ING GROEP NV
Form 20-F
April 20, 2007

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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, 2006

OR

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

OR

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

Commission file number 1-14642
ING GROEP N.V.
(Exact name of registrant as specified in its charter)
The Netherlands
(Jurisdiction of incorporation or organization)
ING Groep N.V.
Amstelveenseweg 500
1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
(Address of principal executive offices)
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	2,205,092,650
Bearer Depositary receipts in respect of Ordinary shares	2,204,400,319

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

Yes þ o No

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

Yes o þ No

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

Yes þ o No

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

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

Indicate by check mark which 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 þ No

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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 = $ 1.3108, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 6, 2007.

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 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.

As part of its continuous review activities on filings of companies listed in the US, the Securities and Exchange Commission (SEC) has reviewed ING Group s 2005 Form 20-F, which includes ING Group s 2005 Annual Accounts. ING is fully cooperating with this review. As of the date of this Annual Report, the review is not yet finalized.

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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.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.

	Year ended December 31,			
	2006 USD[2]	2006[3] EUR	2005[3] EUR	2004[3] EUR
	(in millions, except amounts per share and ratios)			
IFRS-EU Consolidated Income Statement Data[1]				
Income from insurance operations:				
Gross premiums written:				
Life	53,089	40,501	39,144	36,975
Non-life	8,301	6,333	6,614	6,642
Total	61,390	46,834	45,758	43,617
Commission income	2,144	1,636	1,346	1,198
Investment and & Other income	14,645	11,172	10,299	10,787
Total income from insurance operations	78,179	59,642	57,403	55,602
Income from banking operations:				
Interest income	77,681	59,262	48,342	25,471
Interest expense	65,444	49,927	39,180	16,772
Net interest result	12,237	9,335	9,162	8,699
Investment income	633	483	937	363
Commission	3,514	2,681	2,401	2,581
Other income	2,223	1,696	1,348	1,035
Total income from banking operations	18,607	14,195	13,848	12,678
Total income[4]	**96,502**	**73,621**	**71,120**	**68,159**
Expenditure from insurance operations:				
Life	63,873	48,728	47,156	44,988
Non-life	7,837	5,979	6,269	6,292
Total expenditure from insurance operations	71,710	54,707	53,425	51,280
Total expenditure from banking operations	12,046	9,190	8,932	9,260
Total expenditure[4,5]	**83,473**	**63,681**	**62,226**	**60,419**
Profit before tax from insurance operations:				
Life	4,504	3,436	2,666	2,647
Non-life	1,965	1,499	1,312	1,675
Total	6,469	4,935	3,978	4,322
Profit before tax from banking operations	6,561	5,005	4,916	3,418
Profit before tax	**13,030**	**9,940**	**8,894**	**7,440**

Taxation	2,500	1,907	1,379	1,709
Third-party interests	447	341	305	276
Net profit	**10,083**	**7,692**	**7,210**	**5,755**
Dividend on Ordinary shares	3,755	2,865	2,588	2,359
Addition to shareholders equity	6,327	4,827	4,622	3,396
Net profit attributable to equity holders of the Company	10,083	7,692	7,210	5,755
Ordinary share attributable to equity holders of the Company(6	4.68	3.57	3.32	2.71
Distributable net profit per Ordinary share(6	4.68	3.57	3.32	2.71
Net profit per Ordinary share and Ordinary share equivalent (fully diluted)(6	4.64	3.54	3.32	2.71
Dividend per Ordinary share(6	1.73	1.32	1.18	1.07
Interim Dividend	0.77	0.59	0.54	0.49
Final Dividend	0.96	0.73	0.64	0.58
Number of Ordinary shares outstanding (in millions)	2,205.1	2,205.1	2,204.9	2,204.7
Dividend pay-out ratio(7	37.0%	37.0%	35.5%	39.5%

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	2006 USD	2006	2005	2004	2003	2002
		(EUR millions)				
U.S. GAAP Consolidated Income Statement Data						
Total income	62,378	47,588	47,960	49,733	48,025	49,316
Net profit U.S. GAAP, excluding cumulative effects	8,949	6,827	6,976	6,688	4,512	3,476
Cumulative effects of changes in accounting principles				(91)		(13,103)
Net profit U.S. GAAP, including cumulative effects(8,9	8,949	6,827	6,976	6,597	4,512	(9,627)
Net profit per Ordinary share and Ordinary share equivalent(5	4.16	3.17	3.21	3.10	2.23	(5.00)

	2006 USD(2	2006(3 EUR	2005(3 EUR	2004(3 EUR
		Year ended December 31, (in billions, except amounts per share and ratios)		
IFRS-EU Consolidated Balance Sheet Data1)				
Total assets	1,607.4	1,226.3	1,158.6	876.4
Investments:				
Insurance	184.2	140.5	144.5	112.1
Banking	224.3	171.1	180.1	164.2
Total	408.5	311.6	324.6	276.3
Loans and advances to customers	621.8	474.4	439.2	330.5
Insurance and investment contracts:				
Life	311.8	237.9	232.1	205.5
Non-life	13.2	10.1	12.8	11.4
Investment contracts	27.1	20.7	18.6	
Total	352.1	268.7	263.5	216.9
Customer deposits and other funds on deposit:				
Savings accounts of the banking operations	371.1	283.1	269.4	219.4
Other deposits and bank funds	280.0	213.6	196.3	129.8
Total	651.1	496.7	465.7	349.2
Amounts due to banks	158.3	120.8	122.2	95.9
Share capital (in millions)	2,292.1	2,292.1	2,292.0	2,291.8
Shareholders equity	50.2	38.3	36.7	24.1
Shareholders equity per Ordinary share(6	23.31	17.78	16.96	12.95
Shareholders equity per Ordinary share and Ordinary share equivalent(6	23.31	17.78	16.96	12.95

	2006 USD	2006	2005	2004	2003	2002
		(EUR millions)				
U.S. GAAP Consolidated Balance Sheet Data						
Total assets	1,610.2	1,228.4	1,159.3	920.4	818.8	762.5

Shareholders equity	53.2	40.6	41.6	35.1	28.0	25.1
Shareholders equity per Ordinary share and Ordinary share equivalent(5	24.75	18.88	19.21	16.00	13.27	12.61

(1 Selected historical financial data is based on financial statements prepared in accordance with IFRS-EU and accordingly is shown for the three years subsequent to the date of transition to IFRS

(2 Euro amounts have been translated into U.S. dollars at the exchange rate of $ 1.3108 to EUR 1.00, the noon buying rate in New York City on March 6, 2007 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

(3 For the impact of divestments in 2006, 2005 and 2004 refer to Item 5. Operating and Financial Review and

Prospects .

(4 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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(5 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 .

(6 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.

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

(8 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.

(9 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 2.4.8(g) 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**
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	1.3197	1.2661	1.3327	1.1860
2007 (through March 6, 2007)(2	1.3108	1.3112	1.3286	1.2904

(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 Foreign currency translation 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 2006	1.2833	1.2648
October 2006	1.2773	1.2502
November 2006	1.3261	1.2705
December 2006	1.3327	1.3073
January 2007	1.3286	1.2904
February 2007	1.3164	1.2933
March 2007 (through March 6, 2007)	1.3182	1.3094

The Noon Buying Rate for euros on December 31, 2006 was EUR 1.00 = $ 1.3197 and the Noon Buying Rate for euros on March 6, 2007 was EUR 1.00 = $ 1.3108.

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 effect on our results of operations.

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods 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, laws, regulations and regulatory policies or the enforcement thereof that govern activities in our various business lines could have an effect on our reputation, operations and net 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 laundering, privacy, record keeping, and marketing and selling practices. Banking, insurance and other financial services laws, regulations and policies currently governing us and our subsidiaries may also change at any time in ways which have an adverse effect

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on our business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, bank regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. Regulation is becoming increasingly more extensive and complex and regulators are focusing increased scrutiny on the industries in which we operate, often requiring additional Company resources. These regulations can serve to limit our activities, including through our net capital, customer protection and market conduct requirements, and restrictions on businesses in which we can operate or invest. If we fail to address, or appear to fail to address, appropriately any of these matters, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties. Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretation or conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, or we fail to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, amongst other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition.

RISKS RELATED TO THE COMPANY

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 effect on our results of operations.

There is substantial competition in the Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking, asset management and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If we are not able to match or compete with the products and services offered by our competitors, it could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the Rest of Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors. We derived approximately 34% of our profit before tax in 2006 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 19% of our profit before tax in 2006 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, 2006, the greatest exposure after collateral to an individual reinsurer was approximately 33%, approximately 18% 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 (e.g. lapses, persistency, etc.) and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends.

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

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, 2006 had been 1% lower, these Taiwan provisions would have been inadequate at the 50% confidence interval and, consequently, an amount of approximately EUR 1.5 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 difference between the realization and the 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 and insurance books. Assumptions are used to determine insurance liabilities, the price sensitivity of savings and current accounts and to estimate the embedded optionality risk in the mortgage and investment portfolios. The realization or use of different assumptions to determine the client behaviour could have material adverse effect on the calculated risk figures and ultimately future results.

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

In the less developed markets in which we operate, judiciary and dispute resolution systems may be less developed. As a result in case of a breach of contract we may have difficulties in making and enforcing claims against contractual counterparties and, if claims are made against us, we might encounter difficulties in mounting a 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 aims to present a balance view of the product (however there is a focus on potential advantages for the customers). Whilst we engage in a due diligence process when we develop products, if the products do not generate the expected profit, or result in a loss, or otherwise do not meet expectations, customers may file claims against us. Such claims could have an adverse effect on our operations and net result.

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

Because we are a Dutch company and because the Stichting ING Aandelen holds more than 99% of our Ordinary shares, the rights of our shareholders may differ from the rights of shareholders in other jurisdictions, which could affect your rights as a shareholder.

While holders of our bearer receipts are entitled to attend and speak at the General 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, and exercises the voting rights attached to the Ordinary shares (for which bearer receipts have been issued). Holders of bearer receipts who attend in person or by proxy the General Meeting 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 exercising its voting discretion, the Trust is required to make use of the voting rights attached to the Ordinary shares in the interest of the holders of bearer receipts, while taking into account

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

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

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

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

- market expectations of the performance and capital adequacy of financial institutions in general;
- investor perception of the success and impact of our strategies;
- a downgrade or review of our credit ratings;
- potential litigation or regulatory action involving ING Group or sectors we have exposure to through our insurance and banking activities;

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

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

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

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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:

ING Groep N.V.
Amstelveenseweg 500
1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
Telephone +31 20 541 5411

Our principal U.S. office is:

ING Financial Holdings Corporation
1325 Avenue of the Americas
New York, NY 10019
United States of America
Telephone +1 646 424 6000

Mission

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

Profile

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

Strategy

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

Stakeholders

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

Corporate responsibility

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

CHANGES IN PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

Reference is made to Note 2.1. Changes in accounting principles.

CHANGES IN THE COMPOSITION OF THE GROUP

In June 2006, ING sold its U.K. brokerage unit Williams de Broë Plc for EUR 22 million. The sale is part of ING Group s strategy to focus on core businesses. The result on the sale is subject to closing adjustments. The net loss recognised in 2006 was EUR 9 million.

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In September 2006, ING sold its 87.5% stake in Deutsche Hypothekenbank AG, a publicly listed mortgage bank in Germany, as part of ING s strategy to focus on its core business. The sale resulted in a net loss of EUR 83 million.
In October 2006, ING acquired 100% of ABN AMRO Asset Management (Taiwan) Ltd, a registered Securities Investment Trust Enterprise, for EUR 65 million. The purchase will strengthen ING s existing position in asset management activities in Taiwan.
In October 2006, ING acquired 58% of Summit Real Estate Investment Trust (Summit REIT) for an amount of EUR 2,132 million. Summit REIT owns a portfolio of high-quality light industrial properties in major markets across Canada.
In December 2006, ING sold its stake in Degussa Bank, a unit of ING-DiBa specializing in worksite banking for private customers. The sale results in a net loss of approximately EUR 23 million.
For the year 2005 reference is made to Note 2.1, note 28, Principal Subsidiaries and Companies acquired/ disposed of notes to the consolidated financial statements.

RECENT DEVELOPMENTS

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

GROUP STRATEGY

Consistent implementation of strategy is paying off

- Solid increase in Total Shareholder Return

- Diversification enables active capital allocation across businesses to generate high growth and return

- Profitable growth across businesses

- Improving execution of business fundamentals

In 2006, ING created value by focusing on profitable growth and excellence in execution, which are the cornerstones of our strategy. The consistent implementation of our strategy has led to good financial results and a substantially higher total shareholder return than the average of that of our peers over the past three years.
To create shareholder value, ING focuses on increasing economic profit and we aim to manage our business in such a way that we generate returns higher than the cost of capital. To achieve this, we implemented a Managing for Value framework company-wide. This means that we keep investing in the skills of our managers at all levels in the company to identify and improve those drivers that have the biggest impact on value creation. We believe our financial position thanks to focused portfolio management over the past three years enables us to allocate our capital across businesses and client segments in such a way that it optimizes the highest growth and return.
We believe that our strong and diversified earnings capacity and returns at satisfying level in all business lines show that the consistent implementation of our strategy is paying off. ING continues to offer a solid increase in Total Shareholder Return (TSR). Amongst the peer group of 20 global financial organisations, ING ranks second with a TSR of 109% over a three-year period since 2004. This exceeds our financial objective to offer our shareholders a higher total return than the average of that of our peers over the longer term.

Benefits of a balanced business portfolio

We believe that ING is well-positioned in the financial sector with banking, insurance and asset management activities. All these activities are strong and successful in their own right. In addition, we leverage value from the combination of these activities in two ways. First, there is an increasing convergence between the banking, insurance and asset management industries in terms of saving and pension products. ING aims to capitalise on this convergence through product development and diverse sales expertise, thereby focusing on customer needs and offering them the products they need to manage their financial futures.

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Second, the Group offers risk diversification as we manage risk at the global level across banking and insurance. Increased risk diversification brings capital benefits because a lower requirement for risk-based solvency capital translates into a higher return on equity. On top of that ING centralised its capital management in 2006 in order to better balance the requirements of shareholders, rating agencies and regulators. We believe centralised risk management and centralised capital management is essential for allocating capital across the Group on the basis of economic profit criteria. This allows for greater strategic flexibility and provides the freedom to invest capital in places where it generates the highest return.

Profitable growth across businesses

We believe ING s financial results demonstrate that our underlying performance in all business lines remains strong. We were able to build on the momentum of profitable growth in 2006, both in mature and in developing markets. Examples of good performance in mature markets are our retail banking businesses in the Netherlands, with healthy growth in savings and mortgages. Also the Wholesale Banking businesses performed well in areas such as Structured Finance and lease, and ING Real Estate experienced another year of strong growth, both in profits and assets under management.

We believe that ING is well-positioned to capitalise on three fundamental trends that are globally reshaping financial services and the competition to be leaders in our industry, namely ageing, technological development and a shift of economic power from West to East. We are using these trends to drive our three growth engines: retirement services, ING Direct, and our life insurance operations in developing markets.

The 2006 results show that our growth engines continued to be on solid footing. Our retirement services business in the US had a good year which is also reflected in our market rankings. US Retirement Services maintained its number one position in the K-12 market as measured by sales and participants. It also maintained its number two position in the small corporate market.

ING Direct was able to increase profits in a very challenging interest rate environment. Our residential mortgage portfolio reached EUR 69 billion, and in terms of profit, mortgage business achieved break-even in 2006. Although there is increased competition in some markets, ING Direct continues to attract many new customers. ING Direct now accounts for 7% of ING s total underlying profit, compared with 3% in 2003. Our life insurance business in Asia/Pacific posted a 13.2% rise in the value of new business. For some years now, this business line contributes around 50% of the Group s total value of new business a clear reflection of how economic growth is shifting from West to East. In Central Europe, VNB was up 13.8%.

For long-term growth, we do not only expand existing businesses, we also invest in future organic growth opportunities, such as retail banking and insurance operations in India and Romania in 2005 and life insurance activities in Bulgaria and Russia in 2006.

On top of the above, increased returns and profitable growth are also very much related to the proper execution of business fundamentals. This means we continue to focus on offering exemplary customer service, as well as focusing on managing costs, risks and reputation, and on instilling a performance culture within ING.

Offering exemplary customer service

Growth can be achieved in any market as long as we put our customers first, know exactly what their preferences are and how we can best serve them. What differentiates companies is their ability to do their basic business with excellence. Satisfied customers provide a good platform to further expand product offerings and attract new customers. Over the past two years, ING has launched a number of initiatives, especially in its mature markets, to improve customer centricity. To check our progress, we continually monitor customer satisfaction. All ING businesses, for example, are required to measure customer satisfaction within their markets.

In 2006, increasing brand awareness was a key priority. After thorough research and based on a sound business case, ING signed a three-year sponsorship agreement with Renault Formula One. We have chosen Renault for its track record as a top, high-performing team. We believe that teaming up with them fosters our objectives of instilling a performance culture, encouraging teamwork and achieving permanent progress. This sponsorship and the first-ever global marketing campaign is expected to increase ING s visibility and thus to raise our brand awareness.

We want to position ourselves as a company that sets the standard in helping our customers manage their financial future. When customers consider doing business with ING, they should know exactly what they will get. They should know that ING is easy to deal with, that we treat our customers fairly, and that we deliver on our promises.

Managing costs

Cost control, particularly in mature markets, is an important means of maintaining a competitive position over the long run. In 2006, we improved the cost/income ratio of our banking operations and maintained the solid efficiency ratios of our life insurance business. Our efficiency programme in the Netherlands and Belgium is on track: three major agreements to outsource part of our Operations and IT organisation were finalised.

Managing risks

Important progress has been made in 2006 in improving risk modelling and measurement techniques. At Group level, we are developing risk metrics that capture bank and insurance risk into a single view. We significantly improved the quantification and our understanding of the credit risk in our banking book in line with Basel II, and on the insurance side, we have introduced a market consistent framework which enables more accurate pricing of complex products. ING strengthened the risk management organisation and centralised the risk function by means of creating the position of (deputy) Chief Risk Officer (CRO) who is responsible for managing and controlling risk on a consolidated level. These improvements further enhance the full integration of risk management in our daily business activities and strategic planning (a number of other changes are explained in 2.2 Risk Management of notes to the consolidated financial statements).

Managing reputation

Reputation and integrity are two important assets for financial services providers. Over the past few years, the amount of regulation has increased and enforcement has become more vigorous. 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. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, amongst other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition. More generally, the cost of being in the financial services industry continues to grow. At ING we have strengthened our compliance organisation accordingly. A Group-wide compliance policy has been adopted that allows us to approach compliance in a uniform and consistent way throughout the Group. Regulatory compliance is essential for ING, not just from a regulator s point of view, but also because ING s relationships with its clients depend on integrity and fairness. Compliance is more than just adhering to a set of rules. It also reflects the way we want to treat our clients and our shareholders fairly and with excellent performance.

Embedding a performance culture

However great a strategy may be, it cannot be implemented without the right attitude and the right people at the company. At ING, investing in people to develop a high performance workforce with a common vision is very important. In 2006, we continued to put a lot of effort into embedding a performance culture at all business levels. We have rolled out a number of global projects to actively engage people to drive operational excellence from the top down as well as from the work floor up.

Conclusions and ambitions

ING is satisfied with the progress made with the strategic direction we embarked on in 2004. By keeping a constant and persistent course, we have created value for our shareholders. We have seen good steps forward on all fronts in 2006. We have been able to achieve further profitable growth in our existing businesses, to continue to invest in new growth opportunities and to further improve the execution of our business fundamentals. We believe one of ING s distinguishing features is our ability to reallocate the capital

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that we generate in our mature businesses to the most value-adding areas within the company, including our growth engines.

We intend to continue with our strategic course in 2007. Our first priority is to build on the momentum of profitable growth. We expect to continue to analyse where we are creating value and where we need to deploy resources for improved growth and return. In those businesses where returns have stabilised at satisfying levels, we intend to put more emphasis on growing our activities. On top of that, we plan to continue to invest in promising new business opportunities, thus planting the seeds for future growth.

Growth can be achieved in any market as long as we succeed in further enhancing the execution of our business fundamentals. We want to do so by improving customer satisfaction, including tightening up compliance at all levels. We plan on keeping tight control over costs, and ensure risks are properly measured, managed and priced. Execution is an ongoing process. By improving every day, we want to drive our performance to the next level.

As such, ING keeps on focusing on creating value for its shareholders in order to be able to reward them with a better total return on investment than the average of that of our peers in the financial sector over the long term.

CORPORATE GOVERNANCE

New legislation

During 2006, ING worked on new provisions arising from legislative changes, which will give investors a greater opportunity to participate in shareholders meetings. Under the new legislation, it will now be possible to set the record date for shareholders meetings thirty days (rather than seven days as used to be the case) before the meeting. This enables companies to be better prepared for the meeting and clarifies for shareholders at an earlier date the number of shares they can vote. ING intends to apply the new ruling for the 2007 General Meeting of Shareholders.

In addition, new legislation will enable shareholders to participate in meetings via videoconferencing. Under the new legislation shareholders meetings will become more accessible, particularly for institutional investors abroad, who can access videoconferencing facilities. Companies will also be able to notify shareholders of meetings via their website or by e-mail instead of by newspaper advertisements. Both of these changes are subject to amendment of the articles of association. Such an amendment of the articles of association is being proposed to the 2007 General Meeting of Shareholders.

Dialogue with shareholders

And finally, ING Group will create the opportunity for investors to ask questions on matters on the agenda for the 2007 General Meeting of Shareholders. Shareholders and holders of depositary receipts can visit the website of ING Group (www.ing.com) to submit their questions as of March 20, 2007. Questions pertaining to the Shareholders meeting will be answered on that same website before the meeting or during the meeting itself.

CORPORATE GOVERNANCE CODES

In compliance with the Dutch Corporate Governance Code

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

The following deviations from the Tabaksblat Code are to be reported for 2006:

not in the 2005 annual report, but for the first time in the 2006 annual report, ING will report in accordance with SOX 404 for the internal risk-management and control systems related to financial reporting; for other risks a description will be made of the risk management and control systems and any material shortcomings that were discovered, including the improvements made, or scheduled to be made (best-

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practice provision II.1.4);

the two Executive Board members appointed before January 1, 2004 remain appointed for an indefinite period of time and retain their agreed exit arrangements, which exceed one year s salary (best-practice provisions II.1.1. and II.2.7), as existing contractual arrangements cannot be changed unilaterally;

existing rights for severance payments with respect to Executive Board members who are already employed by ING prior to their appointment to the Executive Board, are taken into account. As a result thereof, their exit arrangement as Executive Board member may exceed the maximum of the Tabaksblat Code (best-practice provision II.2.7);

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

performance criteria for variable remuneration are being disclosed only to the extent this information is not stock-price sensitive or competition sensitive (best-practice provisions II.2.3, II.2.10 and II.2.11);

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

if a Supervisory Board member would not meet the independence criteria of the Tabaksblat Code, the Supervisory Board can make a reasoned decision that such member is still considered to be independent in order to take into account specific circumstances, such as the differences in duration, intensity and geographical distance in family and employment relations (best- practice provision III.2.2), in order to allow for situations of non-independency that are not material;

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

Jan 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 (best-practice provision III.3.4). He will meet the Tabaksblat requirement as of May 2007, when he will retire from the Supervisory Board of Ahold N.V.;

under special circumstances the Supervisory Board may deviate from the general rule that a member of the Supervisory Board cannot be re-appointed for more than 2 subsequent 4-years terms (best-practice provision III.3.5);

ING Group installed a combined Remuneration and Nomination Committee instead of a separate remuneration committee and a nomination committee (best-practice provision III.5.1);

the Remuneration and Nomination Committee is being chaired by the Chairman of the Supervisory Board (best-practice provision III.5.11), so that he can be involved in this important subject directly and in an early stage;

in case of a transaction with a family member that entails a conflict of interests according to the Tabaksblat Code, the Supervisory Board may decide that no conflict of interests exists, if the relationship is based on marriage, especially if that marriage ended in conflict (best-practice provision III.6.1), in order to allow for situations in which the family relationship is not material (anymore);

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

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

the voting rights of the Preference A shares are based on their nominal value (best-practice provision IV.1.2), as these voting rights cannot be changed unilaterally;

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

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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 Group 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.

The following chart shows the breakdown by business line of ING s total income and total profit before tax for the year 2006. 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 2006, 2005 and 2004.

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INSURANCE EUROPE

ING Insurance Europe operates in The Netherlands, Belgium, Luxembourg, Spain, Greece, Poland, Hungary, the Czech Republic, Slovakia, Romania, Bulgaria and Russia. The operating companies in these countries have tailored their insurance products, investment and asset management services and pension fund services for certain target markets and distribution channels. ING Insurance Europe has three key priorities. First, continued profitable growth and efficient allocation of capital across business units in the region. Second, to concentrate on wealth management and retirement services to meet the needs of the increased elderly population. Third, to continue improving efficiency and risk management.

In the Netherlands, ING offers basic retail insurance products via direct marketing (Postbank), while independent intermediaries (Nationale-Nederlanden), tied agents (RVS) and bank branches (ING Bank) are more suitable for selling complex products requiring more personal service and specialized advice. In the countries in Central Europe, tied agents are the main distribution channel. In this region too, ING continues to strive towards a multi-distribution approach with banks, brokers and direct marketing as additional channels. ING considers the degree of personal service and specialized advice as an important factor in determining how to distribute its products and services within Europe.

ING Investment Management Europe (ING IM Europe) is the principal asset manager for ING Insurance Europe. ING IM Europe also manages equity, fixed income and structured investments for institutional investors and the private label investment funds sold by various ING companies, including ING Bank, 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 non-participating (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. ING is also a prominent provider of mandatory and voluntary pension funds in several countries in Central Europe.

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 Latin America. ING Americas offers various types of insurance, retirement services, (largely defined contribution plans) annuities, mutual funds, broker-dealer services and institutional products, including group reinsurance and principal protection products, as well as retail and institutional asset management.

In 2006, ING Americas operated in the United States through three business segments: Worksite and Institutional Businesses (which included retirement services), the Retail Businesses (which included Life and Annuities), and Asset Management. The US life market remains segmented and subject to intense competition as the overall market is growing at mid to high single digit rates. In 2007, to continue our maximization of the growth opportunities in the market and to aggressively manage the differing risks in each product line, we intend to reorganize the US businesses in the following three divisions: Wealth Management, Asset Management, and the Insurance businesses. Through these three divisions, we intend to continue to provide a wide variety of financial products and services to individuals both on a retail basis and through employers and directly to institutional customers. Distribution channels include independent producers, broker dealers and financial institutions as well as consultants, affiliate distribution channels and financial intermediaries. Career agents, ING Direct and an institutional sales force for asset management products.

The US Wealth Management business includes Retirement Services (which includes Defined Contribution Pensions and Rollover/Payout business) and Annuities, which between them provide the substantial majority of earnings and value creation for the US, and the ING Advisors Network, a distribution channel of wholly owned broker-dealers with independent contractor registered representatives. In the institutional market, Retirement Services sells 401(k), 403(b) and 457 defined contribution plans and targets the higher growth segments of small (under 500 employees) corporate 401(k) and teachers and staff (kindergarten through 12th grade, the K-12 segment). The primary retail customer target market for Annuities is the mass affluent segment. Besides providing access to financial services products, ING Advisors Network offers such services as financial planning, investment advisory services, pension plan administrative services and trust services through its approximately 8,700 affiliated and licensed financial professionals.

The Asset Management organization includes ING Investment Management Americas (ING IM Americas), Mutual Funds and Institutional Markets. ING IM manages proprietary and third party assets in the US, Canada and Latin America. 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. Principal protections products are provided through Institutional Markets.

The Insurance Businesses focuses on both individual and institutional clients and provide a wide range of insurance and investment products, including variable universal life, universal life, and term insurance. Individual retail markets include both the mass affluent and the middle market. Institutional customers are served by both the Employee Benefits unit, which provides both group and voluntary insurance products, and through ING Re, which provides group reinsurance.

ING Canada focuses on risk management expertise delivered through strong manufacturing and distribution capabilities. 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, which 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.

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 Latin 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 countries, 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 2005 and 2006, these principal business unit operations represented 94% and 93% 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 and health, term life and employee benefits) and services.

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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, bancassurance, 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.

WHOLESALE BANKING

ING Wholesale Banking offers 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. Through delivering a truly relationship-driven business model we have clearly defined and targeted our core market and product strengths in an increasingly competitive market. These foundations underpin the implementation of a single global brand for Wholesale Banking.

We believe that ING Wholesale Banking did well in 2006 despite a challenging business climate by focusing on clients interests, capitalising on cross-selling opportunities and managing for greater value. While working to bring down overall costs, the organisation continued to invest selectively to ensure future growth through expansion of its existing capabilities in higher value-added products in key areas such as Financial Markets, Payments and Cash Management and Leasing and Structured Finance. Wholesale Banking was able to focus on its core businesses by optimising the allocation of capital and through the sale of Williams de Broë and Deutsche Hypothekenbank.

In 2006 there were further developments in the relationship-driven business model, launched over two years ago. Client coverage was further improved and simplified after a number of top corporate clients were identified as priority clients and then allocated additional resources. A global event finance team comprised of highly experienced bankers was also established to advise clients and coordinate transformational transactions. Mid-sized companies remain very important and strong relationships are being maintained with the networks built up across the Netherlands and Belgium, as well as in Romania and Poland.

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 program called the Target Operating Model. The model focuses on cost control as well as growth, capital optimisation and improved operational efficiency. In 2005 these operations were completed in Asia, the Americas, and the UK. The implementation phase of the program was completed in the Benelux over 2006 and will be fully executed in 2007.

A number of new initiatives were introduced in 2006 to better position our most value-creating businesses. This included grouping all of our activities in documentary payments, credit, collections and trade facilities under one global organisation, Trade Financial Services. A secondary loan trading activity was also launched focusing on trading and making markets in transactions ING helped bring to the market, either through the syndications market or via another senior capacity. Lease and Commercial Finance activities were launched in several central and eastern European countries while two Lease acquisitions Appleyard (UK) and Autoplan (France) were made to boost our European presence and attain a top five ranking in the manufacturer-independent vehicle leasing companies. Investments in Payments and Cash Management have also continued ahead of the January 1, 2008 launch of the Single Euro Payments Area in order to remain a major player in the European funds market. Furthermore, ING was once again voted Best Cash Management Bank in Eastern Europe by Treasury Management International in 2006.

To help build and sustain its business, ING Wholesale Banking continued to make strides towards looking and acting as a single brand differentiated by its core brand attributes of leading with knowledge, acting as a trusted advisor and flawless execution. The roll-out of a single ING brand globally is another important means by which to build and maintain strong client relationships.

Looking ahead, in 2007 we plan to further refine our client coverage model with a continued emphasis on our cross-sell strategy. The approach to mid corporate clients will also be further aligned at a global level. We plan to remain vigilant in keeping costs under control, which will be strongly assisted by the full implementation of the Managing for Value initiative across the Benelux, while striving to find new ways to maximise value creation.

ING Real Estate

ING Real Estate is a global and diversified real estate company active in real estate investment management, development and finance. With in-house local research and global coverage thanks to its teams in Europe, America, Asia and Australia, ING Real Estate provides its clients with innovative and tailor-made real estate based solutions. ING Real Estate is a research-driven and performance-led investment manager offering over 60 funds, both listed and unlisted to institutional and private investors. The Finance division provides flexible, tailored solutions on the back of broad real estate expertise and cutting edge financial know-how to private and institutional investors, developers and specific other client groups. The Development division has a strong track record stretching back more than 40 years in applying research-based expertise to develop residential, retail, office and mixed-use projects across Europe.

ING Real Estate saw another year of strong growth, driven mainly by the unremitting appetite for property funds among investors. The successful takeover of Summit Real Estate Investment Trust, Canada s largest listed owner of industrial assets, added EUR 2.3 billion to assets under management. Several new funds for the institutional market were launched in Europe as well as the ING Real Estate China Opportunity Fund. ING Real Estate Investment Management and ING Wholesale Banking have also formed a joint venture called ING Real Estate Capital Advisors to capitalize on the growing demand for specialized real estate investment banking services.

The Finance Division made substantial progress in its international diversification strategy, while maintaining market leadership in its home market of the Netherlands. The division made a strong debut in the securitisation market and increased its activity in the syndication market, in association with ING Wholesale Banking. The Finance Division also closed its first lending transactions in Asia.

The Development Division returned to profit on the back of a string of project sales. Several shopping centres in Spain, Germany and the UK were completed. The division received several prestigious industry awards, including European Retail Developer of the Year .

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,

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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 intermediary 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 110 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 acquired 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.

ING DIRECT

ING Direct consists of a direct banking business and a stand-alone credit card operation (ING Card). The direct bank is an important part of ING Group s international retail strategy. The strategy of ING Direct is to be a low-cost provider of financial services in large, mature markets by offering clients 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 banking business is active in nine countries, including Canada, Spain, Australia, France, the United States, Italy, Germany, Austria and United Kingdom and as of the end of 2006, provides services to 17.5 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 in funds entrusted was driven mainly by the business units in Germany, the United States, France, Australia and Italy reflecting the continued momentum of the ING Direct brand. At year-end 2006 total funds entrusted to ING Direct worldwide amounted to EUR 196 billon and total own originated mortgages were EUR 58 billion. Growth in mortgages was primarily attributable to Germany, Australia, Canada and the United States. The percentage of mortgage versus savings funds 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 manages the credit card portfolios in the Netherlands and in Belgium. At year-end the portfolio size amounted to 1.7 million cards. Crucial to its strategy is to focus on marketing, business intelligence and credit risk management. Other ING business units will be supported with this knowledge and expertise.

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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.

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). On January 1, 2007, the new Dutch Financial Supervision Act has come into force. This law replaces the numerous existing laws and regulations in the area of supervision, and represents a significant adjustment in the legislation in the Netherlands to reflect market conditions.

In 2006, the EU directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate, adopted in 2002, was implemented in the new Dutch Financial Supervision Act; it has also come into force on January 1 2007. For ING, this Directive is not expected to have a material impact on its business, on its capital requirements nor on its solvency position, as ING already complies with comparable national legislation for financial conglomerates.

In October 2006, the Dutch Act on the disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions came into force in the Netherlands, amending the Disclosure of Major Holdings Act and implementing parts of the EU Transparency Directive. The Act aims to increase the transparency of interests held in companies admitted to trading on a regulated market and to simplify the procedure for notifying such interests. It is incorporated in the new Dutch Financial Supervision Act.

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 will be required to comply with it as of November 2007.

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.

Like many other large international financial institutions, we engage and in the past have engaged in a limited amount of business with counterparties, including government or government-related counterparties, in countries such as Cuba, Iran and Syria, countries which have been identified as state sponsors of terrorism by the US State Department and subject to sanctions by various government agencies. We do not believe that our revenues in such countries are or have been material to our overall business. In light of increased scrutiny of transactions involving such countries on the part of US and non-US regulatory authorities, investors and the media, as well as initiatives on the part of various institutions to adopt or enforce laws or regulations prohibiting transactions with or requiring divestment from entities doing business with such countries, however, we are continuing to significantly strengthen our compliance function generally, as we have done in 2006. ING Bank N.V. has been in discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the United States and other authorities. These discussions prompted ING Bank N.V. to engage in a review regarding transactions involving sanctioned parties. In connection with this review, which is ongoing, ING Bank N.V. has been reporting to DNB and it is not possible to predict at this time the outcome thereof. On July 28, 2006, The Office of Foreign Asset Controls (OFAC) of the U.S. Department of Treasury added the Netherlands Caribbean Bank (NCB), a bank chartered in the Netherlands Antilles that is jointly owned by ING and by two entities that are Cuban nationals, to its list of Specially Designated Nationals as a Cuban national. Such

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designation prohibits U.S. persons and non-U.S. subsidiaries of U.S. companies from dealing with NCB. As discussed under Item 3 Risk Factors and Note 2.2 Risk Management of the Notes to the Consolidated Financial Statements, as a large multinational financial institution we are subject to reputational and other risks in connection with regulatory and compliance matters involving such countries, and we have incurred significant costs in connection with the strengthening of our compliance-related functions.

INSURANCE

Europe

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

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 based on 16% of gross premiums written for the year, the latter is based on 23% of a three-year average of gross claims.

The European Commission, jointly with Member States, is carrying out a fundamental review of the regulatory capital regime of the insurance industry (the Solvency 2 project). Its objective is to establish a solvency system that is better matched to the true risks of insurers enabling supervisors to protect policyholders interests as effectively as possible and in accordance with common principles across the EU. The Commission has produced a Framework for Consultation setting out the policy principles and guidelines that will act as a framework for the development of the Solvency 2 regime. Work on the Solvency 2 Framework Directive is still in progress, and adoption is expected not before 2008.

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 2006.

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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. In addition, a number of the products issued by ING Insurance companies are regulated as securities under state and federal law.

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 rate 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

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to be licensed under the Registrable Superannuation Entity Licensing regime. All relevant entities obtained their licenses in January 2006. ASIC is responsible for consumer protection and market integrity across the financial systems, including the areas of insurance, banking and superannuation. From March 2004 the Corporations Act 2001, required all relevant business entities to be licensed 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 in three ways 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 (Basel I) with a new capital accord. 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 includes capital requirements for operational risk in addition to those laid down for credit risk and market risk.

The European Union has drawn up a directive, the Capital Requirement Directive (CRD), which applies to all European banks and investment firms. Through this European directive, Basel II has been incorporated into EU legislation. The CRD was approved by the European Parliament on September 28, 2005. The European Finance ministers adopted the Directive on October 11, 2005. As per the end of 2006, all EU Member States have incorporated or are in the process of incorporating the Directive into national law and regulations. In the Netherlands, the Directive has been incorporated into the Dutch Financial Supervision Act. Subject to approval of the Dutch Central Bank (DNB), ING will implement the most sophisticated approaches for solvency reporting under the Financial Supervision Act, the Advanced IRB Approach for credit risk and the Advanced Measurement Approach for operational risk, as per January 1, 2008. During 2007 ING Bank will still be subject to Basel I regulatory reporting, although with the implementation of the Dutch Financial Supervision Act per January 1, 2007 ING Bank will report securitization positions as per the standardized Basel II approach. During 2008 and 2009 a Basel I regulatory floor of 90% and 80%, respectively, will still apply.

European Union Standards as currently applied by ING Bank

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

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

countries such as Cuba, Iran and Syria, countries which have been identified as state sponsors of terrorism by the US State Department and subject to sanctions by various government agencies. We do not believe that our revenues in such countries are or have been material to our overall business. In light of increased scrutiny of transactions involving such countries on the part of US and non-US regulatory authorities, investors and the media, as well as initiatives on the part of various institutions to adopt or enforce laws or regulations prohibiting transactions with or requiring divestment from entities doing business with such countries, we are continuing to significantly strengthen our compliance function generally, as we have done in 2006.

ING Bank N.V. has been in discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the United States and other authorities. These discussions prompted ING Bank N.V. to engage in a review regarding transactions involving sanctioned parties. In connection with this review, which is ongoing, ING Bank N.V. has been reporting to DNB and it is not possible to predict at this time the outcome thereof.

On July 28, 2006, The Office of Foreign Asset Controls (OFAC) of the U.S. Department of Treasury added the Netherlands Caribbean Bank (NCB), a bank chartered in the Netherlands Antilles that is jointly owned by ING and by two entities that are Cuban nationals, to its list of Specially Designated Nationals as a Cuban national. Such designation prohibits U.S. persons and non-U.S. subsidiaries of U.S. companies from dealing with NCB.

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 27.

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 there under, 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 laundering 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 stable outlook) by Moody s Investors Service (Moody s) at December 2006, and Aa2 as of March 2007. 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, 2006. At the same date, Moody s rated ING Bank N.V. s long-term senior debt at Aa2 (with a stable outlook), and Aa1 as of March 2007. Finally, ING Bank N.V. s long-term senior debt was rated AA by Fitch Ratings, Ltd. as of December 31, 2006.

ING Verzekeringen N.V. s short-term senior debt is rated A-1+ by Standard & Poor s and Prime-1(P-1) by Moody s as of December 31, 2006

ING Bank N.V. s short-term senior debt held a rating of A-1+ by Standard & Poor s and Prime-1 (P-1) by Moody s as of December 31, 2006.

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, 2006, 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.

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Item 5. Operating and financial review and prospects

The following review and prospects should be read in conjunction with the consolidated financial statements and the related Notes thereto included elsewhere herein. The consolidated financial statements have been prepared in accordance with IFRS-EU, which differs in certain significant respects from U.S. GAAP. Reference is made to Note 2.4 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 in the coming years are expected to be, curtailed. Management believes this will increase opportunities for private sector providers of life insurance, health, pension and other social benefits-related insurance products. Management believes that ING Insurance s distribution networks, the quality and diversity of its products and its investment management expertise in each of these markets, positions ING Insurance to benefit from these developments. In addition, the emerging markets in Central and Eastern Europe, Asia and Latin America, in which ING Insurance has insurance operations, generally have lower gross domestic products per capita and gross insurance premiums per capita than the countries in Western Europe and North America in which ING Insurance has insurance operations. Management believes that insurance operations in these emerging markets provide ING Insurance with the market presence which will allow it to take advantage of anticipated growth in these regions.
In addition, conditions in the non-life insurance markets in which ING Insurance operates are cyclical, and characterized by periods of price competition, fluctuations in underwriting results, and the occurrence of unpredictable weather-related and other losses.

Fluctuations in equity markets

Our insurance and asset management operations are exposed to fluctuations in equity markets. Our overall investment return and fee income from equity-linked products are influenced by equity markets. The fees we charge for managing portfolios are often based on performance and value of the portfolio. In addition, fluctuations in equity markets may affect sales of life and pension products, unit-linked products, including variable business and may increase the amount of withdrawals which will reduce related management fees. Our banking operations are exposed to fluctuations in equity markets. ING Bank maintains an internationally diversified and mainly client-related trading portfolio. Accordingly market downturns are likely to lead to declines in securities trading and brokerage activities which we execute for customers and therefore to a decline in related commissions.

Fluctuations in interest rates

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

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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 Korean won, the Pound sterling and the Polish zloty into euros will impact our reported results of operations and cash flows from year to year. 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 denominate