair value plus transaction costs. Subsequently, they are carried at amortized cost using the effective interest method less any impairment losses. Interest income from debt securities classified as held-to-maturity is recognized in Interest income in the profit and loss account using the effective interest method. Held-to-maturity investments include only debt securities.

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs. Subsequently, they are carried at amortized cost using the effective interest method less any impairment losses. Loans and receivables include: Cash and balances with central banks, Amounts due from banks, Loans and advances to customers and Other assets and are reflected in these balance sheet lines. Interest income from loans and receivables is recognized in Interest income and Investment income in the profit and loss account using the effective interest method.

Credit risk management classification

Credit risk management disclosures are provided in the section Risk management . The relationship between credit risk classifications in that section and the consolidated balance sheet classifications above is explained below:

- Lending risk arises when ING grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the balance sheet classification Loans and advances to customers and credit commitments in respect of off balance sheet items e.g. financial guarantees;

- Investment risk comprises the credit default and migration risk that is associated with ING s investment portfolio and mainly relates to the balance sheet classification Investments (available-for-sale and held-to-maturity);

- Money market risk arises when ING places short term deposits with a counterparty in order to manage excess liquidity and mainly relates to the balance sheet classification Amounts due from banks;

- Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk classification mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives);

- Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING has paid or delivered its side of the trade. Settlement risk mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and Investments (available-for-sale and held-to-maturity).

Derivatives and hedge accounting

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

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

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

At the inception of the transaction ING documents the relationship between hedging instruments and hedged items, its risk management objective, together with the methods selected to assess hedge effectiveness. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit and loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognized in the profit and loss account. An assessment is carried out when the Group first becomes party to the contract. A subsequent reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

Fair value hedges

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

Cash flow hedges

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

Net investment hedges

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

Non-trading derivatives that do not qualify for hedge accounting

Derivative instruments that are used by the Group as part of its risk management strategies, but which do not qualify for hedge accounting under the Group s accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to the profit and loss account.

Offsetting of financial assets and financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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Repurchase transactions and reverse repurchase transactions

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

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

Impairments of loans and advances to customers (loan loss provisions)

The Group assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, 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; and

- Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by the Group s credit risk systems.

The Group does not consider events that may be expected to occur in the future as objective evidence, and consequently they are not used as a basis for concluding that a financial asset or group of assets is impaired.

In determining the impairment, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Losses expected as a result of future events, no matter how likely, are not recognized.

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

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

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For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors ability to pay all amounts due according to the contractual terms of the assets being evaluated. The collective evaluation of impairment includes the application of a loss confirmation period to default probabilities. The loss confirmation period is a concept which recognizes that there is a period of time between the emergence of impairment triggers and the point-in-time at which those events are captured by the Group s credit risk systems. Accordingly, the application of the loss confirmation period ensures that impairments that are incurred but not yet identified are adequately reflected in the Group s loan loss provision. Although the loss confirmation periods are inherently uncertain, the Group applies estimates to sub-portfolios (e.g. large corporations, small and medium size enterprises and retail portfolios) that reflect factors such as the frequency with which customers in the sub-portfolio disclose credit risk sensitive information and the frequency with which they are subject to review by the Group s account managers. Generally, the frequency increases in relation to the size of the borrower. Loss confirmation periods are based on historical experience and are validated, and revized where necessary, through regular back-testing to ensure that they reflect recent experience and current events.

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

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

Impairment of other financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. Significant and prolonged are interpreted on a case-by-case basis for specific equity securities; generally 25 % and 6 months are used as triggers. If any objective evidence exists for available-for-sale debt and equity investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in net result is removed from equity and recognized in the profit and loss account. Impairment losses recognized on equity instruments can never be reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit and loss account, the impairment loss is reversed through the profit and loss account.

Investments in associates

Associates are all entities over which the Group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:

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

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

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

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group s interest in the associates. Unrealized losses are also eliminated unless they provide evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting dates of all material associates are consistent with the reporting date of the Group.

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

Real estate investments

Real estate investments are stated at fair value at the balance sheet date. Changes in the carrying amount resulting from revaluations are recognized in the profit and loss account. On disposal the difference between the sale proceeds and book value is recognized in the profit and loss account.

The fair value of real estate investments is based on regular appraisals by independent qualified valuers. Each year every property is valued either by an independent valuer or internally. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions, and disposals made by the Group, are monitored as part of the procedures to back test the indexation methodology. All properties are valued independently at least every five years.

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

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

Property 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 the Group s own development and supervision expenses, where necessary, less impairment losses.

Property held for sale

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

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Property under development for third parties

Property under development where there is not yet a specifically negotiated contract is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and the Group s own directly attributable development and supervision expenses less any impairment losses. Profit is recognized using the completed contract method (on sale date of the property).

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 two to five years, and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is charged to the profit and loss account as incurred. Expenditure incurred on major improvements is capitalized and depreciated.

Assets under operating leases

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

Disposals

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

Borrowing costs

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

Leases

The Group as the lessee

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

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

The Group as the lessor

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

Purchase accounting, goodwill and other intangible assets

Goodwill

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

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

Adjustments to the fair value as at the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recognized as an adjustment to goodwill; any subsequent adjustment is recognized as income or expense. However, recognition of deferred tax assets after the acquisition date is recognized 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 unrealized results (including the currency translation reserve in equity) is included in the profit and loss account.

Computer software

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

Value of business acquired (VOBA)

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

Other intangible assets

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

Deferred acquisition costs

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

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

For other types of flexible life insurance contracts DAC is amortized over the lives of the policies in relation to the emergence of estimated gross profits. Amortization is adjusted when estimates of current or future gross profits, to be realized from a group of products, are revized. 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 amortization of DAC due to the catch-up of amortization in previous and future years. This process is known as DAC unlocking. The impact of the DAC unlocking is recognized in the profit and loss account of the period in which the unlocking occurs.

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

For certain products DAC is adjusted for the impact of unrealized results on allocated investments through equity.

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Taxation

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

Deferred income tax

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

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

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

Financial liabilities

Financial liabilities at amortized cost

Financial liabilities at amortized cost include the following sub-categories: preference shares, other borrowed funds, debt securities in issue, subordinated loans, amounts due to banks and customer deposits and other funds on deposit.

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

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

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

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss comprise the following sub-categories: trading liabilities, non-trading derivatives and other financial liabilities designated at fair value through profit and loss by management. Trading liabilities include equity securities, debt securities, funds on deposit and derivatives. Designation by management will take place only if it eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. ING has designated an insignificant part of the issued debt, related to market-making activities, at fair value through profit and loss. This issued debt consists mainly of own bonds. The designation as fair value through profit and loss eliminates the inconsistency in the timing of the recognition of gains and losses. All other financial liabilities are measured at amortized cost.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are initially recognized at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognized less cumulative amortization to reflect revenue recognition principles.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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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 for life and non-life insurance claims, including expenses relating to such claims. For some insurance contracts the measurement reflects current market assumptions.

Provision for life insurance

The Provision for life insurance is calculated on the basis of a prudent prospective actuarial method, taking into account the conditions for current insurance contracts. Specific methodologies may differ between business units as they may reflect local regulatory requirements and local practices for specific product features in the local markets.

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

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

The as yet unamortized interest rate rebates on periodic and single premium contracts are deducted from the Provision for life insurance. Interest rate rebates granted during the year are capitalized and amortized in conformity with the anticipated recovery pattern and are recognized in the profit and loss account.

Provision for unearned premiums and unexpired insurance risks

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

Claims provision

The Claims provision is calculated 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 (IBNR) and for future claims handling expenses. The adequacy of the Claims provision is evaluated each year using standard actuarial techniques. In addition, IBNR reserves are set to recognize the estimated cost of losses that have occurred but which have not yet been notified to the Group.

Deferred profit sharing liability

For insurance contracts with discretionary participation features a deferred profit sharing liability is recognized for the full amount of the unrealized revaluation on allocated investments. Upon realization, the profit sharing on unrealized revaluation is reversed and a deferred profit sharing liability is recognized for the share of realized results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing liability is reduced by 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 policyholder are calculated on the same basis as the Provision for life insurance. For insurance contracts for risk of policyholders the provisions are generally shown at the balance sheet value of the associated investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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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. To the extent that the assuming reinsurers are unable to meet their obligations, the Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectible.

Adequacy test

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

If, for any business unit, it is determined, using a best estimate (50%) confidence level, that a shortfall exists, and there are no offsetting amounts within other business units in the Business Line, the shortfall is recognized immediately in the profit and loss account.

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

If the net insurance liabilities are determined to be adequate at above the 90% confidence level, no reduction in the net insurance liabilities is recognized.

Investment contracts

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

Other liabilities

Employee benefits pension obligations

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

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compenzation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains and losses, and unrecognized past service costs. The defined benefit obligation is calculated annually by internal and external actuaries using the projected unit credit method.

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

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

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Other post-employment obligations

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

Other provisions

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

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

Income recognition

Gross premium income

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

Interest

Interest income and expense are recognized in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the clean fair value are included in Valuation results on non-trading derivatives.

Fees and commissions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Lease income

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

Expense recognition

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

Share-based payments

Share-based payment expenses are recognized as the employees provide the service. A corresponding increase in equity is recognized if the services are received in an equity-settled share-based payment transaction. A liability is recognized if the services are acquired in a cash-settled share-based payment transaction. The cost of acquiring the services is expensed as a staff expense. Prior to 2007, ING Group generally provided equity-settled share-based payment transactions. However, since 2007, ING Group has generally provided cash-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.

Earnings per ordinary share

Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding:

- Own shares held by group companies are deducted from the total number of ordinary shares in issue;
- The computation is based on daily averages;
- In case of exercized warrants, the exercise date is taken into consideration.

The non-voting equity securities are not ordinary shares, because their terms and conditions (especially with regard to coupons and voting rights) are significantly different. Therefore, the weighted average number of ordinary shares outstanding during the period is not impacted by the non-voting equity securities.

Diluted earnings per share data are computed as if all convertible instruments outstanding at year-end were exercized at the beginning of the period. It is also assumed that ING Group uses the assumed proceeds thus received to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from the exercise is added to the average number of shares used to calculate diluted earnings per share.

Share options with fixed or determinable terms are treated as options in the calculation of diluted earnings per share, even though they may be contingent on vesting. They are treated as outstanding on the grant date. Performance-based employee share options are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time.

Fiduciary activities

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

2.1.2. ACCOUNTING POLICIES FOR THE CONSOLIDATED STATEMENT OF CASH FLOWS OF ING GROUP

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

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

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

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

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

2.1.3. NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP

ASSETS

1 CASH AND BALANCES WITH CENTRAL BANKS

	2008	2007
Amounts held at central banks	**16,432**	8,376
Cash and bank balances	**5,052**	3,664
Short term deposits insurance operations	**561**	366
	22,045	12,406

2 AMOUNTS DUE FROM BANKS

	Netherlands		International		Total	
	2008	2007	2008	2007	2008	2007
Loans and advances to banks	**15,234**	14,451	**25,556**	31,339	**40,790**	45,790
Cash advances, overdrafts and other balances	**4,800**	1,065	**2,942**	2,033	**7,742**	3,098
	20,034	15,516	**28,498**	33,372	**48,532**	48,888
Loan loss provision		(11)	**(85)**	(2)	**(85)**	(13)
	20,034	**15,505**	**28,413**	**33,370**	**48,447**	**48,875**

As at December 31, 2008, Amounts due from banks included receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 3,005 million (2007: EUR 2,472 million) and receivables related to finance lease contracts amounting to EUR 100 million (2007: EUR 232 million).

As at December 31, 2008, the non-subordinated receivables amounted to EUR 48,443 million (2007: EUR 48,705 million) and the subordinated receivables amounted to EUR 4 million (2007: EUR 170 million).

No individual amount due from banks has terms and conditions that materially affect the amount, timing or certainty of consolidated cash flows of the Group. For details on significant concentrations see Risk management section.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2008	2007
Trading assets	**160,378**	193,213
Investments for risk of policyholders	**95,366**	114,827
Non-trading derivatives	**16,484**	7,637
Designated as at fair value through profit and loss	**8,277**	11,453
	280,505	327,130

Trading assets by type:

	2008	2007
Equity securities	**2,352**	11,112
Debt securities	**26,652**	37,345
Derivatives	**71,925**	28,592
Loans and receivables	**59,449**	116,164
	160,378	193,213

As at December 31, 2008, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 1 million (2007: EUR 4 million) and nil (2007: nil), respectively. As at December 31, 2008, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 28 million (2007: EUR 386 million) and EUR 1,904 million (2007: EUR 629 million), respectively.

As at December 31, 2008, Trading assets included receivables of EUR 57,968 million (2007: EUR 114,897 million) with regard to reverse repurchase transactions.

The large increase in Trading assets-derivatives in 2008 is substantially offset by a similar increase in Trading liabilities-derivatives,

The fair value of credit derivatives included in trading assets and held to mitigate exposure to credit risk was nil (2007: nil), and the change in their fair value in the period was nil (2007: nil).

Investments for risk of policyholders by type:

	2008	2007
Equity securities	**83,208**	106,061
Debt securities	**7,729**	7,398
Loans and receivables	**4,429**	1,368
	95,366	114,827

The change in the fair value of the loans and receivables included in Investments for risk of policyholders attributable to changes in the credit risk of the financial assets during 2008 was nil (2007: nil) and nil (2007: nil) on a cumulative basis.

The fair value of credit derivatives included in investments for risk of policyholders and held to mitigate exposure to credit risk was EUR (12) million (2007: EUR (7) million), and the change in their fair value in the period was EUR

(5) million (2007: EUR (7) million).
The cost of investments for risk of policyholders as at December 31, 2008 was EUR 115,929 million (2007: EUR 105,625 million).
Investments in investment funds (with underlying investments in debt, equity securities, real estate and derivatives) are included under equity securities.

Non-trading derivatives by type:

	2008	2007
Derivatives used in:		
fair value hedges	**3,862**	1,258
cash flow hedges	**5,771**	3,417
hedges of net investments in foreign operations	**670**	281
Other non-trading derivatives	**6,181**	2,681
	16,484	7,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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The fair value of credit derivatives included in non-trading derivatives and held to mitigate exposure to credit risk was EUR (17) million (2007: EUR (10) million), and the change in their fair value in the period was EUR (7) million (2007: nil).

Other non-trading derivatives include mainly interest rate swaps for which no hedge accounting is applied. The increase is mainly due to changes in fair value resulting from changes in market interest rates.

The increase is substantially mitigated by a similar increase in Other non-trading derivatives (liabilities) as disclosed in Note 20 Financial liabilities at fair value through profit and loss .

Designated as at fair value through profit and loss by type:

	2008	2007
Equity securities	**313**	306
Debt securities	**5,445**	8,774
Loans and receivables	**637**	428
Other	**1,882**	1,945
	8,277	11,453

The change in the fair value of the loans and receivables designated as at fair value through profit and loss attributable to changes in the credit risk of the financial assets during 2008 was nil (2007: nil),and nil (2007: nil) on a cumulative basis.

Other includes investments in private equity funds, hedge funds, other non-traditional investment vehicles and limited partnerships.

4 INVESTMENTS

Investments by type:

	2008	2007
Available-for-sale		
equity securities	**8,822**	19,947
debt securities	**234,030**	255,950
	242,852	275,897
Held-to-maturity		
debt securities	**15,440**	16,753
	15,440	16,753
	258,292	292,650

The fair value of the securities classified as held to maturity amounts to EUR 15,566 million as at December 31, 2008 (2007: EUR 16,354 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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Changes in investments available-for-sale and held-to-maturity:

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Opening balance	**19,947**	18,225	**255,950**	275,696	**16,753**	17,660	**292,650**	311,581
Additions	**4,503**	7,788	**225,703**	275,497	**315**		**230,521**	283,285
Amortization			**(48)**	(181)	**(33)**	(59)	**(81)**	(240)
Transfers and reclassifications	**154**	512	**(1,594)**	(1,417)			**(1,440)**	(905)
Changes in the composition of the group and other	**(748)**	(536)	**(11,670)**	(2,903)			**(12,418)**	(3,439)
Changes in unrealized revaluations	**(4,621)**	3,379	**(14,877)**	(6,284)			**(19,498)**	(2,905)
Impairments and reversals	**(1,916)**	(53)	**(2,904)**	(133)			**(4,820)**	(186)
Disposals and redemptions	**(8,320)**	(9,093)	**(217,239)**	(272,106)	**(1,640)**	(822)	**(227,199)**	(282,021)
Exchange rate differences	**(177)**	(275)	**709**	(12,219)	**45**	(26)	**577**	(12,520)
Closing balance	**8,822**	19,947	**234,030**	255,950	**15,440**	16,753	**258,292**	292,650

Included in transfers and reclassifications of available-for-sale and held-to-maturity investments:

	Available-for-sale equity securities		Available-for-sale debt securities		Total	
	2008	2007	**2008**	2007	**2008**	2007
To/from available-for-sale		21		(21)		
To/from loans and advances		(1)	**(1,594)**	(6)	**(1,594)**	(7)
To/from fair value through profit and loss		52		(1,386)		(1,334)
To/from Investment in associates	**154**	438			**154**	438
To/from Other assets/Other liabilities		2		(4)		(2)
	154	512	**(1,594)**	(1,417)	**(1,440)**	(905)

Following the amendments to IAS 39 and IFRS 7, Reclassification of Financial Assets ING Group reclassified certain financial assets from Available-for-sale investments to Loans and advances. During the fourth quarter of 2008 ING

Group identified assets, eligible under the amendments, for which, it now has an intent to hold for the foreseeable future. At the reclassifications dates the fair value of the reclassified assets amounted to EUR 1,594 million. As a result of the reclassification, the presentation is better aligned with the nature of the portfolios.

As of the reclassification date, the (weighted average) effective interest rates on reclassified assets were in the range from 4.10% to 20.95% and expected recoverable cash flows were EUR 1,646 million. Unrealized fair value losses recognized in shareholders equity amounted to EUR 69 million. This amount will be released from equity and amortized to the profit and loss account over the remaining life of the assets on an effective interest rate basis. From January 1, 2008 until the reclassification date EUR 79 million of unrealized fair value losses were recognized in shareholders equity, no impairment was recognized.

As at December 31, 2008, the carrying value in the balance sheet and the fair value of the reclassified financial assets amounted to EUR 1,565 million and EUR 1,592 million respectively.

If the reclassification had not been made, profit before tax would have been unchanged and shareholders equity would have been EUR 28 million lower due to unrealized fair value losses.

After the reclassification, the reclassified financial assets contributed EUR 9.2 million to income before tax for the period ended December 31, 2008, which fully consisted of Interest income. No provision for credit losses was recognized.

In the year ended December 31, 2007, no impairment on reclassified financial assets available for sale was recognized. Unrealized fair value losses of EUR 20 million were recognized directly in shareholders equity.

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In 2007 the reclassification from Available-for-sale debt securities to Financial assets designated as at fair value through profit and loss relates to debt securities backing insurance contracts where current market assumptions were implemented in the measurement of the insurance contracts.

On 12 January 2009 ING Group reclassified certain European RMBS, ABS, CMBS and covered bonds for which it has an intention to hold for foreseeable future from Available-for-sale investments to Loans and advances. The fair value of the assets as of the reclassification date amounted to EUR 22.8 billion. The negative revaluation reserve in equity as of the reclassification date amounted to approximately EUR 0.9 billion (after tax). This reclassification is recognized in 2009.

Available-for-sale equity securities by insurance and banking operations:

	Listed		Unlisted		Total	
	2008	2007	**2008**	2007	**2008**	2007
Insurance operations	**5,083**	14,082	**1,876**	2,240	**6,959**	16,322
Banking operations	**1,418**	3,309	**445**	316	**1,863**	3,625
	6,501	17,391	**2,321**	2,556	**8,822**	19,947

Debt securities by insurance and banking operations

	Available-for-sale		Held-to-maturity		Total	
	2008	2007	**2008**	2007	**2008**	2007
Insurance operations	**102,528**	115,944			**102,528**	115,944
Banking operations	**131,502**	140,006	**15,440**	16,753	**146,942**	156,759
	234,030	255,950	**15,440**	16,753	**249,470**	272,703

As at December 31, 2008, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 182 million (2007: EUR 13 million) and nil (2007: nil), respectively, and debt securities which were lent or sold in repurchase transactions amounting to EUR 9,822 million (2007: EUR 4,114 million) and EUR 35,795 million (2007: EUR 38,214 million), respectively.

Borrowed equity securities and convertible bonds are not recognized in the balance sheet and amounted to nil as at December 31, 2008 (2007: nil).

Borrowed debt securities are not recognized in the balance sheet and amounted to EUR 166 million as at December 31, 2008 (2007: EUR 170 million).

Investments in connection with the insurance operations with a combined carrying value of EUR 47 million (2007: EUR 69 million) were non-income-producing for the year ended December 31, 2008.

5 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by insurance and banking operations:

	2008	2007
Insurance operations	**25,681**	27,576
Banking operations	**598,623**	529,234

	2008	2007
	624,304	556,810
Eliminations	**(7,528)**	(3,152)
	616,776	553,658

Loans and advances to customers by type insurance operations:

	Netherlands		International		Total	
	2008	2007	**2008**	2007	**2008**	2007
Policy loans	**52**	54	**2,908**	3,414	**2,960**	3,468
Loans secured by mortgages	**6,804**	8,532	**8,789**	8,772	**15,593**	17,304
Personal loans	**3,210**	2,851	**2,058**	2,602	**5,268**	5,453
Other	**309**	378	**1,610**	1,003	**1,919**	1,381
	10,375	11,815	**15,365**	15,791	**25,740**	27,606
Loan loss provisions	**(27)**	(14)	**(32)**	(16)	**(59)**	(30)
	10,348	11,801	**15,333**	15,775	**25,681**	27,576

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Loans and advances to customers by type banking operations:

	Netherlands		International		Total	
	2008	2007	**2008**	2007	**2008**	2007
Loans to, or guaranteed by, public authorities	**16,288**	14,678	**10,099**	8,961	**26,387**	23,639
Loans secured by mortgages	**155,846**	142,008	**145,090**	132,614	**300,936**	274,622
Loans guaranteed by credit institutions	**295**	1,951	**253**	591	**548**	2,542
Personal lending	**7,158**	6,975	**20,389**	17,784	**27,547**	24,759
Corporate loans	**126,772**	105,017	**118,959**	100,643	**245,731**	205,660
	306,359	270,629	**294,790**	260,593	**601,149**	531,222
Loan loss provisions	**(761)**	(654)	**(1,765)**	(1,334)	**(2,526)**	(1,988)
	305,598	269,975	**293,025**	259,259	**598,623**	529,234

Loans and advances to customers analysed by subordination banking operations:

	2008	2007
Non-subordinated	**598,419**	528,038
Subordinated	**204**	1,196
	598,623	529,234

As at December 31, 2008, Loans and advances to customers included receivables with regard to securities which have been acquired in reverse repurchase transactions related to the banking operations amounting to EUR 964 million (2007: EUR 4,569 million).

No individual loan or advance has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group.

Loans and advances to customers and Amounts due from banks include finance lease receivables, are detailed as follows:

Finance lease receivables:

	2008	2007
Maturities of gross investment in finance lease receivables		
within 1 year	**6,363**	6,473
more than 1 year but less than 5 years	**9,766**	8,448
more than 5 years	**4,836**	3,753
	20,965	18,674

Unearned future finance income on finance leases	**(3,614)**	(3,109)
Net investment in finance leases	**17,351**	15,565
Maturities of net investment in finance lease receivables		
within 1 year	**5,157**	5,337
more than 1 year but less than 5 years	**7,955**	7,060
more than 5 years	**4,239**	3,168
	17,351	15,565
Included in Amounts due from banks	**100**	232
Included in Loans and advances to customers	**17,251**	15,333
	17,351	15,565

The allowance for uncollectible finance lease receivables included in the loan loss provisions amounted to EUR 88 million as at December 31, 2008 (2007: EUR 33 million).
No individual finance lease receivable has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group.

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Loan loss provisions analysed by type banking operations:

	Netherlands		International		Total	
	2008	2007	**2008**	2007	**2008**	2007
Loans secured by public authorities			**2**	1	**2**	1
Loans secured by mortgages	**167**	96	**425**	203	**592**	299
Loans guaranteed by credit institutions		11	**85**	3	**85**	14
Other personal lending	**120**	181	**533**	374	**653**	555
Other corporate loans	**474**	377	**805**	755	**1,279**	1,132
	761	665	**1,850**	1,336	**2,611**	2,001
The closing balance is included in						
Amounts due from banks		11	**85**	2	**85**	13
Loans and advances to customers	**761**	654	**1,765**	1,334	**2,526**	1,988
	761	665	**1,850**	1,336	**2,611**	2,001

Changes in loan loss provisions

	Insurance operations		Banking operations		Total	
	2008	2007	**2008**	2007	**2008**	2007
Opening balance	**30**	37	**2,001**	2,642	**2,031**	2,679
Changes in the composition of the group	**(4)**	(3)	**2**	98	**(2)**	95
Write-offs	**(6)**	(11)	**(728)**	(952)	**(734)**	(963)
Recoveries	**2**	1	**91**	59	**93**	60
Increase in loan loss provisions	**38**	8	**1,280**	125	**1,318**	133
Exchange rate differences	**(1)**	(1)	**(50)**	(19)	**(51)**	(20)
Other changes		(1)	**15**	48	**15**	47
Closing balance	**59**	30	**2,611**	2,001	**2,670**	2,031

Changes in loan loss provisions relating to insurance operations are presented under Investment income. Changes in the loan loss provisions relating to banking operations are presented on the face of the profit and loss account.

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6 INVESTMENTS IN ASSOCIATES

2008	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30	171	443	12,247	11,246	812	589
ING Dutch Office Master Fund C.V.	16		219	1,624	258	63	75
ING Winkels Basisfonds	16		218	1,736	346	119	51
Sul America S.A.	36		168	557	91	2,663	2,348
ING Industrial Fund Australia	18	14	164	2,377	1,033	166	147
Property Fund Iberica	30		157	1,835	1,301	(2)	96
Lionbrook Property Partnership	29		145	626	126	(283)	15
Lion Industrial Trust	10		133	2,898	1,528	98	207
Lion Properties Fund	5		125	4,135	1,757	313	771
ING Woningen Basisfonds	13		122	1,064	155	58	45
ING Real Estate Asia Retail Fund	28		121	850	412	57	72
Dutch Office Fund II	16		109	817	136	50	58
ING Retail Property Fund Australia	29		109	790	412	13	7
ING Vastgoed Kantoren C.V.	10		98	1,006	22	101	93
ING Vastgoed Winkels C.V.	10		88	898	22	83	22
Property Fund Central Europe	25		83	880	546	69	37
Retail Property Fund France Belgium (RPFFB)	15		79	1,602	1,075	71	57
Dutch Residential Fund II	13		74	602	51	62	127
ING Retail Property Partnership Southern Europe	21		73	1,218	879	6	67
ING REI Investment DOF BV	4		71	2,679	383	197	212
ING European Infrastructure Fund	25		70	662	409		2
Lion Value Fund	22		68	442	139	7	56

ING Logistics Property Fund Europe	**25**	**65**	**530**	**269**	**(5)**	**21**
ING Re Nordic Property Fund	**16**	**64**	**979**	**579**	**16**	**62**
ING Property Fund Central and Eastern Europe	**20**	**55**	**791**	**519**	**32**	**60**
ING Vastgoed Woningen C.V.	**10**	**53**	**528**	**1**	**36**	**25**
ING Re French Residential Fund	**45**	**50**	**182**	**69**	**3**	**4**
Other investments in associates		**1,131**				
		4,355				

Other investments in associates represents a large number of associates with an individual balance sheet value of less than EUR 50 million.

Accumulated impairments of EUR 46 million (2007: EUR 29 million) have been recognized.

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

The values presented in the table above could differ from the values presented in the individual annual accounts of the associates, due to the fact that the individual values have been brought in line with ING s accounting principles.

In general, the reporting dates of all material associates are consistent with the reporting date of the Group. However, for practical reasons, the reporting dates of certain associates differ slightly from with the reporting date of the Group, but, in any case, the difference between the reporting date of the associates and that of the Group is no more than three months.

Where the listed fair value is lower than the balance sheet value, an impairment review and an evaluation of the going concern basis has been performed.

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Investments in associates

2007	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30	481	481	16,028	15,002	180	436
ING Dutch Office Master Fund C.V.	24		348	1,718	257	202	24
ING Winkels Basisfonds	24		333	1,617	209	192	22
ING Industrial Fund Australia	18	303	303	3,124	1,338	411	168
Lionbrook Property Partnership	28		295	1,243	176	(60)	27
ING Woningen Basisfonds	25		237	1,116	112	135	48
Q-Park N.V.	19		191	3,911	2,914	458	403
ING Real Estate Asia Retail Fund	46		189	791	399	29	2
Property Fund Iberica	30		185	1,959	1,331	313	188
ING Retail Property Fund Australia	29		150	958	399	179	100
Lion Properties Fund	5		147	4,502	1,666	660	155
Lion Industrial Trust	9		142	3,001	1,157	387	106
B.V. Petroleum Maatschappij Moeara Enim	30		130	461		19	2
ING Re Nordic Property Fund	22		104	1,089	623	70	47
ING Vastgoed Kantoren C.V.	10		103	1,033	7	124	34
ING PF Brittanica	20		93	864	402	(7)	42
Lion Value Fund	33		92	423	143	76	14
ING Vastgoed Winkels C.V.	10		86	870	8	130	19
ING Office Fund Australia	6	69	83	2,134	763	443	152
Retail Property Fund France Belgium (RPFFB)	15		81	1,597	1,069	304	189
ING Logistics Property Fund Europe	25		78	574	263	76	31
Property Fund Central Europe	25		73	649	358	119	41

ING Retail Property Partnership Southern Europe	23	66	1,150	857	111	78
ING Property Fund Central and Eastern Europe	23	66	761	478	40	39
ING Vastgoed Woningen C.V.	10	56	557	1	68	15
Other investments in associates		902				
		5,014				

Changes in Investments in associates:

	2008	2007
Opening balance	**5,014**	4,343
Additions	**1,034**	1,222
Changes in the composition of the group	**46**	934
Transfers to and from Investments	**(154)**	(438)
Revaluations	**217**	(155)
Share of results	**(375)**	765
Dividends received	**(212)**	(224)
Disposals	**(972)**	(1,296)
Impairments	**(29)**	(25)
Exchange rate differences	**(214)**	(112)
Closing balance	**4,355**	5,014

In 2008, share of results of EUR (375) million (2007: EUR 765 million) and impairments of EUR (29) million (2007: EUR (25) million) are presented in the profit and loss account in Share of profit from associates for EUR (404) million (2007: EUR 740 million).

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7 REAL ESTATE INVESTMENTS

Changes in real estate investments:

	2008	2007
Opening balance	**4,829**	6,974
Additions	**905**	878
Changes in the composition of the group	**(296)**	(2,919)
Transfers to and from Property in own use	**(38)**	(60)
Transfers to and from Other assets	**117**	13
Fair value gains/(losses)	**(400)**	168
Disposals	**(415)**	(309)
Exchange rate differences	**(402)**	84
Closing balance	**4,300**	4,829

In 2007, Change in composition of the group relates mainly to the deconsolidation of Real estate funds as a result of the reduction of ING s shareholding in these funds.
ING s exposure to real estate is included in various balance sheet lines:

Real estate exposure:

	2008
Real estate investments	4,300
Investments in associates	3,200
Other assets property held for sale	3,143
Property and equipment property in own use	1,841
Investments available-for-sale	663
	13,147

Furthermore, the exposure is impacted by third party interests, leverage in funds and off-balance commitments, resulting in an overall exposure of EUR 15.5 billion. Reference is made to the section Risk management .

Real estate investments by insurance and banking operations

	2008	2007
Insurance operations	**1,118**	1,302
Banking operations	**3,182**	3,527
	4,300	4,829

The total amount of rental income recognized in the profit and loss account for the year ended December 31, 2008 was EUR 361 million (2007: EUR 402 million). The total amount of contingent rent recognized in the profit and loss account for the year ended December 31, 2008 was EUR 17 million (2007: EUR 14 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 December 31, 2008 was EUR 71 million (2007: EUR

64 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 December 31, 2008 was EUR 36 million (2007: EUR 20 million).

Real estate investments by year of most recent appraisal by independently qualified valuers (in percentages):

	2008
Most recent appraisal in 2008	**99**
Most recent appraisal in 2007	**0**
Most recent appraisal in 2006	**1**
Most recent appraisal in 2005	**0**
Most recent appraisal in 2004	**0**
	100

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8 PROPERTY AND EQUIPMENT

Property and equipment by type:

	2008	2007
Property in own use	**1,841**	2,069
Equipment	**1,407**	1,270
Assets under operating leases	**3,148**	2,898
	6,396	6,237

Property in own use by insurance and banking operations:

	2008	2007
Insurance operations	**394**	599
Banking operations	**1,447**	1,470
	1,841	2,069

Changes in property in own use

	2008	2007
Opening balance	**2,069**	2,034
Additions	**85**	85
Changes in the composition of the group	**(150)**	29
Transfers to and from Real estate investments	**38**	60
Transfers to and from Other assets	**5**	59
Depreciation	**(39)**	(39)
Revaluations	**(5)**	(60)
Impairments	**(1)**	
Reversal of impairments		14
Disposals	**(114)**	(84)
Exchange rate differences	**(47)**	(29)
Closing balance	**1,841**	2,069
Gross carrying amount as at December 31,	**2,701**	2,943
Accumulated depreciation as at December 31,	**(755)**	(708)
Accumulated impairments as at December 31,	**(105)**	(166)
Net book value	**1,841**	2,069

Revaluation surplus

Opening balance	**633**	693
Revaluation in year	**(48)**	19
Released in year	**30**	(79)
Closing balance	**615**	633

The cost or the purchase price amounted to EUR 2,087 million (2007: EUR 2,310 million). Cost less accumulated depreciation and impairments would have been EUR 1,226 million (2007: EUR 1,436 million).

Property in own use by year of most recent appraisal by independently qualified valuers (in percentages)

	2008
Most recent appraisal in 2008	**59**
Most recent appraisal in 2007	**18**
Most recent appraisal in 2006	**8**
Most recent appraisal in 2005	**8**
Most recent appraisal in 2004	**7**
	100

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Changes in equipment

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2008	2007	**2008**	2007	**2008**	2007
Opening balance	**281**	283	**989**	1,029	**1,270**	1,312
Additions	**227**	177	**396**	309	**623**	486
Changes in the composition of the group	**(4)**	10	**10**	16	**6**	26
Disposals	**(2)**	(24)	**(20)**	(44)	**(22)**	(68)
Depreciation	**(146)**	(164)	**(263)**	(216)	**(409)**	(380)
Impairments	**(9)**	(1)	**(9)**	(1)	**(18)**	(2)
Exchange rate differences	**(13)**	(3)	**(28)**	(17)	**(41)**	(20)
Other changes	**(14)**	3	**12**	(87)	**(2)**	(84)
Closing balance	**320**	281	**1,087**	989	**1,407**	1,270
Gross carrying amount as at December 31,	**1,562**	1,763	**2,935**	2,950	**4,497**	4,713
Accumulated depreciation as at December 31,	**(1,231)**	(1,481)	**(1,840)**	(1,959)	**(3,071)**	(3,440)
Accumulated impairments as at December 31,	**(11)**	(1)	**(8)**	(2)	**(19)**	(3)
Net book value	**320**	281	**1,087**	989	**1,407**	1,270

Changes in assets under operating leases:

	Cars		Other leased-out assets		Total	
	2008	2007	**2008**	2007	**2008**	2007
Opening balance	**2,886**	2,671	**12**	14	**2,898**	2,685
Additions	**1,401**	1,396		2	**1,401**	1,398
Changes in the composition of the group	**172**		**(2)**		**170**	
Disposals	**(428)**	(417)			**(428)**	(417)
Depreciation	**(764)**	(720)	**(2)**	(4)	**(766)**	(724)
Impairments	**(3)**				**(3)**	
Exchange rate differences	**(124)**	(44)			**(124)**	(44)
Closing balance	**3,140**	2,886	**8**	12	**3,148**	2,898

Gross carrying amount as at December 31,	**4,466**	5,177	**28**	70	**4,494**	5,247
Accumulated depreciation as at December 31,	**(1,324)**	(2,291)	**(20)**	(58)	**(1,344)**	(2,349)
Accumulated impairments as at December 31,	**(2)**				**(2)**	
Net book value	**3,140**	2,886	**8**	12	**3,148**	2,898

Depreciation of assets under operating leases is included in the profit and loss account in Other income as a deduction from operating lease income.
No individual operating lease has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group.
The Group leases assets to third parties under operating leases as lessor. The future minimum lease payments to be received under non-cancellable operating leases are as follows:
Future minimum lease payments by maturity;

	2008	2007
Within 1 year	**1,072**	1,048
More than 1 year but less than 5 years	**2,072**	1,844
More than 5 years	**4**	6
	3,148	2,898

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9 INTANGIBLE ASSETS

Changes in intangible assets:

	Value of business acquired		Goodwill		Software		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Opening balance	**2,301**	2,641	**2,245**	305	**472**	377	**722**	199	**5,740**	3,522
Additions (bought)		93	**1,329**	2,040	**213**	215	**244**	170	**1,786**	2,518
Capitalized expenses	**98**				**420**	124			**518**	124
Amortization	**(298)**	(229)			**(173)**	(221)	**(157)**	(18)	**(628)**	(468)
Impairments			**(155)**		**(27)**	(14)	**(44)**	(1)	**(226)**	(15)
Effect of unrealized revaluations in equity	**555**	32							**555**	32
Changes in the composition of the group	**(730)**	25	**(3)**	(28)	**5**	9	**229**	390	**(499)**	396
Exchange rate differences	**158**	(261)	**(340)**	(71)	**(17)**	(5)	**(113)**	(18)	**(312)**	(355)
Disposals			**(6)**	(1)	**(12)**	(13)	**(1)**		**(19)**	(14)
Closing balance	**2,084**	2,301	**3,070**	2,245	**881**	472	**880**	722	**6,915**	5,740
Gross carrying amount as at December 31,	**2,980**	2,946	**3,225**	2,245	**1,988**	1,379	**1,125**	766	**9,318**	7,336
Accumulated amortization as at December 31,	**(896)**	(645)			**(1,051)**	(878)	**(200)**	(43)	**(2,147)**	(1,566)
Accumulated impairments as at December 31,			**(155)**		**(56)**	(29)	**(45)**	(1)	**(256)**	(30)
Net book value	**2,084**	2,301	**3,070**	2,245	**881**	472	**880**	722	**6,915**	5,740

Amortization of software and other intangible assets is included in the profit and loss account in Other operating expenses and Intangible amortization and other impairments. Amortization of VOBA is included in Underwriting expenditure.

Additions to goodwill in 2008 include mainly EUR 371 million related to the acquisition of Interhyp AG, EUR 462 million related to the acquisition of CitiStreet, EUR 285 million related to the acquisition of the pension business of Santander Chile, EUR 69 million related to the acquisition of Oyak Emeklilik and EUR 9 million related to the acquisition of Universal Lease Iberia. The additions to Other intangibles in 2008 includes EUR 31 million related to the acquisition of the pension business of Santander Chile and EUR 73 million related to the acquisition of CitiStreet. Reference is made to Note 29 Companies acquired and companies disposed . The additions to Other intangibles also include EUR 50 million related to Interhyp AG.

Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes (so called reporting units). Goodwill is allocated to reporting units as follows:

Goodwill allocation to reporting units:

	2008	2007
Insurance Americas Latin America	**543**	473
Insurance Americas United States	**501**	
Insurance Americas Canada	**71**	84
Insurance Asia/Pacific South Korea	**164**	107
Insurance Asia/Pacific Rest of Asia	**186**	224
Insurance Europe Benelux	**49**	49
Insurance Europe Rest of Europe	**124**	54
Retail Banking Central Europe	**839**	1,015
Retail Banking South West Europe	**49**	49
Retail Banking Netherlands	**1**	
ING Direct	**456**	94
Wholesale Banking Leasing & Factoring	**61**	65
Wholesale Banking Real Estate	**11**	16
Wholesale Banking Other	**15**	15
	3,070	2,245

As a result of the nationalization of AFJP Pension in Argentina goodwill of EUR 155 million was written off.

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Goodwill is tested for impairment by comparing the book value of the reporting unit (including goodwill) to the best estimate of the fair value of the reporting unit. As a first step the best estimate of the fair value is determined based on a Sum of the Parts valuation (SOP). If the outcome of the SOP indicates that there is not a significant margin between fair value and book value, a more thorough analysis of the fair value is determined. The main assumptions in the SOP valuation include forecast results, business growth, discount rates, value of new business, market value surplus, etc. For listed companies the relevant market price is used. The more detailed analysis uses valuation models similar to those of the original valuation of an acquisition, European embedded value, peer reviews, etc. The valuation models are validated and include development of the business following the acquisition, the latest management forecasts of income and expenditure and updates of future projections, review of discount rates and terminal growth rates, etc. Peer reviews include analysis of Price/Earnings and Price/Book multiples of comparable listed companies. Assumptions are generally based on past experience, management s best estimate of future developments and, where available, relevant external information. Market developments during 2008 have significantly impacted estimated fair values of the reporting units. However, the goodwill impairment test as at December 31, 2008, using best estimate assumptions and reasonable likely changes therein, have not resulted in impairment (2007: nil).

Management believes that it may be reasonably possible that if ongoing market volatility adversely impacts the performance of the reporting units Retail Banking Central Europe and Insurance Americas United States, compared with what was assumed in the year-end 2008 goodwill impairment test, the book value (including goodwill) of these reporting units may exceed the fair values resulting in impairments.

10 DEFERRED ACQUISITION COSTS

Changes in deferred acquisition costs:

	Investment contracts		Life insurance		Non-life insurance		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Opening balance	**101**	83	**10,183**	9,645	**408**	435	**10,692**	10,163
Capitalized	**50**	31	**2,495**	2,766	**126**	257	**2,671**	3,054
Amortization and unlocking	**(12)**	(12)	**(1,884)**	(1,294)	**(130)**	(274)	**(2,026)**	(1,580)
Effect of unrealized revaluations in equity			**1,523**	43			**1,523**	43
Changes in the composition of the group	**(34)**		**(1,289)**		**(104)**	(5)	**(1,427)**	(5)
Exchange rate differences	**(16)**	(1)	**461**	(938)	**(35)**	10	**410**	(929)
Disposal of portfolios				(39)		(15)		(54)
Closing balance	**89**	101	**11,489**	10,183	**265**	408	**11,843**	10,692

For flexible life insurance contracts the growth rate assumption used to calculate the amortization of the deferred acquisition costs for 2008 is 6.4% gross and 5.6% net of investment management fees (2007: 6.6% gross and 5.6% net of investment management fees).

In 2008, Changes in the composition of the group related for EUR 1,164 million to the sale of ING Life Taiwan.

11 OTHER ASSETS

Other assets by type:

	2008	2007
Reinsurance and insurance receivables	**3,683**	3,664
Deferred tax assets	**8,034**	2,723
Property held for sale	**3,143**	2,993
Income tax receivable	**776**	974
Accrued interest and rents	**20,156**	17,818
Other accrued assets	**1,758**	1,099
Pension assets	**1,781**	439
Taiwan assets held for sale	**15,312**	
Other receivables	**8,334**	10,389
	62,977	40,099

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Disclosures in respect of deferred tax assets and pension assets are provided in Note 21 Other liabilities .

Accrued interest and rents includes EUR 7,980 million (2007: EUR 8,844 million) accrued interest on assets measured at amortized cost under the IAS 39 classification Loans and receivables.

The total amount of borrowing costs relating to Property under development for third parties, capitalized in 2008 is nil (2007: nil).

Reinsurance and insurance receivables:

	2008	2007
Receivables on account of direct insurance from:		
policyholders	**2,750**	2,211
intermediaries	**191**	283
Reinsurance receivables	**742**	1,170
	3,683	3,664

Property held for sale

	2008	2007
Property held for sale	**640**	530
Other:		
property obtained from foreclosures	**91**	48
property developed for sale	**2,412**	2,415
	3,143	2,993
Gross carrying amount as at December 31,	**3,276**	3,104
Accumulated impairments as at December 31,	**(133)**	(111)
Net book value	**3,143**	2,993

Taiwan assets held for sale;

	2008
Cash and bank balances	**80**
Financial assets at fair value through profit and loss	**1,552**
Available-for-sale Investments	**9,801**
Loans and advances to customers	**1,341**
Property and equipment	**41**
Intangible assets	**671**
Deferred acquisition costs	**1,164**
Other assets	**662**
Taiwan assets held for sale	**15,312**

Reference is made to Note 29 Companies acquired and disposed . As at December 31, 2008 ING Life Taiwan is classified as held for sale in the consolidated balance sheet. Amounts as at December 31, 2007 are presented in the relevant balance sheet lines.

EQUITY

12 SHAREHOLDERS EQUITY (PARENT) / NON-VOTING EQUITY SECURITIES

	2008	2007	2006
Share capital	**495**	534	530
Share premium	**9,182**	8,739	8,348
Revaluation reserve	**(8,502)**	4,937	9,453
Currency translation reserve	**(1,918)**	(1,354)	(473)
Other reserves	**15,823**	24,862	20,537
Shareholders equity (parent)	**15,080**	37,718	38,395

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

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As at December 31, 2008, Other reserves included an amount of EUR 566 million (2007: EUR 566 million; 2006: EUR 566 million) related to Regio Bank N.V. (formerly Stichting Regio Bank) that cannot be freely distributed.

Share capital:

	Ordinary shares (par value EUR 0.24)					
	Number X1,000			Amount		
	2008	2007	2006	**2008**	2007	2006
Authorized share capital	**4,500,000**	3,000,000	3,000,000	**1,080**	720	720
Unissued share capital	**2,436,852**	773,555	794,907	**585**	186	190
Issued share capital	**2,063,148**	2,226,445	2,205,093	**495**	534	530

Changes in issued share capital:

	Ordinary shares (par value EUR 0.24)	
	Number X1,000	Amount
Issued share capital as at January 1, 2006	2,204,934	530
Issue of shares	96	
Exercise of B warrants and options	63	
Issued share capital as at December 31, 2006	2,205,093	530
Issue of shares	5,569	1
Exercise of B warrants	15,783	3
Issued share capital as at December 31, 2007	2,226,445	534
Issue of shares	**1,848**	
Buy-back of shares	**(183,158)**	**(44)**
Exercise of B warrants	**18,013**	**5**
Issued share capital as at December 31, 2008	**2,063,148**	**495**

In May 2007, ING announced a plan to adopt a buy-back programme under which it plans to purchase (depositary receipts for) ordinary shares with a total value of EUR 5 billion over a period of 12 months, beginning in June 2007. On May 23, 2008 this programme was terminated as ING had almost reached the legal limit then in force for the acquisition of its own shares (10% of the issued share capital). In total, 183.2 million (depositary receipts for) ordinary shares were repurchased under this programme at an average price of EUR 26.77 and a total consideration of EUR 4.9 billion (98% of the total amount of the share buy back programme as announced). Repurchased ordinary shares and depositary receipts are included in the table Changes in treasury shares .

These ordinary shares repurchased, were cancelled in two blocks, effective on June 25, 2008 and October 7, 2008 respectively. These now form part of the unissued share capital.

Ordinary shares

All ordinary shares are in registered form. No share certificates have been issued. Ordinary shares may be transferred by means of a deed of transfer. A transfer of ordinary shares requires written acknowledgement by ING Groep N.V. The par value of ordinary shares is EUR 0.24. The authorized ordinary share capital of ING Group increased in 2008 from 3,000 million shares to 4,500 million shares as a result from an amendment made to the Articles of Association on October 8, 2008. As at December 31, 2008, 2,063 million of ordinary shares were issued and fully paid.

Depositary receipts for ordinary shares

More than 99% of the ordinary shares issued by ING Groep N.V. are held by Stichting ING Aandelen (ING Trust Office). In exchange for these shares, the Trust Office has issued depositary receipts in bearer form for ordinary shares. The depositary receipts are listed on various stock exchanges. Depositary receipts can be exchanged for (non-listed) ordinary shares without any restriction.

The holder of a depositary receipt is entitled to receive from the Trust Office payment of dividends and distributions corresponding to the dividends and distributions received by the Trust Office on an ordinary share.

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In addition, the holder of a depositary receipt is entitled to attend and to speak at the General Meeting of Shareholders of ING Groep N.V. either in person or by proxy. A holder of a depositary receipt, who thus attends the General Meeting of Shareholders, is entitled to vote as a proxy of the Trust Office but entirely at his own discretion for a number of shares equal to the number of his depositary receipts.

A holder of depositary receipts who does not attend the General Meeting of Shareholders in person or by proxy is entitled to give a binding voting instruction to the Trust Office for a number of shares equal to the number of his depositary receipts.

Depositary receipts for ordinary shares held by ING Group (Treasury shares)

As at December 31, 2008, 36.5 million (2007: 126.8 million; 2006: 53.8 million) depositary receipts for ordinary shares ING Groep N.V. with a par value of EUR 0.24 were held by ING Groep N.V. or its subsidiaries. These depositary receipts for ordinary shares were purchased to hedge option rights granted to the Executive Board members and other employees.

Restrictions with respect to dividend and repayment of capital

ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its ordinary shares. Pursuant to the Dutch Civil Code, dividends can only be paid up to an amount equal to the excess of the company s own funds over the sum of the paid-up capital and reserves required by law.

Moreover, ING Groep N.V. s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries. ING Groep N.V. is legally required to create a non-distributable reserve insofar profits of its subsidiaries are subject to dividend payment restrictions which apply to those subsidiaries themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V. Furthermore there can be restrictions as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, or other limitations which may exist in certain countries.

Without prejudice to the authority of the Executive Board to allocate profits to reserves and to the fact that the ordinary shares are the most junior securities issued by ING Groep N.V., no specific dividend payment restrictions with respect to ordinary shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of ordinary shares. Capital may be repaid to the holders of ordinary shares pursuant to an amendment of ING Groep N.V. s Articles of Association whereby the ordinary shares are written down.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V. s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

On a distribution of a dividend ING Groep N.V. is in principle required to withhold an income tax on dividends at a rate of 15%.

B warrants

In 1998, ING Groep N.V. authorized the issue of a maximum of 17,317,132 B warrants, of which 17,220,200 were issued. On January 5, 2008 of the remaining 9,266,097 warrants, 259,484 warrants expired and 9,006,613 were exercized. Accordingly, no B warrants were outstanding anymore as at December 31, 2008 (2007: 9,266,097; 2006: 17,157,891). B warrant holders were entitled to obtain from ING Groep N.V., for a fixed price, depositary receipts for ordinary shares in the proportion of one B warrant to two depositary receipts. B warrant holders could exercise their rights at their own discretion but no later than January 5, 2008.

The closing date for exercising warrants B was 5 January 2008. The exercise price of warrants B was EUR 49.92 for two depositary receipts.

Non-voting equity securities

On November 12, 2008, ING Groep N.V. issued EUR 10 billion non-voting equity securities to the Dutch government. This was effected by issuing one billion securities with an issue price of EUR 10 each. The nominal value of each security is EUR 0.24.

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These securities do not have voting rights. However as a holder of the non-voting equity securities, the Dutch government has the right to, subject to applicable law and to corporate governance practices, generally accepted under applicable stock listing regimes, recommend two candidates for appointment to the Supervisory Board. Certain Supervisory Board approval items require approval by these nominees. Until their formal appointment, the nominees will function as observers. As at December 31, 2008 the General Meeting of Shareholders had not yet adopted any resolution to implement the State recommendation.

The non-voting equity securities are deeply subordinated and rank pari-passu with ordinary shares in a winding up of ING Group.

On these non-voting equity securities a coupon is payable of the higher of:

EUR 0.85 per security, payable annually in arrears, with a first coupon of EUR 0.425 per security payable on 12 May 2009; and

110% of the dividend paid on each ordinary share over 2009 (payable in 2010)

120% of the dividend paid on each ordinary share over 2010 (payable in 2011)

125% of the dividend paid on each ordinary share over 2011 onwards (payable in 2012 onwards).

This coupon is to be paid on 12 May of each year (the coupon date) in cash if the dividend on ordinary shares is paid in cash or to be paid in scrip securities in the event of a scrip dividend on ordinary shares. Coupons are only due and payable, on a non-cumulative basis if a dividend is paid on ordinary shares over the financial year preceding the coupon date, either on an interim or a final dividend basis, provided that ING Group s capital adequacy position is and remains satisfactory both before and after payment in the opinion of the Dutch central bank.

ING Group has the right to repurchase all or some of the non-voting equity securities at EUR 15 per security at any time together with the pro-rate coupon, if due, accrued to such date. It also has the right to convert all or some of the non-voting equity securities into ordinary shares on a one-for-one basis from three years after the issue date onwards. The Dutch government in that case has the right to demand a redemption payment of EUR 10 per non-voting equity security together with the pro-rate coupon, if due, accrued to such date. Both repurchase and conversion of the securities must be approved by the Dutch central bank.

Changes in revaluation reserve:

2008	**Property revaluation reserve**	**Available-for-sale reserve**	**Cash flow hedge reserve**	**Total**
Opening balance	**439**	**4,067**	**431**	**4,937**
Unrealized revaluations after taxation	**22**	**(18,876)**		**(18,854)**
Realized gains/losses transferred to profit and loss		**2,476**		**2,476**
Changes in cash flow hedge reserve			**746**	**746**
Transfer to insurance liabilities/DAC		**2,193**		**2,193**
Closing balance	**461**	**(10,140)**	**1,177**	**(8,502)**

Changes in revaluation reserve:

	Property revaluation	Available-for-sale	Cash flow hedge

2007	reserve	reserve	reserve	Total
Opening balance	468	7,629	1,356	9,453
Unrealized revaluations after taxation	(29)	(1,508)		(1,537)
Realized gains/losses transferred to profit and loss		(3,186)		(3,186)
Changes in cash flow hedge reserve			(925)	(925)
Transfer to insurance liabilities/DAC		1,132		1,132
Closing balance	439	4,067	431	4,937

Changes in revaluation reserve:

2006	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	460	8,700	2,046	11,206
Unrealized revaluations after taxation	8	(1,087)		(1,079)
Realized gains/losses transferred to profit and loss		(804)		(804)
Changes in cash flow hedge reserve			(690)	(690)
Transfer to insurance liabilities/DAC		820		820
Closing balance	468	7,629	1,356	9,453

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Transfer to insurance liabilities/DAC includes the change in the deferred profit sharing liability (net of deferred tax). Reference is made to Note 17 Insurance and investment contracts, reinsurance contracts .

Changes in currency translation reserve:

	2008	2007	2006
Opening balance	**(1,354)**	(473)	668
Unrealized revaluations after taxation	**388**	500	194
Realized gains/losses transferred to profit and loss		(228)	
Exchange rate differences	**(952)**	(1,153)	(1,335)
Closing balance	**(1,918)**	(1,354)	(473)

The unrealized revaluations after taxation relate to changes in the value of hedging instruments that are designated as net investment hedges.

Changes in other reserves:

2008	**Retained earnings**	**Share of associates reserve**	**Treasury shares**	**Other reserves**	**Total**
Opening balance	**27,535**	**1,202**	**(3,740)**	**(135)**	**24,862**
Result for the year	**(3,123)**	**(369)**			**(3,492)**
Unrealized revaluations after taxation	**(77)**	**106**			**29**
Changes in treasury shares			**(2,030)**		**(2,030)**
Dividend	**(3,387)**	**(213)**			**(3,600)**
Employee stock options and share plans	**31**				**31**
Issuance costs incurred				**(20)**	**(20)**
Cancellation of shares			**4,904**	**(4,860)**	**44**
Closing balance	**20,979**	**726**	**(866)**	**(5,015)**	**15,823**

Changes in other reserves:

2007	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	20,829	1,181	(1,436)	(37)	20,537
Result for the year	9,275	347			9,622
Unrealized revaluations after taxation				(98)	(98)
Changes in treasury shares			(2,304)		(2,304)
Dividend	(2,826)	(173)			(2,999)
Employee stock options and share plans	104				104
Other	153	(153)			
Closing balance	27,535	1,202	(3,740)	(135)	24,862

Changes in other reserves

2006	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	16,262	608	(868)	(13)	15,989
Result for the year	7,101	720			7,821
Unrealized revaluations after taxation				(124)	(124)
Changes in treasury shares			(520)		(520)
Dividend	(2,534)	(147)			(2,681)
Other			(48)	100	52
Closing balance	20,829	1,181	(1,436)	(37)	20,537

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Changes in treasury shares

			Amount			Number
	2008	2007	2006	**2008**	2007	2006
Opening balance	**3,740**	1,436	868	**126,759,829**	53,859,235	38,722,934
Purchased/sold	**2,159**	2,505	1,030	**94,105,700**	79,652,109	30,858,427
Cancelled	**(4,904)**			**(183,158,017)**		
Share-based payments	**(22)**	(201)	(462)	**(1,250,394)**	(6,751,515)	(15,722,126)
Other	**(107)**					
Closing balance	**866**	3,740	1,436	**36,457,118**	126,759,829	**53,859,235**

Preference shares are presented in the balance sheet under liabilities. See Note 13 Preference shares .

LIABILITIES

13 PREFERENCE SHARES

Preference shares

The authorized preference share capital of ING Groep N.V. was divided into two categories preference A shares and preference B shares. The share capital consisted of 100 million preference A shares with a par value of EUR 1.20 of which as at December 31, 2007 16,012,839 were issued and 1,000 million preference B shares with a par value of EUR 0.24 of which none were issued as at December 31, 2007. As at December 31, 2008 no preference A shares or preference B shares were in issue. The movement in outstanding preference shares is explained under Cancellation of preference shares.

The dividend on the preference A shares was equal to a percentage of the amount (including share premium) for which the preference A shares were originally issued. This percentage was calculated by taking the arithmetic mean of the average effective yield on the five longest-dated Dutch government loans, as determined by a Calculating Agent to be designated by the Executive Board for the last 20 stock exchange days preceding the day on which the first preference A shares are issued, or, as the case may be, preceding the day on which the dividend percentage is adjusted. The percentage thus established could be increased or decreased by not more than 0.5 percentage points, depending on the market conditions then prevailing, as the Executive Board could decide with the approval of the Supervisory Board. The dividend on the preference A shares for the financial years 2004-2013 was set at EUR 0.1582 per share per year.

Cancellation of preference shares

During 2008, ING Group repurchased 5,296,015 (depositary receipts for) preference A shares (2007: 57,016,572) at an average price of EUR 3.60 per share or EUR 19.1 million in total (2007: EUR 3.64 per share or EUR 207.5 million). The preference A shares (for which the depositary receipts were) thus repurchased and 10 million preference A shares for which the depositary receipts were acquired from ABN AMRO in 2007, were cancelled in two blocks on February 29, 2008 and September 4, 2008 respectively.

The remaining 716,824 preference A shares were redeemed and cancelled in accordance with ING Groep N.V. s Articles of Association against payment of EUR 3.40 plus accrued dividend, effective September 4, 2008. From that date, there were no preference shares of ING Groep N.V. outstanding anymore.

Pursuant to an amendment of ING Groep N.V. s Articles of Association, effected on October 8, 2008, the authorized share capital of ING Groep N.V. was adjusted in such a way that it no longer provided for preference A shares and/or preference B shares, so that such shares may no longer be issued by ING Groep N.V.

Cumulative preference shares

Pursuant to the Articles of Association of ING Groep N.V. as amended on October 8, 2008, the authorized cumulative preference share capital consists of 4.5 billion cumulative preference shares, of which none have been issued. The par value of these cumulative preference shares is EUR 0.24.

The cumulative preference shares rank before the preference shares and the ordinary shares in entitlement to dividend and to distributions upon liquidation of ING Groep N.V.

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The dividend on the cumulative preference shares will be equal to a percentage, calculated on the amount compulsorily paid up or yet to be paid up. This percentage shall be equal to the average of the Euro OverNight Index Average (EONIA) as calculated by the European Central Bank. During the financial year for which the distribution is made, this percentage is weighted on the basis of the number of days for which it applies, increased by 2.5 percentage points.

If and to the extent that the profit available for distribution is not sufficient to pay the dividend referred to above in full, the shortfall will be made up from the reserves insofar as possible. If, and to the extent that, the dividend distribution cannot be made from the reserves, the profits earned in subsequent years shall first be used to make up the shortfall before any distribution may be made on shares of any other category.

ING Groep N.V. s Articles of Association make provision for the cancellation of cumulative preference shares. Upon cancellation of cumulative preference shares and upon liquidation of ING Groep N.V., the amount paid up on the cumulative preference shares will be repaid together with the dividend shortfall in preceding years, insofar as this shortfall has not yet been made up.

Restrictions with respect to dividend and repayment of capital

ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its cumulative preference shares, when issued. Pursuant to the Dutch Civil Code, dividends can only be paid up to an amount equal to the excess of the company s own funds over the sum of the paid-up capital, and reserves required by law.

Moreover, ING Groep N.V. s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries. ING Groep N.V. is legally required to create a non-distributable reserve insofar profits of its subsidiaries are subject to dividend payment restrictions which apply to those subsidiaries themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V. or may be the result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, or other limitations which may exist in certain countries.

Without prejudice to the fact that the cumulative preference shares, when issued, will be junior securities of ING Groep N.V., no specific dividend payment restrictions with respect to the cumulative preference shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of cumulative preference shares. Capital may be repaid to the holders of cumulative preference shares pursuant to (i) an amendment of ING Groep N.V. s articles of association whereby the cumulative preference shares are written down or (ii) a resolution to redeem and cancel the cumulative preference shares.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V. s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

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14 SUBORDINATED LOANS

Subordinated loans:

Interest rate	Year of Issue	Due date	Notional amount in original currency		Balance sheet value 2008	2007
9.000%	2008	Perpetual	EUR	10	**10**	
8.500%	2008	Perpetual	USD	2,000	**1,393**	
8.000%	2008	Perpetual	EUR	1,500	**1,474**	
7.375%	2007	Perpetual	USD	1,500	**1,048**	988
6.375%	2007	Perpetual	USD	1,045	**731**	690
5.140%	2006	Perpetual	GBP	600	**623**	810
5.775%	2005	Perpetual	USD	1,000	**711**	674
6.125%	2005	Perpetual	USD	700	**487**	462
4.176%	2005	Perpetual	EUR	500	**497**	497
Variable	2004	Perpetual	EUR	1,000	**939**	937
6.200%	2003	Perpetual	USD	500	**348**	330
Variable	2003	Perpetual	EUR	750	**684**	682
7.200%	2002	Perpetual	USD	1,100	**773**	726
7.050%	2002	Perpetual	USD	800	**563**	529
					10,281	7,325

Subordinated loans consist of perpetual subordinated bonds issued by ING Groep N.V. These bonds have been issued to raise hybrid capital for ING Verzekeringen N.V. and Tier-1 capital for ING Bank N.V. Under IFRS-IASB these bonds are classified as liabilities. They are considered capital for regulatory purposes.

Except for the 9% 2008 perpetual of EUR 10 million (a private placement), these loans have been subsequently provided as subordinated loans by ING Groep N.V. to ING Verzekeringen N.V. and ING Bank N.V. under the same conditions as the original bonds as follows:

Subordinated loans provided by ING Groep N.V. to ING Bank N.V. and ING Verzekeringen N.V.:

	2008	2007
ING Bank N.V.	**5,800**	5,166
ING Verzekeringen N.V.	**4,471**	2,159
	10,271	7,325

The number of subordinated loans held by group companies as at December 31, 2008 was 32,759 with a balance sheet value of EUR 1 million (2007: 35,040 with a balance sheet value of nil).

15 DEBT SECURITIES IN ISSUE

Debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on interest rate levels, such as certificates of deposit and accepted bills issued by ING Group, except for subordinated items. Debt securities in issue do not include debt securities presented as Financial liabilities at fair value through profit and loss. ING Group does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

Debt securities in issue maturities:

	2008	2007
Fixed rate debt securities		
Within 1 year	**50,994**	35,182
More than 1 year but less than 2 years	**2,448**	4,156
More than 2 years but less than 3 years	**2,410**	1,738
More than 3 years but less than 4 years	**2,429**	2,057
More than 4 years but less than 5 years	**4,332**	2,374
More than 5 years	**6,290**	5,870
Total fixed rate debt securities	**68,903**	51,377
Floating rate debt securities		
Within 1 year	**11,858**	7,204
More than 1 year but less than 2 years	**5,325**	487
More than 2 years but less than 3 years	**5,189**	989
More than 3 years but less than 4 years	**1,423**	1,847
More than 4 years but less than 5 years	**28**	1,140
More than 5 years	**3,762**	3,951
Total floating rate debt securities	**27,585**	15,618
Total debt securities	**96,488**	66,995

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As of December 31, 2008, ING Group had unused lines of credit available including the payment of commercial paper borrowings relating to debt securities in issue, totalling EUR 5,649 million (2007: EUR 6,974 million).

In January 2009, ING Bank issued 3 year USD 6 billion government guaranteed senior unsecured bonds. In February 2009, ING Bank issued a 5 year EUR 4 billion fixed rate government guaranteed senior unsecured bond and in March 2009, ING Bank issued a 5 year USD 2 billion fixed rate government guaranteed senior unsecured bond all were issued under the Credit Guarantee Scheme of the State of the Netherlands and are part of ING s regular medium-term funding operations.

16 OTHER BORROWED FUNDS

Other borrowed funds by remaining term:

2008	2009	2010	2011	2012	2013	There after	Total
Subordinated loans of group companies	**553**	**1,058**	**1,502**	**1,706**	**652**	**10,398**	**15,869**
Preference shares of group companies						**1,071**	**1,071**
Loans contracted	**5,590**	**1,126**				**1,756**	**8,472**
Loans from credit institutions	**4,580**	**279**	**180**	**1**		**746**	**5,786**
	10,723	**2,463**	**1,682**	**1,707**	**652**	**13,971**	**31,198**

Other borrowed funds by remaining term

2007	2008	2009	2010	2011	2012	There after	Total
Subordinated loans of group companies	66	542	1,052	429	1,632	9,942	13,663
Preference shares of group companies						1,014	1,014
Loans contracted	4,791	1,054	1,306	1,019		1,284	9,454
Loans from credit institutions	1,340	2	353	279	168	785	2,927
	6,197	1,598	2,711	1,727	1,800	13,025	27,058

Subordinated loans of group companies relate to capital debentures and private loans which are subordinated to all current and future liabilities of ING Bank N.V. or Postbank N.V.

Preference shares of group companies comprise non-cumulative guaranteed Trust Preference Securities which are issued by wholly owned subsidiaries of ING Groep N.V. These securities have a liquidation preference of a certain amount plus any accrued interest and unpaid dividend. Dividends with regard to these preference securities are presented as an interest expense in the profit and loss account. These trust preference securities have no voting rights.

17 INSURANCE AND INVESTMENT CONTRACTS, REINSURANCE CONTRACTS

The gross amounts for provisions for insurance and investment contracts, net of reinsurance (i.e. the provision for ING s own account) is presented in the balance sheet gross under Insurance and investment contracts and Reinsurance contracts .

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Insurance and investment contracts, reinsurance contracts:

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2008	2007	**2008**	2007	**2008**	2007
Provision for non-participating life policy liabilities	**67,120**	70,401	**4,822**	4,481	**71,942**	74,882
Provision for participating life policy liabilities	**55,266**	54,645	**217**	175	**55,483**	54,820
Provision for (deferred) profit sharing and rebates	**147**	1,601	**2**	5	**149**	1,606
Provision for life insurance for risk of policyholders	**84,279**	100,753	**541**	639	**84,820**	101,392
Life insurance provisions	**206,812**	227,400	**5,582**	5,300	**212,394**	232,700
Provision for unearned premiums and unexpired risks	**1,756**	2,614	**13**	99	**1,769**	2,713
Reported claims provision	**3,995**	5,051	**202**	475	**4,197**	5,526
Claims incurred but not reported (IBNR)	**1,345**	1,121			**1,345**	1,121
Claims provisions	**5,340**	6,172	**202**	475	**5,542**	6,647
Total provisions for insurance contracts	**213,908**	236,186	**5,797**	5,874	**219,705**	242,060
Investment contracts for risk of company	**9,804**	9,520			**9,804**	9,520
Investment contracts for risk of policyholders	**11,281**	14,132			**11,281**	14,132
Total provisions for investment contracts	**21,085**	23,652			**21,085**	23,652
Total	**234,993**	259,838	**5,797**	5,874	**240,790**	265,712

For insurance contracts with discretionary participation features a deferred profit sharing liability is recognized for the full amount of the unrealized revaluation on allocated investments. Upon realization, the profit sharing on unrealized revaluation is reversed and a deferred profit sharing liability is recognized for the share of realized results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing liability is reduced by the actual allocation of profit sharing to individual policyholders. The change in the deferred profit sharing liability (net of deferred tax) is recognized in equity in the Revaluation reserve. The deferred profit sharing liability is included in Provision for (deferred) profit sharing and rebates and amounts to EUR (876) million as at December 31, 2008 (2007: EUR 318 million).

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Changes in life insurance provisions:

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2008	2007	**2008**	2007	**2008**	2007
Opening balance	**227,400**	231,946	**5,300**	5,773	**232,700**	237,719
Changes in the composition of the group	**(15,050)**	(3,475)	**(25)**	2	**(15,075)**	(3,473)
	212,350	228,471	**5,275**	5,775	**217,625**	234,246
Current year provisions	**33,078**	27,224	**884**	139	**33,962**	27,363
Change in deferred profit sharing liability	**(1,169)**	(1,546)			**(1,169)**	(1,546)
Prior year provisions:						
benefit payments to policyholders	**(24,626)**	(21,933)	**(719)**	(82)	**(25,345)**	(22,015)
interest accrual	**4,059**	6,794	**(15)**	(40)	**4,044**	6,754
valuation changes for risk of policyholders	**(32,408)**	5,612			**(32,408)**	5,612
effect of changes in discount rate assumptions	**(1)**				**(1)**	
effect of changes in other assumptions	**(32)**	2			**(32)**	2
	(53,008)	(9,525)	**(734)**	(122)	**(53,742)**	(9,647)
Exchange rate differences	**9,918**	(15,583)	**259**	(501)	**10,177**	(16,084)
Other changes	**5,643**	(1,641)	**(102)**	9	**5,541**	(1,632)
Closing balance	**206,812**	227,400	**5,582**	5,300	**212,394**	232,700

Changes in the composition of the group in 2008 relate mainly to the sale of ING Life Taiwan. Reference is made to Note 21 Other liabilities .

Included in Changes in the composition of the group in 2007 is EUR 4,017 million relating to the disposal of portfolios in connection with the sale of the Belgian broker and employee benefit insurance business as disclosed in Note 29 Companies acquired and companies disposed .

Where discounting is used in the calculation of life insurance provisions, the rate is within the range 3.1% to 6.0% (2007: 2.9% to 6.0%) based on weighted averages.

Insurance provisions include a provision for the estimated cost of the agreement with regard to unit-linked policies. For more information reference is made to Note 30 Legal proceedings .

ING transferred part of its life insurance business to Scottish Re in 2004 by means of a co-insurance contract. This business continues to be included in Life insurance provisions. The related asset from the co-insurance contract is recognized under Reinsurance contracts. On 23 January 2009, Hannover Re and Scottish Re announced that Hannover Re has agreed to assume the ING individual life reinsurance business originally transferred to Scottish Re in 2004.

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

As at December 31, 2008, the total Reinsurance exposure, including Reinsurance contracts and Receivables from reinsurers (presented in Other assets) amounted to EUR 6,539 million (2007: EUR 7,044 million) after the provision for uncollectible reinsurance of nil (2007: EUR 5 million).

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Changes in provisions for unearned premiums and unexpired risks:

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2008	2007	**2008**	2007	**2008**	2007
Opening balance	**2,614**	2,631	**99**	156	**2,713**	2,787
Changes in the composition of the group	**(643)**	(194)	**(93)**	3	**(736)**	(191)
	1,971	2,437	**6**	159	**1,977**	2,596
Premiums written	**4,747**	5,780	**196**	306	**4,943**	6,086
Premiums earned during the year	**(4,719)**	(5,701)	**(190)**	(326)	**(4,909)**	(6,027)
Exchange rate differences	**(231)**	15	**(1)**	(10)	**(232)**	5
Other changes	**(12)**	83	**2**	(30)	**(10)**	53
Closing balance	**1,756**	2,614	**13**	99	**1,769**	2,713

Changes in claims provisions:

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2008	2007	**2008**	2007	**2008**	2007
Opening balance	**6,172**	6,651	**475**	600	**6,647**	7,251
Changes in the composition of the group	**(401)**	(667)	**(135)**	(18)	**(536)**	(685)
	5,771	5,984	**340**	582	**6,111**	6,566
Additions						
for the current year	**2,934**	3,356	**(93)**	78	**2,841**	3,434
for prior years	**(322)**	(282)	**(12)**	14	**(334)**	(268)
interest accrual of provision	**30**	32			**30**	32
	2,642	3,106	**(105)**	92	**2,537**	3,198
Claim settlements and claim settlement costs						
for the current year	**1,399**	1,747	**8**	(42)	**1,407**	1,705
for prior years	**1,209**	1,343	**18**	151	**1,227**	1,494

	2,608	3,090	**26**	109	**2,634**	3,199
Exchange rate differences	**(407)**	84	**(26)**	(14)	**(433)**	70
Other changes	**(58)**	88	**19**	(76)	**(39)**	12
Closing balance	**5,340**	6,172	**202**	475	**5,542**	6,647

ING Group had an outstanding balance of EUR 52 million as at December 31, 2008 (2007: EUR 66 million) relating to environmental and asbestos claims of the insurance operations. In establishing the liability for unpaid claims and claims adjustment expenses related to asbestos related illness and toxic waste clean-up, the management of ING Group considers facts currently known and current legislation and coverage litigation. Liabilities are recognized for IBNR claims and for known claims (including the costs of related litigation) when sufficient information has been obtained to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities are reviewed and updated regularly.

Where discounting is used in the calculation of the claims provisions, based on weighted averages, the rate is within the range of 3.0% to 4.0% (2007: 3.8% to 4.3%).

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Changes in investment contracts liabilities:

	2008	2007
Opening balance	**23,652**	20,750
Changes in the composition of the group	**(548)**	(277)
	23,104	20,473
Current year liabilities	**8,635**	12,890
Prior year provisions		
payments to contract holders	**(8,472)**	(9,697)
interest accrual	**268**	408
valuation changes investments	**(1,535)**	576
	(9,739)	(8,713)
Exchange rate differences	**(1,111)**	(1,147)
Other changes	**196**	149
Closing balance	**21,085**	23,652

Gross claims development table:

				Underwriting year		
	2004	**2005**	**2006**	**2007**	**2008**	**Total**
Estimate of cumulative claims:						
At the end of underwriting year	**2,023**	**1,891**	**1,889**	**1,898**	**2,851**	
1 year later	**1,785**	**1,754**	**1,821**	**1,798**		
2 years later	**1,594**	**1,620**	**1,708**			
3 years later	**1,537**	**1,568**				
4 years later	**1,520**					
Estimate of cumulative claims	**1,520**	**1,568**	**1,708**	**1,798**	**2,851**	**9,445**
Cumulative payments	**(1,153)**	**(1,077)**	**(1,072)**	**(833)**	**(1,343)**	**(5,478)**
	367	**491**	**636**	**965**	**1,508**	**3,967**
Effect of discounting	**(35)**	**(51)**	**(63)**	**(82)**	**(125)**	**(356)**
Liability recognized	**332**	**440**	**573**	**883**	**1,383**	**3,611**
Liability relating to prior underwriting years						**1,931**
Total amount recognized in the balance sheet						**5,542**

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

18 AMOUNTS DUE TO BANKS

Amounts due to banks include non-subordinated debt due to banks, other than amounts in the form of debt securities. As at December 31, 2008, liabilities concerning securities sold in repurchase transactions amounted to EUR 41,336 million (2007: EUR 29,604 million).

Amounts due to banks by type:

	Netherlands		International		Total	
	2008	2007	**2008**	2007	**2008**	2007
Non-interest bearing	**1,108**	3,527	**2,482**	3,580	**3,590**	7,107
Interest bearing	**74,580**	72,257	**74,095**	87,608	**148,675**	159,865
	75,688	75,784	**76,577**	91,188	**152,265**	166,972

19 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

	2008	2007
Savings accounts	**263,637**	275,127
Credit balances on customer accounts	**174,141**	161,204
Corporate time deposits	**80,230**	86,151
Other	**4,775**	2,734
	522,783	525,216

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Customer deposits and other funds on deposits by type:

	Netherlands		International		Total	
	2008	2007	**2008**	2007	**2008**	2007
Non-interest bearing	**14,220**	15,100	**5,330**	3,905	**19,550**	19,005
Interest bearing	**195,727**	192,808	**307,506**	313,403	**503,233**	506,211
	209,947	207,908	**312,836**	317,308	**522,783**	525,216

No funds have been entrusted to the Group by customers on terms other than those prevailing in the normal course of business. As at December 31, 2008, Customer deposits and other funds on deposit included liabilities with regard to securities sold in repurchase transactions amounting to EUR 5,759 million (2007: EUR 3,725 million).

Savings accounts relate to the balances on savings accounts, savings books, savings deposits and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

20 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

	2008	2007
Trading liabilities	**152,616**	148,988
Non-trading derivatives	**21,773**	6,951
Designated as at fair value through profit and loss	**14,009**	13,882
	188,398	169,821

Trading liabilities by type:

	2008	2007
Equity securities	**3,338**	12,271
Debt securities	**12,448**	10,301
Funds on deposit	**64,463**	97,857
Derivatives	**72,367**	28,559
	152,616	148,988

As at December 31, 2008, the Funds on deposit include amounts payable of EUR 63,107 million (2007: EUR 93,781 million) with regard to repurchase transactions.

Non-trading derivatives by type:

	2008	2007
Derivatives used in:		
fair value hedges	**5,897**	958
cash flow hedges	**6,089**	3,188

hedges of net investments in foreign operations	**370**	352
Other non-trading derivatives	**9,417**	2,453
	21,773	6,951

Designated as at fair value through profit and loss by type:

	2008	2007
Debt securities	**9,963**	10,902
Funds entrusted	**1,972**	756
Subordinated liabilities	**1,733**	1,876
Other	**341**	348
	14,009	13,882

The change in the fair value of financial liabilities designated as at fair value through profit and loss attributable to changes in the credit risk of that liability during 2008 was EUR 230 million (2007: EUR 20 million). This change has been determined as the amount of change in fair value of the financial liability that is not attributable to changes in market conditions that gave rise to market risk (i.e. mainly interest rate risk based on yield curves).

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The amount that ING Group is contractually required to pay at maturity to the holders of financial liabilities designated as at fair value through profit and loss is EUR 14,336 million (2007: EUR 13,845 million).

21 OTHER LIABILITIES

Other liabilities by type:

	2008	2007
Deferred tax liabilities	**2,841**	3,616
Income tax payable	**940**	877
Pension benefits	**609**	425
Post-employment benefits	**219**	232
Other staff-related liabilities	**342**	355
Other taxation and social security contributions	**1,104**	1,123
Deposits from reinsurers	**909**	427
Accrued interest	**17,552**	13,606
Costs payable	**3,764**	2,744
Amounts payable to brokers	**89**	114
Amounts payable to policyholders	**2,231**	2,283
Reorganization provision	**583**	619
Other provisions	**969**	781
Share-based payment plan liabilities	**11**	14
Property under development for third parties	**175**	284
Amounts to be settled	**3,753**	4,156
Dividend payable	**425**	
Taiwan liabilities held for sale	**15,020**	
Other	**8,235**	12,387
	59,771	44,043

Other staff-related liabilities include vacation leave provisions, jubilee provisions and disability/illness provisions. Other mainly relates to year-end accruals in the normal course of business, none of which are individually material. Deferred taxes are calculated on all temporary differences under the liability method using tax rates applicable to the jurisdictions in which the Group is liable to taxation.

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Changes in deferred tax:

	Net liability 2007	Change through equity	Change through net result	Changes in the composition of the group	Exchange rate differences	Other	Net liability 2008
Investments	258	**(5,409)**	**(463)**	**114**	**(268)**	**350**	**(5,418)**
Financial assets and liabilities at fair value through profit and loss	156	**(2)**	**(303)**	**17**	**(10)**	**170**	**28**
Deferred acquisition costs and VOBA	3,047	**778**	**36**	**(632)**	**266**	**(14)**	**3,481**
Fiscal reserve	15		**(3)**	**(1)**		**(11)**	
Depreciation	(11)	**1**	**3**	**22**	**(4)**	**4**	**15**
Insurance provisions	(871)	**450**	**(104)**	**571**	**(56)**	**(484)**	**(494)**
Cash flow hedges	43	**154**	**(10)**		**12**	**78**	**277**
Other provisions	(1,146)	**19**	**(255)**	**41**	**(70)**	**(11)**	**(1,422)**
Receivables	100		**(41)**	**(12)**	**(1)**	**(107)**	**(61)**
Loans and advances to customers	280		**(451)**	**(1)**	**(4)**	**(25)**	**(201)**
Unused tax losses carried forward	(932)		**(633)**	**97**	**(20)**	**(165)**	**(1,653)**
Other	(46)	**(52)**	**24**	**41**	**(77)**	**365**	**255**
	893	**(4,061)**	**(2,200)**	**257**	**(232)**	**150**	**(5,193)**
Comprising:							
deferred tax liabilities	3,616						**2,841**
deferred tax assets	(2,723)						**(8,034)**
	893						**(5,193)**

Changes in deferred tax:

	Net liability 2006	Change through equity	Change through net result	Changes in the composition of the group	Exchange rate differences	Other	Net liability 2007

Investments	1,375	**(1,243)**	**213**	**(17)**	**56**	**(126)**	**258**
Financial assets and liabilities at fair value through profit and loss	119	**(40)**	**82**	**(11)**	**(2)**	**8**	**156**
Deferred acquisition costs and VOBA	3,201	**3**	**151**		**(312)**	**4**	**3,047**
Fiscal reserve	3		**8**			**4**	**15**
Depreciation	28	**3**	**(26)**	**(5)**	**1**	**(12)**	**(11)**
Insurance provisions	(1,490)	**116**	**339**		**93**	**71**	**(871)**
Other provisions	(1,081)	**238**	**(174)**	**(28)**	**109**	**(210)**	**(1,146)**
Receivables	196		**(128)**	**1**	**(2)**	**33**	**100**
Loans and advances to customers	156	**5**	**123**		**(1)**	**(3)**	**280**
Unused tax losses carried forward	(909)	**(15)**	**(26)**	**1**	**76**	**(59)**	**(932)**
Other	626	**(767)**	**27**	**117**	**3**	**(9)**	**(3)**
	2,224	**(1,700)**	**589**	**58**	**21**	**(299)**	**893**
Comprising:							
deferred tax liabilities	4,096						**3,616**
deferred tax assets	(1,872)						**(2,723)**
	2,224						**893**

Other in Net liability 2006 and Change through equity in 2007 mainly relates to the cash flow hedge reserve in equity.

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Deferred tax in connection with unused tax losses carried forward:

	2008	2007
Total unused tax losses carried forward	**6,392**	3,814
Unused tax losses carried forward not recognized as a deferred tax asset	**(638)**	(688)
Unused tax losses carried forward recognized as a deferred tax asset	**5,754**	3,126
Average tax rate	**28.7%**	29.8%
Deferred tax asset	**1,653**	932

The following tax loss carry forwards and tax credits will expire as follows as at December 31,:

Total unused tax losses carried forward analysed by expiry terms:

	No deferred tax asset recognized		Deferred tax asset recognized	
	2008	2007	**2008**	2007
Within 1 year	**2**	64	**56**	41
More than 1 year but less than 5 years	**68**	176	**425**	249
More than 5 years but less than 10 years	**219**	230	**2,802**	610
More than 10 years but less than 20 years	**298**	71	**1,540**	1,010
Unlimited	**51**	147	**931**	1,216
	638	688	**5,754**	3,126

Deferred income tax assets are recognized for tax loss carry forwards and unused tax credits only to the extent that realization of the related tax benefit is probable. Changes in circumstances in future periods may adversely impact the assessment of recoverability. The uncertainty of the recoverability of the tax losses and tax credits is taken into account in establishing the deferred tax assets.

Changes in reorganization provision:

	2008	2007
Opening balance	**619**	335
Changes in the composition of the group	**(22)**	
Additions	**162**	507
Interest	**15**	9
Releases	**(18)**	(62)
Charges	**(169)**	(175)
Exchange rate differences	**(6)**	(3)
Other changes	**2**	8

Closing balance	**583**	619

The provision for reorganizations as at December 31, 2008 includes EUR 360 million for the restructuring of the retail business of Postbank and ING Bank.
The provision for reorganizations as at December 31, 2007 includes EUR 252 million for the restructuring of the retail business of Postbank and ING Bank and EUR 100 million for the global wholesale restructuring. The remaining term of the provision for reorganizations is generally not more than five years.

Changes in other provisions

	Litigation		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007
Opening balance	**229**	189	**552**	531	**781**	720
Changes in the composition of the group	**(1)**	13	**8**	47	**7**	60
Additions	**202**	34	**313**	325	**515**	359
Releases			**(6)**	(149)	**(6)**	(149)
Charges	**(28)**	(24)	**(279)**	(195)	**(307)**	(219)
Exchange rate differences	**(6)**	1	**(15)**	(8)	**(21)**	(7)
Other changes	**(25)**	16	**25**	1		17
Closing balance	**371**	229	**598**	552	**969**	781

Included in Other provisions in 2008 is a provision for a loss of EUR 292 million relating to the agreed disposal of ING Life Taiwan as disclosed in Note 29 Companies acquired and companies disposed .

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Included in Other provisions in 2007 is a provision for a loss of EUR 129 million relating to the agreed disposal of NRG as disclosed in Note 29 Companies acquired and companies disposed .

In general, Other provisions are of a short-term nature.

The amounts included in other provisions are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation.

Pension and post-employment benefits

Summary of pension benefits:

	2008	2007	2006	2005
Defined benefit obligation	**14,271**	14,499	15,758	15,782
Fair value of plan assets	**13,366**	14,708	14,361	12,937
	905	(209)	1,397	2,845
Unrecognized past service costs	**(5)**	(3)		
Unrecognized actuarial gains/(losses)	**(2,072)**	198	(687)	(1,778)
	(1,172)	(14)	710	1,067
Presented as:				
Other liabilities	**609**	425	961	1,067
Other assets	**(1,781)**	(439)	(251)	
	(1,172)	(14)	710	1,067

Summary of post-employment benefits:

	2008	2007	2006	2005
Defined benefit obligation	**210**	220	239	441
	210	220	239	441
Unrecognized past service costs	**2**	4	10	(6)
Unrecognized actuarial gains/(losses)	**7**	8	(2)	(27)
	219	232	247	408
Presented as:				
Other liabilities	**219**	232	247	408
	219	232	247	408

The Group maintains defined benefit retirement plans in its major countries of operation. These plans generally cover all employees and provide benefits that are related to the remuneration and service of employees upon retirement. The benefits in some of these plans are subject to various forms of indexation. The indexation is, in some cases, at the discretion of management; in other cases it is dependent upon the sufficiency of plan assets.

Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in all countries comply with applicable local regulations governing investments and funding levels.

The Group provides other post-employment employee benefits to certain employees and former employees. These are primarily post-employment healthcare benefits and discounts on ING products provided to employees and former employees.

Certain group companies sponsor defined contribution pension plans. The assets of all ING Group s defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in current liabilities. The amount incurred in 2008 was EUR 68 million (2007: EUR 68 million).

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Amounts are in millions of euros, unless otherwise stated

Actuarial gains and losses related to pensions and post-employment benefits for the year ended December 31, 2008 include EUR (2,647) million (2007: EUR (789) million; 2006: EUR (180) million) experience gain adjustments for assets and EUR (70) million (2007: EUR 83 million; 2006: EUR (163) million) experience gain adjustments for liabilities.

Changes in defined benefit obligations

	Pension benefits		Post-employment benefits other than pensions	
	2008	2007	**2008**	2007
Opening balance	**14,499**	15,758	**220**	239
Current service cost	**356**	408	**(1)**	11
Interest cost	**787**	739	**12**	13
Employer s contribution			**2**	
Participants contributions	**7**	2		
Benefits paid	**(601)**	(556)	**(8)**	(13)
Actuarial gains and losses	**(369)**	(1,727)	**1**	(8)
Past service cost	**79**	(83)	**1**	
Changes in the composition of the group and other changes	**(169)**	207	**(18)**	(11)
Effect of curtailment or settlement	**(135)**	(32)		
Exchange rate differences	**(183)**	(217)	**1**	(11)
Closing balance	**14,271**	14,499	**210**	220
Relating to:				
funded plans	**14,219**	14,441		
unfunded plans	**52**	58	**210**	220
	14,271	14,499	**210**	220

The estimated unrecognized past services cost and unrecognized actuarial gains and losses for the defined benefit plans to be amortized to pension and other staff related liability costs during 2009 are nil and EUR 46 million, respectively.

Changes in fair value of plan assets:

	Pension benefits	
	2008	2007
Opening balance	**14,708**	14,361
Expected return on plan assets	**886**	869
Employer s contribution	**1,366**	816
Participants contributions	**7**	6
Benefits paid	**(584)**	(540)

Actuarial gains and losses	**(2,647)**	(789)
Changes in the composition of the group and other changes	**(127)**	176
Exchange rate differences	**(243)**	(191)
Closing balance	**13,366**	14,708

The actual return on the plan assets amounted to EUR (1,761) million (2007: EUR 80 million).
No plan assets are expected to be returned to ING Group during 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

Pension investment strategy

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

Categories of plan assets in percentages:

	Target allocation	Percentage of plan assets		Weighted average expected long term rate of return	
	2009	**2008**	2007	**2008**	2007
Equity securities	**33**	**33**	33	**8.1**	8.1
Debt securities	**54**	**53**	52	**4.7**	4.7
Other	**13**	**14**	15	**6.5**	6.5
	100	**100**	100	**6.2**	6.2

Equity securities include ING Group ordinary shares of EUR 4 million (0.3% of total plan assets) as at December 31, 2008 (2007: EUR 5 million, 0.3% of total plan assets). Other includes mainly real estate. Real estate occupied by ING Group as at December 31, 2008 which is included in Other includes nil (0.0% of total plan assets) (2007: nil, 0.0% of total plan assets).

Determination of expected return on assets

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

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

	Pension benefits		Post-employment benefits other than pensions	
	2008	2007	**2008**	2007

Discount rates	**5.70**	5.60	**5.50**	5.70
Mortality rates	**1.60**	1.60	**1.60**	1.60
Expected rates of salary increases (excluding promotion increases)	**2.70**	2.80	**3.20**	3.20
Medical cost trend rates			**6.60**	7.00
Consumer price inflation	**2.10**	2.10	**2.10**	2.30

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.

The presented discount rate is the weighted average of the discount rates that are applied in different countries. These rates are based on AA corporate bond yields of the specific countries with durations matching the pension liabilities.

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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 4 million as at December 31, 2008 (2007: EUR 4 million) and nil increase in the charge for the year (2007: nil). A decrease of 1% in the medical cost trend rate for each future year would have resulted in lower defined benefit obligation of EUR 4 million as at December 31, 2008 (2007: EUR 4 million) and nil decrease in the charge for the year (2007: nil).

Expected cash flows

During 2009 the expected contributions to pension plans are EUR 1,014 million (2008: EUR 633 million). Additionally ING Group has committed to make an additional contribution of EUR 814 million. This contribution is payable in the first quarter of 2009.

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

Benefit payments:

	Pension benefits	Post-employment benefits other than pensions
2009	**403**	**21**
2010	**429**	**22**
2011	**458**	**22**
2012	**463**	**22**
2013	**465**	**23**
Years 2014 2018	**2,380**	**91**

Taiwan liabilities held for sale:

	2008
Insurance and investments contracts	**14,294**
Financial liabilities at fair value through profit and loss	**126**
Other liabilities	**600**
Taiwan liabilities held for sale	**15,020**

Reference is made to Note 29 Companies acquired and disposed . As at December 31, 2008 ING Life Taiwan is classified as held for sale in the consolidated balance sheet. Amounts as at December 31, 2007 are presented in the relevant balance sheet lines.

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2.1.4. ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET OF ING GROUP

22 ASSETS AND LIABILITIES BY CONTRACTUAL MATURITY

Assets and liabilities by contractual maturity:

2008	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
ASSETS							
Cash and balances with central banks	22,045						22,045
Amounts due from banks	32,620	3,086	5,019	6,299	1,423		48,447
Financial assets at fair value through profit and loss trading assets	52,759	13,871	22,061	36,396	34,784	507	160,378
investments for risk of policyholders (1)						95,366	95,366
non-trading derivatives	2,456	1,024	1,521	3,907	7,531	45	16,484
designated as at fair value through profit and loss	703	232	829	2,057	2,154	2,302	8,277
Investments							
available-for-sale	4,508	10,485	14,589	77,844	101,595	33,831	242,852
held-to-maturity	74	139	1,109	10,758	3,360		15,440
Loans and advances to customers	145,911	16,390	30,279	111,262	311,843	1,091	616,776
Reinsurance contracts	30	46	204	886	1,148	3,483	5,797
Intangible assets	3	7	315	810	2,268	3,512	6,915
Deferred acquisition costs						11,843	11,843
Other assets	15,446	19,981	9,526	7,075	8,254	2,695	62,977
Remaining assets (where maturities are not applicable) (2)						15,051	15,051
Total assets	276,555	65,261	85,452	257,294	474,360	169,726	1,328,648
LIABILITIES							
Subordinated loans						10,281	10,281
Debt securities in issue	25,666	24,299	11,886	24,585	10,052		96,488
Other borrowed funds	3,354	4,700	2,668	6,505	13,971		31,198
	2,345	2,485	9,289	33,569	93,538	99,564	240,790

Insurance and investment contracts							
Amounts due to banks	**83,456**	**38,600**	**17,626**	**9,454**	**3,129**		**152,265**
Customer deposits and other funds on deposit	**438,451**	**18,801**	**49,951**	**12,843**	**2,737**		**522,783**
Financial liabilities at fair value through profit and loss							
trading liabilities	**62,251**	**13,121**	**16,632**	**31,011**	**29,598**	**3**	**152,616**
non-trading derivatives	**1,316**	**882**	**1,134**	**7,831**	**10,575**	**35**	**21,773**
designated as at fair value through profit and loss	**573**	**833**	**2,429**	**5,935**	**4,239**		**14,009**
Other liabilities	**17,053**	**20,802**	**9,540**	**7,855**	**2,954**	**1,567**	**59,771**
Total liabilities	**634,465**	**124,523**	**121,155**	**139,588**	**170,793**	**111,450**	**1,301,974**

(1) Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of ING.

(2) Included in remaining assets where maturities are not applicable are:

property and equipment;

real estate investments;

investments in
associates.

Note: Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Amounts presented in this table by contractual maturity are on an undiscounted basis, excluding interest receivable/payable.

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Assets and liabilities by contractual maturity:

2007	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
ASSETS							
Cash and balances with central banks	12,406						12,406
Amounts due from banks	25,939	5,736	8,705	6,591	1,904		48,875
Financial assets at fair value through profit and loss							
trading assets	111,771	11,512	15,003	24,061	29,893	973	193,213
investments for risk of policyholders (1)						114,827	114,827
non-trading derivatives	403	115	758	2,651	3,708	2	7,637
designated as at fair value through profit and loss	1,504	610	1,894	1,999	5,043	403	11,453
Investments							
available-for-sale	4,184	7,016	13,267	71,107	135,992	44,331	275,897
held-to-maturity	232	287	1,093	8,504	6,637		16,753
Loans and advances to customers	131,610	17,234	26,654	93,545	281,432	3,183	553,658
Reinsurance contracts	21	36	308	307	2,725	2,477	5,874
Intangible assets	2	4	111	391	1,120	4,112	5,740
Deferred acquisition costs						10,692	10,692
Other assets	14,399	2,771	15,838	4,195	2,845	51	40,099
Remaining assets (where maturities are not applicable) (2)						16,080	16,080
Total assets	302,471	45,321	83,631	213,351	471,299	197,131	1,313,204
LIABILITIES							
Preference shares						21	21
Subordinated loans						7,325	7,325
Debt securities in issue	22,277	13,899	6,210	14,787	9,822		66,995
Other borrowed funds	434	4,847	916	7,059	13,802		27,058
	1,855	3,907	10,712	33,854	97,244	118,140	265,712

Insurance and investment contracts							
Amounts due to banks	117,179	28,758	12,935	6,862	1,238		166,972
Customer deposits and other funds on deposit	463,995	23,988	26,864	8,369	2,000		525,216
Financial liabilities at fair value through profit and loss							
trading liabilities	94,966	8,085	12,963	12,410	20,492	72	148,988
non-trading derivatives	255	317	521	2,937	2,921		6,951
designated as at fair value through profit and loss	873	771	2,395	5,912	3,931		13,882
Other liabilities	14,292	4,920	12,067	6,420	3,028	3,316	44,043
Total liabilities	716,126	89,492	85,583	98,610	154,478	128,874	1,273,163

(1) Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of ING.

(2) Included in remaining assets where maturities are not applicable are:

property and equipment

real estate investments

investments in associates.

Note: Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.
Amounts presented in this table by contractual maturity are on an undiscounted basis, excluding interest receivable/payable.

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23 DERIVATIVES AND HEDGE ACCOUNTING

Use of derivatives and hedge accounting

As described in the Risk management section, ING Group uses derivatives (principally interest rate swaps and cross currency interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios and structural positions. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure. The impact of ING Group s hedging activities is to 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-IASB hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-IASB are classified and accounted for according to the nature of the instrument hedged and the type of IFRS-IASB hedge model that is applicable. The three models applicable under IFRS-IASB are: fair value hedge accounting, cash flow hedge accounting and net investment hedge accounting. These are described under the relevant headings below. The company s detailed accounting policies for these three hedge models are set out in section Principles of valuation and determination of results .

To qualify for hedge accounting under IFRS-IASB, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-IASB. The fair value changes of derivatives relating to such non qualifying hedges are taken to the profit and loss account. However, in certain cases, the Group mitigates the resultant profit and loss account volatility by designating hedged assets and liabilities at fair value through profit and loss. If hedge accounting is applied under IFRS-IASB, it is possible that during the hedge a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amounts of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however they do not represent amounts at risk. ING Group uses credit derivatives to manage its exposure to credit risk, including total return swaps and credit default swaps, to sell or buy protection for credit risk exposures in the loan, investment and trading portfolios. Hedge accounting is not applied in relation to credit derivatives.

Fair value hedge accounting

ING Group s fair value hedges principally consist of interest rate swaps and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates. Gains and losses on derivatives designated under fair value hedge accounting are recognized in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognized in the profit and loss account. As a result, only the net accounting ineffectiveness has an impact on the net result.

For the year ended December 31, 2008, ING Group recognized EUR (1,783) million (2007: EUR 186 million) of fair value changes on derivatives designated under fair value hedge accounting in the profit and loss account. This amount was partly offset by EUR 1,988 million (2007: EUR (152) million) fair value changes recognized on hedged items. This resulted in EUR 205 million (2007: EUR 34 million) net accounting ineffectiveness recognized in the profit and loss account. As at December 31, 2008, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR (2,035) million (2007: EUR 300 million), presented in the balance sheet as EUR 3,862 million (2007: EUR 1,258 million) positive fair values under assets and EUR 5,897 million (2007: EUR 958 million) negative fair values under liabilities.

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Cash flow hedge accounting

ING Group s cash flow hedges principally consist of (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on non-trading assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities, based on contractual terms and other relevant factors including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows for the respective portfolios form the basis for identifying the notional amount subject to interest rate risk that is designated under cash flow hedge accounting.

Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recognized in Shareholders equity. Interest cash flows on these derivatives are recognized in the profit and loss account in interest income consistent with the manner in which the forecast cash flows affect net result. The gains and losses on ineffective portions of such derivatives are recognized immediately in the profit and loss account.

For the year ended December 31, 2008, ING Group recognized EUR 746 million (2007: EUR (925) million) after tax in equity as effective fair value changes on derivatives under cash flow hedge accounting. As a consequence, the balance of the cash flow hedge reserve in equity as at December 31, 2008 was EUR 1,457 million (2007: EUR 574 million) gross and EUR 1,177 million (2007: EUR 431 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value changes of the underlying derivatives and will be reflected in the profit and loss account under Interest income/expense over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities, up to 40 years for insurance operations and 21 years for banking operations, with the largest concentrations in the range of 20 to 30 years and 35 to 40 years for insurance operations and 1 to 15 years for banking operations. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting of EUR 22 million (2007: EUR (9) million) was recognized in the profit and loss account.

As at December 31, 2008, the fair values of outstanding derivatives designated under cash flow hedge accounting was EUR (318) million (2007: EUR 229 million), presented in the balance sheet as EUR 5,771 million (2007: EUR 3,417 million) positive fair values under assets and EUR 6,089 million (2007: EUR 3,188 million) negative fair values under liabilities.

As at December 31, 2008 and December 31, 2007, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes.

Included in Interest income and interest expense on non-trading derivatives is EUR 3,082 million (2007: EUR 1,533 million) and EUR 2,744 million (2007: EUR 1,242 million), respectively, relating to derivatives used in cash flow hedges.

Hedges of net investments in foreign operations

ING Group s net investment hedges principally consist of derivatives (including currency forwards and swaps) and non-derivative financial instruments such as foreign currency denominated funding that are used to protect against foreign currency exposures on foreign subsidiaries.

Gains and losses on the effective portions of derivatives designated under net investment hedge accounting are recognized in Shareholders equity. The balance in equity is recognized in the profit and loss account when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognized immediately in the profit and loss account.

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As at December 31, 2008, the fair values of outstanding derivatives designated under net investment hedge accounting was EUR 300 million (2007: EUR (71) million), presented in the balance sheet as EUR 670 million (2007: EUR 281 million) positive fair values under assets and EUR 370 million (2007: EUR 352 million) negative fair values under liabilities.

As at December 31, 2008, the fair values of outstanding non-derivatives designated under net investment hedge accounting was EUR (881) million (2007: EUR (1,318) million), presented in the balance sheet as negative fair values under liabilities. Non-derivatives designated as hedging instruments consist mainly of loan agreements.

Accounting ineffectiveness recognized in the profit and loss account for the year ended December 31, 2008 on derivatives and non-derivatives designated under net investment hedge accounting was EUR (6) million (2007: EUR (14) million).

24 MAXIMUM CREDIT EXPOSURE

ING s maximum credit exposure as at December 31, 2008 and 2007 is represented as follows:

	2008	2007
Cash and balances with central banks	**22,045**	12,406
Amounts due from banks		
loans and advances to banks	**40,705**	45,790
cash advances, overdrafts and other balances	**7,742**	3,098
Trading assets		
debt securities	**26,652**	37,345
loans and receivables	**59,449**	116,164
derivatives	**71,925**	28,592
Non-trading derivatives	**16,484**	7,637
Designated as at fair value through profit and loss	**8,277**	11,453
Available-for-sale debt securities	**234,030**	255,950
Held-to-maturity debt securities	**15,440**	16,753
Loans and advances to customers		
policy loans	**2,960**	3,468
public authorities	**26,385**	23,638
secured by mortgages	**318,917**	290,933
guaranteed by credit institutions	**548**	2,528
personal loans	**5,244**	5,453
other personal lending	**26,894**	24,204
other corporate lending	**244,452**	204,528
other	**1,919**	1,351
Reinsurance contracts	**5,797**	5,874
Reinsurance and insurance receivables	**3,683**	3,664
Other receivables	**8,334**	10,389
Maximum credit exposure on balance sheet	**1,147,882**	1,111,218
Off-balance sheet credit commitments		
commitments Insurance	**4,221**	4,477
guarantees Insurance	**2,460**	173
discounted bills Bank	**1**	1

guarantees Bank	**22,391**	19,018
irrevocable letters of credit Bank	**10,458**	11,551
other Bank	**453**	350
irrevocable facilities	**89,081**	100,707
Maximum credit exposure off balance sheet	**129,065**	136,277
Maximum credit exposure	**1,276,947**	1,247,495

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.

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The manner in which ING manages credit risk and determines credit risk exposures for that purpose is explained in the Risk management section.

25 ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable consist primarily of interest bearing securities pledged to secure deposits from De Nederlandsche Bank (the Dutch central bank) and other banks and serve to secure margin accounts or are used for other purposes required by law. The assets not freely disposable and the items for which they are held are as follows:

	2008	2007
Investments	**6,521**	5,807
Loans and advances to customers	**3,136**	911
Banks	**6,889**	1,602
Other assets	**5,677**	4,609
	22,223	12,929

Banks includes Amounts due from banks and balances with central banks. ING Bank N.V. has an obligation to maintain a reserve with an average monthly balance with the Dutch central bank. In December 2008 the required monthly average was EUR 5,810 million (2007: EUR 5,676 million). As at December 31, 2008 the balance on this reserve was EUR 3,529 million (2007: EUR 1,375 million).

There are no material terms and conditions relating to the collateral represented in the above table which are individually significant.

26 CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business the Group is a party to activities whose risks are not reflected in whole or part in the consolidated financial statements. In response to the needs of its customers, the Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

	2008	2007
Insurance operations		
Commitments	**4,221**	4,477
Guarantees	**2,460**	173
	6,681	4,650
Banking operations		
Contingent liabilities in respect of		
discounted bills	**1**	1
guarantees	**22,391**	19,018
irrevocable letters of credit	**10,458**	11,551
other	**453**	350
	33,303	30,920
Irrevocable facilities	**89,081**	100,707

	129,065	136,277

Guarantees relate both to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees given by ING Group in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. The guarantees are generally of a short-term nature. In addition to the items included in contingent liabilities, ING Group has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes which apply in different countries.

Irrevocable letters of credit mainly secure payments to third parties for a customer s foreign and domestic trade transactions in order to finance a shipment of goods. ING Group s credit risk in these transactions is limited since these transactions are collateralized by the commodity shipped and are of a short duration.

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Other contingent liabilities include acceptances of bills and are of a short-term nature. Other contingent liabilities also include contingent liabilities resulting from the normal operations of the Real Estate business including obligations under development and construction contracts. None of the items included in Other contingent liabilities are individually significant.

Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. ING Group s credit risk and interest rate risk in these transactions is limited. Most of the unused portion of irrevocable credit facilities is secured by customers assets or counter-guarantees by the central governments and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

Future rental commitments for operating lease contracts:

2009	**209**
2010	**182**
2011	**166**
2012	**152**
2013	**129**
years after 2013	**166**

27 SPECIAL PURPOSE ENTITIES AND SECURITIZATION

Securitization

ING as originator

ING Group enters into synthetic securitization programmes in order to reduce credit risk on certain assets. In synthetic securitizations, ING enters into a credit default swap with securitization Special Purpose Entities (SPEs), in relation to which ING purchases credit protection in respect of residential mortgage loans and loans to small and medium-sized enterprises. The SPEs have in turn hedged their exposure with investors through the issue of credit linked notes or credit linked commercial paper. As a result of these transactions, ING Group has transferred a substantial part of the credit risk related to these loan portfolios to third-party investors. In general, the third-party investors in securities issued by the SPE have recourse only to the assets of the SPE and not to ING Group.

After securitization of these assets ING Group continues to recognize them on its balance sheet under Loans and advances to customers. These transactions are therefore not off-balance sheet arrangements.

Assets under synthetic securitization programmes:

	2008	2007
Loans to small and medium-sized	**8,603**	8,946
Corporate loans		430
Mortgages	**6,101**	6,488
Total	**14,704**	15,864

ING as sponsor of multi-seller conduit

In the normal course of business, ING Group structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients receivables or other financial assets to an SPE. The SPE issues asset-backed commercial paper to the market to fund the purchases. ING Group, in its role as administrative agent, facilitates these transactions by providing structuring, accounting, funding and operations services.

ING Group supports the commercial paper programmes by providing the SPE with short-term standby liquidity facilities. These liquidity facilities are intended primarily to cover temporarily disruptions in the commercial paper market. Once drawn these facilities bear normal credit risk. A number of programmes are supported by granting structured liquidity facilities to the SPE, in which ING Group covers at least some of the credit risk incorporated in these programmes itself (in addition to normal liquidity facilities), and might suffer credit losses as a consequence. Furthermore, under a Programme Wide Credit Enhancement ING Group guarantees to a limited amount all remaining losses incorporated in the SPE to the commercial paper investors. All facilities, which vary in risk profile, are granted to the SPE subject to normal ING Group credit and liquidity risk analysis procedures. The fees received for services provided and for facilities are charged subject to market conditions. The SPE is included in the consolidation of ING Group. This transaction is therefore not an off-balance sheet arrangement.

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The normal non-structured standby liquidity facilities and the structured facilities are reported under irrevocable facilities.

Collateralized debt obligations (CDO)-transactions

Within ING Group, SPEs are used for CDO transactions. In a typical CDO transaction an SPE is used to issue structured, rated securities which are backed (or collateralized) by a pool of transferable debt securities. Besides investing in CDOs ING often has different roles in these transactions:

- the arranger of the transaction; ING structures the SPE, acquires the assets for the SPE and sells the CDOs to investors;
- collateral manager of the assets in the SPE; ING manages the assets based on strict conditions of the SPEs charter.

ING Group receives market-rate fees for structuring, asset managing and distributing CDO-securities to investors. The total amount of these fees is not significant.

ING as investor

As part of its investment activities, ING invests in securitizations by purchasing notes from securitization SPEs. For certain own asset securitization programmes ING acts as a market maker and holds limited positions in this capacity. Non-cash investments are made by ING by selling credit protection in the market using credit default swaps.

Other entities

ING Group is also a party to other SPEs used, for example, in structured finance and leasing transactions.

Investment funds

ING as fund manager and investor

ING Group sets up investment funds for which it acts as a fund manager and sole investor at the inception of the fund. Subsequently, ING will seek third-party investors to invest in the fund, thereby reducing the interest of ING Group. In general, ING Group will maintain a small percentage of interest in these funds. These funds are included in the consolidated financial statements of the Group if and when control exists, taking into account both ING s financial interests for own risk and its role as investment manager.

ING as fund manager

ING acts as fund manager for several funds. Fees related to these management activities are charged on an at arm s-length basis. In general, as a fund manager ING will hold these funds in a fiduciary capacity. These funds are therefore generally not included in the consolidated financial statements of the Group.

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28 PRINCIPAL SUBSIDIARIES

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

Companies treated as part of the insurance operations	
ING Verzekeringen N.V.	The Netherlands
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 Zivotna Poistovna a.s.	Slovakia
ING Nationale-Nederlanden Polska S.A.	Poland
ING Nationale-Nederlanden Polska Powszechne Towarzystwo Emerytaine S.A.	Poland
ING Asigurari de Viata S.A.	Romania
ING Greek Life Insurance Company S.A.	Greece
ING Greek General Insurance Company S.A.	Greece
ING Nationale-Nederlanden Magyarorszagi Biztosito Rt.	Hungary
Nationale-Nederlanden Vida, Compañia de Seguros y Reaseguros S.A.	Spain
Nationale-Nederlanden Generales, Compañia de Seguros y Reaseguros S.A.	Spain
ING 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.	United States of America
ING International Insurance Holdings, Inc.	United States of America
ING Life Insurance and Annuity Company	United States of America
ING North America Insurance Corporation	United States of America
Lion Connecticut Holdings Inc.	United States of America
ReliaStar Life Insurance Company	United States of America
ReliaStar Life Insurance Company of New York	United States of America
Security Life of Denver Insurance Company	United States of America
ING USA Annuity and Life Insurance Company	United States of America
ING Seguros de Vida S.A.	Chile

AFP Capital S.A.	Chile
ING Afore S.A. de C.V.	Mexico
ING Life Insurance Company (Japan) Limited	Japan
ING Life Insurance Company (Korea) Limited	South Korea
ING Life Insurance Company of America	United States of America
ING Australia Holdings Limited	Australia
ING Australia Pty Limited	Australia
ING Re (Netherlands) N.V.	The Netherlands

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Companies treated as part of the banking operations

ING Bank N.V.	The Netherlands
ING Bank Nederland N.V.	The Netherlands
Bank Mendes Gans N.V.	The Netherlands
ING Lease Holding B.V.	The Netherlands
ING Corporate Investments B.V.	The Netherlands
ING Vastgoed Management Holding B.V.	The Netherlands
InterAdvies N.V.	The Netherlands
Nationale-Nederlanden Financiële Diensten B.V.	The Netherlands
ING Commercial Finance B.V.	The Netherlands
Postbank N.V.	The Netherlands
Postbank Groen N.V.	The Netherlands
Westland Utrecht Hypotheekbank N.V.	The Netherlands
ING België N.V.	Belgium
ING Bank Slaski S.A.	Poland
ING Bank Deutschland A.G.	Germany
ING Financial Holdings Corporation	United States of America
ING Middenbank Curaçao N.V.	Netherlands Antilles
ING Vysya Bank Ltd.	India
ING Direct N.V.	Canada, Germany, Spain, Australia, France, United States of America, Italy, United Kingdom
ING Bank A.S.	Turkey

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29 COMPANIES ACQUIRED AND COMPANIES DISPOSED

The initial accounting for the fair value of the net assets of the companies acquired during the year has been determined only provisionally. The initial accounting shall be completed within a year of acquisition.

Most significant companies acquired in 2008

	Chile Pension business of Santander	CitiStreet	Oyak Emeklilik	Interhyp AG	Universal Lease Iberia	Total
General						
Primary line of business	**Insurance**	**Insurance**	**Insurance**	**Bank**	**Bank**	
Date of acquisition	**January 16, 2008**	**July 1, 2008**	**December 1, 2008**	**August 1, 2008**	**October 1, 2008**	
Percentage of voting shares acquired	**100%**	**100%**	**100%**	**99%**	**100%**	
Purchase price						
Purchase price	**397**	**578**	**110**	**418**		**1,503**
Costs directly attributable to the acquisition	**4**	**5**				**9**
Cash purchase price	**401**	**583**	**110**	**418**		**1,512**
Cash in company acquired		**45**	**35**			**80**
Cash outflow on acquisition (2)	**401**	**538**	**75**	**418**		**1,432**
Assets						
Cash assets		**45**	**35**			**80**
Investments	**8**					**8**
Loans and advances to customers	**6**					**6**
Amounts due from banks				**43**		**43**
Financial assets at fair value through profit and loss	**78**					**78**
Intangible assets	**31**	**73**				**104**
Miscellaneous other assets	**2**	**24**	**8**	**20**	**235**	**289**
Liabilities						
Insurance and investment contracts	**7**					**7**
Customer deposits and other funds on deposit					**224**	**224**
Miscellaneous other liabilities	**6**	**26**	**2**	**16**	**20**	**70**

Net assets	**112**	**116**	**41**	**47**	**(9)**	**307**
Minority interests						
Net assets acquired	**112**	**116**	**41**	**47**	**(9)**	**307**
Goodwill recognized [1]	**285**	**462**	**69**	**371**	**9**	**1,196**
Profit since date of acquisition	**3**	**(7)**		**(7)**		**(11)**
Income if acquisition effected at start of year	**17**	**275**	**12**	**61**	**42**	**407**
Profit if acquisition effected at start of year	**1**	**8**		**(20)**	**(1)**	**(12)**

(1) Goodwill recognized in 2008 on immaterial acquisitions and real estate portfolios was EUR 133 million, resulting in total Goodwill recognized in 2008 of EUR 1,329 million as disclosed in Note 9 Intangible assets .

(2) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial acquisitions and real estate portfolios in addition to the cash flows presented herein.

Acquisitions effective in 2008

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

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

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

In January 2008, ING closed the final transaction to acquire 100% of Banco Santander s Latin American pension and annuity businesses through the acquisition of the pension business in Chile. See Acquisitions effective in 2007 on page F-76 for full details of the entire deal.

Most significant companies disposed in 2008:

	NRG	Mexican non-life business	Total
General			
Primary line of business	**Insurance**	**Insurance**	
Sales proceeds			
Sales proceeds	**272**	**950**	**1,222**
Cash proceeds	**272**	**950**	**1,222**
Cash in company disposed	**12**	**26**	**38**
Cash inflow on disposal (1)	**260**	**924**	**1,184**
Assets			
Cash assets	**12**	**26**	**38**
Investments	**461**	**1,146**	**1,607**
Loans and advances to customers	**137**	**65**	**202**
Financial assets at fair value through profit and loss		**41**	**41**
Miscellaneous other assets	**26**	**1,261**	**1,287**
Liabilities			
Insurance and investment contracts	**210**	**1,497**	**1,707**
Miscellaneous other liabilities	**10**	**274**	**284**
Net assets	**416**	**768**	**1,184**
% disposed	**100%**	**100%**	
Net assets disposed	**416**	**768**	**1,184**

Gain/loss on disposal [2]	**(144)**	**182**	**38**

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial disposals in addition to the cash flows presented.

(2) The gain/loss on disposal comprises the sales proceed, the net assets disposed, the expenses directly related to the disposal and the realization of unrealized reserves.

Disposals effective in 2008

In December 2007, ING reached an agreement with Berkshire Hathaway Group to sell its reinsurance unit NRG N.V. for EUR 272 million. The sale resulted in a net loss of EUR 144 million. As disclosed in note 21 Other liabilities a loss on disposal of EUR 129 million was reported in 2007 (see page F-59). In 2008 EUR 15 million additional losses, predominantly relating to currency exchange rate changes were recognized.

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

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

Disposals announced and occurring or expected to occur in 2009

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

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

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

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Most significant companies acquired in 2007:

	Landmark	Latin American Pension business of Santander	Oyak Bank	Sharebuilder Corporation	Total
General					
Primary line of business	Insurance	Insurance	Bank	Bank	
Date of acquisition	July 31, 2007	December 4, 2007	December 31, 2007	November 15, 2007	
Percentage of voting shares acquired	100%	100%	100%	100%	
Purchase price					
Purchase price	255	692	1,903	152	3,002
Costs directly attributable to the acquisition	2	8	2	1	13
Cash purchase price	257	700	1,905	153	3,015
Cash in company acquired	29	28	75	12	144
Cash outflow on acquisition (2)	228	672	1,830	141	2,871
Assets					
Cash assets	29	28	75	12	144
Investments		86	1,332		1,418
Loans and advances to customers			4,824	15	4,839
Amounts due from banks			508		508
Financial assets at fair value through profit and loss		520	41	2	563
Intangible assets		154	236		390
Miscellaneous other assets	18	85	474	80	657
Liabilities					
Insurance and investment contracts		500			500
Amounts due to banks			632		632
Customer deposits and other funds on deposit			5,369		5,369
Miscellaneous other liabilities		182	601	51	834

Net assets	47	191	888	58	1,184
Minority interests					
Total net assets acquired	47	191	888	58	1,184
Goodwill recognized [1]	208	501	1,015	94	1,818
Profit since date of acquisition	1	8		(1)	8
Income if acquisition effected at start of year	15	209		38	262
Profit if acquisition effected at start of year [3]	4	46	80	(2)	128

(1) Goodwill recognized in 2007 on immaterial acquisitions and real estate portfolios was EUR 222 million, resulting in total Goodwill recognized in 2007 of EUR 2,040 million as disclosed in Note 9 Intangible assets .

(2) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial acquisitions and real estate portfolios in addition to the cash flows presented herein.

(3) Estimate of full year profit of

acquired
company based
on local
accounting
principles.

Acquisitions effective in 2007

In September 2007, ING paid EUR 20 million to increase its shareholding in ING Piraeus Life (the joint venture between ING and Piraeus Bank) from 50 to 100%.

In April 2007, ING acquired 100% of AZL, an independent Dutch provider of pension fund management services, for EUR 65 million.

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In July 2007, ING announced that it had reached agreement to acquire full ownership of Landmark Investment Co Ltd, the twelfth largest asset manager in South Korea. The purchase price paid for Landmark was EUR 255 million. Goodwill of approximately EUR 208 million was recognized on acquisition and is mainly attributable to the operational synergies and to the future business potential resulting from the acquisition. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. All significant intangibles were recognized separately from goodwill and are included in Intangible assets. No significant adjustments were made in 2008 to amounts recognized provisionally in 2007.

In November 2007, ING acquired 100% of Sharebuilder Corporation, a Seattle-based brokerage company for EUR 152 million, to extend its retail investment products range and geographical spread in the United States. Goodwill of approximately EUR 94 million was recognized on acquisition and is mainly attributable to the operational synergies and to the future business potential resulting from the acquisition. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. All significant intangibles were recognized separately from goodwill and are included in Intangible assets. No significant adjustments were made in 2008 to amounts recognized provisionally in 2007.

In November and December 2007, ING acquired the Latin American pension businesses of Banco Santander in Mexico for EUR 349 million, in Columbia for EUR 88 million, in Uruguay for EUR 20 million and in Argentina for EUR 235 million. As mentioned in Acquisitions effective in 2008, the pension business in Chile was acquired in January 2008 for EUR 450 million. The total costs of the entire deal were approximately EUR 1,142 million. Goodwill of approximately EUR 786 million was recognized on acquisition and is mainly attributable to the operational synergies and to the future business potential resulting from the acquisition. The Latin American pension businesses acquired represented the acquisition of leading positions in retirement services in high growth emerging markets, giving ING a sustainable, scalable platform in Latin America. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. All significant intangibles were recognized separately from goodwill and are included in Intangible assets. Except for the effect of the nationalization of the Argentinean pension business as disclosed in Disposals announced and expected to occur in 2009 above, no significant adjustments were made in 2008 to amounts recognized provisionally in 2007.

In December 2007, ING announced the completion of the acquisition of 100% of the shares in Oyak Bank for an amount of EUR 1,903 million. Oyak Bank is a leading bank in the Turkish market, offering a full range of banking services with a focus on retail banking. Goodwill of EUR 1,015 million was recognized on acquisition and is mainly attributable to the future business potential resulting from the acquisition, as Oyak is a major bank, also offering a platform to distribute insurance, asset management and retirement products, in one of Europe s fastest growing economies. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. All significant intangibles were recognized separately from goodwill and are included in Intangible assets. The profit for the year (before amortization of the intangibles recognized on purchase accounting) was approximately EUR 80 million, but no profit or loss was included in the ING Group net result over 2007.

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Most significant companies disposed in 2007:

	Belgian Broker & employee benefits	ING Trust	ING Regio B.V.	Total
General				
Primary line of business	Insurance	Bank	Bank	
Sales proceeds				
Sales proceeds	777	25	51	853
Cash proceeds	777	25	51	853
Cash in company disposed	11			11
Cash inflow on disposal [1]	766	25	51	842
Assets				
Cash assets	11			11
Investments	4,622			4,622
Loans and advances to customers	301	4	1,156	1,461
Financial assets at fair value through profit and loss	350			350
Miscellaneous other assets	463	10	110	583
Liabilities				
Insurance and investment contracts	5,075			5,075
Customer deposits and other funds on deposit			2,052	2,052
Miscellaneous other liabilities	178	(4)	(811)	(637)
Net assets	494	18	25	537
% disposed	100%	100%	100%	
Net assets disposed	494	18	25	537
Gain/loss on disposal [2]	418	7	26	451

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash

outflows/inflows on individually immaterial disposals in addition to the cash flows presented.

(2) The gain/loss on disposal comprises the sales proceed, the net assets disposed, the expenses directly related to the disposal and the realization of unrealized reserves.

Disposals effective in 2007

In June 2007, ING sold its investment in Nationale Borg, a specialist provider of guarantee insurance, to HAL Investments BV and Egeria.

In July 2007, ING sold ING Trust to management and Foreman Capital, an independent investment company based in the Netherlands. The sale is part of ING s strategy to focus on its investment, life insurance and retirement services.

In July 2007, ING sold its entire shareholding in ING Regio B.V., a subsidiary of Regio Bank N.V. to SNS REAAL for EUR 50.5 million, resulting in a gain of EUR 26 million. This entity conducts most of the business of Regio Bank. The legal entity Regio Bank N.V. itself was not part of the transaction.

In September 2007, ING sold its Belgian broker and employee benefits insurance business to P&V Verzekeringen for EUR 777 million, resulting in a gain of EUR 418 million.

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Most significant companies acquired in 2006:

	ABN AMRO Asset Management (Taiwan) Ltd	Appleyard	Summit REIT	Total
General				
Primary line of business	Insurance	Bank	Bank	
Date of acquisition	October 27, 2006	July 1, 2006	October 5, 2006	
Percentage of voting shares acquired	100%	100%	56%	
Purchase price				
Purchase price	65	110	2,132	2,307
Cash purchase price	65	110	2,132	2,307
Cash in company acquired	19			19
Cash outflow on acquisition (2)	46	110	2,132	2,288
Assets				
Cash assets	23			23
Investments	2		2,132	2,134
Amounts due from banks	1			1
Financial assets at fair value through profit and loss	2		793	795
Miscellaneous other assets		332	34	366
Liabilities				
Amounts due to banks		238		238
Miscellaneous other liabilities	4	52	73	129
Net assets	24	42	2,886	2,952
Minority interests			754	754
Net assets acquired	24	42	2,132	2,198
Goodwill recognized (1)	41	54		95
Profit since date of acquisition	(1)	1	8	8
Income if acquisition effected at start of year	2	33	131	166

(1) Goodwill recognized in 2006 on immaterial acquisitions and real estate portfolios was EUR 74 million, resulting in total Goodwill recognized in 2006 of EUR 169 million as disclosed in Note 9 Intangible assets .

(2) Cash outflow/inflow on group companies in the cash flow statement includes cash outflows/inflows on individually immaterial acquisitions and real estate portfolios in addition to the cash flows presented herein.

In July 2006, ING acquired 100% of Appleyard Vehicles Contracts, a UK based car leasing company. The purchase price paid for Appleyard was EUR 110 million.

In October 2006, ING acquired 56% of Summit Real Estate Investment Trust (Summit REIT) for an amount of EUR 2,132 million. Summit REIT owns a portfolio of high-quality light industrial properties in major markets across Canada.

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.

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Most significant companies disposed in 2006

	Williams de Broë	Deutsche Hypotheken-bank AG	Degussa Bank	Total
General				
Primary line of business	Bank	Bank	Bank	
Sales proceeds				
Sales proceeds	19	275	195	489
Cash proceeds	19	275	195	489
Cash in company disposed		11	27	38
Cash inflow on disposal (1)	19	264	168	451
Assets				
Cash assets		11	27	38
Investments		9,556		9,556
Loans and advances to customers	228	16,884	2,334	19,446
Amounts due from banks	14	5,928	187	6,129
Financial assets at fair value through profit and loss	5	3,280	162	3,447
Miscellaneous other assets	27	747	163	937
Liabilities				
Amounts due to banks	64	2,439	198	2,701
Customer deposits and other funds on deposit		8,984	2,184	11,168
Miscellaneous other liabilities	198	24,541	286	25,025
Net assets	12	442	205	659
% disposed	100%	84%	100%	
Net assets disposed	12	370	205	587

(1) Cash outflow/inflow on group companies in the cash flow statement includes cash

outflows/inflows on individually immaterial disposals in addition to the cash flows presented.

In June 2006, ING sold its UK brokerage unit Williams de Broë Plc for EUR 22 million. The sale is part of ING Group s strategy to focus on core businesses. The result on the sale is subject to closing adjustments.

In September 2006, ING sold its 87.5% stake in Deutsche Hypothekenbank AG, a publicly listed mortgage bank in Germany, as part of ING s strategy to focus on its core business. The sale resulted in a loss of EUR 83 million.

In December 2006, ING sold its stake in Degussa Bank, a unit of ING-DiBa specialising in worksite banking for private customers. The sale resulted in a loss of EUR 23 million.

30 LEGAL PROCEEDINGS

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

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

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

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

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

31 JOINT VENTURES

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

Most significant joint ventures:

2008	Interest held (%)	Assets	Liabilities	Income	Expenses
ING Australia Ltd	51	6,690	6,218	406	317
Postkantoren B.V.	50	161	169	226	266
KB Life Insurance Company	49	498	462	254	257
ING (NZ) Holdings Ltd	51	95	3	38	34
Capital Life Insurance Company Ltd	50	200	186	94	105
Total		7,644	7,038	1,018	979

Most significant joint ventures:

2007	Interest held (%)	Assets	Liabilities	Income	Expenses
ING Australia Ltd	51	9,735	9,252	474	348
Postkantoren B.V.	50	159	126	205	203
KB Life Insurance Company	49	412	394	231	228
ING (NZ) Holdings Ltd	51	128	14	44	33
Capital Life Insurance Company Ltd	50	150	117	42	36
Total		10,584	9,903	996	848

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32 RELATED PARTIES

In the normal course of business, the Group enters into various transactions with related companies. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions have taken place on an arm s length basis and include rendering or receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral.

Transactions with joint ventures and associates:

	Joint ventures		Associates	
	2008	2007	**2008**	2007
Receivables	**204**	336	**389**	885
Liabilities	**122**	85	**164**	94
Guarantees issued in favour of				20
Income received	**35**	16	**158**	213
Expenses paid	**82**	58	**31**	32

Transactions with ING Verzekeringen N.V. and ING Bank N.V.:

	ING Verzekeringen N.V.		ING Bank N.V.	
	2008	2007	**2008**	2007
Receivables	**4,564**	2,315	**8,764**	8,137
Liabilities	**2**		**1,252**	201
Income received	**248**	112	**675**	619
Expenses paid			**226**	228

Receivables on ING Verzekeringen N.V. and ING Bank N.V. mainly include long term funding. Liabilities to ING Bank N.V. mainly include short term deposits.

Transactions with key management personnel (Executive Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. These transactions are disclosed in more detail in the remuneration report in the annual report. For the post-employment benefit plans see Note 21 Other liabilities .

Key management personnel compenzation:

	Executive Board		Supervisory Board		Total	
amounts in thousands of euros	**2008**	2007	**2008**	2007	**2008**	2007
Base salary and short-term bonus	**7,052**	16,898	**986**	673	**8,038**	17,571
Pension costs	**3,580**	3,334			**3,580**	3,334
Retirement benefit		1,222				1,222
Fair market value of long-term incentives		9,072				9,072
Total compenzation	**10,632**	30,526	**986**	673	**11,618**	31,199

Loans and advances to key management personnel

	Amount outstanding December 31,		Average interest rate		Repayments	
amounts in thousands of euros	**2008**	2007	**2008**	2007	**2008**	2007
Executive Board members	**2,341**	2,376	**4.6%**	4.8%	**35**	216
Total	**2,341**	2,376			**35**	216

The total number of stock options on ING Groep N.V. shares held by the Executive Board members amounted to 3,436,583 as at December 31, 2008 (2007: 2,744,887). As at December 31, 2008, members of the Executive Board held 250,969 ING Groep N.V. shares (2007: 201,252). As at December 31, 2008, members of the Supervisory Board held 8,940 ING Groep N.V. shares (2007: 17,370).

There are no significant provisions for doubtful debts or individually significant bad debt expenses.

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33 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the estimated fair values of ING Group s financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair values presented below does not represent, and should not be construed as representing, the underlying value of ING Group.

Fair value of financial assets and liabilities:

	Estimated fair value		Balance sheet value	
	2008	2007	**2008**	2007
Financial assets				
Cash and balances with central banks	**22,045**	12,406	**22,045**	12,406
Amounts due from banks	**48,308**	48,461	**48,447**	48,875
Financial assets at fair value through profit and loss				
trading assets	**160,378**	193,213	**160,378**	193,213
investments for risk of policyholders	**95,366**	114,827	**95,366**	114,827
non-trading derivatives	**16,484**	7,637	**16,484**	7,637
designated as at fair value through profit and loss	**8,277**	11,453	**8,277**	11,453
Investments				
available-for-sale	**242,852**	275,897	**242,852**	275,897
held-to-maturity	**15,566**	16,354	**15,440**	16,753
Loans and advances to customers	**622,641**	546,358	**616,776**	553,658
Other assets (1)	**48,794**	32,559	**48,794**	32,559
	1,280,711	1,259,165	**1,274,859**	1,267,278
Financial liabilities				
Preference shares		21		21
Subordinated loans	**6,277**	6,731	**10,281**	7,325
Debt securities in issue	**93,536**	66,555	**96,488**	66,995
Other borrowed funds	**26,544**	32,595	**31,198**	27,058
Investment contracts for risk of company	**9,804**	9,520	**9,804**	9,520
Investment contracts for risk of policyholders	**11,281**	14,132	**11,281**	14,132
Amounts due to banks	**153,368**	167,365	**152,265**	166,972
Customer deposits and other funds on deposit	**522,693**	522,859	**522,783**	525,216
Financial liabilities at fair value through profit and loss				
trading liabilities	**152,616**	148,988	**152,616**	148,988
non-trading derivatives	**21,773**	6,951	**21,773**	6,951
designated as at fair value through profit and loss	**14,009**	13,882	**14,009**	13,882
Other liabilities (2)	**51,978**	35,724	**51,978**	35,724
	1,063,879	1,025,323	**1,074,476**	1,022,784

(1) Other assets do not include (deferred) tax assets, property held for sale, property under development for third parties, pension assets and deferred charges.

(2) Other liabilities do not include (deferred) tax liabilities, pension liabilities, insurance provisions, property under development for third parties, share-based payment plans, other provisions and other taxation and social security contributions.

The estimated fair values correspond with the amounts at which the financial instruments at our best estimate could have been traded at the balance sheet date between knowledgeable, willing parties in arm s length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. 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 relevant pricing factors. 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.

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

FINANCIAL ASSETS

Cash and balances with central banks

The carrying amount of cash approximates its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts are in millions of euros, unless otherwise stated

Amounts due from banks
The fair values of receivables from banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

Non-trading derivatives
The fair values of derivatives held for non-trading purposes are based on quoted market prices. For those securities not actively traded, fair values are estimates based on valuation techniques.

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 valuation techniques.

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 as determined by management. Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are determined by management based on an analysis of available market inputs, which may include values obtained from one or more 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. Reference is made to the comments on investments in asset backed securities in the United States in Sensitivities of fair values below.

Loans and advances to customers
For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings.
The fair values of mortgage loans are estimated by taking into account prepayment behaviour and discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings. The fair values of fixed-rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for calculations purposes. The carrying values of variable rate policy loans approximate their fair value.

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

FINANCIAL LIABILITIES

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

Investment contracts
For investment contracts for risk of company the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts for risk of policyholder the fair value generally equals the fair value of the underlying assets.

Amounts due to banks
The fair values of payables to banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates for payables to banks with similar characteristics.

Customer deposits and other funds on deposit
The carrying values of customer deposits and other funds on deposit with no stated maturity approximate their fair values. The fair values of deposits with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities.

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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 valuation techniques.

Debt securities in issue and other borrowed funds

The fair value of debt securities in issue and other borrowed funds is generally based on quoted market prices or, if unquoted, on estimated prices by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity.

Other liabilities

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

ING Group has categorized its financial instruments into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

The fair values of the financial instruments carried at fair value were determined as follows:

Methods applied in determining fair values of financial assets and liabilities:

2008	Reference to published price quotations in active markets	Valuation technique supported by market inputs	Valuation technique not supported by market inputs	Total
Assets				
Trading assets	**97,946**	**61,220**	**1,212**	**160,378**
Investments for risk of policyholders	**94,170**	**893**	**303**	**95,366**
Non-trading derivatives	**15,478**	**1,003**	**3**	**16,484**
Financial assets designated at fair value through profit and loss	**3,658**	**2,746**	**1,873**	**8,277**
Available-for-sale investments	**150,496**	**67,740**	**24,616**	**242,852**
	361,748	**133,602**	**28,007**	**523,357**
Liabilities				
Trading liabilities	**91,308**	**60,951**	**357**	**152,616**
Non-trading derivatives	**19,845**	**1,903**	**25**	**21,773**
Financial liabilities designated at fair value through profit and loss	**5,591**	**8,354**	**64**	**14,009**
Investment contracts (for contracts carried at fair value)	**11,182**		**99**	**11,281**
	127,926	**71,208**	**545**	**199,679**

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Methods applied in determining fair values of financial assets and liabilities:

2007	Reference to published price quotations in active markets	Valuation technique supported by market inputs	Valuation technique not supported by market inputs	Total
Assets				
Trading assets	122,448	70,279	486	193,213
Investments for risk of policyholders	111,723	2,976	128	114,827
Non-trading derivatives	6,928	693	16	7,637
Financial assets designated at fair value through profit and loss	5,012	4,608	1,833	11,453
Available-for-sale investments	204,838	69,306	1,753	275,897
	450,949	147,862	4,216	603,027
Liabilities				
Trading liabilities	75,131	73,841	16	148,988
Non-trading derivatives	6,234	620	97	6,951
Financial liabilities designated at fair value through profit and loss	7,723	6,159		13,882
Investment contracts (for contracts carried at fair value)	12,074	2,058		14,132
	101,162	82,678	113	183,953

Reference to published price quotations in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm s length basis.

This category includes financial instruments for which it is market convention to price these based on a single published reference rate (e.g. a published yield curve in the case of plain vanilla interest rate swaps). The total amount of these types of financial instruments is EUR 4,786 million in assets and EUR 4,996 million in liabilities. Certain reverse repos with a very short tenor (i.e. a matter of days) for which the valuation is based on the actual prices on issuance and maturity, are included in this category on the basis that their valuation is highly objective and based on a third-party source.

Valuation technique supported by market inputs

This category includes financial instruments whose fair value is determined using a valuation technique (a model), where inputs in the model are taken from an active market or are market observable. If certain inputs in the model are not market observable, but all significant inputs are, the instrument is still classified in this category, provided that the impact of those elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are (more than insignificantly) modified based on other market observable external data.

Valuation technique not supported by market inputs

This category includes financial assets/liabilities whose fair value is determined using a valuation technique (model) for which more than an insignificant level of the input in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive.

The total amount of changes in fair value estimated using a valuation technique not supported by market inputs recognized in net result in 2008 was EUR (261) million (2007: EUR 74 million).

Sensitivities of fair values

Reasonably likely changes in the assumptions used in the valuation techniques not supported by recent market transactions would not have a significant impact on equity and net result, other than explained below for investments in asset backed securities in the United States.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Assets classified in Valuation technique not supported by market inputs consist mainly (approximately 87 %) of investments in asset backed securities in the United States. These assets are valued using external price sources that are obtained from third party pricing services and brokers. As at December 31, 2007, these assets were classified in Reference to published price quotations in active markets as valuation was based on independent quotes and trading in the relevant markets was active at that time. During 2008, the trading volumes in the relevant markets reduced significantly and these have now become inactive. The dispersion between prices for the same security from different price sources increased significantly. As a result, an amount of EUR 25 billion of asset backed securities in the United States was reclassified from Reference to published price quotations in active markets to Valuation technique not supported by market inputs in the third quarter of 2008. In order to ensure that the most accurate and relevant sources available are used in determining the fair value of these securities, the valuation process was further enhanced during 2008 by using information from more pricing sources and enhancing the process of selecting the most appropriate price.

Generally up to four different pricing services are utilized. Management carefully reviews the prices obtained in conjunction with other information available, including, where relevant, trades in the market, quotes from brokers and internal evaluations. If the dispersion between different prices for the same securities is limited, a hierarchy exists that ensures consistent selection of the most appropriate price. If the dispersion between different prices for the same security is significant, additional processes are applied to select the most appropriate price, including an internally developed price validation matrix and a process to challenge the price source.

As a result of the low trading volumes in the market and the widened disparity between prices for the same security from different price sources, valuation for these securities is inherently complex and subjective. Although each security in the portfolio is priced based on an external price, without modification by the ING Group, and management is confident that it has selected the most appropriate price in the current market circumstances, the valuation of these portfolios would have been significantly different had different prices been selected. The sensitivity of the valuation in this respect is illustrated as follows:

- had the valuation been based on the highest available market price for each and every security in these portfolios, the overall valuation would have been approximately 10% higher than the valuation applied by the ING Group;
- had the valuation been based on the lowest available market price for each and every security in these portfolios, the overall valuation would have been approximately 15% lower than the valuation applied by the ING Group;
- had the valuation been based on the weighted average available market price for these portfolios, the overall valuation would have been approximately 5% lower than the valuation applied by the ING Group.

These are indicators of sensitivity and not alternatives for fair value under IFRS-IASB.

Reference is made to the Risk management section with regard to the exposure of these asset backed securities as at December 31, 2008 and the impact from these asset backed securities on net result in 2008.

Furthermore, the Risk management section provides under Impact of financial crisis a breakdown of the methods applied in determining fair values of pressurized assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Amounts are in millions of euros, unless otherwise stated

2.1.5. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING GROUP

34 INTEREST RESULT BANKING OPERATIONS

	2008	2007	2006
Interest income on loans	**31,174**	26,390	21,970
Interest income on impaired loans	**(24)**	(26)	13
Total interest income on loans	**31,150**	26,364	21,983
Interest income on available-for-sale securities	**7,449**	7,397	6,989
Interest income on held-to-maturity securities	**669**	736	755
Interest income on trading portfolio	**45,510**	32,443	21,414
Interest income on non-trading derivatives	**7,076**	6,190	5,231
Other interest income	**5,157**	3,619	2,798
Interest income banking operations	**97,011**	76,749	59,170
Interest expense on deposits by banks	**4,856**	5,131	3,559
Interest expense on customer deposits and other funds on deposit	**19,594**	18,563	15,107
Interest expense on debt securities	**4,109**	3,648	3,173
Interest expense on subordinated loans	**1,784**	1,167	1,132
Interest on trading liabilities	**44,093**	29,383	18,821
Interest on non-trading derivatives	**7,391**	6,115	5,159
Other interest expense	**4,142**	3,766	3,027
Interest expense banking operations	**85,969**	67,773	49,978
Interest result banking operations	**11,042**	8,976	9,192

Interest margin:

In percentages	**2008**	2007	2006
Interest margin	**1.07**	0.94	1.06

In 2008, the growth in average total assets led to an increase of the interest result amounting to EUR 811 million (2007: EUR 753 million; 2006: EUR 1,040 million). The increase of the interest margin by 13 basis points led to an increase of the interest result with EUR 1,440 million (in 2007 the decrease of the interest margin by 12 basis points led to a decrease of the interest result with EUR 1,051 million; in 2006 the decrease of the interest margin by 10 basis points led to a decrease of the interest result with EUR 867 million).

35 GROSS PREMIUM INCOME

	2008	2007	2006
Gross premium income from life insurance policies	**38,869**	40,732	40,502
Gross premium income from non-life insurance policies	**4,943**	6,086	6,333

	43,812	46,818	46,835

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
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Direct gross premiums written	**4,920**	6,062	6,279	**37,487**	39,170	38,838	**42,407**	45,232	45,117
Reinsurance assumed gross premiums written	**23**	24	54	**1,382**	1,562	1,664	**1,405**	1,586	1,718
Total gross premiums written	**4,943**	6,086	6,333	**38,869**	40,732	40,502	**43,812**	46,818	46,835
Reinsurance ceded	**(196)**	(306)	(339)	**(1,802)**	(1,968)	(2,004)	**(1,998)**	(2,274)	(2,343)
	4,747	5,780	5,994	**37,067**	38,764	38,498	**41,814**	44,544	44,492

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Amounts are in millions of euros, unless otherwise stated

Effect of reinsurance on non-life premiums earned:

	2008	2007	2006
Direct gross premiums earned	**4,889**	6,003	6,248
Reinsurance assumed gross premiums earned	**20**	24	58
Total gross premiums earned	**4,909**	6,027	6,306
Reinsurance ceded	**(190)**	(326)	(377)
	4,719	5,701	5,929

36 INVESTMENT INCOME

Investment income by insurance and banking operations:

	Insurance operations			Banking operations			Total		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Income from real estate investments	**75**	80	184	**196**	252	134	**271**	332	318
Dividend income	**646**	750	604	**84**	70	84	**730**	820	688
	721	830	788	**280**	322	218	**1,001**	1,152	1,006
Income from investments in debt securities	**6,535**	6,857	6,359				**6,535**	6,857	6,359
Income from loans									
personal loans	**209**	76	200				**209**	76	200
mortgage loans	**1,044**	1,313	1,640				**1,044**	1,313	1,640
policy loans	**200**	215	212				**200**	215	212
other	**92**	323	345			18	**92**	323	363
Income from investments in debt securities and loans	**8,080**	8,784	8,756			18	**8,080**	8,784	8,774
Realized gains/losses on disposal of debt securities	**48**	(9)	(56)	**40**	138	93	**88**	129	37
Reversals/Impairments of available-for-sale debt securities	**(777)**	(76)	36	**(2,127)**	(57)		**(2,904)**	(133)	36
Realized gains/losses and impairments of	**(729)**	(85)	(20)	**(2,087)**	81	93	**(2,816)**	(4)	73

debt securities									
Realized gains/losses on disposal of equity securities	**685**	2,975	772	**30**	330	149	**715**	3,305	921
Impairments of available-for-sale equity securities	**(1,585)**	(36)	(25)	**(331)**	(17)	(17)	**(1,916)**	(53)	(42)
Realized gains/losses and impairments of equity securities	**(900)**	2,939	747	**(301)**	313	132	**(1,201)**	3,252	879
Change in fair value of real estate investments	**(50)**	75	108	**(350)**	93	67	**(400)**	168	175
Investment income	**7,122**	12,543	10,379	**(2,458)**	809	528	**4,664**	13,352	10,907

Reference is made to the Risk management section for further information on impairments.

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37 COMMISSION INCOME

Gross fee and commission income:

	Insurance operations			Banking operations			Total		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Funds transfer				**888**	746	704	**888**	746	704
Securities business				**891**	1,049	1,064	**891**	1,049	1,064
Insurance broking	**87**	124	92	**175**	180	171	**262**	304	263
Asset management fees	**2,129**	2,025	1,760	**934**	1,140	944	**3,063**	3,165	2,704
Brokerage and advisory fees	**763**	1,014	951	**256**	233	207	**1,019**	1,247	1,158
Other	**531**	364	270	**850**	818	704	**1,381**	1,182	974
	3,510	3,527	3,073	**3,994**	4,166	3,794	**7,504**	7,693	6,867

Asset management fees related to the management of investments held for the risk of policyholders of EUR 1,174 million (2007: EUR 1,261 million; 2006: EUR 1,069 million) are included in Commission income.
Other include commission fees of EUR 21 million (2007: EUR 26 million; 2006: EUR 42 million) in respect of underwriting syndication loans.

Fee and commission expenses:

	Insurance operations			Banking operations			Total		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Funds transfer				**185**	144	140	**185**	144	140
Securities business				**268**	370	347	**268**	370	347
Insurance broking	**574**	686	551	**(4)**			**570**	686	551
Management fees	**217**	182	188	**169**	230	204	**386**	412	392
Brokerage and advisory fees	**573**	673	624	**5**	5	2	**578**	678	626
Other	**76**	85	75	**476**	491	420	**552**	576	495
	1,440	1,626	1,438	**1,099**	1,240	1,113	**2,539**	2,866	2,551

Other include commission expenses of nil (2007: nil; 2006: nil) in respect of underwriting syndication loans.

38 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives:

	Insurance operations			Banking operations			Total		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Change in fair value of derivatives relating to:									
fair value hedges	**(193)**	(227)	(162)	**(1,590)**	413	20	**(1,783)**	186	(142)

cash-flow hedges (ineffective portion)	**22**	(5)			(4)	(7)	**22**	(9)	(7)
hedges of net investment in foreign entities (ineffective portion)	**(6)**	(14)	(12)				**(6)**	(14)	(12)
other non-trading derivatives	**2,412**	(753)	(85)	**(3,737)**	547	574	**(1,325)**	(206)	489
Net result on non-trading derivatives	**2,235**	(999)	(259)	**(5,327)**	956	587	**(3,092)**	(43)	328
Change in fair value of assets and liabilities (hedged items)	**164**	223	211	**1,824**	(375)	(20)	**1,988**	(152)	191
Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading)	**(432)**	89		**127**	56	(247)	**(305)**	145	(247)
Net valuation results	**1,967**	(687)	(48)	**(3,376)**	637	320	**(1,409)**	(50)	272

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39 NET TRADING INCOME

	Insurance operations			Banking operations			Total		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Securities trading results	**(239)**	246	159	**130**	(2,147)	(804)	**(109)**	(1,901)	(645)
Foreign exchange transactions results	**(90)**	174	120	**274**	401	282	**184**	575	402
Derivatives trading results	**79**	30	(8)	**(766)**	2,469	1,270	**(687)**	2,499	1,262
Other	**(94)**	(80)	1	**(43)**	26	152	**(137)**	(54)	153
	(344)	370	272	**(405)**	749	900	**(749)**	1,119	1,172

Securities trading results includes the results of making markets in instruments such as government securities, equity securities, corporate debt securities, money-market instruments, and interest rate derivatives such as swaps, options, futures and forward contracts. Foreign exchange transactions results include gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities.

The portion of trading gains and losses for the year ended December 31, 2008 relating to trading securities still held as at December 31, amounted to EUR (246) million (2007: EUR (60) million; 2006: EUR (121) million).

The majority of the risks involved in security and currency trading is economically hedged with derivatives. The securities trading results are partly offset by results on these derivatives. The result of these derivatives is included in Derivatives trading results.

40 OTHER INCOME

	Insurance operations			Banking operations			Total		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Net operating lease income				**195**	79	65	**195**	79	65
Income from real estate development projects				**124**	95	220	**124**	95	220
Income post office				**144**	148	156	**144**	148	156
Other	**153**	305	(5)	**28**	258	35	**181**	563	30
	153	305	(5)	**491**	580	476	**644**	885	471

Net operating lease income comprises income of EUR 961 million (2007: EUR 803 million; 2006: EUR 691 million), depreciation of EUR 766 million (2007: EUR 724 million; 2006: EUR 626 million) and other expenses of nil (2007: nil; 2006: nil).

41 UNDERWRITING EXPENDITURE

	2008	2007	2006

Gross underwriting expenditure:			
before effect of investment result for risk of policyholders	**51,239**	50,739	50,363
effect of investment result risk of policyholders	**(32,408)**	1,079	2,702
	18,831	51,818	53,065
Investment result for risk of policyholders	**32,408**	(1,079)	(2,702)
Reinsurance recoveries	**(1,754)**	(1,906)	(2,175)
Underwriting expenditure	**49,485**	48,833	48,188

The investment and valuation results regarding investment result for risk of policyholders of EUR (32,408) million (2007: EUR 1,079 million; 2006: EUR 2,702 million) have not been recognized in Investment income and valuation results on assets and liabilities designated at fair value through profit and loss but are recognized in Underwriting expenditure together with the equal amount of change in insurance provisions for risk of policyholders.

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Underwriting expenditure by class:

	2008	2007	2006
Expenditure from life underwriting			
Reinsurance and retrocession premiums	**1,802**	1,968	2,004
Gross benefits	**27,159**	28,877	26,234
Reinsurance recoveries	**(1,662)**	(1,749)	(1,705)
Change in life insurance provisions for risk of company	**17,407**	11,979	13,420
Costs of acquiring insurance business	**1,877**	1,098	1,083
Other underwriting expenditure	**462**	457	439
Profit sharing and rebates	**(416)**	424	801
	46,629	43,054	42,276
Expenditure from non-life underwriting			
Reinsurance and retrocession premiums	**196**	306	339
Gross claims	**2,846**	3,589	3,848
Reinsurance recoveries	**(92)**	(157)	(470)
Change in provision for unearned premiums	**28**	79	65
Change in claims provision	**54**	13	(209)
Costs of acquiring insurance business	**742**	979	1,043
Other underwriting expenditure	**(22)**	(50)	(71)
	3,752	4,759	4,545
Expenditure from investment contracts			
Costs of acquiring investment contracts	**9**	19	31
Profit sharing and rebates		16	64
Other changes in investment contract liabilities	**(905)**	985	1,272
	(896)	1,020	1,367
	49,485	48,833	48,188

Profit sharing and rebates:

	2008	2007	2006
Distributions on account of interest or underwriting results	**(576)**	(133)	458
Bonuses added to policies	**131**	411	369
Deferred profit sharing expense	**29**	146	(26)
	(416)	424	801

Underwriting expenditure includes an amount of EUR 3,804 million in 2008 (2007: EUR 4,275 million; 2006: EUR 4,141 million) in respect of commission paid and payable with regard to the insurance operations. Amortization of deferred acquisition costs amounted to EUR 2,026 million in 2008 (2007: EUR 1,552 million; 2006: EUR 1,444 million).

Expenditure from Life underwriting includes an amount of EUR 136 million in 2008 (2007: EUR 110 million; 2006: EUR 181 million) in relation to reserve strengthening for Insurance Asia/Pacific as described in further detail under Segment reporting.

ING transferred part of its life insurance business to Scottish Re in 2004 by means of a co-insurance contract. A loss amounting to EUR 160 million was recognized in Underwriting expenditure in 2004 on this transaction. This loss represented the reduction of the related deferred acquisition costs. In addition, an amount of EUR 240 million is being amortized over the life of the underlying business, starting in 2005 and gradually decreasing in subsequent years as the business tails off. The amount amortized in 2008 was EUR 12 million (2007: EUR 15 million; 2006: EUR 32 million). The cumulative amortization as at December 31, 2008 was EUR 96 million (2007: EUR 81 million; 2006: EUR 66 million). On 23 January 2009, Hannover Re and Scottish Re announced that Hannover Re has agreed to assume the ING individual life reinsurance business originally transferred to Scottish Re in 2004.

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42 INTANGIBLE AMORTIZATION AND OTHER IMPAIRMENTS

Intangible amortization and (reversals of) impairments:

	Impairment losses			Reversals of impairments			Total		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Property and equipment	**19**	2	1		(14)	(4)	**19**	(12)	(3)
Property under development for third parties	**93**	41	19	**(31)**	(43)		**62**	(2)	19
Goodwill	**155**						**155**		
Software and other intangible assets	**71**	15	10				**71**	15	10
Other			3		(4)	(2)		(4)	1
(Reversals of) other impairments	**338**	58	33	**(31)**	(61)	(6)	**307**	(3)	27
Amortization of intangible assets							**157**	18	8
							464	15	35

Impairments on Loans and advances to customers are presented under Addition to loan loss provision. Impairments on investments are presented under Investment income. Reference is made to the Risk management section for further information on impairments.

No individual principal event or circumstance has led to a material recognition or reversal of the impairment losses.

Amortization of intangible assets relates to intangible assets recognized as part of companies acquired. Until 2007, these were classified in Other operating expenses. The comparatives for 2007 and 2006 have been amended to reflect the revized presentation. There is no impact on Total expenses.

43 STAFF EXPENSES

	Insurance operations			Banking operations			Total		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Salaries	**2,069**	2,050	2,012	**3,816**	3,646	3,480	**5,885**	5,696	5,492
Pension and other staff related benefit costs	**140**	48	79	**104**	159	206	**244**	207	285
Social security costs	**205**	201	196	**516**	466	444	**721**	667	640
Share-based compenzation arrangements	**49**	54	54	**75**	73	58	**124**	127	112
External employees	**160**	160	169	**1,056**	668	595	**1,216**	828	764

Education	**11**			**105**	81	69	**116**	81	69
Other staff costs	**206**	324	288	**252**	331	268	**458**	655	556
	2,840	2,837	2,798	**5,924**	5,424	5,120	**8,764**	8,261	7,918

Share-based compenzation arrangements includes EUR 98 million (2007: EUR 110 million; 2006: EUR 108 million) relating to equity-settled share-based payment arrangements and EUR 26 million (2007: EUR 17 million; 2006: EUR 4 million) relating to cash-settled share-based payment arrangements.

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Pension and other staff-related benefits costs:

	Pension benefits			Post-employment benefits other than pensions			Other			Total		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Current service cost	**356**	408	417	**(2)**	11	13	**5**	(13)	23	**359**	406	453
Past service cost	**77**	(86)	18			(1)		(1)	1	**77**	(87)	18
Interest cost	**787**	739	703	**11**	13	11	**4**	9	7	**802**	761	721
Expected return on assets	**(886)**	(869)	(820)							**(886)**	(869)	(820)
Amortization of unrecognized past service cost				**(1)**	(5)	(5)				**(1)**	(5)	(5)
Amortization of unrecognized actuarial (gains)/losses	**(23)**	29	22					4		**(23)**	33	22
Effect of curtailment or settlement	**(140)**	(32)	(6)			(147)			4	**(140)**	(32)	(149)
Other	**(18)**	(62)			(7)		**6**	1		**(12)**	(68)	
Defined benefit plans	**153**	127	334	**8**	12	(129)	**15**		35	**176**	139	240
Defined contribution plans										**68**	68	45
										244	207	285

Remuneration of senior management, Executive Board and Supervisory Board

The information on share-based payment plans and remuneration of the members of the Executive Board and the Supervisory Board is included in the remuneration report in the annual report. This information is considered to be an integral part of the audited annual accounts.

Stock option and share plans

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

ING Group holds its own shares in order to fulfil its obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned (so-called delta hedge). As at December 31, 2008, 32,367,870 own shares (2007: 36,028,881; 2006: 52,722,755) were held in connection with the option plan compared to 87,263,381 options outstanding (2007: 76,888,553; 2006: 74,175,909). As a result the granted option rights were (delta) hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour. The hedge is rebalanced regularly at predetermined points in time. Exposure arising out of the share plan is not hedged. The obligations with regard to these plans will in the future be funded either by cash or shares from the delta hedge portfolio at the discretion of the holder. On March 31, 2008, 1,786,762 million own shares were issued in relation to the vesting of share plans.

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

The entitlement to the share awards is granted conditionally. If the participant remains in employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional. In 2008, 211,049 shares (2007: 139,113; 2006: 52,100) have been granted to the members of the Executive Board and 3,380,706 shares (2007: 2,415,649; 2006: 2,432,686) have been granted to senior management and other employees remaining in the service of ING Group.

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

Changes in option rights outstanding:

	Options outstanding (in numbers)			Weighted average exercise price (in euros)		
	2008	2007	2006	**2008**	2007	2006
Opening balance	**76,888,553**	74,175,909	85,128,950	**26.66**	25.99	24.42
Granted	**14,905,232**	12,139,472	13,872,880	**21.85**	32.13	32.78
Exercized	**(1,225,856)**	(7,163,332)	(17,213,518)	**18.09**	19.73	20.64
Forfeited	**(3,304,548)**	(2,263,496)	(1,338,877)	**28.87**	27.68	25.78
Expired			(6,273,526)			25.99
Closing balance	**87,263,381**	76,888,553	74,175,909	**25.93**	26.66	25.99

The weighted average share price at the date of exercise for options exercized during 2008 is EUR 24.07 (2007: EUR 32.48).

Changes in option rights non-vested:

	Options non-vested (in numbers)			Weighted average grant date fair value (in euros)		
	2008	2007	2006	**2008**	2007	2006
Opening balance	**38,405,158**	38,551,921	41,407,132	**5.83**	4.57	3.65
Granted	**14,905,232**	12,139,472	13,872,880	**5.28**	6.52	6.49
Vested	**(13,173,224)**	(10,112,348)	(15,390,327)	**3.49**	6.14	4.65
Forfeited	**(2,269,434)**	(2,173,887)	(1,337,764)	**5.64**	5.46	3.85
Closing balance	**37,867,732**	38,405,158	38,551,921	**6.03**	5.83	4.57

Summary of stock options outstanding and exercisable:
2008

Range of exercise price in euros	**Options outstanding as at December 31, 2008**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at December 31, 2008**	**Weighted average remaining contractual life**	**Weighted average exercise price**
0.00 15.00	**5,772,054**	**4.19**	**12.11**	**5,772,054**	**4.19**	**12.11**
15.00 20.00	**9,425,787**	**4.70**	**18.69**	**9,149,037**	**4.55**	**18.69**
20.00 25.00	**28,055,499**	**7.49**	**22.49**	**14,212,102**	**5.83**	**23.22**

25.00 30.00	**15,390,859**	**2.74**	**28.57**	**14,729,456**	**2.44**	**28.71**
30.00 35.00	**23,157,582**	**7.71**	**32.46**	**71,400**	**2.57**	**33.06**
35.00 40.00	**5,461,600**	**2.13**	**35.51**	**5,461,600**	**2.13**	**35.51**
	87,263,381			**49,395,649**		

Summary of stock options outstanding and exercisable:
2007

Range of exercise price in euros	Options outstanding as at December 31, 2007	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at December 31, 2007	Weighted average remaining contractual life	Weighted average exercise price
0.00 15.00	6,236,710	5.19	12.02	6,236,710	5.19	12.02
15.00 20.00	9,773,356	5.55	18.47	9,773,356	5.55	18.47
20.00 25.00	15,180,545	6.84	23.10	1,556,832	3.21	21.83
25.00 30.00	15,338,397	3.46	28.72	15,206,363	3.42	28.74
30.00 35.00	24,726,711	8.69	32.47	77,300	3.59	33.08
35.00 40.00	5,632,834	3.14	35.51	5,632,834	3.14	35.51
	76,888,553			38,483,395		

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Summary of stock options outstanding and exercisable:

2006

Range of exercise price in euros	Options outstanding as at December 31, 2006	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at December 31, 2006	Weighted average remaining contractual life	Weighted average exercise price
0.00 15.00	7,953,108	6.18	12.72	7,953,108	6.19	12.72
15.00 20.00	10,162,164	7.20	18.69	121,471	6.66	18.49
20.00 25.00	14,820,967	8.24	23.25	44,875	5.65	23.12
25.00 30.00	19,937,148	4.44	28.73	19,796,024	4.43	28.74
30.00 35.00	13,696,046	9.20	32.78	102,034	4.59	32.93
35.00 40.00	7,606,476	4.09	35.58	7,606,476	4.16	35.58
	74,175,909			35,623,988		

The aggregate intrinsic value of options outstanding and exercisable as at December 31, 2008 was nil and nil, respectively.

As at December 31, 2008 total unrecognized compenzation costs related to stock options amounted to EUR 94 million (2007: EUR 69 million; 2006: EUR 90 million). These costs are expected to be recognized over a weighted average period of 1.8 years (2007: 1.7 years; 2006: 1.9 years). Cash received from stock option exercises for the year ended December 31, 2008 was EUR 22 million (2007: EUR 131 million; 2006: EUR 355 million).

The fair value of options granted is recognized as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined by using a Monte Carlo simulation. This model takes the risk free interest rate into account (3.55% to 4.92%), as well as the expected life of the options granted (5 year to 8 years), the exercise price, the current share price (EUR 18.70 EUR 33.92), the expected volatility of the certificates of ING Group shares (25% 39%) and the expected dividends yield (3.57% to 8.99%). The source for implied volatilities used for the valuation of the stock options is ING s trading system. The implied volatilities in this system are determined by ING s traders and are based on market data implied volatilities not on historical volatilities.

Due to timing differences in granting option rights and buying shares to hedge them, an equity difference can occur if shares are purchased at a different price than the exercise price of the options. However, ING Group does not intentionally create a position and occurring positions are closed as soon as possible. If option rights expire, the results on the (sale of) shares which were bought to hedge these option rights are recognized in Shareholders equity.

Changes in share awards:

	Share awards (in numbers)			Weighted average grant date fair value (in euros)		
	2008	2007	2006	**2008**	2007	2006
Opening balance	**7,133,714**	8,373,146	6,499,469	**27.52**	24.90	22.92
Granted	**3,591,755**	2,554,762	2,484,786	**16.74**	19.74	29.62
Performance effect	**(451,070)**	2,463,058		**27.44**	19.35	

Vested	**(1,945,092)**	(5,569,061)	(155,522)	**27.51**	19.35	22.48
Forfeited	**(537,298)**	(688,191)	(455,587)	**25.92**	26.39	23.10
Closing balance	**7,792,009**	7,133,714	8,373,146	**22.60**	27.52	24.90

The fair value of share awards granted is recognized as an expense under staff expenses and is allocated over the vesting period of the share awards. The fair values of share awards have been determined by using a Monte Carlo simulation based valuation model. The model takes into account the risk free interest rate, the current stock prices, expected volatilities and current divided yields of the performance peer group used to determine ING s Total Shareholder Return (TSR) ranking.

As at December 31, 2008 total unrecognized compenzation costs related to share awards amounted to EUR 56 million (2007: EUR 53 million; 2006: EUR 88 million). These costs are expected to be recognized over a weighted average period of 1.8 years (2007: 1.7 years; 2006: 1.8 years).

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44 OTHER INTEREST EXPENSES

Other interest expenses mainly consist of interest in connection with the insurance operations, including interest on the perpetual subordinated loans.

Other interest expenses include EUR 1 million and EUR 94 million dividends paid on preference shares and trust preferred securities (2007: EUR 7 million and EUR 92 million; 2006: EUR 10 million and EUR 101 million).

Total interest income and total interest expense for items not valued at fair value through profit and loss for 2008 were EUR 52,505 million (2007: EUR 46,900 million; 2006: EUR 41,281 million) and EUR 33,507 million (2007: EUR 31,173 million; 2006: EUR 27,014 million) respectively. Net interest income of EUR 18,144 million is presented in the following lines in the profit and loss account.

Net interest income:

	2008	2007	2006
Interest result bank **34)**	**11,042**	8,976	9,192
Investment income insurance **36)**	**8,080**	8,784	8,756
Interest expense	**(978)**	(1,102)	(1,016)
	18,144	16,658	16,932

45 OTHER OPERATING EXPENSES

	Insurance operations			Banking operations			Total		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Depreciation of property and equipment	**95**	98	102	**353**	321	361	**448**	419	463
Amortization of software	**70**	104	100	**103**	117	100	**173**	221	200
Computer costs	**297**	289	231	**733**	561	605	**1,030**	850	836
Office expenses	**599**	660	629	**687**	628	634	**1,286**	1,288	1,263
Travel and accommodation expenses	**101**	102	102	**163**	153	139	**264**	255	241
Advertising and public relations	**204**	258	177	**833**	759	722	**1,037**	1,017	899
External advisory fees	**373**	455	581	**459**	491	449	**832**	946	1,030
Postal charges				**130**	113	117	**130**	113	117
Addition/(releases) of provision for reorganizations and relocations	**8**	11	(16)	**136**	434	63	**144**	445	47
Other	**836**	684	565	**627**	969	760	**1,463**	1,653	1,325
	2,583	2,661	2,471	**4,224**	4,546	3,950	**6,807**	7,207	6,421

Other operating expenses include lease and sublease payments in respect of operating leases of EUR 172 million (2007: EUR 156 million; 2006: EUR 229 million) in which ING is the lessee. Other operating expenses also include EUR 85 million related to integration costs of CitiStreet and EUR 143 million related to premium taxes.

No individual operating lease has terms and conditions that materially affect the amount, timing and certainty of the consolidated cash flows of the Group.

The External advisory fees include fees for audit services and non-audit services provided by the Group s auditors.

Fees of Group s auditors:

	2008	2007	2006
Audit fees	**46**	61	63
Audit related fees	**3**	7	4
Tax fees	**3**	5	4
All other fees	**7**	2	3
Total	**59**	75	74

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46 TAXATION

Taxation by type:

	Netherlands			International			Total		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Current taxation	**(329)**	112	469	**863**	963	970	**534**	1,075	1,439
Deferred taxation	**(1,068)**	274	149	**(1,133)**	316	373	**(2,201)**	590	522
	(1,397)	386	618	**(270)**	1,279	1,343	**(1,667)**	1,665	1,961

Reconciliation of the weighted average statutory income tax rate to ING Group s effective income tax rate:

	2008	2007	2006
Result before taxation	**(5,196)**	11,554	10,123
Weighted average statutory tax rate	**32.5%**	28.6%	30.9%
Weighted average statutory tax amount	**(1,688)**	3,299	3,125
Associates exemption	**69**	(814)	(255)
Other income not subject to tax	**(210)**	(577)	(336)
Expenses not deductible for tax purposes	**106**	93	121
Impact on deferred tax from change in tax rates	**(25)**	(9)	(170)
Deferred tax benefit from previously unrecognized amounts		(64)	(30)
Current tax benefit from previously unrecognized amounts		(222)	(447)
Write down/reversal of deferred tax assets	**360**	8	(6)
Adjustment to prior periods	**(279)**	(49)	(41)
Effective tax amount	**(1,667)**	1,665	1,961
Effective tax rate	**32.1%**	14.4%	19.4%

The weighted average statutory tax rate increased in 2008 compared to 2007 caused by the fact that losses in 2008 were incurred in high tax jurisdictions.

The effective tax rate in 2008 was slightly lower than the weighted average statutory tax. Main reasons for this are tax exempt income and releases of tax provisions, partly offset by non deductible expenses and a reduction of the deferred tax assets.

47 EARNINGS PER ORDINARY SHARE

Earnings per ordinary share

	Amount (in millions of euros)	Weighted average number of ordinary shares outstanding during the period (in millions)	Per ordinary share (in euros)

	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Basic earnings	**(3,492)**	9,622	7,821	**2,042.7**	2,141.1	2,155.0	**(1.71)**	4.49	3.62
Attribution to non-voting equity securities	**(425)**								
Earnings after attribution to non-voting equity securities	**(3,917)**	9,622	7,821	**2,042.7**	2,141.1	2,155.0	**(1.92)**	4.49	3.62
Effect of dilutive securities:									
Non-voting equity securities	**425**								
Warrants					3.2	7.6			
Stock option and share plans				**0.8**	12.3	14.4			
				0.8	15.5	22.0			
Diluted earnings	**(3,492)**	9,622	7,821	**2,043.5**	2,156.6	2,177.0	**(1.71)**	4.46	3.59

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Diluted earnings per share data are computed as if the stock options and warrants outstanding at year-end had been exercized at the beginning of the period. It is also assumed that ING Group uses the cash received from exercized stock options and warrants exercized or non-voting equity securities converted to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from exercising warrants and stock options or converting non-voting equity securities is added to the average number of shares used for the calculation of net earnings per share.

The potential conversion of the non-voting equity securities has an antidilutive effect on the earnings per share calculation (the diluted earnings per share becoming less negative than the basic earnings per share). Therefore, the potential conversion is not taken into account in determining the weighted average number of shares for the calculation of diluted earnings per share.

48 DIVIDEND PER ORDINARY SHARE

	2008(1)	2007	2006
Per ordinary share (in euros)	**0.74**	1.48	1.32
Per non-voting equity security (in euros) (2)	**0.425**		
Total amount of dividend declared (in millions of euros)	**1,500**	3,180	2,865

(1) The Executive Board, with the approval of the Supervisory Board, has proposed, subject to the ratification by the General Meeting of Shareholders, a cash dividend of EUR 0.74 per share for the year 2008. In August 2008, an interim dividend of EUR 0.74 per ordinary share of EUR 0.24 was made payable.

(2) Dividend is payable per non-voting equity security of EUR 0.425. This amount is

payable on May 12, 2009 provided that ING Group s capital adequacy position is and remains satisfactory both before and after payment in the opinion of the Dutch central bank. The full amount of EUR 425 million is recognized as a liability as at December 31, 2008.

2.1.6. SEGMENT REPORTING

49 PRIMARY REPORTING FORMAT BUSINESS SEGMENT

ING Group s business segments relate to the internal segmentation by business lines. These include the business lines: Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct. 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 policies 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 investments in equity securities, a fixed return of 3% is allocated to the insurance business lines. The differences between the actual dividend income, capital gains and impairments and the allocated return are included in Other.

ING applies a system of capital charging that makes the results of the banking business units globally comparable, irrespective of the book equity they have and the currency they operate in. ING s policy for the banking business units is that equity may only be invested locally at the local risk free rate. Banking business units are charged by the Corporate Line for the income that they make on the invested equity and are given a benefit based on the risk free euro rate on the economic capital they employ. Consequently, the results of the businesses as disclosed are the local results after Group overhead charges while the investment returns on equity are based on the risk free euro rate on economic capital.

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

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2008	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Eliminations	Total
Income										
external	**14,053**	**27,656**	**13,384**	**341**	**8,758**	**1,138**	**(2,748)**	**62,582**		**62,582**
inter-segment	**436**	**82**	**774**	**57**	**(1,359)**	**(260)**	**1,832**	**1,562**	**(1,562)**	
Total income	**14,489**	**27,738**	**14,158**	**398**	**7,399**	**878**	**(916)**	**64,144**	**(1,562)**	**62,582**
Segment result before taxation	**651**	**(590)**	**(213)**	**(3,100)**	**1,420**	**(1,155)**	**(2,209)**	**(5,196)**		**(5,196)**
Divestments		**(265)**	**329**				**15**	**79**		**79**
Special items		**321**			**271**	**30**		**622**		**622**
Underlying result before taxation	**651**	**(534)**	**116**	**(3,100)**	**1,691**	**(1,125)**	**(2,194)**	**(4,495)**		**(4,495)**
Segment assets	**96,392**	**141,355**	**66,228**	**1,170,135**	**581,538**	**275,829**	**286,430**	**2,617,907**	**(1,289,259)**	**1,328,648**
Segment liabilities	**88,469**	**138,009**	**61,716**	**1,162,540**	**575,369**	**271,778**	**242,168**	**2,540,049**	**(1,238,075)**	**1,301,974**
Share in profit or loss of associates	**(227)**	**31**	**(1)**	**(217)**	**10**			**(404)**		**(404)**
Book value of associates	**2,086**	**460**	**4**	**1,385**	**414**		**6**	**4,355**		**4,355**
Cost incurred to acquire property, equipment and intangibles	**272**	**1,161**	**58**	**256**	**767**	**516**	**(17)**	**3,013**		**3,013**
Significant non-cash expenses										
Depreciation and amortization	**48**	**98**	**38**	**154**	**224**	**97**	**119**	**778**		**778**

Other impairments	**2**	**204**		**94**	**4**	**33**	**1**	**338**		**338**
Reversal of impairments				**31**				**31**		**31**
Deferred acquisition costs and VOBA	**195**	**1,567**	**562**					**2,324**		**2,324**
Increase in provisions for Insurance and investment contracts	**2,113**	**7,098**	**7,339**				**(187)**	**16,363**		**16,363**
Addition to loan loss provision				**596**	**401**	**283**		**1,280**		**1,280**

Impairments on investments are presented within Investment income, which is part of Total income. In 2008, total impairments of EUR 4,820 million are included in the following segments: EUR 2 million in Insurance Europe, EUR 692 million in Insurance Americas, and EUR 79 million in Insurance Asia Pacific, EUR 267 million in Wholesale Banking, EUR 4 million in Retail Banking, EUR 1,891 million in ING Direct and EUR 1,885 million in Other.

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2007	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Eliminations	Total
Income										
external	15,903	29,565	14,105	6,602	8,015	2,346	561	77,097		77,097
inter-segment	359	116	278	(1,290)	(532)	(150)	3,191	1,972	(1,972)	
Total income	16,262	29,681	14,383	5,312	7,483	2,196	3,752	79,069	(1,972)	77,097
Segment result before taxation	2,300	2,152	576	2,476	2,078	530	1,442	11,554		11,554
Divestments	(460)	(90)			(32)		129	(453)		(453)
Special items				94	356		40	490		490
Underlying result before taxation	1,840	2,062	576	2,570	2,402	530	1,611	11,591		11,591
Segment assets	98,287	159,679	61,433	926,598	501,722	262,560	139,050	2,149,329	(836,125)	1,313,204
Segment liabilities	89,531	150,769	55,996	919,148	496,965	259,792	110,995	2,083,196	(810,033)	1,273,163
Share in profit or loss of associates	316	191		212	26		(5)	740		740
Book value of associates	2,894	252	1	1,502	461		(96)	5,014		5,014
Cost incurred to acquire property, equipment and intangibles	219	766	122	180	1,324	296	345	3,252		3,252
Significant non-cash expenses										
Depreciation and	255	1,102	573	155	199	87	4	2,375		2,375

amortization									
Impairments	4	114	1	38		14		171	171
Reversal of impairments		5		51	6			62	62
Deferred acquisition costs and VOBA	167	1,080	562					1,809	1,809
Increase in provisions for Insurance and investment contracts	4,339	12,036	10,060				59	26,494	26,494
Addition to loan loss provision				(142)	199	68		125	125

As at December 31, 2007, the segment Insurance Asia/Pacific had a net reserve inadequacy using a prudent (90%) confidence level. This inadequacy was offset by reserve adequacies in other segments, so that at Group level there is a net adequacy at the prudent (90%) confidence level. Following the agreement to sell ING Life Taiwan the inadequacy in Insurance Asia/Pacific was eliminated as at December 31, 2008.

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2006	Insurance Europe	Insurance Americas	Insurance Asia/ Pacific	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Eliminations	Total
Income										
external	15,893	29,775	13,310	6,318	7,206	2,216	(914)	73,804		73,804
inter-segment	278	4	68	(1,397)	(40)	73	2,375	1,361	(1,361)	
Total income	16,171	29,779	13,378	4,921	7,166	2,289	1,461	75,165	(1,361)	73,804
Segment result before taxation	2,362	1,992	636	2,235	2,364	691	(157)	10,123		10,123
Divestments	(113)		(15)	44		3		(81)		(81)
Underlying result before taxation	2,249	1,992	621	2,279	2,364	694	(157)	10,042		10,042
Segment assets	117,106	162,229	54,454	725,167	354,089	253,160	205,236	1,871,441	(644,951)	1,226,490
Segment liabilities	102,827	152,599	50,204	717,969	348,808	249,792	159,635	1,781,834	(596,688)	1,185,146
Share in profit or loss of associates	447	8		176	11		(4)	638		638
Book value of associates	2,981	14	2	1,141	57		148	4,343		4,343
Cost incurred to acquire property, equipment and intangibles	1,322	243	90	226	182	144	3	2,210		2,210
Significant non-cash expenses										
Depreciation and amortization	287	915	627	171	216	74		2,290		2,290

Impairments	1	10	16	4	31	31
Reversal of impairments				4	4	4
Addition to loan loss provision						