ING GROEP NV
Form 20-F
March 28, 2006

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

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2005

OR

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

OR

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

Date of event requiring this shell company report __________

Commission file number 1-14642

ING GROEP N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

ING Groep N.V.
Amstelveenseweg 500
1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
(Address of principal executive offices)

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

Title of each class	**Name of each exchange on which registered**
American Depositary Shares, each representing one Ordinary share	New York Stock Exchange
Ordinary shares, nominal value EUR 0.24 per Ordinary share and Bearer Depositary receipts in respect of Ordinary shares*	New York Stock Exchange
7.05% ING Perpetual Debt Securities	New York Stock Exchange
7.20% ING Perpetual Debt Securities	New York Stock Exchange
6.20% ING Perpetual Debt Securities	New York Stock Exchange
6.125% ING Perpetual Debt Securities	New York Stock Exchange
5.775% ING Perpetual Debt Securities	New York stock Exchange

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

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

None

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

None

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

Ordinary shares, nominal value EUR 0.24 per Ordinary share	2,294,933,803
Bearer Depositary receipts in respect of Ordinary shares	2,204,088,026

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes þ No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No þ

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

Yes þ o No

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

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

Indicate by check mark which financial statement item the registrant has elected to follow:

o Item 17 Item 18 þ

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

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PRESENTATION OF INFORMATION

In this Annual Report, references to ING Groep N.V. , we and us refer to the ING holding company, incorporated under the laws of the Netherlands, and references to ING , ING Group , the Company and the Group , refer 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.

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 = $ 1.1899, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 1, 2006.

Except as otherwise noted, financial statement amounts set forth in this Annual Report are presented in accordance with International Financial Reporting Standards as adopted by the European Union (EU). In this document the term IFRS-EU is used to refer to International Financial Reporting Standards as adopted by the EU including the decisions ING Group made with regard to the options available under International Financial Reporting Standards as adopted by the EU. Refer to Note 2.1 of the consolidated financial statements for further discussion of the basis of presentation. IFRS-EU differs in certain significant respects from U.S. GAAP. Reference is made to Note 2.4.1 of Notes to the consolidated financial statements for a description of the significant differences between IFRS-EU and U.S. GAAP and a reconciliation of certain income statement and balance sheet items to U.S. 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.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

- changes in general economic conditions, including in particular economic conditions in ING s core markets,
- changes in performance of financial markets, including emerging markets,
- the frequency and severity of insured loss events,
- changes affecting mortality and morbidity levels and trends,
- changes affecting persistency levels,
- changes affecting interest rate levels,
- changes affecting currency exchange rates, including the euro/U.S. dollar exchange rate,
- increasing levels of competition in the Netherlands, Belgium, the Rest of Europe (Europe and Russia, excluding the Netherlands and Belgium), the United States and other markets in which we do business, including emerging markets,
- changes in laws and regulations,
- regulatory changes relating to the banking or insurance industries,
- changes in the policies of central banks and/or foreign governments,
- general competitive factors, in each case on a global, regional and/or national basis.

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

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PART I

Item 1. Identity Of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics And Expected Timetable

Not Applicable.

Item 3. Key Information

The selected consolidated financial information data set forth below is derived from the consolidated financial statements of ING Group. ING Group adopted IFRS as adopted by the EU as of 2005.The 2004 figures have been restated to comply with IFRS-EU. However, as permitted under IFRS 1, First-time adoption of International Financial Reporting Standards (IFRS 1), the 2004 comparatives exclude the impact of IAS 32, Financial Instruments; Disclosure and Presentation (IAS 32), IAS 39, Financial Instruments: Recognition and Measurement (IAS 39) and IFRS 4, Insurance Contracts (IFRS 4), which were implemented starting from January 1, 2005.

IFRS-EU differs in certain significant respects from U.S. GAAP, Refer to Note 2.4.1 to the consolidated financial statements for a description of the significant differences between IFRS-EU and U.S. GAAP and a reconciliation of certain income statement and balance sheet items to U.S. GAAP.

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

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	Year ended December 31,		
	2005	2005(2)	2004(2)
	USD(1)	EUR	EUR
	(in millions, except amounts per share and ratios)		
IFRS-EU Consolidated Income Statement Data			
Income from insurance operations:			
Gross premiums written:			
Life	46,579	39,144	36,975
Non-life	7,878	6,614	6,642
Total	54,447	45,758	43,617
Investment income	11,832	9,944	10,179
Commission and other income	2,049	1,722	1,806
Total income from insurance operations	68,328	57,424	55,602
Income from banking operations:			
Interest income	57,522	48,342	25,471
Interest expense	46,620	39,180	16,772
Net interest result	10,902	9,162	8,699
Investment income	1,115	937	363
Commission	2,857	2,401	2,581
Other income	1,604	1,348	1,035
Total income from banking operations	16,478	13,848	12,678
Total income (3)	**84,651**	**71,141**	**68,159**
Expenditure from insurance operations:			
Life	56,136	47,177	44,988
Non-life	7,459	6,269	6,292
Total expenditure from insurance operations	63,595	53,446	51,280
Total expenditure from banking operations	10,628	8,932	9,260
Total expenditure (3,4)	**74,068**	**62,247**	**60,419**
Profit before tax from insurance operations:			
Life	3,172	2,666	2,647
Non-life	1,561	1,312	1,675
Total	4,733	3,978	4,322
Profit before tax from banking operations	5,850	4,916	3,418
Profit before tax	**10,583**	**8,894**	**7,440**
Taxation	1,641	1,379	1,709

Third-party interests	363	305	276
Net profit	**8,579**	**7,210**	**5,755**
Dividend on ordinary shares	3,079	2,588	2,359
Addition to shareholders equity	5,500	4,622	3,396
Net profit attributable to equity holders of the Company	8,579	7,210	5,755
Ordinary share attributable to equity holders of the Company (5)	3.95	3.32	2.71
Distributable net profit per ordinary share (5)	3.95	3.32	2.71
Net profit per ordinary share and ordinary share equivalent (fully diluted)(5)	3.95	3.32	2.71
Dividend per ordinary share (5)	1.40	1.18	1.07
Interim Dividend	0.64	0.54	0.49
Final Dividend	0.76	0.64	0.58
Number of ordinary shares outstanding (in millions)	2,204.9	2,204.9	2,204.7
Dividend pay-out ratio (6)	35.5%	35.5%	39.5%

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	2005 USD	2005	2004	2003 (EUR millions)	2002	2001
U.S. GAAP Consolidated Income Statement Data						
Total income	57,068	47,960	49,733	48,025	49,316	49,479
Net profit U.S. GAAP, excluding cumulative effects	8,301	6,976	6,688	4,512	3,476	1,770
Cumulative effects of changes in accounting principles			(91)		(13,103)	
Net profit U.S. GAAP, including cumulative effects (7)(8)	8,301	6,976	6,597	4,512	(9,627)	1,770
Net profit per Ordinary share and Ordinary share equivalent (5)	3.82	3.21	3.10	2.23	(5.00)	0.90

	Year ended December 31, 2005 USD(1)	2005(2) EUR	2004(2) EUR
	(in billions, except amounts per share and ratios)		
IFRS-EU Consolidated Balance Sheet Data			
Total assets	1,378.6	1,158.6	876.4
Investments:			
Insurance	171.9	144.5	112.1
Banking	214.3	180.1	164.2
Total	386.2	324.6	276.3
Loans and advances to customers	522.6	439.2	330.5
Insurance and investment contracts:			
Life	276.2	232.1	205.5
Non-life	15.2	12.8	11.4
Investment contracts	22.1	18.6	
Total	313.5	263.5	216.9
Customer deposits and other funds on deposit:			
Savings accounts of the banking operations	320.6	269.4	219.4
Other deposits and bank funds	233.6	196.3	129.8
Total	554.1	465.7	349.2
Amounts due to banks	145.4	122.2	95.9
Share capital (in millions)	2,292.0	2,292.0	2,291.8
Shareholders equity	43.7	36.7	24.1
Shareholders equity per ordinary share (5)	20.18	16.96	12.95
Shareholders equity per ordinary share and ordinary share equivalent (5)	20.18	16.96	12.95

	2005 USD	2005	2004	2003 (EUR millions)	2002	2001
U.S. GAAP Consolidated Balance Sheet Data						
Total assets	1,379.5	1,159.3	920.4	818.8	762.5	752.3
Shareholders equity	49.5	41.6	35.1	28.0	25.1	38.8
Shareholders equity per ordinary share and ordinary share equivalent (5)	22.86	19.21	16.00	13.27	12.61	19.83

(1) Euro amounts have been translated into U.S. dollars at the exchange rate of $ 1.1899 to EUR 1.00, the noon buying rate in New York City on March 1, 2006 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

(2) For the impact of divestments in 2005 and 2004 refer to 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 profit 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. The computation is based on daily averages, and in

case of exercised warrants, the day of exercise is taken into consideration.

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

(7) As of January 2002, SFAS 142 under U.S. GAAP requires that goodwill is tested for impairment annually. This change resulted in a non-cash transitional impairment loss in 2002, related to the carrying value of goodwill as of December 31, 2001 of EUR 13,103 million, which was required to be recognized under U.S. GAAP net profit in 2002 as the cumulative effect of changes in accounting principles.

(8) Upon adoption of SOP 03-1, Accounting and Reporting by

Insurance Enterprises for certain Nontraditional long-duration contracts and for separate Accounts , and the related Technical Practice Aid (TPA) effective January 1, 2004, ING Group recognized a cumulative effect of change in accounting principle of EUR 91 million. See note 2.4.10(h) of the consolidated financial statements for further information on this change.

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**
2001	0.8901	0.8909	0.9535	0.8370
2002	1.0485	0.9495	1.0485	0.8594
2003	1.2597	1.2074	1.2597	1.0361
2004	1.3538	1.2478	1.3625	1.1801
2005	1.1842	1.2397	1.3476	1.1670
2006 (through March 22, 2006)(2)	1.2095	1.2059	1.2287	1.1860

(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 U.S. dollars per euro for the last six months

	High	**Low**
September 2005	1.2538	1.2011
October 2005	1.2148	1.1914
November 2005	1.2067	1.1672
December 2005	1.2041	1.1699
January 2006	1.2287	1.1980
February 2006	1.2100	1.1882
March 2006 (through March 22, 2006)	1.2197	1.1860

The Noon Buying Rate for euros on December 31, 2005 was EUR 1.00 = $ 1.1842 and the Noon Buying Rate for euros on March 1, 2006 was EUR 1.00 = $ 1.1899.

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RISK FACTORS

RISKS RELATED TO THE FINANCIAL SERVICES INDUSTRY

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

Factors such as interest rates, exchange rates, consumer spending, business investment, real estate market government spending, the volatility and strength of the capital markets, and terrorism all impact the business and economic environment and, ultimately, the amount and profitability of business we conduct in a specific geographic region. For example, in an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investment and consumer spending, the demand for banking and insurance products would be adversely affected and our reserves and provisions would likely increase, resulting in lower earnings. Similarly, a downturn in the equity markets could cause a reduction in commission income we earn from managing portfolios for third parties, as well as income generated and capital base from our own proprietary portfolios, each of which is generally tied to the performance and value of such portfolios. We also offer a number of insurance and financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. In addition, a mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or result from operations of our banking and insurance businesses.

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

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods and earthquakes, epidemics, as well as terrorist attacks. The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and can not always be adequately reserved. In accordance with industry practices, modeling of natural catastrophes are performed and risk mitigation measures are made. In case claims occur, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established and includes updates when more information becomes available. Although we continually review the adequacy of the established claim reserves, and based on current information, we believe our claim reserves are sufficient in total, there can be no assurances that our actual claims experience will not exceed our estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, our earnings may be reduced and our net profits may be adversely affected. In addition, because unforeseeable and/or catastrophic events can lead to abrupt interruption of activities, our banking and insurance operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions, insurance and pension benefits to employees and also to key personnel. If our business continuity plans are not able to be put into action or do not take such events into account, losses may further increase.

Because we operate in highly regulated industries, changes in statutes, regulations and regulatory policies or the enforcement thereof that govern activities in our various business lines could have an affect on our operations and our net profits.

We are subject to detailed banking, insurance, asset management and other financial services laws and government regulation in each of the jurisdictions in which we conduct business. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, money

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laundering, privacy, record keeping, and marketing and selling practices. Banking, insurance and other financial services laws, regulations and policies currently governing us and our subsidiaries may change at any time in ways which have an adverse effect on our business, and we cannot predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, bank regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. If we fail to address, or appear to fail to address, appropriately any of these changes or initiatives, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties. Despite our best efforts to comply with applicable regulations, there are a number of risks in areas where applicable regulations may be unclear or where regulators revise their previous guidance or courts overturn previous rulings. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, among other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition.

RISKS RELATED TO THE COMPANY

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

There is substantial competition in the Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking, asset management and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If we are not able to match or compete with the products and services offered by our competitors, it could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the Rest of Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors. We derived approximately 38% of our profit before tax in 2005 from the Netherlands. Based on geographic division of our operating profit, the Netherlands is our largest market for both our banking and insurance operations. Our main competitors in the banking sector in the Netherlands are ABN Amro Bank and Rabobank. Our main competitors in the insurance sector in the Netherlands are Achmea, Fortis and Aegon. We derived approximately 13% of our profit before tax in 2005 from the United States. Our main competitors in the United States are insurance companies such as Lincoln National, Hartford, Aegon Americas, Met Life, Prudential, Nationwide and Principal Financial. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors.

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

General

Third-parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers whose securities we hold, borrowers under loans originated, customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing house and other financial intermediaries. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

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Reinsurers

Our insurance operations have bought protection for risks that exceed certain risk tolerance levels set for both our life and non-life business. This protection is bought through reinsurance arrangements in order to reduce possible losses. Because in most cases we must pay the policyholders first, and then collect from the reinsurer, we are subject to credit risk with respect to each reinsurer for all such amounts. As a percentage of our (potential) reinsurance receivables as of December 31, 2005, the greatest exposure after collateral to an individual reinsurer was approximately 40%, approximately 20% related to four other reinsurers and the remainder of the reinsurance receivables balance related to various other reinsurers. The inability of any one of these reinsurers to meet its financial obligations to us could have a material adverse effect on our net profits and our financial results.

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

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

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

For example, in Taiwan, the adequacy of provisions for life policies are highly sensitive to interest rates and other assumptions and can only be reliably estimated within broad ranges which may vary significantly from period to period. If the interest rates as at December 31, 2005 had been 1% lower, these Taiwan provisions would have been inadequate at the 50% confidence interval and, consequently, an amount of approximately EUR 1.7 billion (after tax) would have been included as a charge in the profit and loss account, reflecting the amount necessary to bring reserves to a best estimate level.

Because we use assumptions to model client behaviour for the purpose of our market risk calculations, the use of different assumptions may have an adverse impact on the risk figures.

We use assumptions in order to model client behaviour for the risk calculations in our banking book. Assumptions are used to determine the price sensitivity of savings and current accounts and to estimate the embedded optionality risk in the mortgage portfolio. The use of different assumptions to determine the client behaviour could have a material adverse effect on the calculated risk figures for the banking books.

Because we also operate in markets with less developed judiciary and dispute resolution systems, legal proceedings could have an adverse effect on our operations and net result.

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

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

When new financial products are brought to the market, communication and marketing is focused on potential advantages for the customers. If the products do not generate the expected profit, or result in a loss, or otherwise do not meet expectations, customers may file claims against us. Such claims could have an adverse effect on our operations and net result.

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

Adverse publicity and damage to the ING s reputation arising from its failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well known companies, increasing regulatory and law enforcement scrutiny of know your customer anti-money laundering and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the mutual fund and insurance industries, and litigation that arises from the failure or perceived failure by ING to comply with legal and regulatory requirements, could result in increased regulatory supervision, affect our ability to attract and retain customers, maintain access to the capital markets, result in suits, enforcement actions, fines and penalties or have other adverse effects on us in ways that are not predictable.

Because we are a Dutch company and because the Stichting ING Aandelen holds more than 99% of our Ordinary shares, the rights of our shareholders may differ from the rights of shareholders in other jurisdictions, which could limit your rights as a shareholder and reduce the accountability of the members of our Executive and Supervisory Boards and our management to our shareholders.

While holders of our bearer receipts are entitled to attend and speak at the General Meetings of Shareholders, voting rights are not attached to the bearer depositary receipts. Stichting ING Aandelen (the Trust) holds more than 99% of our Ordinary shares, exercises the voting rights attached to the Ordinary shares (for which bearer receipts have been issued). Holders of bearer receipts who attend in person or by proxy the General Meeting of Shareholders must obtain voting rights by proxy from the Trust. Holders of bearer receipts and holders of the ADSs (American Depositary Shares) representing the bearer receipts, who do not attend the General Meeting of Shareholders, may give binding voting instructions to the Trust. See Item 7. Major Shareholders and Related Party Transactions Voting of the Ordinary shares underlying bearer receipts by the Trust . The Trust is entitled to vote any Ordinary shares underlying the bearer depositary receipts for which the Trust has not granted voting proxies, or voting instructions have not been given to the Trust. In excercising its voting discretion, the Trust is required to make use of the voting rights attached to the Ordinary shares in the interest of the holders of bearer receipts, while taking into account

- our interests;
- the interests of our affiliates; and
- the interests of our other stakeholders.

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

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

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

- market expectations of the performance and capital adequacy of financial institutions in general;
- investor perception of the success and impact of our strategies;
- a downgrade or review of our credit ratings;

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

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

general market volatility.

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

Most of our Supervisory and Executive Board members, and some of the experts named in this Annual Report, as well as many of our officers are persons who are not residents of the United States, and most of our and their assets, are located outside the United States. As a result, you may not be able to serve process on those persons within the United States or to enforce in the United States judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws.

You also may not be able to enforce judgments of U.S. courts under the U.S. federal securities laws in courts outside the United States, including the Netherlands. The United States and the Netherlands do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, you will not be able to enforce in the Netherlands a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, even if the judgment is not based only on the U.S. federal securities laws, unless a competent court in the Netherlands gives binding effect to the judgment.

Item 4. Information on the Company

GENERAL

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

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

Mission

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

Profile

ING is a global financial services company with 150 years of experience, providing a wide array of banking, insurance and asset management services in over 50 countries. Our 115,000 employees work daily to satisfy a broad customer base: individuals, families, small businesses, large corporations, institutions and governments. Based on market capitalisation, ING is one of the 15 largest financial institutions worldwide and in the top-10 in Europe.

Business

ING is a major financial services company in the Benelux home market. ING services its retail clients in these markets with a wide range of retail-banking, insurance and asset management products. In our wholesale banking activities we operate worldwide, but with a primary focus on the Benelux countries. In the United States, ING is a top-10 provider of retirement services and life insurance, based on sales and assets under management. In Canada, we are the top property and casualty insurer based on

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direct written premium. ING Direct is a leading direct bank with 15 million customers in nine countries. In the growth markets of Asia, Central Europe and Latin America we provide life insurance. We are also a large asset manager with assets under management of almost EUR 550 billion. ING Real Estate is the largest property company in the world, based on its total business portfolio.

Stakeholders

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

CHANGES IN PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

Reference is made to Note 2.1.1 Changes in accounting principles.

CHANGES IN THE COMPOSITION OF THE GROUP

In February 2005, ING Group sold internet service provider Freeler to KPN. The sale resulted in a net gain of EUR 10 million.

In March 2005, ING Group reduced its stake in ING Bank Slaski from 87.77% to 75% by selling shares on the market. By reducing the stake in ING Bank Slaski, ING Group complied with requirements set by the Polish regulator in 2001. ING Group has no intention to further reduce its stake of 75% in ING Bank Slaski.

In March 2005, ING Group acquired 19.9% of Bank of Beijing for an amount of EUR 166 million. Bank of Beijing is the second largest city commercial bank in China and the third largest bank in Beijing.

In March 2005 ING Group finalised the sale of Barings Asset Management to MassMutual Financial Group and Northern Trust Corp. The sale resulted in a net gain of EUR 254 million.

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

In June 2005, ING Group formed a private equity joint venture to purchase Gables Residential Trust, a U.S.-based real estate investment trust. Gables Residential Trust is a developer, builder, owner and manager of higher-end multifamily properties. ING will provide $400 million in equity to finance the transaction. The venture is managed by ING Clarion, a wholly-owned subsidiary of ING Group.

In June 2005, ING Group purchased GE Commercial Finance s 50% stake in NMB-Heller s Dutch and Belgian factoring business. The factoring business has been transferred into a new company, which operates under the name ING Commercial Finance. GE Commercial Finance purchased ING s 50% stake in NMB-Heller s German unit, Heller GmbH. Both purchases took effect retroactively from 1 January 2005.

In August 2005, ING Group acquired a portfolio of properties located in the UK from Abbey National. The purchase price amounted to EUR 1.7 billion. The portfolio has been divided between various separate account clients.

In October 2005, ING Group acquired Eural NV from Dexia Bank Belgium. In the course of 2006, Eural is expected to be merged with ING Belgium s unit Record Bank.

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

In December 2005 ING Group sold Arenda Holding BV to ZBG, a Dutch private equity firm. Arenda is a provider of consumer finance products.

For the year 2004 reference is made to Note 2.1.1 Acquisitions and disposals of Group companies.

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RECENT DEVELOPMENTS

For recent changes in the Executive Board and Supervisory Board we refer to Item 6. Directors, Senior Management and Employees .

GROUP STRATEGY

Strategy lifts results to a higher level

ING continued on the strategic direction it embarked on in 2004. We managed for value and created value. Our businesses in mature markets achieved good results, helped by their constant focus on the efficient execution of business fundamentals. We also continued to focus on our growth engines, which further improved in performance. ING has a clear financial objective. We want to make sure that, over a longer period, our shareholders receive a better total return on their investment than on most other investments in the financial sector. To achieve this, we manage for value. This means focusing on growing economic profit, which measures profit beyond the cost of capital, and emphasising return improvement and profitable organic growth. In our mature banking and life insurance businesses in the Benelux and the United States, return improvement and profitable growth comes from the proper execution of our business fundamentals. This means managing costs, risks and reputation as well as offering exemplary customer service. We believe that excelling in these operational areas is the key to generating profitable organic growth. ING also continues to invest in business areas that have clear growth potential. Three growth engines have been identified: direct banking, retirement services and life insurance in emerging markets. ING has strong positions in these businesses and intends to raise further their profit potential by using the experience and capital gained in ING s mature businesses.

In 2005, we continued to execute our strategy with good results. ING benefited from the strategic decisions taken in 2004, when the management structure was simplified and the business portfolio actively managed. This portfolio management resulted in the divestments of underperforming and non-core activities and an improved capital position. Together with the enhanced strategic focus, this led to an upgrade in 2005 of ING Group s credit ratings by Standard & Poor s from A+ to AA-.

Enhancing customer satisfaction

ING attaches the utmost importance to exemplary customer service. Especially in mature markets, we believe high customer satisfaction is the way to differentiate ourselves from our peers and to generate profitable top-line growth. Important improvements were made in this area by Nationale-Nederlanden, our Dutch insurance company, which virtually caught up to the industry average in customer satisfaction, continuing the trend of 2004. In our insurance business unit in the United States, we launched a broad initiative to improve processes to better meet customer needs. There was also a clear improvement in customer satisfaction in our retail banking businesses in the Benelux. At ING Direct, customer satisfaction continued to be high in 2005, with almost 80% of customers saying they receive better service from ING Direct than from other financial institutions.

In order to further improve customer satisfaction, ING aligned its brand positioning with the new mission statement introduced in 2004, which is: To set the standard in helping our customers manage their financial future . At ING, we want to excel in three aspects of client service: being easy to deal with , treating customers fairly and delivering on promises . This is how we want to position our brand. In 2005, a strategy was devised to promote and implement this brand positioning worldwide, presenting ING as a powerful brand that provides customer reassurance and satisfaction. Throughout the organisation, business units are developing and implementing action plans to make sure they move towards ING s customer-centric positioning.

Managing costs

Customer satisfaction alone, however, is not enough to create value, especially not in mature markets. Fierce competition in these markets makes it essential to look continuously for ways to keep costs under control and improve efficiency. Cost containment and excellent customer satisfaction go hand-in-hand as operational drivers to create value in these markets. In 2005, several initiatives were taken to control underlying expenses and improve efficiency in mature markets. We announced an efficiency programme at Nationale-Nederlanden to reduce the annual cost base by 20% by 2007 compared with

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2004. We also took steps to streamline our IT organisation in the Benelux, including outsourcing and reducing the number of internal and third-party staff. In the United States, we made substantial progress with the outsourcing of our technology infrastructure to IBM. In total, those measures are expected to lead to cost savings of approximately EUR 500 million by 2008.

Managing risks

Managing our risks and consequently the cost of capital is essential for stable, profitable growth. Risk management supports value creation by providing insight into the levels of risk we can absorb compared with our earnings power and capital base. Integrated risk management combining credit, market, insurance and operational risk into one common view has become a key ingredient in our strategy. It allows us to capture the benefits of being a diversified financial services firm and to create a clear overview of all risks.

In 2005, ING introduced Integrated Centralised Capital Management in order to utilise our capital more efficiently. Major progress was achieved in the credit risk area in both risk modelling and data quality, both of which are key elements of Basel II. We have also been able to leverage this experience to our banking operations, which has led to a better modelling of loan loss provisions and an enhancement of our internal models for measuring risk. For insurance, we introduced new economic capital models, based on the experiences of the banking operations, and converted these into a limit structure for Market Value-at-Risk.

Our ultimate goal of integrated risk management is to better align our risk taking to our risk appetite. This allows ING to make optimal use of its capital base, leading to a lower overall cost of capital.

Managing reputation

Integrity and reputation are two of ING s most important assets. Regulatory compliance is essential because ING s long-term relationships with its clients depend on integrity and fairness. In 2005, ING adopted a new group-wide compliance policy which contained a framework to enable swift and uniform group-wide execution. Senior management has been made more accountable for compliance. Compliance will be integrated in their performance targets and remuneration structure as from 2006. Certain compliance irregularities took place in the Netherlands during 2005.

Investing in growth

Retirement services, life insurance in developing markets and direct banking are ING s growth engines. Good progress was made in 2005. In the United States, profits from US Retirement Services went up by 22%. In Central Europe, pension fund profits were up 16%. In the Slovak Republic, ING acquired the pension provider VSP Tatry Sympatia which considerably strengthens our position in this market.

In our life insurance business in developing markets, we posted a 40% rise in the value of new business, driven by the businesses in Asia and Central Europe. To add growth potential to our life insurance and retail banking businesses in China, we acquired a 19.9% stake in the Bank of Beijing. This acquisition provides ING with a platform to sell a range of insurance and investment products to an increasingly affluent customer base in China.

Finally, our direct banking business in mature markets delivered high growth and profit in a challenging yield curve environment. The number of new ING Direct customers went up by 3.2 million to 14.7 million at the end of 2005. Total funds entrusted rose by EUR 42.6 billion to EUR 188 billion. ING Direct now accounts for 14% of total underlying banking profits, compared with 12% a year ago.

Instilling a performance culture

Executing our strategy successfully and accelerating profitable growth throughout the company requires that employees understand ING s strategy and the goals of their business unit. Employees must know their role in achieving these goals and should receive regular feed-back on their performance and be rewarded accordingly. This is how ING sees a performance culture. In 2005, steps were taken at all business levels to embed a performance culture still more firmly, ranging from management change programmes and workshops to individual talent and team development initiatives.

Conclusions and ambitions

In 2005, ING managed for value and created value. We took initiatives to enhance customer satisfaction, contain costs and improve risk management and did so with good results. We continued to invest in our growth engines, which improved their performance. Action was taken to strengthen the compliance organisation and instil a performance culture throughout the organisation. In 2006, we will continue to pursue this strategy. Supported by the proper execution of our business skills and a continued focus on our growth engines, we aim to further improve return and generate profitable organic growth. As such, ING wants to reward its shareholders with a better total shareholder return than most other investments in the financial sector.

CORPORATE GOVERNANCE

Dutch Corporate Governance Code

In its corporate-governance structure and practices, ING Group uses the Dutch Tabaksblat Code as reference. In a separate document, entitled The Dutch Corporate Governance Code ING s implementation of the Tabaksblat Code for good corporate governance (available on the website of ING Group www.ing.com) ING Group sets out whether and how it applied each of the best-practice provisions of the Tabaksblat Code. The ING Group corporate governance structure as described in this document, including some deviations from the Tabaksblat Code described therein, was approved by the General Meeting of Shareholders on 26 April 2005. As a result, ING Group is considered to be in full compliance with the Code.

In 2005, ING Group applied the best-practice provisions of the Tabaksblat Code as described in the above-mentioned document, subject to the following qualifications:

- With respect to best-practice provision II.1.4 of the Tabaksblat Code regarding reporting on internal risk-management and control systems, ING Group has elected to report in accordance with the US securities regulations adopted under Section 404 of the US Sarbanes-Oxley Act (SOX). The Executive Board will add this report for the first time to the annual accounts and/or annual report for the financial year 2006.

- Mr. J.H.M. Hommen, who was appointed in the 2005 General Meeting of Shareholders as a Supervisory Board member, has more than five positions as a supervisory board member with other Dutch listed companies (which is not compliant with the best-practice provision III.3.4). Mr. Hommen has informed us he would resolve this situation in due course.

Both qualifications were approved by the General Meeting of Shareholders of 26 April 2005.

Corporate Governance Differences

Under the New York Stock Exchange s (NYSE) listing standards, ING Group as a foreign private issuer must disclose any significant ways in which its corporate-governance practices differ from those followed by US domestic companies under the NYSE listing standards. An overview of what we believe to be the significant differences between our corporate-governance practices and NYSE corporate-governance rules applicable to US companies is available on the website of ING Group (www.ing.com).

CORPORATE ORGANIZATION

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

Business Lines

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

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The following chart shows the breakdown by business line of ING s total income and total profit before tax for the year 2005. Please see Item 5. Operating and financial review and prospects , Segment Reporting for the total income and profit before tax by business line for the years ended 2005 and 2004.

2005 Total income EUR 71,152 million (IFRS-EU, excluding corporate line)

2005 Total profit before tax EUR 9,543 million (IFRS-EU, excluding corporate line)

INSURANCE EUROPE

ING Insurance Europe operates in The Netherlands, Belgium, Luxembourg, Switzerland, Spain and Central Europe, including Hungary, Greece, Poland, the Czech Republic, Slovakia, Russia and Romania. These operating companies have tailored their insurance products, investment and asset management services and pension fund services for certain target markets and distribution channels. For example, through the direct marketing channel (using the Postbank brand), ING primarily offers basic retail insurance products in the Netherlands, while other distribution channels are more suitable for selling complex products requiring more personal service and specialized advice. In addition to the direct marketing channel, distribution channels in Europe include intermediaries, branches, tied agents and franchises. ING considers the degree of personal service and specialized advice as an important factor in determining how to distribute its products and services within Europe.

The investments of ING Insurance Europe are managed by ING Investment Management Europe (ING IM Europe). ING IM Europe also manages equity, fixed income and structured investments for institutional investors and the private label investment funds sold by various ING companies, including ING Bank, ING Belgium, Postbank, Nationale-Nederlanden and third party distributors. In addition, ING IM Europe is responsible for managing the treasury activities of ING Insurance.

ING s life insurance products in Europe consist of a broad range of participating (with profit) and nonparticipating (without profit) policies written for both individual and group customers. Individual life products include a variety of endowment, term, whole life and unit linked insurance policies. In some countries, Group policies are designed to fund private pension benefits offered by a wide range of businesses and institutions as a supplement to government provided benefits. For corporate clients, customized policies are offered to meet the needs of individual employers. For small and medium sized companies, standardized policies providing specified benefit levels are offered. Meanwhile, mandatory pension fund services are mainly offered in Central Europe and Russia.

ING s non-life products include coverage for both individual and commercial/group clients for fire, automobile, disability, health-care, transport and aviation insurance, third party liability insurance and indirect premiums (incoming reinsurance premiums). In the Netherlands, the government is decreasing its role in the field of disability insurance and sick pay, possibly creating new opportunities for insurance companies to provide private-sector coverage for benefits previously provided by the Dutch government. ING offers a broad range of disability insurance products and complementary services for employers and individual professionals (such as dentists and lawyers).

INSURANCE AMERICAS

ING Insurance Americas (ING Americas) operates in four main geographic areas: Canada, the United States, Mexico, and South America. ING Americas offers various types of insurances, retirement services, including defined contribution plans and annuities, mutual funds, brokerage services and institutional products, including group reinsurance and principal protection products, as well as retail and institutional asset management.

ING Americas operates in the United States through two business segments: US Financial Services (USFS) (which includes both retail businesses and worksite and institutional-oriented businesses), and ING Investment Management (ING IM Americas).The U.S. life and non-life markets remain segmented and subject to intense competition as the overall market is growing at mid to high single digit rates. ING Americas is organized in the US by product segment to maximize the growth opportunities in each market and to aggressively manage the differing risks in each product line.

USFS, is comprised of six primary business units, which provide a wide variety of financial products and services to individuals both on a retail basis and through employers.These business units are: Retail Life Insurance, Annuities, Retirement Services (which includes Defined Contribution Pensions and Rollover/Payout business), Group Insurance, Mutual Funds and ING Advisors Network.The primary retail customer target market is the mass affluent segment, which is served by a wide range of individual insurance and investment products, including variable universal life, universal life, and term insurance, fixed and variable annuities and mutual funds. Institutional customers are served in three areas: retirement services which sells 401(k), 403(b) and 457 defined contribution plans with a target market of small case corporations (under 500 employees) and school teachers (kindergarten through 12th grade), group reinsurance, through ING Re, and principal protection products, through ING Institutional Markets. Additionally, USFS offers other services such as financial planning, investment advisory services, pension plan administrative services and trust services primarily through the approximately 8,900 financial professionals affiliated with the wholly owned broker-dealers in ING Advisors Network.

ING IM Americas manages assets in the US, Canada and Latin America focused on two primary business activities: proprietary assets and third party business. ING IM Americas manages proprietary assets for ING Americas insurance entities, investing in a diverse mix of public fixed income, private placements, commercial mortgages and alternative assets.Third party business units (mainly in the US) include mutual fund sub-advisory, institutional assets, alternative assets and managed accounts and its products are distributed through proprietary, affiliated and outside distribution channels. Assets are managed in a wide range of investment styles and portfolios including: domestic and international equity funds of various value, blend and growth styles and of small, mid- and large capitalization, domestic fixed income portfolios across the major bond market sectors, balanced portfolios, hedge funds and private equity.

Distribution channels in the US include independent producers, career agents, ING Direct, broker dealers and financial institutions as well as consultants, affiliate distribution channels, financial intermediaries and an institutional sales force for asset management products.

ING Canada focuses on risk management expertise delivered through strong manufacturing and distribution capabilities. In addition, a wealth management capability supports the distribution network. ING Canada s principal insurance products are automobile and property and liability insurance, which are marketed to individuals and businesses. ING Canada offers commercial specialty lines products. In addition to insurance operations, ING Canada also has a registered mutual fund dealer, ING Wealth Management. In 2005, ING Wealth Management ceased offering its proprietary mutual funds and now focuses on delivering financial solutions to ING clients through a number of distribution partners. Following an initial public offering in 2004 ING Group s ownership share in ING Canada was reduced to 70%. ING Canada uses independent brokers as its primary distribution channel, accounting for approximately 90% of direct premiums written. ING Canada also sells products directly to customers through the internet and by telephone through call centers in Quebec and Ontario.

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ING Americas sells life insurance, health insurance, auto, property and casualty insurance, and pension and financial services products through subsidiaries and joint venture affiliates in selected Latin American markets. Activities are concentrated on the Mexican and Chilean markets and ING Americas also has a joint venture presence in Peru and Brazil. Distribution channels in Mexico and South America include brokers and tied agents.

INSURANCE ASIA/PACIFIC

Insurance Asia/Pacific (IAP) is a line of business comprising ING Group s Asian, Australian and New Zealand insurance and asset management operations. In total, IAP has 24 wholly-owned or joint-venture businesses operating across 13 economies, including Australia, China, Hong Kong, India, Japan, Macau, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan and Thailand. The principal business unit operations are located in Australia, Japan, South Korea and Taiwan. In 2004 and 2005, these principal business unit operations represented 93% and 94% of IAP s total premium income. respectively.

An IAP regional office in Hong Kong leads, controls and supports all IAP business units in the region, ensures implementation of strategy and standards, encourages synergy both regionally and globally, and produces regional management reports to headquarters in Amsterdam.

IAP s business units offer various types of life insurance, wealth management, retail and institutional asset management products (including annuity, endowment, disability/ morbidity insurance, unit linked/ universal life, whole life, participating life, group life, accident & health, term life and employee benefits) and services. In Hong Kong and Malaysia, non-life insurance products (including employees compensation, medical, motor, fire, marine, personal accident and general liability) are also offered. Each business unit is subject to regulation by its respective insurance or investment regulatory commission, which generally requires a separate operating license and product approvals.

IAP s distribution channels include tied or career agents, independent agents, financial planners, banc assurance, telemarketing and e-business channels.

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

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WHOLESALE BANKING

ING Wholesale Banking operates in a highly competitive market. We offer a full range of products to corporates and institutions in the Benelux countries. Elsewhere we operate a more selective and focused client and product approach with a strong presence in over 40 countries worldwide. To continue to improve our market position, Wholesale Banking has three key priorities: client-focus, cross-selling and cost control. In support of these priorities ING aims for flawless execution and strong sector knowledge. These foundations underpin the implementation of a single global brand for Wholesale Banking.

In 2005 the Client Relationship Planning process, in which an account manager discusses with relevant product and sector specialists how to best serve the client, entered its second year and was extended to a wider range of Wholesale Banking clients. Senior bankers and focus sector heads provide additional knowledge to ensure we identify all opportunities we should provide to our clients.

The integration of our mid-corporate clients information in 2005 (which became part of the Wholesale Banking business in 2004) into the Wholesale Banking centralised client information system created more opportunities to service mid-corporate clients in our Benelux home market. The reorganisation and partial divestment of the NMB Heller joint venture between ING and GE Finance in 2005 paved the way for the subsequent creation of Commercial Finance, a new and more efficient division in Wholesale Banking, offering working capital and factoring solutions.

To present one face to the world and improve our overall relationship with clients, ING implemented a single global brand for Wholesale Banking in 2005. A new visual identity was introduced worldwide and a home markets advertising campaign was kicked-off. Research of the client base led to the customisation for Wholesale Banking of the ING brand values.

Our client portfolio was evaluated to ensure a stronger focus on core clients to whom we can sell more high-margin and value-creating products in accordance with our strategic alignment programme called the Target Operating Model. The model focuses on cost control as well as revenue growth, capital optimisation and improved operational efficiency. In 2005 these operations were completed in Asia, the Americas, and the UK. In Central and Eastern Europe the implementation was completed just before the end of 2005. In the home market of the Benelux the new cost control method is still in the implementation phase.

Looking ahead, in 2006 we plan to extend coverage of Client Relationship Planning and senior bankers to more clients, and place further emphasis on our cross-sell strategy. The client action plans that were started in 2005 will be assessed to further improve the quality of our service to clients and there are expected to be new initiatives in cost-discipline. We expect to increase investments in key product areas such as Financial Markets, Payments & Cash Management, Leasing and Structured Finance.

ING Real Estate

ING Real Estate has offices in Europe, the United States, Asia and Australia. ING Real Estate constitutes a unique combination of investment management, development and finance activities. Its primary aim is to make the maximum use of the global expertise in the creation of valuable products. Investment management activities are predominantly carried out for institutional investors who want to diversify their property investments. ING Real Estate Development covers the development of shopping centers, offices and residential units in response to market demand. Our finance business offers a wide range of products, from mortgages, project finance, construction finance and leasing arrangements to syndicated loans.

RETAIL BANKING

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

The Netherlands

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

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

Belgium

Besides insurance (life, non-life, employee benefits) and asset management, ING Belgium provides banking products and services to meet the needs of individuals, families, companies and institutions through a network of local head offices, 820 traditional branches and direct banking channels (fully automated branches, home banking services and call centers). ING Belgium also operates a second network, Record Bank, which provides a full range of banking products through independent banking agents and credit products through a multitude of channels (agents, brokers, vendors).

Central Europe

In Poland, ING Bank Slaski provides a full range of banking services to business and individual customers through a network of 330 branches, supported by ATMs and telephone, internet and electronic banking. Since 2004 we have opened approximately 80 fully automated outlets in Romania that provide selected banking products to individual clients.

Asia

In India, ING Vysya Bank has a network of 370 branches supported by a sales force of tied agents, who provide a full range of banking services to business and individual clients. In China, ING took a 19.9% participation in Bank of Beijing in 2005.

Private Banking

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

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ING DIRECT

ING Direct consists of a direct banking business and stand-alone credit card operations (ING Card). The direct bank is an important part of ING Group s retail strategy. The strategy of ING Direct is to be a low-cost provider of financial services in large, mature markets by offering clients good value for money and excellent service via call-centers, direct mail and the internet. The main products offered by ING Direct are saving accounts and mortgages. ING Direct also sells a focused range of financial products such as mutual funds, e-brokerage, pensions and life insurance.

ING Direct s direct bank business is active in nine countries, including Canada, Spain, Australia, France, the United States, Italy, United Kingdom, Germany, Austria, and provides services to approximately 15 million customers. Each country forms a separate business unit, with the exception of Austria which is managed by the German business unit. ING Direct s overall growth was driven mainly by the business units in Germany, Spain, Australia, France and Italy, reflecting the impact of client rate adjustments in most of these countries and continued strong commercial growth. In the United States, ING Direct maintained a high growth rate based on interest increases.

At year-end 2005 total client funds entrusted to ING Direct worldwide amounted to EUR 188 billon and total retail mortgages were EUR 55 billion. In 2005, ING Direct attracted approximately 147,000 new mortgage accounts. The percentage of mortgages versus savings accounts continues to increase. The locked in margins of the mortgages continues to contribute stability to the overall business.

ING Card aims at leveraging the extensive retail customer databases within ING Group. ING Card took over the credit card portfolios of Postbank Netherlands and ING Bank Netherlands and Belgium at the beginning of January 2004. At year-end 2005, the portfolio size amounted to 1.4 million cards. Although currently focused on the Netherlands and Belgium, ING Card has a pan-European ambition. Crucial to its strategy is to focus on marketing, business intelligence, including database marketing and analysis, and risk management.

PRINCIPAL GROUP COMPANIES

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

REGULATION AND SUPERVISION

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

In October 2005, legislation implementing the EU Directive on Market Abuse came into force in The Netherlands. This Directive sets a common framework for insider dealing and market manipulation in the EU and the proper disclosure of information to the market.

In July 2005, legislation implementing the Prospectus Directive came into force in the Netherlands. This Directive will make it easier and more cost effective for companies to raise capital throughout the EU on the basis of approval from a regulatory authority (home competent authority) in one Member State. It will reinforce protection for investors by guaranteeing that all prospectuses, wherever in the EU they are issued, provide them with the clear and comprehensive information they need to make investment decisions.

The Markets in Financial Instruments Directive (MiFID) aims to establish a comprehensive regulatory regime for the organised execution of investor transactions by stock markets, other trading systems and investment firms. In so doing, it will create a single passport for investment firms which will enable them to do business anywhere in the EU on the basis of home-country authorisation. The Directive also enables investment firms to process client orders outside regulated markets. The Directive will have to be transposed into national law by April 2007. Investment firms have to comply with it as of November 2007.

l The EU directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate, adopted in 2002, has not yet been implemented in Dutch law, and does not yet have to be applied by ING. However, ING does not expect this directive to have a material impact on its business, on its capital requirements nor on its solvency position, as it already complies with comparable national legislation for financial conglomerates.

The Dutch regulatory system for financial supervision consists of prudential supervision monitoring the soundness of financial institutions and the financial sector, and conduct-of-business supervision regulating institutions conduct in the markets. Prudential supervision is exercised by de Nederlandsche Bank (DNB), while conduct-of-business supervision is performed by the Netherlands Authority for the Financial Markets, Autoriteit Financiële Markten (AFM). The introduction of a new Financial Supervision Act is expected in the middle of 2006. This law will replace the numerous existing laws and regulations in the area of supervision, and will represent a significant adjustment in the legislation in the Netherlands to reflect market conditions. The DNB and other of our supervisory authorities have in recent periods increased their scrutiny of such matters as payment processing and other transactions under regulations governing money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures.

On January 1, 2006, most of the provisions of the new Act on the supervision of financial services (*Wet financiële dienstverlening*) has come into force. The provisions that did not come into force on January 1, 2006 will become effective in the course of this year. This Act introduces supervision on financial intermediaries and advisors and implies conduct of business rules for all distributors of financial services (advisors, intermediaries as well as providers). Supervision will be executed by the AFM.

INSURANCE

Europe

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

In Belgium, ING s insurance operations are supervised by the Banking, Finance and Insurance Commission (CBFA), created as a result of the integration of the Insurance Supervisory Authority (ISA) and the Banking and Finance Commission. Since January 1, 2004, it is the single supervisory authority for the Belgian financial sector. In other European Union countries ING s insurance operations are subject to supervision by similar supervisory authorities.

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

On the basis of the EU directives, European life insurance companies are required to maintain at least a shareholders equity level of generally 4% of insurance reserves (1% of separate account reserves), plus 0.3% of the amount at risk under insurance policies. The required shareholders equity level for Dutch non-life insurers is the greater of two calculations: one based on premiums and the other on claims. The former is base on 16% of gross premiums written for the year, the latter is based on 23% of a three-year average of gross claims.

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The European Commission, jointly with Member States, is carrying out a fundamental review of the regulatory capital regime of the insurance industry (the Solvency 2 project). Its objective is to establish a solvency system that is better matched to the true risks of insurers enabling supervisors to protect policyholders interests as effectively as possible and in accordance with common principles across the EU. The Commission has produced a Framework for Consultation setting out the policy principles and guidelines that will act as a framework for the development of the Solvency 2 regime. Work on the Solvency 2 Framework Directive is still in its preliminary stages, and adoption is not expected before mid 2007.

Americas

United States

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

ING Insurance s U.S. operations are subject to the Risk Based Capital (RBC) guidelines which provide a method to measure the adjusted capital (statutory capital and surplus plus other adjustments) that insurance companies should maintain for supervisory purposes, taking into account the risk characteristics of the company s investments and products. The RBC guidelines are intended to be a supervisory tool only, and are not intended as a means to rank insurers generally. Each of the companies comprising ING Insurance s U.S. operations was above its target and statutory minimum RBC ratios, at year end 2005.

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

Although the federal government generally does not directly regulate the insurance business, many federal laws affect the insurance business in a variety of ways, including the Federal Fair Credit Reporting Act relating to the privacy of information used in consumer reports and the USA PATRIOT Act of 2001 relating to, among other things, the establishment of anti-money laundering programs.

Canada

Our insurance businesses in Canada are subject to the various provincial and territorial laws and regulations. Regulators ensure that insurance companies have adequate capital, regulate related party transactions, approve acquisitions and changes of control, verify the risk management programs of companies under their jurisdiction and enact rules to ensure sound market conduct and suitability and professionalism of management. Automobile insurance is highly regulated and insurers must file their rates and are subject to certain rates constraints in certain provinces. Certain provinces like Ontario and Quebec also provide for accountability on the part of the insurers for the acts of the distributors in certain circumstances.

Asia/Pacific

Japan

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

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

South Korea

ING Group s South Korean insurance subsidiaries are subject to supervision by the Financial Supervisory Commission (FSC) and its executive arm, the Financial Supervisory Service (FSS). A second body, the Korean Insurance Development Institute (KIDI) advises the FSC, FSS and the Ministry of Finance and Economy on policies and systems related to life insurance and may calculate net insurance premium rates that insurance companies can apply and report such premium rates to the FSC. The KIDI must approve all new products and revisions of existing. In May 2003, the Insurance Business Act was revised to deregulate the insurance industry and to increase competition. In 2004, the FSS announced a plan to strengthen and change its supervisory policies based on the Risk Assessment and Application System (RAAS) from 2006 onwards.

Australia

The financial services activities of life insurance, investments, superannuation, general insurance and banking are currently governed by separate legislation under Australian law. The two main financial services regulators are the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). APRA is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. APRA s responsibilities include regulating capital and liquidity requirements and monitoring the management functions of product providers. APRA also requires superannuation trustees to be licenced under the Registrable Superannuation Entity Licensing regime. All relevant entities obtained their licences in January 2006. ASIC is responsible for consumer protection and market integrity across the financial systems, including the areas of insurance, banking and superannuation. From March 2004 the Corporations Act 2001, required all relevant business entities to be licenced under the Australian Financial Services Licensing regime, administered by ASIC.

Taiwan

The Financial Supervisory Commission (FSC) was established on July 1, 2004 and supervises insurance companies, banks and securities houses in Taiwan. On July 9, 2003, new solvency requirements were issued, stipulating that the paid-in capital held by Taiwanese life insurance companies must be at least 200% of their risk based capital (RBC). This applies to both local and foreign insurance companies in Taiwan; should the paid-in capital to risk capital ratio fall below 200%, the life insurance company is required to raise new funds to achieve the target. ING Group s operations in Taiwan are regulated by the Financial Supervisory Commission (FSC). In accordance with the Directions Governing Review of life Insurance Products, dated December 29, 2004 of the FSC, all insurance products are filed, reviewed and approved by the Insurance Bureau of the FSC before they are marketed.

BANKING

Wholesale Banking, Retail Banking and ING Direct

Basel II Standards

In June 2004, the Basel Committee issued the Revised Framework (Basel II) to replace the 1988 capital accord with a new capital accord. The implementation of Basel II Capital Accord is expected in the beginning of 2007 for banks opting for Standardized Approach or Foundation based Approach and 2008 for banks, like ING, opting for the Advanced Approach.

The purpose of Basel II is to lay down capital requirements that are more risk-sensitive. There is greater emphasis on internal methods of risk measurement by banks. For example, the Accord further refines the system of risk weightings and permits capital requirements to be calculated based upon internal ratings or the ratings issued by recognized rating agencies. It also adds capital requirements for operating risk to those laid down for credit risk and market risk.

The European Union has drawn up a directive, the Capital Requirement Directive (CRD), which shall apply to all European banks and investment firms. Through this European directive, Basel II will be incorporated into the EU legislation and regulations and in supervisory practice in all EU member states. The CRD was approved by the European Parliament on 28 September 2005. The European Finance ministers adopted the Directive on 11 October 2005. ING will implement the Directive as per 1 January 2008.

European Union Standards

The European Community has adopted capital adequacy supervision for credit institutions in all its member states based on the Basel guidelines. In 1989, the EC adopted the Council Directive of April 17, 1989 on the own funds of credit institutions (the Own Funds Directive), defining qualifying capital (own funds), and the Council Directive of December 18, 1989 on a capital base ratio for credit institutions (the Capital base Ratio Directive). These two directives (the EC Directives) set forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items. The EC Directives required the EU member states to transform the provisions of the Capital base Ratio Directive and the provisions of the Own Funds Directive into national law which shall be directly binding on banks operating in the member states. The EC Directives permit EU member states, when transforming the EC Directives into national law, to establish more stringent requirements, but do not permit more lenient requirements.

The EC Directives are aimed at harmonizing banking regulations and supervision throughout the EU by laying down certain minimum standards in key areas, such as capital requirements, and requiring member states to give mutual recognition to each other s standards of regulation. The concept of mutual recognition has also been extended to create the passport concept: the freedom to establish branches in, and to provide cross-border services into, other EU member states once a bank has been licensed in its home state. The Capital Adequacy Directive (CAD), was implemented in the Netherlands with effect from January 1, 1996.

The EC Directives require a bank to have a capital base ratio of own funds to risk-adjusted assets and certain off-balance sheet items of at least 8%. At least one-half of the own funds in the numerator of the ratio must be original own funds , or Tier 1 capital. The rest may be additional own funds , or Tier 2 capital. As of January 1, 1997, Tier 1 capital consists solely of paid-up share capital plus Tier 1 capital instruments, share premium accounts and certain other reserves, less a deduction for goodwill. Tier 2 capital includes revaluation reserves, value adjustments of certain assets and certain categories of long-term subordinated debt and cumulative preferred shares. The aggregate of a bank s Tier 2 capital may not exceed 50% of the bank s Tier 1 capital.

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

Our banking operations in Belgium are supervised by the CBFA Commission. Banking supervision in Germany is carried out by the German Federal Financial Supervisory Agency (BAFIN), working in co-operation with the German Central Bank (Deutsche Bundesbank). Similar authorities supervise ING s banking operations in other European Union countries, such as, the Financial Services Authority in the United Kingdom.

An EU member state credit institution is not permitted to start operations through a branch in another EU member state until it has received confirmation from its home country banking supervisory authority that the information required by the Second Directive on the Coordination of Legislation to the Taking Up and Pursuit of the Business of Credit Institutions (the Second Banking Coordination EC Directive) has been submitted to that supervisor and until, following this confirmation, a period of two months has elapsed or until, before the expiry of this period, it has received confirming information by that home country banking supervisory authority.

Americas

United States

ING Bank has a limited direct presence in the United States through the facility of the ING Bank Representative Office in New York. Although the office s activities are strictly limited to essentially that of a marketing agent of bank products and services and a facilitator (i.e., the office may not take deposits or execute any transactions), the office is subject to the jurisdiction of the State of New York Banking Department and the Federal Reserve.

A major part of our banking activities in the United States, ING Direct USA, is regulated by the Office of Thrift Supervision, a division of the United States Department of the Treasury and, to a lesser extent, by the Federal Deposit Insurance Corporation, an independent agency of the Federal government that operates under the auspices of the Federal Deposit Insurance Act, a US federal law.

Anti-Money Laundering Initiatives

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

Canada

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

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

Asia/Pacific

Australia

The Australian Prudential Regulation Authority is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. See also supervision insurance on page 24.

BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES

ING s broker-dealer entities in the United States are regulated by the Securities and Exchange Commission, the states in which they operate, and the self-regulatory organizations (e.g., the NASD and the NYSE) of which they individually are members. The primary governing statutes for such entities are the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and state statutes and regulations, as applicable. These and other laws, and the regulations promulgated thereunder, impose requirements (among others) regarding minimum net capital requirements, safeguarding of customer assets, protection and use of material, non-public (inside) information, record-keeping requirements, supervision of employee activities, credit to customers, suitability determinations in the context of recommending transactions to customers, clearance and settlement procedures and anti-money laudering standards and procedures. The rules of the self-regulatory organizations in some respects duplicate the above mentioned legal requirements, but also impose requirements specific to the marketplaces that these organizations oversee. For example, the NASD imposes requirements relating to activities by market-makers in the over-the-counter market in equity securities and the NYSE imposes requirements regarding transactions effected in its listed securities market.

Certain ING entities in the United States (including certain of its broker-dealers) also act in the capacity of a federally registered investment advisor (i.e. providing transactional advice to customers for a fee), and are governed in such activities by the Investment Advisers Act of 1940, as amended. Moreover, certain ING entities manage investment funds (such as mutual funds); the Investment Company Act of 1940, as amended, regulates the governance and activities of those funds. These laws impose record-keeping and disclosure requirements on ING in the context of such activities. Moreover, the laws impose restrictions on transactions or require disclosure of transactions involving advisory clients and the advisor or the advisors affiliates, as well as transactions between advisory clients. In addition, the Employee Retirement Income Security Act of 1974, as amended, imposes certain obligations on investment advisors managing employee plan assets as defined in this act.

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

COMPETITION

There is substantial competition in the Netherlands and in the other countries in which ING undertakes business in insurance, retail and wholesale banking, and other products and services provided. Competition is more pronounced in the mature markets of the Netherlands, the Rest of Europe, the United States, Canada and Australia than in the developing markets. In recent years, however, competition in developing markets has increased as financial institutions from mature markets have sought to establish themselves in markets perceived to offer higher growth potential. ING and all its competitors have sought to form alliances, mergers or strategic relationships with local institutions, which have become more sophisticated and competitive.

Competition with respect to the products and services provided by the Group in both mature and developing markets is based on many factors, including brand recognition, scope of distribution systems, customer service, products offered, financial strength, price and, in the case of investment-linked insurance products and asset management services, investment performance. Management believes its major competitors are the larger Dutch, other European, United States and Japanese commercial banks, insurance companies, asset management and other financial-services companies.

RATINGS

ING Groep N.V. s long-term senior debt is rated AA- (with a stable outlook) by Standard & Poor s Ratings Service (Standard & Poor s), a division of the McGraw-Hill Companies, Inc. ING Groep, N.V. s long-term senior debt is rated Aa3 (with a stable outlook) by Moody s Investors Service (Moody s).

ING Verzekeringen, N.V. s long-term senior debt is rated AA- (with a stable outlook) by Standard & Poor s and Aa3 (with a stable outlook) by Moody s.

ING Bank N.V. s long-term senior debt held a AA (with a stable outlook) rating by Standard & Poor s as of December 31, 2005. At the same date, Moody s rated ING Bank N.V. s long-term senior debt at Aa2 (with a stable outlook). Finally, ING Bank N.V. s long-term senior debt was rated AA- by Fitch Ratings, Ltd. as of December 31, 2005.

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ING Verzekeringen N.V. s short-term senior debt is rated A1+ by Standard & Poor s and Prime 1(P-1) by Moody s as of December 31, 2005

ING Bank N.V. s short-term senior debt held a rating of A1+ by Standard & Poor s and Prime-1 (P-1) by Moody s at December 31, 2005.

DESCRIPTION OF PROPERTY

In the Netherlands, ING owns a significant part of the land and buildings used in the normal course of its business. Outside the Netherlands, ING predominantly leases all of the land and buildings used in the normal course of its business. As of December 31, 2005, ING had more than 1,500 branch, representative and similar offices worldwide of which approximately 500 offices, principally branch offices, were located in the Netherlands. In addition, ING has part of its investment portfolio invested in land and buildings. Management believes that ING s facilities are adequate for its present needs in all material respects.

Item 5. Operating and financial review and prospects

The following review and prospects should be read in conjunction with the consolidated financial statements and the related Notes thereto included elsewhere herein. The consolidated financial statements have been prepared in accordance with IFRS-EU, which differs in certain significant respects from U.S. GAAP. Reference is made to Note 6 of Notes to the consolidated financial statements for a description of the significant differences between IFRS-EU and U.S. GAAP and a reconciliation of shareholders equity and net profit to U.S. GAAP. Unless otherwise indicated, financial information for ING Group included herein is presented on a consolidated basis under IFRS-EU.

FACTORS AFFECTING RESULTS OF OPERATIONS

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

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 are expected to be, curtailed in the coming years. 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.

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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. Our banking operations are exposed to fluctuations in equity markets. Given the fact that ING Bank s policy is to maintain an internationally diversified and mainly client-related trading portfolio, 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.

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 and will affect the results of the reserve adequacy testing which may result in reserve strengthening. Rising interest rates may increase the surrender of policies which may require liquidation of fixed interest investments at unfavorable market prices. This could result in realized investment losses. Our banking operations are exposed to fluctuations in interest rates. Our management of interest rate sensitivity affects the results of our banking operations. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. Both the composition of our banking assets and liabilities and the fact that interest rate changes may affect client behaviour in a different way than assumed in the internal models result in a mismatch which causes the banking operations net interest income to be affected by changes in interest rates.

Fluctuations in exchange rates

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 Japanese yen, the British pound and the Polish zloty into euros will impact our reported results of operations and cash flows from year to year. 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 ING s main foreign currencies, US dollar, Pound sterling and Polish zloty, the translation risk is managed by taking into account the effect of translation results on the Tier-1 ratio. For all other currencies the translation risk is managed within a VaR limit.

The strengthening during 2005 of most currencies against the euro had a positive impact of EUR 81 million on net profit. In 2004 exchange rates negatively influenced net profit by EUR 86 million, which was off set by a gain of EUR 188 million after tax on ING s US dollar hedge.

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For the years 2005 and 2004, 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 annual 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	
	2005	**2004**
U.S. dollar	1.2481	1.2472
Australian dollar	1.6363	1.6912
Canadian dollar	1.5104	1.6164
Pound sterling	0.6849	0.6816
Japanese yen	137.1460	133.9170
Polish zloty	4.0288	4.5326

	Year-end	
	2005	**2004**
U.S. dollar	1.1822	1.3645
Australian dollar	1.6130	1.7485
Canadian dollar	1.3750	1.6427
Pound sterling	0.6868	0.7053
Japanese yen	138.9972	139.7674
Polish zloty	3.8612	4.0899

Critical Accounting Policies

Reference is made to Note 2.1.1 Critical Accounting Policies.

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 profit before tax. Underlying profit before tax is defined as profit before tax and, excluding, as applicable for each respective segment, either all or some of the following items: profit from divested units, realized gains on divestitures, 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 profit before tax enhances the understanding and comparability of its segment performance by highlighting profit 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 on divestitures that are made to finance acquisitions as the timing of these gains 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 profit before tax is not a substitute for profit before tax as determined in accordance with IFRS-EU. ING Group s definition of underlying profit before tax may differ from those used by other companies and may change over time. For further information on underlying profit before tax as well as the reconciliation of our segment underlying profit before tax to our profit before taxation see Note 2.1.6, to our consolidated financial statements.

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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, 2005 and 2004:

	Insurance		Banking		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005(1)	2004
				(EUR millions)				
Premium income	45,758	43,617					45,758	43,617
Investment income	9,944	10,179	937	363	36	163	10,845	10,379
Interest result banking operations			9,162	8,699	95	(42)	9,067	8,741
Commission income	1,346	1,198	2,401	2,581			3,747	3,779
Other income	376	608	1,348	1,035			1,724	1,643
Total income	**57,424**	**55,602**	**13,848**	**12,678**	**131**	**121**	**71,141**	**68,159**
Underwriting expenditure	47,120	45,384					47,120	45,384
Other interest expenses	1,100	1,140			131	121	969	1,019
Operating expenses	5,195	4,746	8,844	8,795			14,039	13,541
Impairments/additions to the provision for loan losses	31	10	88	465			119	475
Total expenditure	**53,446**	**51,280**	**8,932**	**9,260**	**131**	**121**	**62,247**	**60,419**
Profit before tax	**3,978**	**4,322**	**4,916**	**3,418**			**8,894**	**7,740**
Taxation	455	850	924	859			1,379	1,709
Profit before third-party interests	**3,523**	**3,472**	**3,992**	**2,559**			**7,515**	**6,031**
Third-party interests	255	123	50	153			305	276
Net profit (attributable to shareholders)	**3,268**	**3,349**	**3,942**	**2,406**			**7,210**	**5,755**
Profit before tax	**3,978**	**4,322**	**4,916**	**3,418**			**8,894**	**7,740**
Gains/losses on divestments (2)	13	(221)	(379)	166			(366)	(55)
Profit divested units	(16)	(151)	(6)	(67)			(22)	(218)
Special items		(386)		44				(342)
Underlying profit before tax	**3,975**	**3,564**	**4,531**	**3,561**			**8,506**	**7,125**

1) The application of IAS 32, 39 and IFRS 4

from 1 January 2005 had a positive impact on ING Group s results in 2005. In total, IAS 32, 39 and IFRS 4 had a positive impact of approximately EUR 455 million on total profit before tax of ING Group, or EUR 392 million after tax. The impact on the insurance operations was approximately EUR 238 million before tax, mainly due to realised gains on the sale of bonds and the revaluation of embedded derivatives, which were offset by the absence of amortised income from gains on fixed interest securities, and negative valuation changes on fixed-income investment derivatives. The impact on the banking operations was approximately EUR

217 million before tax, mainly due to valuation adjustments on non-trading derivatives and prepayment penalties.

2) Divestments Insurance: sale of Freeler (EUR 10 million, 2005), gain IPO Canada (EUR 19 million in 2005 and EUR 249 million in 2004), sale of Life of Georgia (EUR (89) million in 2005 and EUR (28) million in 2004), sale of ING Re (EUR 20 million in 2005 and EUR (219) million in 2004), sale of Austbrokers (EUR 27 million, 2005) and sale of Australia non-life (EUR 219 million, 2004). Divestments Banking: sale of Baring Asset Management (EUR 240 million, 2005), sale of 12.8% ING Bank Slaski shares (EUR 92 million, 2005),

restructuring NMB-Heller (EUR 47 million, 2005), sale of BHF-Bank (EUR (169) million, 2004), sale Asian cash equity business (EUR (84) million, 2004) and sale of CenE Bankiers (EUR 87 million, 2004).

GROUP OVERVIEW

Total profit before tax increased EUR 1,154 million, or 14.9% from EUR 7,740 million in 2004 to EUR 8,894 million in 2005 and total underlying profit before tax increased EUR 1,381 million or 19.4% from EUR 7,125 million in 2004 to EUR 8,506 million in 2005. The increase in total profit before tax and total underlying profit before tax was driven by strong growth from Retail Banking and ING Direct as well as from Insurance Americas and Insurance Europe due to growth in retirement services and favourable results from non-life insurance. The increase in total underlying profit before tax is also impacted by the decrease in special items, from EUR 342 million in 2004 to nil in 2005. Special items in 2004

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included a gain of EUR 287 million related to the U.S. dollar hedge, a EUR 96 million gain on old reinsurance business and restructuring provisions of EUR 41 million at Wholesale Banking.

Net profit rose EUR 1,455 million, or 25.3% from EUR 5,755 million in 2004 to EUR 7,210 million in 2005. This higher growth compared with the increase in profit before tax was due to a lower effective tax rate in 2005. The effective tax rate declined to 15.5% in 2005 from 22.1% in 2004 due to a lower statutory tax rate in the Netherlands in 2005, tax-exempt gains on divestments (such as Baring Asset Management, CenE Bankiers and the IPO of ING Canada), EUR 148 million from the creation of deferred tax assets, related to net operating losses from the banking operations, and net releases from tax provisions of EUR 435 million in 2005 compared with EUR 161 million in releases in 2004.

Earnings per share attributable to equity holders of the Company increased to EUR 3.32 in 2005 from EUR 2.71 in 2004.

Currency impact

Currency rate differences had a positive impact of EUR 81 million on net profit and EUR 116 million on total profit before tax, mainly due to strengthening of the Canadian and Australian dollars, Polish zloty and South Korea won.

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital, which differs from total equity attributable to equity holders of the Company in that it excludes unrealised gains on fixed-interest investments and includes hybrid capital. On this basis, the debt/equity ratio of ING Group improved to 9.3% in 2005 compared with 11.9% at January 1, 2005 supported by growth in equity. The capital coverage ratio of ING Verzekeringen N.V. increased to 255% of E.U. regulatory requirements at the end of December 2005, compared with 204% at January 1, 2005. The Tier-1 ratio of ING Bank N.V. was 7.32% at the end of 2005, up from 6.92% on January 1, 2005, as growth in capital was partially offset by strong growth in risk-weighted assets. Total risk-weighted assets of the banking operations increased by EUR 45.6 billion, or 16.6%, to EUR 319.7 billion at December 31, 2005 from 274.1 billion as of December 31, 2004, driven by growth in all three banking business lines.

Return on Shareholders equity

The net return on shareholders equity increased to 26.6% in 2005 from 25.4% in 2004. The insurance operations reflected a 21.1% net return on equity in 2005, down from 27.0% in 2004, due to an increase in shareholders equity in 2005. The banking operations reflected an increase to 24.2% in 2005 from 15.8% in 2004.

INSURANCE OPERATIONS

Income

Total premium income increased 4.9%, or EUR 2,141 million from EUR 43,617 million in 2004 to EUR 45,758 million in 2005, mainly driven by a strong growth of life premiums increasing 5.9%, or EUR 2,169 million to EUR 39,144 million in 2005 from EUR 36,975 million in 2004, primarily related to South Korea and Japan. Premium growth was partially offset by divestments and the reclassification of some life products to investment contracts from the beginning of 2005 under IFRS 4, notably in Australia, the U.S. and Belgium, which had a total negative impact of EUR 2,053 million. Non-life premiums declined 0.4%, or EUR 28 million, from EUR 6,642 million in 2004 to EUR 6,614 million in 2005, as lower premiums in the Netherlands and Mexico offset higher premiums in Canada following the acquisition of Allianz Canada in December 2004.

Investment income declined 2.3%, or EUR 235 million to EUR 9,944 million in 2005 from EUR 10,179 million in 2004, reflecting the impact of divestments. Commission income increased 12.4%, or EUR 148 million to EUR 1,346 million in 2005 from EUR 1,198 million in 2004, mainly driven by a reclassification of products from life insurance to investment products under IFRS 4. Other income declined 38.2%, or EUR 232 million to EUR 376 million in 2005 from EUR 608 million in 2004, reflecting the impact of divestments in both periods and the gain on the U.S. dollar hedge in 2004, which offset higher profit from associates.

Underwriting Expenditure
Underwriting expenditure increased by EUR 1,736 million, or 3.8% from EUR 45,384 million in 2004 to EUR 47,120 million in 2005. The underwriting expenditure of the life insurance operations increased by EUR 1,880 million, or 4.7% , primarily attributable to an increase in profit sharing and rebates and an increase in technical provisions. The underwriting expenditure of the non-life insurance operations decreased by EUR 144 million, or 2.8%, related to lower net premiums earned and partially offset by higher claims paid. These factors resulted in an overall lower non-life claims ratio of 62.7% in 2005 compared with 63.0% in 2004, primarily attributable to the improvement in the claims ratios from the Automobile and General Liability product lines.

Expenses
Operating expenses from the insurance operations increased 9.5%, or EUR 449 million to EUR 5,195 million in 2005, from EUR 4,746 million in 2004, due to increased costs to support the ongoing growth of the business, particularly in Asia, as well as the impact (EUR 30 million) of a new collective labour agreement in the Netherlands, investments in IT infrastructure, and start-up costs for a new distribution channel in Canada. The efficiency ratios for the life insurance operations improved as both premium and asset growth outpaced the growth in expenses. Expenses as a percentage of assets under management for investment products improved to 0.82% in 2005 compared with 0.86% in 2004. Expenses as a percentage of premiums for life products improved to 13.28% in 2005 from 13.52% in 2004. The cost ratio for the non-life operations deteriorated slightly to 31.9% in 2005 from 30.6% in 2004, driven by higher costs related to the purchase of Allianz Canada in December 2004.

Profit before tax and net profit
Total profit before tax from insurance declined 8.0%, or EUR 344 million, to EUR 3,978 million in 2005 from EUR 4,322 million in 2004. This decline was impacted by the divestments which resulted in a loss of EUR 13 million in 2005 and a gain of EUR 221 million in 2004. Divested units contributed EUR 16 million to profit before tax in 2005 and EUR 151 million in 2004. Results in 2004 also included a gain of EUR 290 million from the U.S. dollar hedge and a gain of EUR 96 million from old reinsurance activities as special items, compared to nil recorded as special items in 2005. Net profit from insurance was 2.4%, or EUR 81 million lower at EUR 3,268 million in 2005 from EUR 3,349 million in 2004. This decrease is related to an increase in third party interests in 2005 to EUR 255 million from EUR 123 million in 2004, partially offset by the decrease of the effective tax rate from 19.7% in 2004 to 11.4% in 2005 due to tax-exempt gains on divestments, a lower statutory tax rate in the Netherlands and releases of tax provisions of EUR 435 million , primarily related to the conclusions of the tax administration on reviews of certain provisions in the Netherlands and the results of an IRS audit in the Americas.

Underlying profit before tax
Underlying profit before tax from the insurance operations increased by 11.5%, or EUR 411 million to EUR 3,975 million in 2005 from EUR 3,564 million in 2004. ING s insurance operations continued to benefit from strong growth in retirement services and life insurance in developing markets, higher investment results and a favourable claims environment for the non-life insurance businesses. Underlying profit before tax from life insurance increased 7.4%, or EUR 184 million from EUR 2,498 million in 2004 to EUR 2,682 million in 2005, driven by the U.S., Central Europe, South Korea and the Netherlands, supported by higher sales, growth in assets under management and investment gains. This growth was somewhat offset by the reserve strengthening in Taiwan, and lower capital gains on equities in 2005 compared to 2004, EUR 388 million and EUR 590 million, respectively. The non-life operations in the Netherlands, Belgium and Canada continued to benefit from a historically low claims ratio, which helped to drive underlying profit from non-life insurance up 21.3%, or EUR 227 million from EUR 1,066 million in 2004 to EUR 1,293 million in 2005.

Embedded value
The embedded value of ING s life insurance operations increased 22.9%, or EUR 5,135 million to EUR 27,586 in 2005 from EUR 22,451 in 2004, including net dividends of EUR 474 million and EUR 1,049 million paid to the Group in 2005 and 2004, respectively. The figures are calculated in accordance with European Embedded Value principles issued by the CFO Forum, a group representing the chief financial officers of major European insurers. In addition to the value attributable to new business and the unwinding of the discount rate, significant contributions to the increase in embedded value came from favourable experience variances and currency movements, changes to

discount rates, and the

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investment return on free surplus. That was partially offset by changes in economic assumptions, particularly in Asia/Pacific, due to revised new money assumptions in Taiwan. Continued focus on value creation led to a 27.4%, or EUR 173 million increase in the value of new business to EUR 805 million in 2005 from EUR 632 million in 2004, driven by improved pricing margins, higher sales, and a more profitable product mix in the U.S. and Asia/Pacific. Central Europe and Asia/Pacific both generated particularly strong growth in 2005, indicating the strong future earnings potential of the businesses in both regions.

BANKING OPERATIONS

Income

Total income from banking increased 9.2%, or EUR 1,170 million to EUR 13,848 million in 2005 from EUR 12,678 million in 2004, mainly due to strong growth in savings and mortgage lending as well as increased investment income.

Total interest result increased 5.3%, or EUR 463 million to EUR 9,162 million in 2005 from EUR 8,699 million in 2004, driven by strong growth in savings and mortgage lending at Retail Banking and ING Direct, as well as increased prepayment penalties as customers refinanced their mortgages to take advantage of low interest rates. This increase was partially offset by lower interest results in Wholesale Banking due to margin pressure and a decline in volumes as the business focused on cross-selling fee products and limiting growth in risk-weighted assets. The implementation of IAS 32 and IAS 39 in 2005 had a negative impact of approximately EUR 70 million on the interest result in 2005.

Investment income increased sharply to EUR 937 million in 2005 from EUR 363 million in 2004, primarily due to EUR 379 million in gains recognized on divestments in 2005 and a loss of EUR 166 million recognized from divestments in 2004. The increase was also due to gains recognized on equity investments mainly in Belgium and the Americas in 2005, and EUR 60 million of realised gains recognized on the sale of bonds, which was partially offset by decreased income earned from investment properties.

Commission income declined 7.0%, or EUR 180 million to EUR 2,401 million in 2005 from EUR 2,581 million in 2004, primarily related to the impact of divestments, which was partially offset by higher management fees (mainly from ING Real Estate) and higher commission fees from the securities business, funds transfers and brokerage and advisory fees.

Other income rose 30.2%, or EUR 313 million from EUR 1,035 million in 2004 to EUR 1,348 million in 2005, primarily related to a EUR 226 million positive valuation result on non-trading derivatives in 2005. The proportional (50%) consolidation of Postkantoren BV in the Netherlands starting in 2005, which had no impact on total profit, added EUR 168 million to Other income. The share of profit from associates increased by EUR 106 million from EUR 34 million in 2004 to EUR 140 million in 2005, mainly due to associates at ING Real Estate. The result of the trading portfolio decreased by EUR 205 million or 32.7% from EUR 626 million in 2004 to EUR 421 million in 2005, partly due to a reclassification of interest-related components from trading results to interest results.

Expenses

Total operating expenses increased 0.6%, or EUR 49 million to EUR 8,844 million from EUR 8,795 million in 2004 due to increased labour costs and one-off expenses and divestments which largely offset the impact of consolidations (Postkantoren B.V. and Mercator Bank) in 2005. One-off expenses of EUR 255 million include EUR 47 million for restructuring the Operations & IT activities in the Benelux, EUR 27 million for accelerated software depreciation, EUR 78 million for impairments on development projects at ING Real Estate and EUR 103 million for provisions, mainly related to Williams de Broë, recorded in Belgium. An additional EUR 168 million is related to the consolidation of 50% of Postkantoren BV in 2005. The remaining increase was driven by continued strong growth of ING Direct, the acquisition of Mercator Bank in Belgium, investments to expand the retail banking activities in Romania, Poland and India, as well as higher IT costs. Personnel expenses increased, particularly in the Netherlands as a result of the new collective labour agreement; however that was largely offset by a net release of EUR 119 million in provisions for employee benefits following healthcare and pension legislative changes in the Netherlands. The total cost/income ratio of the banking operations improved to 63.9% in 2005 from 69.4% in 2004.

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Addition to the provision for loan losses

The total addition to the provision for loan losses in 2005 was EUR 88 million compared to EUR 465 million in 2004, a decrease of 81.1% or EUR 377 million. The additions to the provision for loan losses were exceptionally low due to an improvement in the credit portfolio, the release of loan loss provisions previously recorded, the absence of new large defaults and improvements in risk management. As a percentage of average credit-risk-weighted assets, the addition in 2005 equalled 3 basis points compared with 18 basis points in 2004.

Profit before tax and net profit

Total profit before tax increased 43.8%, or EUR 1,498 million to EUR 4,916 million in 2005 from EUR 3,418 million in 2004. Divestments had a positive impact on profit before tax in 2005, including EUR 379 million in realised gains on divestments compared with a loss of EUR 166 million in 2004. Divested units contributed EUR 6 million to profit in 2005 and EUR 67 million in 2004. Net profit from banking rose 63.8%, or EUR 1,536 million from EUR 2,406 million in 2004 to EUR 3,942 million in 2005. This increase is related to the change in the effective tax rate which declined to 18.8% in 2005 from 25.1% in 2004 due to tax-exempt gains on divestments, a lower statutory tax rate in the Netherlands, non-taxable gains on equities mainly in Belgium, a release of EUR 35 million from the tax provisions, and a EUR 148 million deferred tax asset related to net operating losses in the U.S. in 2005.

Underlying profit before tax

ING s banking businesses had a strong increase in profit in 2005 driven by solid growth in income at ING Direct and Retail Banking and historically low additions to the provision for loan losses. Underlying profit before tax rose 27.2%, or EUR 970 million to EUR 4,531 million in 2005 from EUR 3,561 million in 2004. Growth was driven by increased savings and strong demand for mortgages at both Retail Banking and ING Direct. Profit was also supported by the sale of equity investments and a positive impact on balance from the implementation of IAS 32 and IAS 39. Underlying profit before tax in 2004 included special items related to a restructuring provision of EUR 41 million for the International Wholesale Banking network, compared to no special items reported in 2005.

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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, 2005 and 2004:

	2005	2004
	(EUR billions, except amounts per share)	
Investments	324.6	276.3
Loans and advances to customers	439.2	330.5
Total assets	1,158.6	876.4
Insurance and investment contracts		
Life	232.1	205.5
Nonlife	12.8	11.4
Investment contracts	18.6	
Total insurance and investment contracts	263.5	216.9
Customer deposits and other funds on deposits (1)	465.7	349.2
Debt securities in issue/other borrowed funds	113.5	102.7
Total liabilities (including third-party interests)	1,121.9	852.3
Shareholders equity	36.7	24.1
Shareholders equity per Ordinary share (in EUR)	16.96	12.95

(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.

Total assets increased by 32.2% in 2005 to EUR 1,158.6 billion, mainly due to increased fixed income investments, loans and advances to customers and customer deposits and other funds on deposits. Investments increased by EUR 48.3 billion, or 17.5%, to EUR 324.6 billion in 2005 from EUR 276.3 billion in 2004, representing an increase of EUR 32.0 billion in insurance investments and an increase of EUR 15.9 billion in banking investments of which EUR 9.4 billion was attributable to ING Direct.

Loans and advances to customers increased by EUR 108.7 billion, or 32.9%, rising to EUR 439.2 billion at the end of December 2005 from EUR 330.5 billion at the end of December 2004. Loans and advances to customers of the insurance operations rose EUR 2.2 billion. Loans and advances of the banking operations increased by EUR 104.4 billion, of which approximately EUR 40 billion was due to the effects of IAS 32 and IAS 39 in 2005. The increase was also impacted by the Netherlands operations (increase of EUR 25.7 billion) and the international operations (increase of EUR 37.6 billion). ING Direct contributed EUR 24.7 billion to the increase, of which EUR 21.0 billion was due to personal lending.

Shareholders equity increased by 52.6% or EUR 12,667 million to EUR 36,736 million at December 31, 2005 compared to EUR 24,069 million at December 31, 2004. Net profit from the year 2005 added EUR 7,210 million to equity, revaluations added EUR 1,626 million, exchange rate differences added EUR 2,067 million and adjustments related to the implementation of IAS 32 and IAS 39 and IFRS 4 added EUR 4,103 million, offset by EUR 657 million in realized capital gains that were released through the profit and loss account and the cash dividend of EUR 2,461 million.

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SEGMENT REPORTING

ING Group s segments are based on the management structure of the Group, which is different from its legal structure. The following table sets forth the contribution of our six business lines to our underlying profit before tax for each of the years 2004 and 2005:

2005	**Insurance Europe**	**Insurance Americas**	**Insurance Asia/Pacific**	**Wholesale Banking**	**Retail Banking**	**ING Direct**	**Other(1)**	**Total Group**
(EUR millions)								
Total income	16,045	28,036	13,199	5,957	5,796	2,119	(11)	71,141
Total expenditure	14,014	26,095	12,721	3,358	3,919	1,502	638	62,247
Profit before tax	**2,031**	**1,941**	**478**	**2,599**	**1,877**	**617**	**(649)**	**8,894**
Gains/losses on divestments	(10)	50	(27)	(317)	(62)			(366)
Profit before tax from divested units		(12)	(4)	(6)				(22)
Special items								
Underlying profit before tax	**2,021**	**1,979**	**447**	**2,276**	**1,815**	**617**	**(649)**	**8,506**

2004	**Insurance Europe**	**Insurance Americas**	**Insurance Asia/Pacific**	**Wholesale Banking**	**Retail Banking**	**ING Direct**	**Other(1)**	**Total Group**
Total income	16,041	28,084	10,490	5,871	5,062	1,709	902	68,159
Total expenditure	14,418	26,392	9,734	3,926	3,887	1,274	788	60,419
Profit before tax	**1,623**	**1,692**	**756**	**1,945**	**1,175**	**435**	**114**	**7,740**
Gains/losses on divestments		(2)	(219)	166				(55)
Profit before tax from divested units		(89)	(62)	(60)	(7)			(218)
Special items	(11)			41			(372)	(342)
Underlying profit before tax	**1,612**	**1,601**	**475**	**2,092**	**1,168**	**435**	**(258)**	**7,125**

(1) Other mainly includes items not directly attributable to

the business
lines and
intercompany
relations

Refer to Note 2.1.6, to the consolidated financial statements for further disclosure of our segment reporting.

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INSURANCE EUROPE

	2005	2004
	(EUR millions)	
Premium income	10,702	11,369
Investment income	4,583	4,172
Commission and other income	760	500
Total income	**16,045**	**16,041**
Underwriting expenditure	11,644	12,327
Other interest expenses	481	322
Operating expenses	1,870	1,768
Investment losses	19	1
Total expenditure	**14,014**	**14,418**
Profit before tax	2,031	1,623
Gains/losses on divestments	(10)	
Special items		(11)
Underlying profit before tax	**2,021**	**1,612**

Income

Total premium income declined 5.9%, or EUR 667 million to EUR 10,702 million in 2005 from EUR 11,369 million in 2004, due to the reclassification of some products from life insurance to investment contracts under IFRS 4, which had a negative impact of EUR 761 million, as well as a decline in non-life premiums in the Netherlands. Non-life premium income declined 2.8%, or EUR 57 million to EUR 2,007 million from EUR 2,064 million in 2004, due to premium refunds resulting from the new long-term disability laws in the Netherlands which took effect in 2006. Investment income increased 9.9%, or EUR 411 million from EUR 4,172 million in 2004 to EUR 4,583 million in 2005, supported by pre-payment penalty fees, capital gains on bonds and private equity investments. Commission and other income increased 52.0%, or EUR 260 million to EUR 760 million in 2005 from EUR 500 million in 2004, due to higher profits from associates in real estate funds and private equity.

Expenses

Operating expenses rose 5.8%, or EUR 102 million to EUR 1,870 million in 2005 from EUR 1,768 million in 2004 primarily due to an increase of EUR 30 million related to the new collective labour agreement in the Netherlands, EUR 39 million in severance costs at Nationale-Nederlanden and EUR 23 million for streamlining the IT organisation at NN and RVS, the Dutch tied agents company of ING. This increase was partially offset by a release of EUR 47 million from provisions for employee benefits following healthcare and pension legislative changes in the Netherlands. Operating expenses in Belgium and Central Europe declined as a result of cost containment programmes. Expenses as a percentage of assets under management improved from 1.06% to 0.93% and expenses as a percentage of life premiums deteriorated from 20.99% to 23.38%.

Profit before tax

Profit before tax included a gain of EUR 10 million from the sale of the internet provider Freeler in 2005, and a gain of EUR 11 million on old reinsurance business in 2004. Including those items, total profit before tax rose 25.1%, or 408 million to EUR 2,031 million in 2005 from EUR 1,623 million in 2004.

Underlying profit before tax

Underlying profit before tax from Insurance Europe rose 25.4%, or EUR 409 million from EUR 1,612 million in 2004 to EUR 2,021 million in 2005, driven by life insurance in the Netherlands and Central Europe as well as strong underwriting results at the non-life businesses in the Netherlands and Belgium. Underlying profit from life insurance rose 22.2%, or EUR 290 million to EUR 1,597 million in 2005 from EUR 1,307 million in 2004, led by a 48.3% increase in life results from Central Europe, primarily in Poland and Hungary, and a 20.0% increase in the life results in the Netherlands Underlying

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profit from non-life insurance rose 39.0%, or EUR 119 million from EUR 305 million in 2004 to EUR 424 million in 2005, supported by strong underwriting results and releases of provisions caused by the introduction of a new long-term disability act in 2006.

Insurance Europe 2005 Underlying Profit before Tax by Geographic Region

Insurance Europe Underlying Profit before Tax for Life and Non-Life Business by Geographic Region

In EUR millions

1) Belgium includes underlying profit before tax from Luxembourg.

2) Central Europe includes Poland, Hungary, Czech Republic, Slovakia, Romania, Bulgaria, Greece and Russia.

3) Underlying profit before tax by geographic region in 2004 is as follows: Netherlands EUR 1,290 million (life EUR 1,017 million and non-life EUR 273 million), Belgium EUR 143 million (life EUR 122 million and non-life EUR 21 million), Central Europe & Spain EUR

179 million (life
EUR
168 million and
non-life EUR
11 million).

Netherlands

In the Netherlands, underlying profit before tax increased 23.2%, or EUR 299 million to EUR 1,589 million in 2005 from EUR 1,290 million in 2004, as higher investment income more than offset growth in expenses related to the new collective labour agreement and actions to improve customer satisfaction and efficiency. Results included a EUR 151 million revaluation of non-trading derivatives, EUR 83 million higher results from real estate investment from EUR 419 million in 2004 to EUR 502 million in 2005 and EUR 94 million higher results from private equity from EUR 37 million in 2004 to EUR 131 million in 2005, as well as a EUR 98 million release of disability provisions triggered by the introduction of a new long-term disability act in 2006.

Underlying profit before tax from the life insurance businesses rose 20.0%, or EUR 203 million from EUR 1,017 million in 2004 to EUR 1,220 million in 2005 driven by higher investment income and an improved morbidity result due to the release of disability provisions. Life premium income declined 6.4%, or EUR 374 million from EUR 5,823 million in 2004 to EUR 5,449 million in 2005, mainly due to lower acquisition of group life contracts, the reclassification of insurance contracts to investment contracts under IFRS 4, and lower single-premium sales due to enhanced pricing discipline to improve profitability.

Underlying profit before tax from the non-life insurance businesses increased 35.2%, or EUR 96 million from EUR 273 million in 2004 to EUR 369 million in 2005, driven by higher results from real estate and private equity investments as well as actuarial provision releases. Non-life premiums declined 3.0% to EUR 1,642 million, a decrease of EUR 51 million compared to EUR 1,693 million in 2004 largely attributable to premium refunds in loss of income/accident insurance due to the new long-term disability act. This decrease was partially offset by higher fire insurance premiums following a premium rate adjustment.

Belgium

In Belgium, underlying profit before tax from insurance rose 21.7%, or EUR 31 million from EUR 143 million in 2004 to EUR 174 million in 2005, mainly due to a sharp increase in results from non-life

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insurance, which rose EUR 27 million, or 128.6% to EUR 48 million in 2005 from EUR 21 million, driven by favourable claims development, primarily in fire, health and loss of income/accident insurance, as well as decreased operating expenses. Underlying profit before tax from life insurance, including Luxembourg, increased 3.3%, or EUR 4 million to EUR 126 million in 2005 from EUR 122 million in 2004, as a decline in operating expenses compensated for higher lapses and lower management/entrance fees. Excluding the reclassification of products from life insurance to investment products under IFRS 4, which had a negative impact of EUR 761 million, life premium income increased 20.4%, to EUR 1,630 million in 2005 from EUR in 1,354 million in 2004, due to strong sales of universal life products.

Central Europe & Spain

In Central Europe & Spain, underlying profit increased 44.1%, or EUR 79 million to EUR 258 million in 2005 from EUR 179 million in 2004, driven by a 48.3% increase in life results in Central Europe to EUR 251 million. Poland, Hungary, Greece, Spain and Romania all showed strong growth in life and pensions, driven by higher premiums and lower operating expenses. Life premium income rose 18.3%, or EUR 250 million from EUR 1,367 million in 2004 to EUR 1,617 million in 2005 driven by high sales of unit-linked products in Hungary and universal life products in Poland and Greece.

US GAAP

US GAAP profit before tax is EUR 446 million higher than IFRS-EU profit before tax of EUR 2,031 million in 2005. The difference between US GAAP and IFRS-EU profit before tax in 2005 is primarily attributable to EUR 147 million for the alignment of the US GAAP reporting with the change in loan loss provision estimation process on adoption of IFRS-EU in 2005; EUR 686 million in 2005 compared to EUR 185 million in 2004 for the reversal of IFRS-EU hedge accounting; EUR (112) million in 2005 compared to EUR 17 million in 2004 related to differences in debt securities valuation; and EUR (290) million in 2005 primarily related to the underlying IFRS-EU and US GAAP differences within the associates accounting for real estate, which became a significant reconciling item in 2005 due to changes in the property investment portfolio. For an explanation of the differences between IFRS-EU and US GAAP please refer to Note 2.4.1 of the consolidated financial statements.

INSURANCE AMERICAS

	2005	**2004**
	(EUR millions)	
Premium income	22,744	22,761
Investment income	4,387	4,502
Commission and other income	905	821
Total income	**28,036**	**28,084**
Underwriting expenditure	23,597	24,058
Other interest expenses	98	118
Operating expenses	2,397	2,202
Investments losses	3	14
Total expenditure	**26,095**	**26,392**
Profit before tax	1,941	1,692
Gains/losses on divestments	50	(2)
Profit before tax from divested units	(12)	(89)
Underlying profit before tax	**1,979**	**1,601**

Income

Premium income was flat at EUR 22,744 million as higher non-life premiums were partially offset by lower life premiums. Non-life premium income rose 5.1%, or EUR 220 million from EUR 4,332 million in 2004 to EUR 4,552 million in 2005, driven by a 16.8%, or EUR 372 million increase from EUR 2,213 million to EUR 2,585 million in 2005 in Canada, primarily due to the acquisition of Allianz Canada in December 2004. That growth was partially offset by lower non-life premium income in Mexico related to the auto business and from the non-renewal of certain large property & casualty contracts as the company focuses on more profitable retail market segments. Life premium income declined 1.3%, or EUR 237 million from EUR 18,429 million in 2004 to EUR 18,192 million in 2005, as a slight decline in individual life single premium and lower fixed annuity sales was partially compensated by higher sales in retirement services. Investment income declined 2.6%, or EUR 115 million from EUR 4,502 million in 2004 to EUR 4,387 million in 2005, as 2004 included the EUR 249 million gain on the ING Canada IPO as well as EUR 157 million in investment income from divested businesses. Excluding those items from 2004, investment income increased 7.3% driven by higher yields, prepayment penalty income on fixed income investments, investment gains from sales of fixed income securities, and higher private equity gains.

Expenses

Operating expenses increased 8.9%, or EUR 195 million from EUR 2,202 million in 2004 to EUR 2,397 million in 2005, due to the acquisition of Allianz Canada in December 2004 and expenses in the U.S. related to strategic initiatives and higher incentive-related benefit costs. Expenses as a percentage of assets under management for investment products were unchanged at 0.75%, while expenses as a percentage of premiums for life products improved from 13.99% in 2004 to 13.76% in 2005.

Profit before tax

Divestments resulted in a loss of EUR 50 million in 2005 (mainly Life of Georgia) compared with a gain of EUR 2 million in 2004. Divested units generated a profit before tax of EUR 12 million in 2005, compared with EUR 89 million in 2004. Including these items, total profit before tax increased 14.7%, or EUR 249 million from EUR 1,692 million in 2004 to EUR 1,941 million in 2005.

Underlying profit before tax

Underlying profit before tax from Insurance Americas increased 23.6%, or EUR 378 million from EUR 1,601 million in 2004 to EUR 1,979 million in 2005. Profit growth was driven by a 27.4%, or EUR 247 million increase in the U.S. operations underlying profit before tax from EUR 902 million in 2004 to EUR 1,149 million in 2005, led by higher results from retirement services and annuities due to higher asset levels, improved investment performance and higher margins. The Canadian business had a 35.8%, or EUR 177 million increase in underlying profit before tax from EUR 494 million in 2004 to EUR 671 million in 2005, driven by continued strong underwriting results in the non-life business, increased investment income and the operations of Allianz Canada which was acquired in December 2004. Growth in the region was moderated by losses in Latin America, underlying profit before tax declined 22.4%, or EUR 46 million to EUR 159 million in 2005 from EUR 205 million in 2004, including claims and expenses related to recent hurricanes in Mexico and the related costs to extend reinsurance coverage after the storms and reserve strengthening in the health business in Chile. Currency movements had a positive impact of EUR 46 million due to the strengthening of the Canadian dollar, and the Mexican and Chilean pesos against the euro.

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Insurance Americas 2005 Underlying Profit before Tax by Geographic Region

(1) Latin America includes Argentina, Chile, Peru and Brazil through September 30, 2005.

(2) Underlying profit before tax by geographic region in 2004 is as follows: United Sates EUR 902 million, Canada EUR 494 million, Mexico EUR 122 million and Latin America EUR 83 million.

(3) United States life insurance; Canada and Latin America mainly non-life insurance.

United States

Premium income declined 1.3%, or EUR 231 million to EUR 18,077 million in 2005 from EUR 18,308 million in 2004 as lower individual life single premium and fixed annuity sales were largely offset by higher sales in retirement services. Operating expenses increased 8.0%, or EUR 109 million, to EUR 1,468 million in 2005 from EUR 1,359 million in 2004, due to spending on strategic initiatives such as enhancements to web capabilities, costs related to implementing Sarbanes-Oxley, and higher incentive-related benefit costs and EUR 16 million of restructuring costs for the insurance and investment management businesses to enhance future profitability.

Canada

The strong underwriting results were driven by a historically low claims ratio coupled with an increase in volume from the Allianz Canada acquisition. The claims ratio improved slightly to 56.3% in 2005 from 56.6% in 2004. The cost ratio was higher in 2005 due to expenses related to the integration of the Allianz Canada business. The combined ratio deteriorated to 86.8% in 2005 from 85.1% in 2004. Premium income rose 16.8%, or EUR 372 million to EUR 2,585 million in 2005 from EUR 2,213 million in 2004 primarily due to the acquisition of Allianz Canada.

US GAAP

US GAAP profit before tax is EUR (410) million lower than IFRS-EU profit before tax of EUR 1,941 million in 2005. The difference between US GAAP and IFRS-EU profit before tax in 2005 is primarily attributable to EUR (326) million in 2005 for the write-off of goodwill related to Sul America and the reversal of goodwill on disposals compared to EUR (147) million in 2004 for impairment of goodwill in Latin America and the reversal of goodwill on disposals; EUR (17) million in 2005 compared to EUR 111 million in 2004 related to differences in debt securities valuation; EUR 203 million in 2005 compared to EUR 176 million in 2004 for the reversal of IFRS-EU hedge accounting; EUR (82) million in 2005 for deferred acquisition costs and provision for life policy liabilities, compared to EUR 23 million in 2004; and, EUR (89) million in 2005 primarily related to the underlying IFRS-EU and US GAAP differences within the associates accounting for real estate, which became a significant reconciling item in 2005 due to changes in the property investment portfolio. For an explanation of the differences between IFRS-EU and US GAAP please refer to Note 2.4.1 of the consolidated financial statements.

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INSURANCE ASIA/PACIFIC

	2005	2004
	(EUR millions)	
Premium income	12,286	9,469
Investment income	925	944
Commission and other income	(12)	77
Total income	**13,199**	**10,490**
Underwriting expenditure	11,838	9,003
Other interest expenses	8	8
Operating expenses	867	727
Investment losses	8	(4)
Total expenditure	**12,721**	**9,734**
Profit before tax	**478**	**756**
Gains/losses on divestments	(27)	(219)
Profit before tax from divested units	(4)	(62)
Underlying profit before tax	**447**	**475**

Income

Premium income rose 29.7%, or EUR 2,817 million to EUR 12,286 million in 2005 from EUR 9,469 million in 2004, led by a 32.6% increase in life premiums. The increase was driven by sharply higher sales of single-premium variable annuities in Japan, tied agency products in South Korea and short-term savings products in Taiwan. Strong premium growth rates were recorded in local currency terms in Japan (87.8%), South Korea (27.9%), Taiwan (11.3%), Malaysia (13.8%), India (141.8%), Thailand (42.6%), Hong Kong (10.8%) and China (27.2%). A reclassification of products in Australia from life insurance to investment products under IFRS 4 reduced premium income by EUR 1,051 million in 2005. Excluding the IFRS 4 change, total life premiums increased 49.7%. Non-life premium income fell 82.7% from EUR 237 million in 2004 to EUR 41 million in 2005, reflecting the sale of the Australian non-life business in the second quarter of 2004.

Investment income declined 2.0% or EUR 19 million to EUR 925 million in 2005 from EUR 944 million in 2004. However, excluding the realised gains on divestments in both years, investment income rose 24.2%, driven by growth of the investment portfolio in the region.

Commission and other income declined 115.6% to a loss of EUR 12 million in 2005 from income recognized of EUR 77 million in 2004, primarily related to losses on derivatives in Japan that are used to hedge minimum-benefit guarantees on single-premium variable annuities, as well as an unrealised loss on non-trading derivatives in South Korea. These losses were partially offset by higher fee income on wealth management products in Australia as a result of growth in assets under management and the reclassification of most products in Australia from life insurance to investment products under IFRS-EU.

Expenses

Operating expenses increased 19.3%, or EUR 140 million to EUR 867 million in 2005 from EUR 727 million in 2004, reflecting staff and salary increases to support the continuing growth of the businesses across the region, primarily in Japan and South Korea. Expenses in 2004 also benefited from the release of a EUR 30 million provision for a wage-tax assessment. Adjusted for the release of the wage-tax provision, expenses as a percentage of assets under management for investment products improved from 1.13% in 2004 to 0.93% in 2005 and expenses as a percentage of premiums for life products improved from 9.03% in 2004 to 8.35% in 2005.

Profit before tax

Divestments had a significant impact on Insurance Asia/Pacific s total profit before tax. In 2004, ING realised a gain of EUR 219 million on the sale of its 50% stake in a non-life insurance joint venture in Australia. Results in 2005 included a gain of EUR 27 million from the IPO of 90% of the shares in

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Austbrokers Holdings as ING focuses on the funds management and life insurance businesses in Australia. Including those gains and profit from the divested units, total profit before tax from Insurance Asia/Pacific declined 36.8%, or 278 million to EUR 478 million in 2005 from EUR 756 million in 2004.

Underlying profit before tax

Underlying profit before tax from Insurance Asia/Pacific declined 5.9%, or EUR 28 million to EUR 447 million in 2005 from EUR 475 million in 2004, primarily related to the reserve strengthening in Taiwan due to the continued low interest rate environment. Excluding Taiwan, underlying profit before tax in the rest of the region increased 15.8%, or 61 million to EUR 447 million in 2005 from EUR 386 million in 2004, driven by a 52.1% increase in the South Korea operations. Results in 2004 were favoured by the release of a EUR 29 million reserve for capital-guaranteed products in Australia and a EUR 30 million release of reserves for a wage-tax assessment.

Insurance Asia/Pacific 2005 Underlying Profit before Tax by Geographic Region

1) Rest of Asia includes China, India, Thailand, Indonesia, Hong Kong and Malaysia.

2) Underlying profit before tax by geographic region in 2004 is as follows: Australia and New Zealand EUR 163 million, South Korea EUR 119 million, Taiwan EUR 89 million, Japan EUR 71 million and rest of Asia EUR 33 million

3) Asia/Pacific is mainly life insurance.

Australia & New Zealand

Total underlying profit before tax increased 3.7%, or EUR 6 million to EUR 169 million in 2005 from EUR 163 million. Life premium income declined 85.2%, or EUR 1,042 million, to EUR 181 million in 2005 from EUR 1,223 million in 2004, reflecting the reclassification of the majority of products from life insurance to investment products in 2005. Operating expenses were 9.6% higher, due to provisions to resolve unit-pricing issues following an enforceable undertaking agreed with ASIC, a local regulator.

South Korea

In South Korea, underlying profit before tax rose 52.1%, or EUR 62 million to EUR 181 million in 2005 from EUR 119 in 2004, driven by higher margins due to increased volume as well as strong sales. Premium income rose 42.6%, or EUR 680 million to EUR 2,278 million in 2005 from EUR 1,598 in 2004, driven by sales of variable and universal life products as well as continued high persistency on existing contracts. Premiums were boosted by the introduction of new products, expansion of the tied agency network and new bancassurance partnerships.

Taiwan

Underlying profit in Taiwan decreased by 100% from EUR 89 million in 2004 as a result of measures taken to strengthen reserves in 2005, due to a continued low interest rate environment and assumption changes in 2005. A total charge of EUR 220 million was recorded in 2005 to strengthen reserves, compared with EUR 100 million in 2004.

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Japan

In Japan, underlying profit before tax increased 4.2%, or EUR 3 million to EUR 74 million in 2005 from EUR 71 in 2004. Profits from the single-premium variable annuity and mutual fund businesses increased due to strong growth in premiums resulting in higher fee income. Despite growth in new business and higher premiums, profits from the corporate-owned life insurance business decreased mainly due to lower investment yields from the continuing low interest rate environment and higher levels of early surrenders.

US GAAP

US GAAP profit before tax is EUR (277) million lower than IFRS-EU profit before tax of EUR 478 million in 2005. The difference between US GAAP and IFRS-EU profit before tax in 2005 is primarily attributable to the premium deficiency loss recognized in relation to the Taiwan reserves under US GAAP of EUR (386) million in 2005, offset by the reversal of certain reserve strengthening in the business line under IFRS-EU of EUR 179 million in 2005 compared to EUR 241 million in 2004 which is not allowed under US GAAP; and, EUR (106) million in 2005 for differences in debt securities valuation compared to EUR (23) million in 2004. For an explanation of the differences between IFRS-EU and US GAAP please refer to Note 2.4.1 of the consolidated financial statements.

WHOLESALE BANKING

	2005	**2004**
	(EUR millions)	
Interest result	2,928	3,272
Commission and other income	3,029	2,599
Total income	**5,957**	**5,871**
Operating expenses	3,466	3,734
Additions to the provision for loan losses	(108)	192
Total expenditure	**3,358**	**3,926**
Profit before tax	**2,599**	**1,945**
Gains/losses on divestments	(317)	166
Profit before tax from divested units	(6)	(60)
Special items		41
Underlying profit before tax	**2,276**	**2,092**

Income

Total income increased 1.5%, or EUR 86 million, to EUR 5,957 million in 2005 from EUR 5,871 million in 2004. The increase was driven by the International Wholesale Banking activities in the U.K., the Americas and Central & Eastern Europe, growth of the leasing business as well as the 16.2% increase in income from ING Real Estate, which offset the impact of divestments. Excluding divestments income rose 4.8%. Interest income declined 10.5%, or EUR 344 million, to EUR 2,928 million in 2005 from EUR 3,272 million in 2004. due to divestments and pressure on margins. Commissions and other income rose 16.5%, or EUR 430 million, to EUR 3,029 million in 2005 from EUR 2,599 million in 2004, due to higher management fees at ING Real Estate and supported by gains on the sale of equity investments and fair value changes on non-trading derivatives.

Expenses

Operating expenses declined 7.2%, or EUR 268 million, to EUR 3,466 million in 2005 from EUR 3,734 million in 2004, due entirely to the divestments of the Asian cash equities business, CenE Bankiers, portions of BHF-Bank, and Barings Asset Management. Operating expenses excluding divestments and special items increased 12.1%, due in part to one-off items reported in 2005, such as EUR 103 million in provisions recorded in Belgium, EUR 12 million in restructuring costs for initiatives to improve efficiency in the IT organisation as announced in July and November of 2005 and EUR 78 million in impairment losses on development projects at ING Real Estate. Those items were partially offset by EUR 36 million in releases of provisions for employee benefits.

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The addition to the provision for loan losses declined from EUR 192 million in 2004 to a net release of EUR 108 million in 2005, due to improvements in the credit environment and the limited inflow of large new problem loans. The Netherlands was the only region which recorded an addition to loan loss provisions in 2005 of EUR 52 million, which was offset by releases in other regions. The net release equalled a negative 7 basis points of average credit-risk-weighted assets in 2005 compared with an addition of 12 basis points in 2004.

Profit before tax

Gains on divestments contributed EUR 317 million to profit before tax in 2005 (sale Baring Asset Management, as well as the gain on the NMB Heller transaction and wholesale banking s part on the sale of ING Bank Slaski shares), while divestments in 2004 (sale Asian cash equities business, CenE Bankiers and parts of BHF-Bank) resulted in a loss of EUR 166 million. Divested units contributed EUR 6 million to profit before tax in 2005, compared with EUR 60 million in 2004. Results in 2004 also included a restructuring provision of EUR 41 million for the International Wholesale Banking network. Including those items, total profit before tax increased 33.6%, or EUR 654 million, to EUR 2,599 million in 2005 from EUR 1,945 million in 2004.

Underlying profit before tax

Underlying profit before tax from Wholesale Banking rose 8.8%, or EUR 184 million, to EUR 2,276 million in 2005 from EUR 2,092 million in 2004, driven by higher income from Structured Finance, Leasing and ING Real Estate businesses, as well as a net release of loan loss provisions due to an improved credit environment and improved risk management.

Wholesale Banking 2005 Underlying Profit before Tax by Geographic Region

1) Other, which reported a loss of EUR 50 million in 2005 and a loss of EUR 47 million in 2004, is excluded from the above table

2) Asset management primarily relates to ING Real Estate

3) Underlying profit before tax by geographic region in 2004 is as follows: The Netherlands EUR 826 million,

Belgium EUR 665 million, Rest of the World EUR 313 million and Asset Management EUR 335 million.

Netherlands

In the Netherlands, underlying profit before tax declined 4.4%, or EUR 36 million, to EUR 790 million in 2005 from EUR 826 million in 2004, as growth in income was more than offset by higher operating expenses. Total income rose 3.7%, or EUR 67 million, to EUR 1,876 million in 2005 from EUR 1,809 million in 2004, driven primarily by Structured Finance and Leasing activities, and partially offset by decreased income from the Payments & Cash Management and General Lending businesses resulting from lower margins and decreased income from the Financial Markets business. Operating expenses increased 11.8%, or EUR 109 million, to EUR 1,034 million in 2005 from EUR 925 million in 2004 due to increased expenses resulting from the collective labour agreement, the growth of the leasing business and higher IT expenses, including EUR 12 million of restructuring costs for initiatives to improve efficiency in the IT organisation as announced in 2005. The impact of the increased expenses was partly offset by the EUR 36 million release from employee benefits provisions following healthcare and pension legislative changes in the Netherlands. The addition to the provision for loan losses declined to 10 basis points of average credit-risk-weighted assets in 2005 from 12 basis points in 2004.

Belgium

In Belgium, underlying profit before tax declined 22.0%, or EUR 146 million, to EUR 519 million in 2005 from EUR 665 million in 2004, due to lower results from the Financial Markets businesses, as well as increased operating expenses primarily related to provisions Total income declined 8.1%, or EUR 119 million, to EUR 1,346 million in 2005 from EUR 1,465 million in 2004 as decreased Financial Markets results more than offset increased income from Corporate Finance & Equity Markets and Structured Finance businesses in 2005 compared to 2004. Operating expenses increased 12.8%, or EUR 101 million, to EUR 891 million in 2005 from EUR 790 million in 2004, due to EUR 103 million in provisions in 2005 mainly related to Williams de Broë. The addition to the loan loss provisions declined from 3 basis points of average credit-risk-weighted assets in 2004 to negative 17 basis points in 2005, due to a net release of EUR 64 million.

Rest of the World

In the Rest of the World, underlying profit before tax more than doubled to EUR 671 million from EUR 313 million, driven by releases of debtor provisions as well as increased income following the successful implementation of a programme to improve profitability by focusing on key clients and products. Total income rose 14.2%, or EUR 195 million, to EUR 1,566 million in 2005 from EUR 1,371 million in 2004, due to increased income from Structured Finance and Financial Markets businesses in the U.K., increased income from all product groups in the Americas, and increased income from Financial Markets businesses in Central & Eastern Europe. Operating expenses increased 3.5%, or EUR 33 million, to EUR 982 million in 2005 from EUR 949 million in 2004. The addition to the loan loss provisions was a negative 20 basis points of average credit-risk-weighted assets in 2005 compared to 23 basis points due to a release of EUR 87 million in 2005 and an addition of EUR 109 million in 2004.

ING Real Estate

Total underlying profit before tax of the asset management activities, primarily related to ING Real Estate, was EUR 346 million in 2005, an increase of 3.3% or EUR 11 million compared to EUR 335 million in 2004. Underlying profit before tax of ING Real Estate decreased 4.4%, or EUR 16 million to EUR 349 million in 2005 from EUR 365 million in 2004 primarily related to impairments on development projects in Poland and the Czech Republic of EUR 78 million, offset by higher profit from the real estate finance and investment management activities. The real estate financing activities benefited from growth in the lending portfolio and lower additions to the provision for loan losses in 2005 compared to 2004. Underlying profit before tax of the investment management activities increased due to strong growth of assets under management following the purchases of portfolios, including the Gables Residential Trust in the U.S. and the Abbey National portfolio in the U.K. and fair value property revaluations.

US GAAP

US GAAP profit before tax is EUR 8 million higher than IFRS-EU profit before tax of EUR 2,599 million in 2005. The difference between US GAAP and IFRS-EU profit before tax in 2005 is primarily attributable to EUR 190 million for the alignment of the US GAAP reporting with the change in loan loss provision estimation process on adoption of IFRS-EU in 2005; EUR (3) million in 2005 compared to EUR 206 million in 2004 for the reversal of IFRS-EU hedge accounting; EUR (115) million in 2005 compared to EUR (190) million in 2004 for differences in debt securities valuation; and, EUR (45) million in 2005 primarily related to the underlying IFRS-EU and US GAAP differences within the associates accounting for real estate, which became a significant reconciling item in 2005 due to changes in the property investment portfolio. For an explanation of the differences between IFRS-EU and US GAAP please refer to Note 2.4.1 of the consolidated financial statements.

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RETAIL BANKING

	2005	2004
	(EUR millions)	
Interest result	4,397	3,928
Commission and other income	1,399	1,134
Total income	**5,796**	**5,062**
Operating expenses	3,829	3,703
Additions to the provision for loan losses	90	184
Total expenditure	**3,919**	**3,887**
Profit before tax	**1,877**	**1,175**
Gains/losses on divestments	(62)	
Profit before tax from divested units		(7)
Underlying profit before tax	**1,815**	**1,168**

Income

Total income increased 14.5%, or EUR 734 million, to EUR 5,796 million in 2005 from EUR 5,062 million in 2004, driven mainly by increased income from mortgages and savings in the Netherlands and growth from savings, current accounts and structured notes in Belgium.,Income growth in 2005 compared to 2004 was also affected by the proportional (50%) consolidation of Postkantoren BV in the Netherlands from January 2005 (which had no impact on total profit) adding EUR 168 million to total income and the EUR 48 million loss recorded in the first quarter of 2004 on a unit-linked mortgage product in the Netherlands

Expenses

Operating expenses increased 3.4%, or EUR 126 million, to EUR 3,829 million in 2005 from EUR 3,703 million in 2004, primarily related to proportional the consolidation of Postkantoren BV, EUR 33 million in one-off costs related to the announced efficiency programme for the Operations & IT activities in the Benelux, EUR 27 million in accelerated software depreciation in the Netherlands and the impact of the new labour agreement in the Netherlands was partially offset by a release of EUR 83 million from provisions following healthcare and pension legislative changes in the Netherlands. The cost/income ratio improved to 66.1% in 2005 from 73.2% in 2004.

The addition to the provision of loan losses declined 51.1%, or EUR 94 million, to EUR 90 million in 2005 from EUR 184 million in 2004, mainly due to releases in Belgium and Poland of EUR 27 million in 2005 compared with an addition of EUR 53 million in 2004. The addition equalled 11 basis points of average credit-risk-weighted assets in 2005 compared with 25 basis points in 2004.

Profit before tax

Divestments in 2005 contributed EUR 62 million to profit before tax, representing Retail Banking s portion of the gain on the sale of a 12.8% stake in ING Bank Slaski in Poland, taking ING s stake to 75%. The divested retail banking activities of BHF-Bank contributed EUR 7 million to profit in 2004. Including those items total profit before tax rose 59.7%, or EUR 702 million, to EUR 1,877 million in 2005 from EUR 1,175 million in 2004.

Underlying profit before tax

Underlying profit before tax from Retail Banking increased 55.4%, or EUR 647 million to EUR 1,815 million in 2005 from EUR 1,168 million in 2004, driven by strong growth in savings and mortgages in the home markets of the Benelux and the impact of increased prepayment penalties on mortgages as clients refinanced to take advantage of low interest rates. The addition to the loan loss provisions declined as a result of the improved credit environment and releases in Belgium and Poland. Cost containment measures and strong income growth resulted in an improvement in the cost/income ratio in 2005 to 66.1% from 73.2% in 2004.

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Retail Banking 2005 Underlying Profit before Tax by Geographic Region

1) Mainly ING Vysya Bank, Private Banking rest of the world and the Kookmin Bank stake

2) Underlying profit before tax by geographic region in 2004 is as follows: The Netherlands EUR 1,091 million, Belgium EUR 55 million, Poland EUR 19 million and Other Retail Banking EUR 3 million

Netherlands

In the Netherlands, underlying profit before tax rose 27.1%, or EUR 296 million, to EUR 1,387 million in 2005 from EUR 1,091 million in 2004, driven by growth in mortgage lending and savings and increased income received from prepayment penalties on mortgages. The total interest margin stayed almost flat in 2005 compared to 2004 supported by the increased prepayment penalties and offset by decreased interest margins on savings and current accounts resulting from the low interest rate environment. Income increased 15.9%, or EUR 531 million, to EUR 3,866 million in 2005 from EUR 3,335 million in 2004, primarily related to the consolidation of Postkantoren BV beginning in 2005 and the inclusion of the EUR 48 million loss on the unit-linked mortgage product at Postbank in the first quarter of 2004. Operating expenses increased 11.2%, or EUR 237 million, to EUR 2,360 million in 2005 from EUR 2,123 million in 2004 due to the consolidation of Postkantoren BV, EUR 33 million in restructuring costs for the streamlining and outsourcing of ING s Operations & IT activities as announced in July and November, EUR 27 million in accelerated software depreciation, the new collective labour agreement, and partially offset by the release of EUR 83 million from provisions for employee benefits following the healthcare and pension legislative changes. The addition to the loan loss provisions was 18 basis points of average credit-risk-weighted assets in 2005 compared with 21 basis points in 2004.

Belgium

In Belgium, underlying profit before tax increased 512.7%, or EUR 282 million, from EUR 55 million in 2004 to EUR 337 million in 2005, driven by increased income due to strong growth of savings and current accounts and high sales of structured notes, as well as lower expenses and releases of loan loss provisions. Total income rose 11.9%, or EUR 152 million, to EUR 1,426 million in 2005 from EUR 1,274 million in 2004. Operating expenses declined 7.0%, or EUR 83 million, to EUR 1,100 million in 2005 from EUR 1,183 million in 2004, due to high one-off items in 2004, including provisions for litigation issues and impairments on real estate. The impact in 2005 of the acquisition of Mercator Bank in the fourth quarter of 2004 was largely offset by the sale of ING Securities Bank France and Banque Baring Brothers Suisse in 2005, which were reported under ING Belgium. The addition to the loan loss provisions was negative 8 basis points of average credit-risk-weighted assets in 2005 compared to 34 basis points in 2004 due to a EUR 11 million net release of provisions in 2005.

Poland

In Poland, underlying profit before tax from the retail banking activities of ING Bank Slaski more than doubled from EUR 19 million in 2004 to EUR 41 million in 2005 due to releases from loan loss provisions following an improvement in the quality of the lending portfolio. Risk costs turned from EUR 17 million in 2004 to a net release of EUR 16 million in 2005. Adjusted for exchange rate changes, income rose 2.0% as the growth in savings and deposits was largely offset by narrower margins and

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lower lending volumes. Operating expenses increased by 13.1% due to investments to upgrade the branch network and higher marketing costs.

US GAAP

US GAAP profit before tax is EUR 78 million higher than IFRS-EU profit before tax of EUR 1,877 million in 2005. The difference between US GAAP and IFRS-EU profit before tax in 2005 is primarily attributable to EUR 191 million for the alignment of the US GAAP reporting with the change in loan loss provision estimation process on adoption of IFRS-EU in 2005; EUR (36) million in 2005 compared to EUR (8) million in 2004 for the reversal of goodwill on disposals; and, EUR (76) million in 2005 compared to EUR 216 million in 2004 for differences in debt securities valuation. For an explanation of the differences between IFRS-EU and US GAAP please refer to Note 2.4.1 of the consolidated financial statements.

ING DIRECT

	2005	2004
	(EUR millions)	
Interest result	1,947	1,608
Commission and other income	172	101
Total income	**2,119**	**1,709**
Operating expenses	1,396	1,185
Additions to the provision for loan losses	106	89
Total expenditure	**1,502**	**1,274**
Profit before tax	**617**	**435**
Underlying profit before tax	**617**	**435**

Income

Total income rose 24.0%, or EUR 410 million, to EUR 2,119 million in 2005 from EUR 1,709 million in 2004, mainly driven by a 21.1% increase in the interest result due to the continued strong growth in funds entrusted. The total interest margin in 2005 narrowed to 0.86% from 0.98% in 2004, mainly caused by a flattening of the yield curve and the strategic decision to maintain competitive client rates in favour of stimulating business growth.

Expenses

Operating expenses rose 17.8%, or EUR 211 million, to EUR 1,396 million in 2005 from EUR 1,185 million in 2004, reflecting investments to support the continued growth of the business, notably in mortgage distribution. The cost/income ratio improved to 65.9% in 2005 from 69.3% in 2004, and the operational cost base (excluding marketing expenses) improved to 0.40% of total assets compared with 0.44% in 2004. The average number of full-time employees in 2005 rose to 6,500 from 5,300 in 2004, mainly due to expansion in Germany, the U.S. and the U.K. The addition to the provision for loan losses increased 19.1%, or EUR 17 million, to EUR 106 million in 2005 from EUR 89 million in 2004. The addition equalled 17 basis points of average credit-risk-weighted assets, down from 22 basis points in 2004 as the probability of default diminished.

Profit before tax

Profit before tax from ING Direct rose 41.8%, or EUR 182 million to EUR 617 million in 2005 from EUR 435 million in 2004, primarily driven by the continued strong growth in the euro-countries Germany, France, Spain and Italy. This increase was partially offset by a slight decline in the US operations profit before tax in 2005 compared to 2004, due to increases of deposit rates related to increases in the Federal Reserve rate and an unfavourable yield curve development.

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ING Card had a loss of EUR 16 million in 2005 compared to a loss of EUR 6 million in 2004, mainly due to increased additions to loan loss provisions and increased marketing and IT expenses.

ING Direct 2005 Profit before Tax by Geographic Region

1) Other includes: Spain, Italy, UK, France and ING Card.

2) Underlying profit before tax by geographic region in 2004 is as follows: Canada EUR 66 million, Australia EUR 60 million, United States EUR 170 million, Germany EUR 151 million and Other EUR (12) million.

US GAAP

US GAAP profit before tax is EUR 10 million higher than IFRS-EU profit before tax of EUR 617 million in 2005. The difference between US GAAP and IFRS-EU profit before tax in 2005 is primarily attributable to EUR 95 million for the alignment of the US GAAP reporting with the change in loan loss provision estimation process on adoption of IFRS-EU in 2005; and, EUR (98) million in 2005 compared to EUR (237) million in 2004 for the reversal of IFRS-EU hedge accounting. For an explanation of the differences between IFRS-EU and US GAAP please refer to Note 2.4.1 of the consolidated financial statements.

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, 2005 was EUR 11,095 million, and at December 31, 2004 EUR 10,570. The EUR 11,095 million of debt outstanding at December 31, 2005 consisted of EUR 1,261 million principal amount of 8.439% non-cumulative guaranteed trust preferred securities issued in December 2000, EUR 589 million principal amount of 6.5% perpetual subordinated debt securities issued in September 2001, EUR 659 million principal amount of 7.05% perpetual debt securities issued in July 2002, EUR 904 million principal amount of 7.20% perpetual debt securities issued in December 2002, EUR 631 million principal amount perpetual debt securities with a variable interest rate issued in June 2003, EUR 410 million principal amount of 6.20% perpetual debt securities issued in October 2003, EUR 934 million principal amount perpetual debt securities with a variable interest rate issued in 2004, EUR 496 million principal amount of 4.176% perpetual debt securities issued in 2005, EUR 574 million principal amount of 6.125% perpetual debt securities issued in 2005, EUR 837 million principal amount of 5.775% perpetual debt securities issued in 2005 and EUR 3,740 million debentures. The detail with respect to the debentures is as follows:

Interest Rate (%)	Year of issue	Due date	Balance sheet value (EUR millions)
5.0	2001	May 3, 2006	999
6.125	2000	January 4, 2011	996
6	2000	August 1, 2007	750
5.5	1999	September 14, 2009	995
			3,740

At December 31, 2005 and 2004, ING Groep N.V. also owed EUR 991 million and EUR 606 million to ING Group companies pursuant to intercompany lending arrangements. Of the EUR 991 million owed by ING Groep N.V. to ING Group companies at December 31, 2005, EUR 35 million was owed to ING Insurance companies, EUR 406 million was owed to ING Bank companies and EUR 550 million was owed to direct subsidiaries of ING Group companies, as a result of normal intercompany transactions.

At December 31, 2005 and 2004, ING Groep N.V. had EUR 5 million and EUR 460 million of cash. Dividends paid to the Company by its subsidiaries amounted to EUR 2,296 million and EUR 1,446 million in 2005 and 2004, respectively, in each case representing dividends declared and paid with respect to the reporting calander year and the prior calendar year. Of the amounts paid to the Company, EUR 1,595 million and EUR 629 million were received from ING Insurance in 2005 and 2004, respectively; EUR 700 million and EUR 817 million were received from ING Bank in 2005 and 2004 respectively, and for 2005 EUR 0 million was received from other ING Group companies. Repayments to ING by its subsidiaries amounted to EUR 0 million in 2005 and EUR 2,303 million in and 2004, respectively, of the amounts paid to the Company, EUR 0 million was received from ING Bank in 2005 and EUR 2,303 million was received from ING Bank in 2004. 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 paid-up capital and 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

Year ended December 31, 2005 compared to year ended December 31, 2004

Net cash provided by operating activities amounted to EUR 33,749 million for the year ended December 31, 2005, an decrease of 55.1% compared to EUR 75,102 million for the year ended December 31, 2004. This decrease was mainly due to a reclassification of mortgage backed securities under IFRS-EU from investments to loans and advances to customers as well as a higher cashflow employed in trading assets/liabilities. The cashflow generated through the provisions for insurance and investment contracts of EUR 21,250 million and through the customer deposits and other funds on deposit of the banking operations of EUR 62,709 million was to a large extent used for the lending and investment portfolio. The higher increase in the provisions for insurance and investment contracts of EUR 21,250 million in 2005 compared with EUR 13,244 million in 2004 mainly reflects the growth of the life business. The cashflow employed in lending, including the reclassification of mortgage backed securities, increased from a cashflow of EUR 34,737 million in 2004 to a cash outflow of EUR 62,709 million in 2005, reflecting the growth of the mortgage portfolio and corporate lending both inside and outside the Netherlands.

Net cash used in investment activities in 2005 was EUR 50,306 million, compared to EUR 72,265 million in 2004. The decrease was mainly caused by the reclassification of mortgage backed securities from investments to loans and advances to customers, included in the cashflow from operating activities. Excluding this impact both available-for-sale investments and investments for the risk of policyholders increased, reflecting the growth of the life insurance operations.

Net cash flow from financing activities was EUR 7,312 million in 2005, compared to EUR 1,079 million in 2004. The increase of EUR 6,233 million in net cash flow from financing activities mainly reflects an increase in the growth of borrowed funds and the insurance of debt securities.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2005 of EUR 3,335 million, compared to EUR11,588 million at year-end 2004, an increase of EUR 8,253 million from 2004 levels, mainly reflected in a decrease in amounts due from/to banks.

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 also Item 11. Quantitative and Qualitative Disclosure on Market Risk .

Premium income and investment income totaled EUR 45,758 million and EUR 9,944 million in 2005, EUR 43,617 million and EUR 10,179 million in 2004. 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 47,120 million, EUR 5,195 million and EUR 1,100 million in 2005 and EUR 45,384 million, EUR 4,746 million and EUR 1,140 million in.

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 the commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 2,745 million at December 31, 2005 and EUR 1,967 million at December 31, 2004.

Net cash provided by operating activities was EUR 18,058 million in 2005 and EUR 17,636 million in 2004.

Net cash used by ING Insurance in investment activities was EUR 20,554 million in 2005 and EUR 19,530 million in 2004.

Cash provided by ING Insurance s financing activities amounted to EUR 2,887 million and EUR 2,061 million in 2005 and 2004, 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 ING Americas.

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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).

At December 31, 2005 and 2004, ING Bank had EUR 969 million and EUR 10,318 million, respectively, of cash and cash equivalents.

The EUR 40,012 million decrease in the ING Bank s operating activities of EUR 17,041 million cash inflow for the year ended December 31, 2005, compared with a EUR 57,053 million cash inflow for the year ended December 31, 2004, was largely attributable to the increase of the loans and advances caused by the reclassification of the mortgage backed securities from the net cashflow from investing activities to the net cashflow from operating activities as well as the decrease of banks available on demand and the decrease of the reverse repurchases.

Net cash generated from investment activities was EUR 29,754 million cash outflow and EUR 52,726 million cash outflow in 2005 and 2004, respectively, mainly reflecting the investment in interest-earning securities exceeding the dispositions and redemptions of interest-earning securities. Investment in interest-earning securities was EUR 95,905 million and EUR 105,004 million in 2005 and 2004, respectively. Dispositions and redemptions of interest-earning securities was EUR 65,964 million and EUR 53,999 million in 2005 and 2004, respectively.

Net cash flow from financing activities amounted to EUR 2,759 million and EUR (89) million in 2005 and 2004, respectively.

The operating, investment and financing activities described above resulted in a negative net cash flow of EUR 9,954 million in 2005 and a positive net cash flow of EUR 4,238 million in 2004.

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, 2005 and 2004.

	Year ended December 31,	
	2005	**2004**
	(EUR million, other than percentages)	
Risk-Weighted Assets	319,653	274,138
Consolidated group equity:		
Tier 1 Capital	23,408	20,000
Tier 2 Capital	11,605	10,533
Tier 3 Capital	363	357
Supervisory deductions	(650)	(534)
Total qualifying capital	**34,726**	**30,356**
Tier 1 Capital Ratio	7.32%	7.30%
Total Capital Ratio (Tier 1, 2 and 3)	10.86%	11.07%

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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Off-Balance-Sheet-Arrangements
Reference is made to Note 2.1.4 Off-Balance-sheet arrangements.

	Total 2005	Less than one year	More than one year
		(EUR millions)	
Insurance operations			
Commitments concerning investments in land and buildings	128		128
Commitments concerning fixed-interest securities	1,922	1,778	144
Guarantees	237		237
Other	1,999	754	1,245
Banking operations			
Contingent liabilities in respect of:			
discounted bills	5	5	
guarantees	15,933	9,052	6,873
irrevocable letters of credit	7,436	6,760	676
other	396	367	29
	28,056	18,716	9,332
Irrevocable facilities	85,098	39,768	45,330
Total	**113,154**	**58,484**	**54,662**

Total tabular disclosure of contractual obligations
The table below shows the cash payment requirements from specified contractual obligations outstanding as of December 31, 2005:

		Payment due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(EUR millions)		
Operating lease obligations	1,341	275	375	336	355
Subordinated loans of Group Companies	14,310	1,011	2,170	2,205	8,924
Preference shares of Group companies	1,260				1,260
Debenture loans	81,241	45,057	11,180	11,180	13,824
Loans contracted	9,711	6,082	1,041	922	1,666
Loans from Credit Institutions	6,971	4,443	1,593	359	576
Insurance provisions	263,487	13,567	10,060	10,060	229,800
Total	**378,321**	**70,435**	**26,419**	**25,062**	**256,405**

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Item 6. Directors, Senior Management and Employees

SUPERVISORY BOARD

Function of Supervisory Board and its committees

The function of the Supervisory Board is to supervise the policy of the Executive Board and the general course of events in the company and its business, as well as to provide advice to the Executive Board. The Supervisory Board has three committees: the Audit Committee, the Remuneration and Nomination Committee and the Corporate Governance Committee. The organisation, powers and modus operandi of the Supervisory Board are detailed in the Supervisory Board Charter. Separate charters have been drawn up for the Audit Committee, the Remuneration and Nomination Committee and the Corporate Governance Committee. These charters are available on the ING Group website (www.ing.com). A short description of the duties for the three Committees follows below.

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, ING Verzekeringen N.V. and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements, and in monitoring the independence and performance of ING s internal and external auditors.

The Remuneration and Nomination Committee advises the Supervisory Board amongst others on the composition of the Supervisory Board and Executive Board, on the compensation packages of the members of the Executive Board and on stock-based compensation programmes for top-management, including the Executive Board.

The Corporate Governance Committee assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting thereon in the Annual Report and to the Annual General Meeting of Shareholders, and advises the Supervisory Board on improvements in respect of the foregoing.

Profile of members of the Supervisory Board

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

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

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

Reappointment of Supervisory Board members

Members of the Supervisory Board will resign from the Board at the Annual General Meeting of Shareholders held in the calendar year in which they will complete the fourth year after their most recent reappointment. As a general rule, they shall also resign at the Annual General Meeting of Shareholders in the year in which they attain the age of seventy and shall not be reappointed. The schedule for resignation by rotation is available on the ING Group website (www.ing.com). Members of the Supervisory Board may as a general rule be reappointed for two periods of four years, based on a proposal from the Supervisory Board to the Shareholders Meeting.

Ancillary positions/Conflicting interests

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

Details of transactions involving actual or potential conflicts of interest

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

Independence

Members of the Supervisory Board to whom the dependence criteria of the Tabaksblat Code do not apply and members of the Supervisory Board to whom the criteria do apply but who can explain why this does not undermine their independence, are deemed to be independent. Annually, the Supervisory Board members are requested to assess whether the Tabaksblat Code dependence criteria still do not apply and to confirm this in writing. On the basis of these criteria, all members of the Supervisory Board are to be regarded as independent as of 31 December 2005.

Remuneration and share ownership

The remuneration of the members of the Supervisory Board is set by the General Meeting of Shareholders and is not dependent on the results of the company.

Members of the Supervisory Board are permitted to hold shares and depositary receipts for shares in the company for long-term investment purposes. If any members of the Supervisory Board were granted ING option rights during their previous membership of the Executive Board, these option rights will be part of the ING option scheme. Transactions by Supervisory Board members in ING Group shares and depositary receipts for shares and ING option rights held by Supervisory Board members are subject to the ING regulations for insiders. These regulations can be downloaded from the ING Group website (www.ing.com).

Set forth below is certain information concerning the members of the Supervisory Board and the Executive Board of ING Groep N.V.

MEMBERS OF SUPERVISORY BOARD OF ING GROEP N.V.

Cor A.J. Herkströter, chairman

(Born 1937, appointed in 1998, term expires in 2006, Dutch nationality)

Chairman of the Remuneration & Nomination Committee and the Corporate Governance Committee. Former president of Royal Dutch Petroleum Company and chairman of the Committee of Managing Directors, Royal Dutch/Shell Group. Other business activities: chairman of the Supervisory Board of Koninklijke DSM N.V. (listed company). Member of the Advisory Committee, Robert Bosch GmbH. Trustee of the International Accounting Standards Committee Foundation. Chairman of the Social Advisory Council, Tinbergen Institute. Professor of International Management, University of Amsterdam. Chairman of the Advisory Committee Royal NIVRA (Netherlands Institute of Chartered Accountants). Member Committee Capital Market, Authority Financial Markets, Amsterdam.

Eric Bourdais de Charbonnière, vice-chairman

(Born 1939, appointed in 2004, term expires in 2008, French nationality)

Member of the Remuneration & Nomination Committee and the Corporate Governance Committee. Former managing director of JP Morgan and Chief Financial Officer of Michelin. Other business activities: chairman of the Supervisory Board of Michelin and member of the Supervisory Board of Thomson (listed companies).

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Luella Gross Goldberg
(Born 1937, appointed in 2001, term expires in 2007, American nationality)
Member of the Remuneration & Nomination Committee and the Corporate Governance Committee. Former member of the Board of Directors of ReliaStar Financial Corp. Other business activities: member of the Supervisory Board of each of TCF Financial Corporation, Hormel Foods Corporation, Communications Systems Inc. and Hector Communications Corporation (listed companies). Member of the Advisory Board of Carlson School of Management, University of Minnesota. Member of the Supervisory Board of the Minnesota Orchestra. Member (emerita) of the Board of Trustees, Wellesley College.

Paul F. van der Heijden
(Born 1949, appointed in 1995, term expires in 2007, Dutch nationality)
Appointment also on the recommendation of the Central Works Council. Member of the Remuneration & Nomination Committee and the Corporate Governance Committee. Rector Magnificus and professor of labour law and industrial relations at the University of Amsterdam. Other business activities: Member of the Supervisory Board of NUON N.V. and Buhrmann Nederland B.V. Crown-appointed member of the Social and Economic Council of the Netherlands. President of the ILO Governing Body, Committee on Freedom of Association (United Nations).

Claus Dieter Hoffmann
(Born 1942, appointed in 2003, term expires in 2007, German nationality)
Member of the Audit Committee. Former Chief Financial Officer of Robert Bosch GmbH. Other business activities: managing partner of H+H Senior Advisors, Stuttgart. Member of the Supervisory Board of each of EnBW AG (listed company), Bauerfeind AG and Jowat AG. Chairman of the Charlottenklinik Foundation (hospital). Chairman of the Board of Trustees (Vereinigung der Freunde) of Stuttgart University.

Jan H.M. Hommen
(Born 1943, appointed in 2005, term expires in 2009, Dutch nationality)
Member of the Audit Committee (from November 2005). Former vice-chairman and CFO of the Board of Management of Royal Philips Electronics. Other business activities: chairman of the Supervisory Board of each of Reed Elsevier and TNT N.V. (listed companies). Member of the Supervisory Board of Koninklijke Ahold N.V. (listed company). Chairman of the Supervisory Board of each of Academisch Ziekenhuis Maastricht (hospital) and Tias Business School. Chairman of the Board of Directors of Medquist Inc.

Aad G. Jacobs
(Born 1936, appointed in 1998, last term expires in 2006, Dutch nationality)
Chairman of the Audit Committee. Former chairman of the Executive Board of ING Group (retired in May 1998). Other business activities: chairman of the Supervisory Board of each of Royal Dutch Shell plc, Imtech N.V. and N.V. Verenigd Bezit VNU (listed companies). Vice-chairman of the Supervisory Board of each of SBM Offshore NV and Buhrmann N.V. (listed companies). Chairman of the Supervisory Board of Royal Johan Enschedé N.V.

Wim Kok
(Born 1938, appointed in 2003, term expires in 2007, Dutch nationality)
Former Minister of Finance and Prime Minister of the Netherlands. Other business activities: member of the Supervisory Board of each of Royal Dutch Shell plc and TNT N.V. (listed companies). Member of the Supervisory Board of KLM Royal Dutch Airlines. Chairman of the Supervisory Board of the Anne Frank Foundation. Member of the Supervisory Board of each of the Rijksmuseum, the National Ballet and the Music Theatre, Amsterdam, AGO Foundation and the Netherlands Cancer Institute, Antoni van Leeuwenhoek Hospital. Member of the Board of Start Foundation.

Godfried J.A. van der Lugt
(Born 1940, appointed in 2001, term expires in 2009, Dutch nationality)
Member of the Audit Committee (from November 2005). Former chairman of the Executive Board of ING Group (retired in May 2000). Other business activities: Chairman of the Supervisory Board of each of Siemens Nederland N.V. and Stadsherstel Amsterdam NV. Vice-chairman of the Supervisory Board

of University Medical Center Groningen (hospital). Treasurer of Vereniging Natuurmonumenten (foundation for nature conservation).

Paul J.A. Baron de Meester

(Born 1935, appointed in 1998, last term expires in 2006, Belgian nationality)

Member of the Audit Committee (until November 2005). Former member of the Board of Directors of BBL. Former chairman of the Belgian construction company Besix-Betonimmo. Other business activities: member of the Supervisory Board of each of Tessenderlo Chemie N.V. and ETEX N.V. Chairman of the International Chamber of Commerce Belgium. Chairman of the Supervisory Board of Regionaal Ziekenhuis H. Hart (hospital).

Karel Vuursteen

(Born 1941, appointed in 2002, term expires in 2006, Dutch nationality)

Former chairman of the Executive Board of Heineken N.V. Other business activities: chairman of the Supervisory Board of Petroplus International N.V. and member of the Supervisory Board of each of Akzo Nobel N.V., AB Electrolux and Henkel KGaA (listed companies). Member of the Board of Directors of Heineken Holding N.V.

Changes in the composition

Aad Jacobs and Paul Baron de Meester will retire after the 2006 Shareholders Meeting, having reached the age of 70 and 71, respectively. Cor Herkströter and Karel Vuursteen will be nominated for reappointment to the Supervisory Board in the Shareholders Meeting on 25 April 2006. Mr. Herkströter will reach the age of 70 in 2007, while Mr. Vuursteen will be eligible for reappointment for the full four-year term.

At the 2006 Shareholders Meeting Piet Klaver (born 1945, Dutch nationality) will be proposed for appointment to the Supervisory Board as of April 25, 2006.

Mr. Klaver is chairman of the Executive Board of SVH Holdings N.V. The proposed appointment of Piet Klaver is based on his international experience as Executive Board chairman of a multinational and his knowledge of international business.

EXECUTIVE BOARD

Function of the Executive Board

The Executive Board is responsible for the day-to-day management of the company and its business lines (Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct). The organisation, powers and modus operandi of the Executive Board are detailed in the Executive Board Charter, which was approved by the Supervisory Board. The Executive Board Charter is available on the ING Group website (www.ing.com).

Profile of the Executive Board

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

Remuneration and share ownership

Details of the remuneration of members of the Executive Board, including shares and/or or option rights granted to them, together with information on the policy behind such decisions, are provided, starting on page 67. Members of the Executive Board are permitted to hold shares and depositary receipts for shares in the company for long-term investment purposes. Transactions in these shares are subject to the ING regulations for insiders. These regulations are available on the ING Group website (www.ing.com).

Ancillary positions/Conflicting interests

In order to avoid potential conflicts of interest, ING Group has a policy that members of its Executive Board do not accept corporate directorships with listed companies outside ING. The only exception is the membership of Fred Hubbell of the Board of Directors of The Macerich Company in the United States, a real-estate company. He held this position already prior to his employment with ING.

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Transactions involving actual or potential conflicts of interest

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

MEMBERS OF EXECUTIVE BOARD OF ING GROEP N.V.

Michel J. Tilmant, chairman

(Born 1952, Belgian nationality)

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

Cees Maas, vice-chairman and CFO

(Born 1947, Dutch nationality)

After completing his degree in engineering physics and economics at the Erasmus University of Rotterdam in 1976, Cees Maas joined the Ministry of Finance of the Netherlands. From 1986 to 1992 he was Treasurer-General. In July 1992, he joined ING Group and became a member of the Executive Board. In July 1996, Cees Maas was appointed Chief Financial Officer. He was appointed vice-chairman of the Executive Board in April 2004. The following departments report to Cees Maas: Corporate Control & Finance, Market Risk Management, Credit Risk Management, Capital Management, Corporate Insurance Risk Management, Corporate Tax and Corporate Legal, Compliance & Security.

Eric F. Boyer de la Giroday

(Born 1952, Belgian nationality)

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

Fred S. Hubbell

(Born 1951, American nationality)

Fred Hubbell received his bachelor s degree (B.A.) from the University of North Carolina in Chapel Hill. He also has a law degree from the University of Iowa College of Law, Iowa City and attended the Harvard Graduate School of Business in Boston. He was Chief Executive Officer and President of the US life insurance company Equitable of Iowa, which was acquired by ING in 1997. Following his responsibility for the international insurance activities, he was appointed a member of the Executive Board of ING Group in May 2000. Fred Hubbell is also chairman of ING Verzekeringen N.V. (ING Insurance). He is responsible for the insurance activities in the Americas (US, Canada, Latin America) and for Nationale-Nederlanden in the Netherlands as well as ING Investment Management in both the Americas and Europe. He is also responsible for the coordination of the global activities of ING Investment Management.

Eli P. Leenaars

(Born 1961, Dutch nationality)

Eli Leenaars studied civil law at the Catholic University of Nijmegen and received an LLM from the European University Institute in Florence, Italy and attended the Harvard Graduate School of Business in Boston. After a traineeship at ABN AMRO bank, he joined ING in 1991, where he held various management positions, including chairman of ING Poland and of ING Latin America. He was appointed a member of the Executive Board of ING Group in April 2004. He is responsible for Retail Banking (Netherlands, Belgium, South-West Europe, Poland and India). He is also in charge of Operations/IT and private banking.

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Alexander H.G. Rinnooy Kan

(Born 1949, Dutch nationality)

Alexander Rinnooy Kan graduated with a doctorate degree in mathematics (cum laude) from the University of Leiden. He also holds a bachelor s degree in econometrics (cum laude) and a PhD in mathematics from the University of Amsterdam. He was awarded a honorary degree in economics from the Free University of Brussels. Since 1977, he has held various positions with the Erasmus University of Rotterdam, of which he was appointed Rector Magnificus in 1986. In 1991, he became President of the Federation of Netherlands Industries and Employers (VNO). After the merger in 1995 with the Netherlands Christian Employers Federation (NCW) he became President of VNO-NCW. In September 1996, he became a member of the Executive Board of ING Group. He is responsible for all insurance activities in Asia/Pacific and Central Europe, as well as ING Investment Management in Asia/Pacific. In addition, he is responsible for ING Real Estate, Corporate IT, Corporate Procurement and ING Global Pensions.

Hans K. Verkoren

(Born 1947, Dutch nationality)

After positions with banks before completing his degree in economics, followed after his graduation with positions at the Ministry of Finance and the Municipality of Amsterdam, Hans Verkoren began his career with ING in 1978 at the Postal Giro and National Savings Bank, which were merged into Postbank N.V. in 1986. In 1987 he was appointed in the Board of Postbank and, after the merger with NMB Bank, in the Board of NMB Postbank Group. After the merger with Nationale-Nederlanden in 1991 he remained responsible for Postbank until 1995. In that year he became responsible for consumer banking international, notably the ING Direct line of business. He was appointed a member of the Executive Board in April 2004. He is responsible for ING Direct and ING Card.

Changes in the composition

Fred Hubbell and Hans Verkoren have elected to retire from the Executive Board as of the Annual General Meeting of Shareholders on 25 April 2006. At the same meeting Alexander Rinnooy Kan will step down from the Executive Board following his appointment as chairman of the Social and Economic Council of the Netherlands (SER).

The Supervisory Board will propose appointing four new members to the Executive Board as of the Annual General Meeting of Shareholders on 25 April 2006:

Dick Harryvan (born 1953, Dutch nationality) who has been Chief Financial Officer, Chief Risk Officer and member of the Global Management Team of ING Direct since 2005.

Tom McInerney (born 1956, American nationality) who has been CEO of ING s Insurace activities in the United States (US Financial Services) since 2002.

Hans van der Noordaa (born 1961, Dutch nationality) who has been CEO of the Retail Division of ING Netherlands since 2004, a position that made him responsible for Postbank, ING Bank and RVS. Jacques de Vaucleroy (born 1961, Belgian nationality) who has been Group President, ING Retail at US Financial Services since 2004.

REMUNERATION REPORT

This chapter sets out the remuneration for the Executive Board and the Supervisory Board. The remuneration policy for the Executive Board was adopted by the Annual General Meeting of Shareholders (AGM) on 27 April 2004. In 2005 there are no changes to this policy and therefore, the approval of the AGM still applies for 2005. The Supervisory Board proposes to amend the remuneration policy with respect to the Executive Board pension scheme, which amendment is to be submitted to the AGM on 25 April 2006, so that following adoption the remuneration policy thus amended, will apply for 2006 and subsequent years.

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GENERAL POLICY SENIOR-MANAGEMENT REMUNERATION

Background

The prime objective of the remuneration policy is to enable the company to recruit and retain qualified and expert managers. The remuneration package supports a performance-driven culture that aligns ING s objectives with those of its stakeholders. ING rewards performance on the basis of previously determined, challenging, measurable and influenceable short-term and long-term targets.

ING s remuneration policy is based on five key principles that apply across ING. These principles are:

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

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

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

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

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

Remuneration structure

Total compensation throughout ING consists of three basic components: