IAMGOLD CORP
Form 6-K/A
July 18, 2008

FORM 6-K/A

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

Date: July 18, 2008
Commission File Number 001-31528

IAMGOLD Corporation

(Translation of registrant's name into English)

401 Bay Street Suite 3200, PO Box 153
Toronto, Ontario, Canada M5H 2Y4
Tel: (416) 360-4710

(Address of principal executive offices)

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

Form 20-F	o	Form 40-F	x

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

Note:Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

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

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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

Yes o No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IAMGOLD CORPORATION

Date: July 18, 2008

By: /s/ Larry E. Phillips

Larry E. Phillips
Senior Vice-President, Corporate Affairs & Corporate Secretary

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Description of Exhibit

Exhibit Description of Exhibit

99.1 WESTWOOD PROGRESS AND RESOURCE UPDATE

TD>
Private Individuals
4,838 4,589
Real Estate
2,777 1,528
General Industries
858 933
Food, Beverages & Personal Care
837 681
Transportation & Logistics
818 415
Builders & Contractors
792 628
Services
582 611
Non-Bank Financial Institutions
527 304
Other
1,750 2,294
Total
13,779 11,983

ING holds specific and collective provisions of EUR 2,697 million and EUR 1,404 million, respectively (2009: EUR 2,115 million and EUR 1,246 million respectively), representing the difference between the amortized cost of the portfolio and the estimated recoverable amount discounted at the effective rate of interest. In addition, there is EUR 1,051 million in provisions against the performing portfolio and EUR 43 million of Net Present Value forgone for re-modified loans.

Provisions: ING Bank portfolio:

	Commercial	**Retail Banking**

	Commercial Banking		Retail Banking Benelux		Retail Banking Direct & International		Total ING Bank	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Opening balance	1,628	1,024	1,290	802	1,481	785	4,399	2,611
Changes in the composition of the group				(3)				(3)
Write-offs	(337)	(520)	(454)	(468)	(375)	(229)	(1,166)	(1,217)
Recoveries	36	21	58	118	11	9	105	148
Increase/(decrease) in loan loss provision	497	1,211	721	728	533	1,034	1,751	2,973
Exchange differences	65	(28)	8	(3)	82	(17)	155	(48)
Other changes	(34)	(80)	18	116	(33)	(101)	(49)	(65)
Closing balance	**1,855**	**1,628**	**1,641**	**1,290**	**1,699**	**1,481**	**5,195**	**4,399**

During 2010 we saw a slow reduction to more normalized risk costs. The lower risk costs level was largely the result of an improving portfolio within Commercial Banking, which was partly offset due to the continuing elevated levels of the risk costs in Retail Benelux.

ING BANK MARKET RISKS

Market risk is the risk that movements in market variables, such as interest rates, equity prices, foreign exchange rates and real estate prices, negatively impact the bank s earnings, market value or liquidity position. Market risk either arises through positions in trading books or through the banking book positions. The trading positions are held for the purpose of benefiting from short-term price movements, while the banking book positions are intended to be held in the long term (or until maturity) or for the purpose of hedging other banking book positions.

Within ING Bank, market risk (including liquidity risk) falls under the supervision of the ALCO function with ALCO Bank as the highest approval authority. ALCO Bank determines the overall risk appetite for market risk. The ALCO function is regionally organized with the exception of ING Direct, which has a separate ALCO. The business lines Retail Banking and Commercial Banking are represented within the respective regional and local ALCO s. The ALCO structure within ING Bank facilitates top-down risk management, limit setting and the monitoring and control of market risk. This ensures a correct implementation of the ING Bank risk appetite.

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The Corporate Market Risk Management department (CMRM) is the designated independent department that is responsible for the design and execution of the bank s market risk management functions in support of the ALCO function. The CMRM structure recognizes that risk taking and risk management to a large extent occurs at the regional/local level. Bottom-up reporting allows each management level to fully assess the market risk relevant at the respective levels.

CMRM is responsible for determining adequate policies and procedures for managing market risk and for monitoring the compliance with these guidelines. An important element of the market risk management function is the assessment of market risk in new products and businesses. Furthermore CMRM maintains an adequate limit framework in line with ING Bank s risk appetite. The businesses are responsible for adhering to the limits that ultimately are approved by ALCO Bank. Limit breaches are reported to senior management on a timely basis and the business is required to take the appropriate actions to reduce the risk position.

Market risk in trading books

Organization

Within the trading portfolios, positions are maintained in the professional financial markets for the purpose of benefiting from short term price movements. Market risk arises in the trading portfolios through the exposure to various market risk factors, including interest rates, equity prices and foreign exchange rates.

The Financial Markets Risk Committee (FMRC) is the market risk committee that, within the guidelines set by ALCO Bank, sets market risk limits both on an aggregated level and on a desk level, and approves new products. CMRM advises both the FMRC and ALCO Bank on the market risk appetite of trading activities.

With respect to the trading portfolios, CMRM focuses on the management of market risks of Commercial Banking (mainly Financial Markets) as this is the only business line where significant trading activities take place. Trading activities include facilitation of client business, market making and proprietary position taking in cash and derivatives markets. CMRM is responsible for the development and implementation of trading risk policies and risk measurement methodologies, the reporting and monitoring of risk exposures against approved trading limits and the validation of pricing models. CMRM also reviews trading mandates and limits, and performs the gatekeeper role in the product review process. The management of trading market risk is performed at various organizational levels, from CMRM overall down to specific business areas and trading offices.

Measurement

CMRM uses the Value at Risk (VaR) methodology as its primary risk measure. The VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remain unchanged for a time period of one day. The impact of historical market movements on today s portfolio is estimated, based on equally weighted observed market movements of the previous year. ING uses VaR with a 1-day horizon for internal risk measurement, control and backtesting, and VaR with a 10-day horizon for determining regulatory capital. ING s VaR model has been approved by De Nederlandsche Bank (DNB: the Dutch Central Bank) to be used for the regulatory capital calculation of its most important trading activities.

Market risk management for the fixed income and equity markets is split into two components: general market risk and specific market risk. The general market risk component estimates the VaR resulting from general market-value movements (e.g. interest rate movements). The specific market risk component estimates the VaR resulting from market-value movements that relate to e.g. the underlying issuer of securities in the portfolios. This specific risk relates to all value movements not related to general market movements.

CMRM has implemented a historical simulation Value at Risk (HVaR) model for consolidated risk reporting for the trading books that has replaced the Variance Covariance method used previously. ING has chosen to use a phased rollout approach. As of January 1, 2009, ING implemented the first phase after approval from DNB. During 2010, further steps were made with the migration of a large part of the non-linear risks from Monte Carlo simulation to historical simulation. The remaining non-linear risks and specific risk will migrate to historical simulation in 2011.

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Limitations

VaR as a risk measure has some limitations. VaR uses historical data to forecast future price behavior. Future price behavior could differ substantially from past behavior. Moreover, the use of a one-day holding period (or ten days for regulatory calculations) assumes that all positions in the portfolio can be liquidated or hedged in one day. In periods of illiquidity or market events, this assumption may not hold true. Also, the use of 99% confidence level means that VaR does not take into account any losses that occur beyond this confidence level.

The Basel Committee has proposed to supplement the current VaR regulatory capital framework for trading exposures with an Incremental Risk Charge (IRC) and Stressed VaR to cover for the shortcomings of the current risk framework. The IRC ensures that Basel II capital charges will capture default and credit migration risks which are not reflected in the current 99%, 10-day VaR model for the trading books. The Basel II requirements on the incremental risk charge will come into force in 2011. ING performs experience runs on IRC as part of the approval process with the Dutch regulator, the DNB.

Backtesting

Backtesting is a technique for the ongoing monitoring of the plausibility of the VaR model in use. Although VaR models estimate potential future results, estimates are based on historical market data. In a backtest, the actual daily result is compared with the 1-day VaR. In addition to using actual results for backtesting, ING also uses hypothetical results, which measure results excluding the effect of intraday trading, fees and commissions. When the actual or hypothetical loss exceeds the VaR an outlier occurs. Based on ING s one-sided confidence level of 99% an outlier is expected once in every 100 business days. In 2010, like in 2009, there was no occurrence where a daily trading loss exceeded the daily consolidated VaR of ING Commercial Banking. ING reports the results of this backtesting to DNB on a quarterly basis.

Stress testing

Stress tests are used for the monitoring of market risks under extreme market conditions. Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, ING uses structured stress tests for monitoring the market risk under these extreme conditions. Stress scenarios are based on historical as well as hypothetical extreme events. The result of the stress testing is an event risk number, which is an estimate of the profit and loss account effect caused by a potential event and its world-wide impact for ING Commercial Banking. The event risk number for the ING Commercial Banking trading activity is generated on a weekly basis. Like VaR, event risk is limited by ALCO Bank. ING s event risk policy basically consists of defined stress parameters per country and per market (fixed income, equity, foreign exchange, credit and related derivative markets). The scenarios and stress parameters are evaluated against extreme actual market movements. If and when necessary, ING evaluates specific stress scenarios, as an addition to its structural stress tests. These specific scenarios relate to current concerns, like political instability in certain regions, terrorist attacks or extreme movements, e.g. in credit spreads.

Other trading controls

VaR and event risk limits are the most important limits to control the trading portfolios. Furthermore, ING uses a variety of other limits to supplement VaR and event risk. Position and sensitivity limits are used to prevent large concentrations in specific issuers, sectors or countries. In addition to this, other risk limits are set with respect to the activities in exotic derivatives trading. The market risk of these products is controlled by product specific limits and constraints.

Development of market risks

The following chart shows the development of the overnight VaR under a 99% confidence interval and a 1-day horizon. The overnight VaR is presented for the ING Commercial Banking trading portfolio for 2009 and 2010**.** Several banking books are governed by the trading risk process and are therefore excluded from the non-trading risk table and included in the below trading risk graph and table.

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During 2010 the overnight VaR for the ING Commercial Banking trading portfolio ranged from EUR 17 million to EUR 30 million. No limit excess was observed in 2010.

More details on the VaR of the ING Commercial Banking trading portfolio for 2010 and 2009 are provided in the table below.

Consolidated VaR trading books: ING Commercial Bank:

	Minimum		Maximum		Average		Year end	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Interest rate / Credit spread	18	20	29	54	22	33	20	24
Equity	1	4	9	11	4	7	3	5
Foreign exchange	1	1	9	11	2	5	4	3
Diversification [1]					(6)	(6)	(8)	(5)
Total VaR	**17**	**24**	**30**	**60**	**22**	**39**	**19**	**27**

[1] The total VaR for the columns Minimum and Maximum can not be calculated by taking the sum of the individual components since the observations for both the individual markets as well as total VaR may occur on different dates. Note: the above categories are consistent with those used for internal risk management purposes and do not relate to financial statement captions.

The VaR figures in the table above relate to all books under trading governance. In general, the level of the trading VaR was lower in 2010, continuing the decreasing trend of 2009. The interest rate market, which includes both the general interest rate and credit spread exposures, provided the largest contribution to the trading VaR. The average VaR over 2010 was substantially lower than over 2009 (average VaR 2010: EUR 22 million and average VaR 2009: EUR 39 million). In line with the trend of 2009, the VaR decreased to EUR 19 million towards the end of 2010. This decrease is to a large extent related to the increased diversification of non-linear and linear risk as a result of the HVaR implementation as explained under Measurement . Another reason is the discontinuing of the strategic trading business in the United States, as part of ING s continued balance sheet strengthening.

REGULATORY CAPITAL

According to the Dutch regulation, regulatory capital for trading portfolios can be calculated using the standardized approach (CAD1) or an internal model approach (CAD2). In 1998, ING received approval from the DNB to use an internal Value-at-Risk (VAR) model to determine the regulatory capital for the market risk in most trading books of ING Bank. Market risk capital of CAD2 trading books is calculated according to the internal VaR model, where diversification is taken into account. On the other hand, market risk capital of CAD1 books is calculated using standardized fixed risk weights.

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Regulatory capital requirements:

	Standardized Approach		Internal Model Approach		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Interest rate / Credit spread	105	127	172	233	277	360
Equity			40	75	40	75
Foreign exchange[1]	32	23	15	33	47	56
Total	**137**	**150**	**227**	**341**	**364**	**491**

[1] The FX exposure under the Standardised Approach contains FX exposures on both trading and banking books

In 2010, ING applied the CAD2 model for most of its trading activities. The standard CAD1 model is used for some trading books in smaller locations and/or products for which the internal model is not yet CAD2 compliant. The aim of ING is to receive CAD2 status for all its trading books. In 2010, several trading books were moved from the standardized model to the internal model, further reducing the number of books under the standardized model. It should be noted that due to the conservative nature of the CAD1 model the capital charge for the standardized approach is much larger than for the internal model approach.

VaR Values for Internal Model Approach Portfolios:

			2010		Year end
	Minimum	**Maximum**	**Average**	**2010**	**2009**
Interest rate / Credit spread	16	28	20	18	21
Equity	1	9	4	3	5
Foreign exchange	1	9	2	4	3
Diversification effect [1]			(6)	(8)	(4)
Total	**15**	**28**	**20**	**17**	**25**

[1] The total VaR for the columns Minimum and Maximum can not be calculated by taking the sum of the individual components since the observations for both the individual markets as well as total VaR may occur on different dates. Note: the above categories are consistent with those used for internal risk management purposes and do not relate to financial statement captions

The VaR figures in the table above only relate to the CAD2 trading books for which the internal model approach is applied. The VaR figures reported under Consolidated VaR trading books relate to all books under trading governance.

Sensitivities

The following tables show the largest trading foreign exchange positions and interest rate and credit spread sensitivities. The credit spread sensitivities are furthermore split in different risk classes and sectors.

Most important foreign exchange positions (year-end 2010):

	2010		**2009**
Foreign exchange		**Foreign exchange**	
US dollar	(457)	US dollar	(266)

Taiwan dollar	155	Chinese yuan	208
Chinese yuan	83	Bulgarian lev	37
South Korean won	68	Polish zloty	31
Bulgarian lev	(57)	South Korean won	20

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Most important interest rate and credit spread sensitivities (year-end 2010):

Amounts in thousands of euros	**2010**		**2009**
Interest Rate (BPV [1])		**Interest Rate (BPV [1])**	
Eurozone	(377)	Eurozone	(1,175)
United States	167	United States	(359)
Mexico	(147)	Mexico	(153)
Japan	141	UK	(109)
Russia	(73)	Japan	107
Credit Spread (BPV [1])		**Credit Spread (BPV [1])**	
Eurozone	(596)	United States	(115)
Sweden	(67)	Eurozone	(86)
Hong Kong	(47)	Mexico	(57)
UK	(47)	Japan	(17)
United States	(42)	Russia	(13)

(1) Basis Point Value (BPV) measures the impact on value of a 1 basis point increase in interest rates or credit spreads.

Credit spread sensitivities per risk class and sector (year-end 2010):

amounts in thousands of euros		**2010**		**2009**
Credit Spread (BPV (1))	**Corporate**	**Financial Institutions**	**Corporate**	**Financial Institutions**
1 (AAA)	(8)	(211)	(18)	(145)
2-4 (AA)	(25)	(212)	(18)	(34)
5-7 (A)	(32)	(257)	83	(100)
8-10 (BBB)	(77)	(102)	16	14
11-13 (BB)	(11)	(47)	(12)	(20)
14-16 (B)	(30)	(8)	(21)	20
17-22 (CCC and Problem Grade)	(24)	(33)	(47)	(11)
No rating			15	(16)
Total	**(207)**	**(870)**	**(2)**	**(292)**

(1) Basis Point Value (BPV) measures the impact on value of a 1 basis point increase in interest rates or credit spreads.

Market risk in banking books

Organization

ING makes a distinction between trading and banking (non-trading) books. Positions in trading books can change swiftly, whereas positions in banking books are intended to be held until maturity, or at least for the long term. Books that contain positions to hedge exposures resulting from commercial activities are also classified as banking books.

Interest rate risk in banking books

Interest rate risk in the banking books is defined as the potential negative impact that moving interest rates have on earnings or market value. The management of interest rate risk follows the Asset & Liability Management (ALM) framework as approved by ALCO Bank. Main goal of this framework is to transfer interest rate risks out of commercial books in order to manage it centrally. This allows for a clear demarcation between commercial business results and results on unhedged interest rate positions.

ING distinguishes three types of activities: investment of own capital (by Capital Management), commercial business (ING Direct, Retail Banking and Commercial Bank) and the strategic interest rate position (Financial Markets ALM). The scheme below presents the ALM framework:

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Below, the three activities are described in more detail.

Capital Management is responsible for managing the investment of own funds (core capital). Capital is invested longer term, targeting to maximize return, while keeping it stable at the same time.

Commercial activities lead to interest rate risk, as repricing tenors of assets differ from those of liabilities. Linear interest rate risk is transferred out of the commercial business into the risk center (FM ALM), leaving convexity risk and model risk with the commercial business. The convexity risk is a result of hedging products that contain embedded options, like mortgages, by using linear hedge instruments. Model risk reflects the potential imperfect modeling of client behavior. The risk transfer process takes place on a monthly basis, but more often if deemed necessary, for instance in volatile markets.

In the risk transfer process, client behavioral characteristics play an important role. The behavior in relation to mortgages, loans, savings and demand deposits is modeled by CMRM, following extensive research. Models and parameters are back-tested regularly and updated when deemed necessary. In the modeling of savings and current accounts different elements play a role: pricing strategies, outstanding and expected volumes and the level and shape of the yield curve. The analyses result in an investment rule for the various portfolios. With respect to mortgages and loans, prepayment behavior and the interest sensitivity of the embedded offered rate options are modeled.

In line with other commercial businesses, ING Direct transfers interest rate risk out of their commercial books to a large extent. The difference being that the risks are transferred directly to the external market, instead of to the risk center (FM ALM).

Within ING Commercial Banking, FM ALM contains the strategic interest rate position. The main objective is to maximize the economic value of the book and to generate adequate and stable yearly earnings within the risk appetite boundaries set by ALCO Bank.

In the following sections, the interest rate risks in the banking books are presented. ING uses risk measures based on both an earnings and a value perspective. Earnings Sensitivity (ES) is used to provide the earnings perspective and the Net Present Value (NPV)-at-Risk and Basis Point Value (BPV) figures provide the value perspective. Several small banking books are governed by the trading risk process and are therefore excluded from the following banking book risk tables. These are included in the trading risk graph and table in the section Market Risk in Trading Books .

Earnings Sensitivity (ES)

ES measures the impact of changing interest rates on (pre tax) IFRS earnings. The ES figures in the table below reflect an instantaneous shock up of 1% and a time horizon of one year. Management interventions are not incorporated in these calculations; balance sheet dynamics (e.g. new business) where significant.

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The ES is dominated by convexity risk and by the strategic interest rate position in FM ALM. The investment of own funds only impact the ES marginally, given the long term duration.
Earnings Sensitivity banking books (1% instantaneous upward shock to interest rates):

	2010	2009
By Currency		
Euro	(237)	(262)
US dollar	(114)	(193)
Pound sterling	(15)	(26)
Other	50	46
Total	**(316)**	**(435)**

In an environment where short term rates remain at relative low levels, both in the Eurozone and the US, the ES showed a limited decrease in 2010. Interest paid on liabilities is expected to be less sensitive to market rate changes.
Net Present Value (NPV) at Risk
NPV-at-Risk measures the impact of changing interest rates on value. As a full valuation approach is applied, the risk figures include convexity risk that results from embedded optionalities like mortgage prepayment options. Like for ES calculations, an instantaneous shock up of 1% is applied.
The full value impact cannot be directly linked to the balance sheet or profit and loss account, as fair value movements in banking books are generally not reported through the profit and loss account or through equity. The largest part, namely the value mutations of the amortized cost balances, is neither recognized in the balance sheet nor directly in the profit and loss account. The value mutations are expected to materialize over time in the profit and loss account, if interest rates develop according to forward rates throughout the remaining maturity of the portfolio.
The NPV at Risk is dominated by the interest rate sensitive long term investments of own funds. The value of these investments is impacted significantly if interest rates move up by 1%. Convexity risk in retail portfolios as well as the strategic interest position in FM ALM also contribute significantly to the overall NPV at Risk.
NPV-at-Risk banking books (1% instantaneous upward shock to interest rates):

	2010	2009
By Currency		
Euro	(2,446)	(1,811)
US dollar	(205)	(39)
Pound sterling	(19)	(53)
Other	48	68
Total	**(2,622)**	**(1,835)**

Total NPV-at-Risk increased in the course of 2010. The change was strongly influenced by the increase in long term interest rates in the 2nd half of 2010, which increased the duration of mortgages and thereby the value sensitivity to a further rate increase. Besides, the slow housing market in the Netherlands also led to an increase in the mortgage duration.
Basis Point Value (BPV)
BPV measures the impact of a 1 basis point increase in interest rates on value. To a large extent the BPV and NPV at Risk reflect the same risk - the difference being that BPV does not reflect convexity risk, given the small shift in interest rates.

In line with NPV at Risk, the bank s overall BPV position is dominated by the long term investment of capital, as the present value of this position is significantly impacted if interest rates move up by 1 basis point. Convexity risk plays a less important role, given that BPV only reflects small movements in interest rates.

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BPV per currency banking books:

Amounts in thousands of euros	2010	2009
By currency		
Euro	(21,760)	(15,340)
US dollar	(548)	757
Pound sterling	(284)	(684)
Other	175	475
Total	**(22,417)**	**(14,792)**

The total BPV position increased in 2010 for the same reasons as the increase in NPV-at-Risk. The duration of mortgages increased on the back of higher interest rates (both in the United States and the Eurozone) and a slow Dutch housing market.

Foreign exchange (FX) risk in banking books

FX exposures in banking books result from commercial banking business (business units doing business in other currencies than their base currency), foreign currency investments in subsidiaries (including realized net profit and loss) and strategic equity stakes in foreign currencies. The policy regarding these exposures is briefly explained below.

Commercial banking business

Every business unit hedges the FX risk resulting from commercial results into its base currency. Consequently, assets and liabilities are matched in terms of currency.

FX Translation result

ING s strategy is to protect the target core Tier 1 ratio against FX rate fluctuations, whilst limiting the volatility in the profit and loss account. Compared to 2009 the strategy has changed in 2010 from protection of the target Tier 1 ratio to protection of the target core Tier 1 ratio instead. The strategy is achieved by deliberately taking foreign currency positions equal to certain target positions, such that the target core Tier 1 capital and risk-weighted assets are equally sensitive in relative terms to changing FX rates. The following table presents the currency exposures in the banking books for the most important currencies:

Net currency exposures banking books

	Foreign Investments		Hedges		Net Exposure	
	2010	2009	2010	2009	2010	2009
US dollar	7,275	6,913	(606)	(3,980)	6,669	2,933
Pound sterling	(993)	(1,155)	1,144	1,220	151	65
Polish zloty	1,371	1,153	(643)	(486)	728	667
Australian dollar	2,908	2,186	(2,056)	(1,423)	852	763
Turkish lira	1,891	1,752	(444)	(233)	1,447	1,519
Other currency	7,160	7,321	(4,028)	(3,549)	3,132	3,772
Total	**19,612**	**18,170**	**(6,633)**	**(8,451)**	**12,979**	**9,719**

The US dollar Net Exposure increased significantly in 2010 due to the changed hedging strategy. The significantly decreased Net exposure in the category Other currency is mainly caused by changed share prices of strategic equity stakes. For example, the share price of the bank s equity stake in Bank of Beijing decreased over 30%, decreasing the Chinese renmimbi exposure.

In order to measure the remaining sensitivity of the target core Tier 1 ratio against FX rate fluctuations, the core Tier 1 ratio at Risk (cTaR) measure is used. It measures the drop in the core Tier 1 ratio from the target when stressing a certain FX rate. The stress scenarios for the FX rates that are used for calculating the cTaR, are presented in the last two columns. Only the scenarios are presented that negatively impact the target core Tier-1 ratio: depending on whether the actual foreign currency position is above or below the target position, the worst case scenario is either negative or positive. A positive stress scenario means that the foreign currency appreciates against the Euro. For the Pound sterling this means that at the end of 2010 the target core Tier 1 ratio would only decrease by 0.02% in absolute terms (e.g. from 9.02% to 9.00%) if the Pound Sterling appreciates by 15%. Backtesting shows that the strategy was effective in 2010; the core Tier 1 ratio was hardly affected by changing FX rates.

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Core Tier 1 ratio sensitivity ING Bank:

	cTaR		Stress Scenario	
	2010	2009	2010	2009
By Currency				
US dollar		0.11%	15%	15%
Pound sterling	0.02%	0.02%	15%	15%
Polish zloty	0.01%	0.01%	(15%)	(15%)
Australian dollar	0.01%	0.02%	(20%)	(20%)
Turkish lira		0.01%	25%	(25%)

Equity price risk in banking books

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments whose value reacts similarly to a particular security, a defined basket of securities, or a securities index. ING Bank maintains a strategic portfolio with substantial equity exposure in its banking books. This equity exposure mainly consists of the investments in associates of EUR 1,494 million (2009: EUR 1,396 million) and equity securities held in the Available-for-Sale (AFS) portfolio of EUR 2,741 million (2009: EUR 3,682 million). The value of equity securities held in the AFS portfolio is directly linked to equity security prices with increases/decreases being recognized (except in the case of impairment) in the revaluation reserve. During the year ended December 31, 2010 the revaluation reserve relating to equity securities held in the Available-for-Sale portfolio fluctuated between a month-end low amount of EUR 1,723 million (2009: EUR 1,198 million) and a high amount of EUR 2,370 million (2009: EUR 2,536 million). Investments in associates are measured in accordance with the equity method of accounting and the balance sheet value is therefore not directly linked to equity security prices.

Equities Unrealized Gains and Losses in the AFS portfolio:

	2010	2009
Gross unrealised gains	1,728	2,570
Gross unrealised losses	(1)	(12)
Total	1,727	2,558

Total capital requirement for equity price risk under the Simple Risk Weight Approach at December 31, 2010 results in EUR 310 million (2009: 364 million).

Real Estate price risk in banking books

Real estate price risk arises from the possibility that real estate prices fluctuate. This affects both the value of real estate assets and earnings related to real estate activities. The crisis in the financial markets could lead to a further slowdown of the world economy in general. These global economic factors could have future negative consequences for the value of and earnings related to real estate assets.

ING Bank has three different categories of real estate exposure on its banking books. First, ING Bank owns buildings it occupies. Second, ING Bank has a Real Estate Development company for which results are dependent on the overall real estate market. The general policy is to mitigate this risk by pre-sale agreements where possible. Third, ING Bank has co-invested seed capital and bridge capital to support the launch of various real estate funds. A decrease in real estate prices will cause the value of this seed and bridge capital to decrease and will lower the level of third party assets under management, which in turn will reduce the fee income from this activity.

For the third category mentioned above, real estate price shocks will have a direct impact on reported net profit and loss. ING Bank s real estate exposure (i.e. including leverage and committed purchases) is EUR 5.2 billion of which EUR 2.0 billion is recorded as fair value through P&L. The remaining EUR 3.1 billion is booked at cost or is revalued through equity (with impairments going through P&L).

In total, Real Estate exposure decreased by EUR 1.8 billion mainly as a result of divestments (EUR (1.5) billion). Other important changes are: negative fair value changes (EUR (0.1) billion), impairments (EUR (0.4) billion) and FX appreciation (EUR +0.2 billion).

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Real Estate Exposure banking books recorded as fair value through P&L (by geographic area and sector type):

	2010	2009		2010	2009
Continent			**Sector**		
Europe	662	871	Residential	207	198
Americas	812	1,590	Office	385	498
Australia	189	493	Retail	620	852
Asia	349	325	Industrial	516	1,255
Other	14		Other	298	476
Total	**2,026**	**3,279**	**Total**	**2,026**	**3,279**

ING Bank s real estate exposure revaluing through P&L decreased significantly mainly caused by sales of Canadian and Australian funds. The fair value changes (EUR (0.1) billion) related to investments in funds were limited in 2010 compared with 2009.

Real Estate Exposure banking books not revalued through P&L (by geographic area and sector type):

	2010	2009		2010	2009
Continent			**Sector**		
Europe	2,772	3,290	Residential	614	618
Americas	70	235	Office	1,456	1,547
Australia	204	159	Retail	874	883
Asia			Industrial	43	74
Other	99		Other	158	562
Total	**3,145**	**3,684**	**Total**	**3,145**	**3,684**

ING Bank s real estate exposure not revaluing through P&L has decreased, which is mainly driven by impairments in Real Estate Development.

ING BANK LIQUIDITY RISK

Definition

Liquidity risk is the risk that ING Bank or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner. Liquidity risk can materialize both through trading and non-trading positions.

Governance

As with other bank market risks, liquidity risk falls under the supervision of the ALCO function within ING Bank, with ALCO Bank as the highest approval authority.

ALCO Bank determines the liquidity risk framework after which this is cascaded down in the organization under the responsibility of the regional and local ALCOs.

The main objective of ING s liquidity risk framework is to ascertain by means of proper risk appetite limits that sufficient liquidity is maintained in order to ensure safe and sound operations under a variety of circumstances.

For this purpose liquidity risk is measured, managed and controlled from three different angles, namely a structural, a tactical and a contingency point of view.

Liquidity Risk Management

CMRM is responsible for liquidity risk management and bears the responsibility for the identification, measurement and monitoring of the liquidity risk position. Next to this it is responsible for performing liquidity risk stress testing.

For stress testing purposes, on a monthly basis and as per Dutch Central Bank guidelines, ING Bank s liquidity

positions are stress tested under a scenario that is a mix between a market event and an ING specific event. Also on periodic and ad-hoc basis additional stress testing exercises are undertaken on consolidated and local level.

Structural liquidity risk

Structural liquidity risk is the risk that the structural, long term balance sheet cannot be financed timely or at a reasonable cost. For the purpose of managing structural liquidity risk, a specific advisory committee to ALCO Bank has been established.

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This committee which consists of key representatives from Corporate Market Risk Management, Capital Management and Financial Markets focuses on all liquidity risk aspects from a going concern perspective. The main objective of the committee is to maintain a sound liquidity profile through:

- Maintaining a well diversified mix of funding sources in terms of instrument types (e.g. unsecured deposits, commercial paper, long term bonds or repurchase agreements), fund providers (e.g. professional money market players, wholesale and retail clients), geographic markets and currencies;
- Actively managing access to the capital markets by regularly issuing public debt in all material markets and the maintenance of investor relations;
- Holding a broad portfolio of eligible assets that can be utilized to obtain secured funding, e.g. from the repo market or (E)CB; in this respect the total eligible collateral position amounts to EUR 156.6 billion (nominal);
- Management of liquidity gaps, taking into account the asset mix and both the secured and unsecured funding opportunities of ING Bank;
- Maintaining a funds transfer pricing policy in which ING Bank s cost of liquidity is adequately reflected both under a going concern and a contingency perspective.

With respect to funding sources, ING Bank aims to fund its own originated assets (loans) by an equal amount of own originated liabilities (deposits), meaning a loan-to-deposit ratio of approximately 1. Ultimo 2010 the LtD ratio (excluding securities at amortized costs and IABF receivable) equals 1.05. In the table below the actual funding mix is displayed.

ING Bank Funding Mix:

	2010	2009
Funding type		
Retail deposits	46%	46%
Corporate & other deposits	19%	17%
Interbank (incl central bank)	8%	10%
Lending / repurchase agreement	7%	8%
Public debt	17%	16%
Subordinated debt	3%	3%
Total	**100%**	**100%**

The funding mix remained well diversified and according to targets set. Deposits accounted for 65% of the total funding mix.

Tactical liquidity risk

Liquidity risk which is resulting from short term cash and collateral positions is managed in the risk framework from a tactical liquidity risk perspective. The day-to-day management of the overall short term liquidity risk of ING Bank is delegated to Financial Markets Amsterdam, while regional and local Financial Markets departments manage liquidity in their respective regions and locations. Within Financial Markets, the focus is on the daily and intraday cash and collateral positions and the policy is to manage and sufficiently spread day-to-day funding requirements.

Contingency liquidity risk

Contingency liquidity risk specifically relates to the organization and planning for liquidity management in time of stress. Within ING, for contingency purposes, a specific crisis team - consisting of key Board Members, representatives from Corporate Departments (e.g. Risk and Capital Management) and Treasuries is responsible for liquidity management in times of crisis. Throughout the organization adequate and up-to-date contingency funding plans are in place to enable senior management to act effectively and efficiently in times of crisis.

Contingency funding plans address both temporary and long-term liquidity disruptions, triggered by either a general market event or an ING specific event.

New developments

In the aftermath of the crisis, all financial institutions have been confronted with a large number of new regulatory requirements which are being implemented or are in the course of implementation. With regard to liquidity ING Bank is well on track in the implementation of CRDII. As in respect of Basel III, and the to be implemented Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR),

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further alignment will take place in the upcoming observation periods, ING will keep track of what is expected and will be at required levels well in time.

ING INSURANCE FINANCIAL RISKS

ING is engaged in selling a broad range of life and non-life insurance products. Risks from these products arise with respect to the adequacy of insurance premium rate levels and provisions for insurance liabilities, earnings and capital position, as well as uncertainty as to the future returns on investments of the insurance premiums. Financial Risks are classified as insurance risk (actuarial and underwriting), market risk, liquidity risk, credit risk and business risk. Compliance risk, legal risk and operational risk are classified as Non-Financial Risks.

The Management Board Insurance is responsible for managing risks associated with the activities of ING Insurance. The responsibility for measurement and management of credit risk and operational risk resides with Corporate Credit Risk Management (CCRM) and Corporate Operational Risk Management (CORM) respectively. Corporate Insurance Risk Management (CIRM) is responsible for insurance risk, market risk and liquidity risk measurement and management, business risk measurement, as well as ensuring that investment mandates adequately address credit portfolio risk.

Risk management governance

ING s Insurance Risk Management (IRM) is organized along a functional line comprising three levels within the organization: the corporate, business line and business unit levels. The General Manager of CIRM, the Chief Insurance Risk Officer, heads the functional line and reports to the ING Group CRO. Each of the business lines and business units has a similar function headed by a Chief Insurance Risk Officer (business line and business unit CRO/CIRO). This layered, functional approach ensures consistent application of guidelines and procedures, regular reporting and appropriate communication vertically through the risk management function, as well as providing ongoing support for the business. The scope, roles, responsibilities and authorities of the risk management function at different levels are clearly described in an Insurance Risk Management Governance Framework to which all consolidated business units and business lines must adhere.

The objective of the insurance risk management function is to provide the business a sustainable competitive advantage by fully integrating risk management into the tactical daily business activities as well as ING s broader business strategy. Insurance Risk Management accomplishes this through four core activities. First, the IRM function ensures that products and portfolios are structured, underwritten, priced, approved and managed appropriately in compliance with internal and external rules and guidelines. Second, IRM ensures that the ING Insurance risk profile is transparent and well understood by management and stays within delegated authorities, with a no surprises approach to reporting and monitoring risks. Third, IRM ensures that both risk and reward are adequately considered in the development of business strategy, for example by supporting the planning and allocation of capital and limits during the strategic planning process. Finally, IRM ensures that these steps are understood by ING s stakeholders, including shareholders, rating agencies, regulators and policy holders.

Risk management policies and tools

To ensure appropriate risk management, CIRM in close co-operation with the business line CROs/CIROs, has developed Standards of Practice guidelines and tools to manage risks. While these standards are principle based, they include mandatory requirements to which the business unit CROs/CIROs must adhere.

A critical aspect of risk management is that all new products are designed, underwritten and priced appropriately. This is explicitly covered by the Standard of Practice for the Product Approval and Review Process (PARP). This standard includes requirements related to risk profile, traditional and value-oriented pricing metrics and targets and documentation. Customer Suitability is integral part of the PARP requirements since December 2009. In addition to insurance and market risks, the requirements refer to credit risks, operational risks, compliance and legal risks. For these risks, the IRM network works closely together with the other relevant risk departments. The PARP also includes requirements to assess sensitivities to changes in financial markets, insurance risk (e.g. mortality and claims development), compliance risks, legal risks and operational risks, as well as assessment of the administration and accounting aspects of the product.

Other standards prescribe quarterly insurance risk reporting, ALM procedures and reporting, actuarial and economic assumption setting and reserve adequacy testing amongst others.

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ING Insurance has developed an Economic Capital approach similar to that used within ING Bank. This is used as one of its core risk measurement tools. An exception is the US Insurance business which is managed based on Regulatory Capital. More details on the Economic Capital model are described in the Model Disclosure section. The ECAPS system provides a well controlled and automated basis for Economic Capital and risk measurement. Beyond measurement and reporting, the ECAPS system also provides greatly enhanced portfolio and capital analysis tools for management purposes.

CIRM expects this system to be the foundation of its internal fair value and solvency model, including the calculation of capital requirements following the introduction of Solvency II. Through 2010 the system has been enhanced and its functionalities expanded.

To further manage risk, ING Insurance has implemented several limit structures. Examples include but are not limited to the following:

- Market Risk limits on sensitivities of Available Financial Resources, IFRS Earnings and Regulatory Capital. These limites provide the fundamental framework to manage the market and credit risks resulting from the Insurance operations asset / liability mismatch;
- Credit risk concentration limits;
- Mortality concentration limits;
- Catastrophe and mortality exposure retention limits for its insurance risk; and
- Investment and derivative guidelines and limits.

Reserve adequacy

CIRM instructs and supervises all ING Insurance entities to ensure that the total insurance liabilities of ING Insurance (both reserves and capital) are tested for adequacy taking into account the insurance premium rate levels and the uncertainty of future returns on investments. This is done by evaluating insurance liabilities on current best estimate actuarial assumptions plus a risk margin, ensuring that the reserves remain adequate based on current assumptions. The assumed investment earnings are a combination of the run-off of portfolio yields on existing assets and new money and reinvestment rates. For new money and reinvestments long-term best estimate assumptions are taken into account, although current new money rates are used for the short-term reinvestments. For most products stochastic testing is required, taking the 90% point as the testing outcome. In the case where deterministic testing is used the 90% confidence level is achieved by subtracting risk margins off 20% of the best-estimate interest rates or one percent point, whichever is higher.

As of the fourth quarter of 2010, the Closed Block Variable Annuity business in the US is reported and analyzed separately from the other US business in the internal management reporting. Therefore as of October 1, 2010 ING reports the US Closed Block VA business as a separate business line to improve transparency and ongoing business. ING Group s accounting policy for reserve adequacy as set out in the Accounting policies for the consolidated annual accounts of ING Group requires each business line to be adequate at the 50% confidence level. The separation of the Closed Block VA business into a separate segment triggered a charge in the fourth quarter of 2010 to bring reserve adequacy on the new US Closed Block VA business line to the 50% level. This charge is reflected as a DAC write-down of EUR 975 million before tax.

While the reserves for the segment US Closed Block VA are adequate at the 50% confidence level, a net reserve inadequacy exists using a prudent (90%) confidence level. In line with Group Policy, US Closed Block VA is taking measures to improve adequacy in that region. This inadequacy was offset by reserve adequacies in other segments, such that at the Group level there is a net adequacy at the prudent (90%) confidence level.

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ING INSURANCE RISK PROFILE

The risk appetite of ING Insurance is derived from the ING Group risk appetite and is aligned with how its business is being managed and anticipating regulatory developments going forward. The risk appetite of ING Insurance is bound by local regulatory restrictions and by the target ratings for both the Insurance holding companies and certain rated operating subsidiaries.

For the EurAsia and LatAm insurance business we align the Economic Capital (EC) definition with the Solvency II Capital Requirement which is based on a 99.5% confidence level. The target ratio of Available Financial Resources (AFR) over Economic Capital is set based on the business strategy and resulting risk appetite defined by the Management Board Insurance;

For the US insurance business the risk appetite is aligned with local US Regulatory Capital requirements.

The EurAsia and LatAm business includes the Benelux, Central & Rest of Europe, Asia Pacific and Latin America business lines. For the risk profile it is currently not yet feasible to show the Latin America business separately from the EurAsia business. The US business includes the Insurance US and US Closed Block VA business lines. The risk of ING Investment Management (IIM) business line for EurAsia and LatAm has no material impact and is therefore incorporated in the numbers of EurAsia and LatAm. The same applies to the risk of IIM for the US, which is therefore incorporated in numbers of the US.

ING Insurance risk metrics in 2010

For the EurAsia and LatAm business the insurance risk appetite is managed based on the metrics disclosed below:

Economic Capital: the amount of capital that is required for the current net asset value (based on fair value) to absorb unexpected losses in a severe stress scenario based on a 99.5% confidence level. This metric is aligned with Solvency II.

AFR Sensitivities: the potential reduction of the current net asset value (based on fair values) during a moderate stress scenario. This metric drives the ratio of Available Financial Resources over Economic Capital.

Earnings Sensitivities: the potential reduction in IFRS earnings during a moderate stress scenario. Maintaining a high quality of earnings helps ING to safeguard against being downgraded by the rating agencies.

The US insurance business is managed to a risk appetite based on two key risk metrics:

US Regulatory Capital Sensitivities: the potential reduction, under a moderately market and credit stress scenario, of the excess of available statutory capital above the minimum required under the US regulatory Risk Based Capital (RBC) methodology. The RBC methodology is prescribed by the National Association of Insurance Commissioners (NAIC) and applies to US domiciled regulated insurance entities.

Earnings Sensitivities: the potential reduction in IFRS earnings during a moderate stress scenario. Maintaining a high quality of earnings helps ING to safeguard against being downgraded by the rating agencies.

During 2010 the regulatory capital sensitivities effectively replaced Economic Capital as a key risk based metric on which the US insurance business is measured. Therefore, we have excluded the US insurance business from our Economic Capital risk metrics and related AFR sensitivities in order to better align reported risk metrics with those to which the US businesses are primarily managed and which are the most common benchmarks in the regulatory and competitive environments in which the US businesses operate. To allow for reconciliation with the Economic Capital numbers shown in the Risk Management Section of the Annual Report 2009, we show US Economic Capital for 2009 split by risk type.

ING Insurance s risk metrics cover the most important aspects in terms of performance measures where risk can materialize and are representative of the regulatory constraints that our business is subject to. The sensitivities for AFR, Earnings and US Regulatory Capital are important metrics since they provide insight into the level of risk ING takes under moderate stress scenarios. They also are the basis for internal risk management.

When interpreting the Economic Capital and sensitivities for AFR, Earnings and US Regulatory Capital it is important to note that these metrics do not take into account discretionary risk mitigation in a specific crisis situation, and are based on instantaneous shock scenarios.

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Economic Capital ING Insurance EurAsia and LatAm Insurance Business

The objective of the ING Insurance Economic Capital framework is to achieve an advanced risk and capital measurement and management structure that:

- Covers all identified risks in the business units and is applied consistently across all risks and business units within its scope, i.e. EurAsia and LatAm;
- Facilitates and encourages adequate risk- and capital management, including the proper pricing of products and sound capital allocation decisions.

The ING Insurance Economic Capital model is based on a 99.5% one-year Value at Risk framework. During 2010 we changed the Value at Risk confidence interval from 99.95% to 99.5% to align with the Solvency II standard for internal models which will become the group regulatory constraint for the EurAsia and LatAm insurance business. For the total Economic Capital figures, we also provide ratios based on both confidence intervals to provide comparability between the figures reported in the risk management section of the annual report 2009 and the figures provided below. It is important to note that since industry practice relating to Economic Capital is still evolving and moreover, Solvency II standards are still under discussion, ING Insurance models are expected to evolve as a result.

ING has carried out a rigorous review of the internal model in the context of a Solvency II gap analysis. In the review we benchmarked our models against the Solvency II Standard Formula, the CEIOPS consultation papers and commentary of expert groups like CRO Forum and Group Consultative. We consequently plan further refinements of our Economic Capital model that address improvements of our market risk calibration, in particular for spread risk; business risk, to improve our capturing of policyholder behavior risk and to address country risk; and operational risk. These changes will result in a material increase of our EC on top of the amount shown in the tables below which we estimate to be between one and two billion euro as at year end 2010. This estimate is not included in the tables below. The ING Insurance Economic Capital model is described in more detail in the Model Disclosure section.

Economic Capital disclosures include diversification benefits that arise within ING Insurance (EurAsia and LatAm). Although the diversification benefits in 2010 are very similar to those in 2009 it is important to point out that this is the result of two offsetting impacts. Firstly, the 2010 Economic Capital no longer includes the US business which results in a higher diversification benefit between risk types and business units. Secondly, the 2010 Economic Capital has a lower recognition of market risk diversification due to an updated method to define market risk correlations which results in a lower diversification benefit between risk types and business units.

The following table provides an Economic Capital break down by risk category with diversification benefits allocated to the risk types:

Economic Capital break-down ING Insurance EurAsia and LatAm (99.5%) by risk category [1][2]:

	2010	**2009**
Credit risk (including Transfer risk)	394	325
Market risk (including credit spread risk)	7,079	4,228
Insurance risk	1,283	982
Other risks [2]	1,606	1,419
Total insurance operations EurAsia and LatAm	**10,362**	**6,954**

[1] The Economic Capital outcomes do not reflect any potential tax benefit resulting from the loss that occurs under the specified circumstances.

[2] Other risk includes operational risk as well as business risk (covering expense risk and lapse risk).

Diversification across the risk categories is 30% for 2010 for EurAsia and LatAm (32% for 2009 for combined ING insurance business, including US).

The Economic Capital for ING Insurance EurAsia and LatAm is mostly related to market risks, both hedgeable and non-hedgeable. Overall, Economic Capital and risk profile of the EurAsia and LatAm insurance business increased during 2010. The primary change came from increased market risk, relating mainly to an increased equity and foreign exchange exposure and due to a partial unwinding

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of economic hedges in combination with a lower recognition of market risk diversification within the Economic Capital model. Lower diversification is also the main driver of the increases in the other risk categories.

The change in confidence interval from 99.95% to 99.5% reduced our 2010 Economic Capital for the EurAsia and LatAm business by 24% across risk types (25% for 2009). For market risk, insurance risk and other risks the reduction due to this change is in the same order of magnitude. For credit risk the reduction is more significant due to its fat tailed distribution.

As we no longer include the US business in our Economic Capital we provide for 2009 the numbers for both the EurAsia and LatAm and US insurance business. The 2009 US figures are provided in the table below.

Economic Capital break-down ING Insurance US (99.5%) by risk category [(1)(2)]:

	2009
Credit risk (including Transfer risk)	510
Market risk (including credit spread)	4,528
Insurance risk	214
Other risks [(2)]	1,215
Total insurance operations	**6,467**

(1) The Economic Capital outcomes do not reflect any potential tax benefit resulting from the loss that occurs under the specified circumstances.

(2) Other risk includes operational risk as well as business risk (covering expense risk and lapse risk).

The change in confidence interval reduced our US 2009 Economic Capital number by 27% across risk types.

Allowing for the change in confidence interval for both US 2009 figures and EurAsia and LatAm 2009 figures, and then adding these figures will allow for reconciliation with the Economic Capital numbers shown in the Risk Management Section of the Annual Report 2009.

The following table provides the Economic Capital, breakdown by business line with diversification benefits allocated to the business lines.

Economic Capital break-down by ING Insurance business line for EurAsia and LatAm Business:

	2010	**2009**
Insurance Latin America	611	670
Insurance Asia/Pacific	1,750	1,688
Insurance Benelux	3,604	2,205
Insurance Central & Rest of Europe	783	765
Corporate Line Insurance (1)	3,614	1,626
Total insurance EurAsia and LatAm	**10,362**	**6,954**

(1) Corporate Line includes funding activities at ING Insurance (EurAsia and LatAm) level, explicit internal transactions between business unit and Corporate Line, managed by Capital Management, and corporate reinsurance. The responsibility (and risk) of free assets located within the business line for which there is no explicit transfer via a Corporate Line transaction remain at the business unit level.

While the figures above are shown by business line, the diversification of risks across ING businesses is calculated across business units. Total diversification between ING Insurance s business units and the Corporate Line Insurance is

31% for 2010 for EurAsia and LatAm (32% for 2009 for combined ING insurance business, including US). Insurance Benelux and Corporate Line are the largest users of Economic Capital. Increased interest rate, equity, credit spread exposure and a lower recognition of diversification has increased Economic Capital for Benelux. The Corporate Line risk includes foreign exchange translation risk related to the potential loss of market value surplus in non-Euro denominated business units. The corporate line increase in Economic Capital has four main causes: the reinsured Japan variable annuity business, which is now included in the corporate line (in 2009 included in Asia/Pacific), the increased Economic Capital related to the minority stake in our Brazil business which is included in the corporate line, and a higher translation risk exposure mainly from increased market value surplus in non-Euro business and a decreased recognition of diversification. The Asia/Pacific risk is unchanged as a lower recognition of

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diversification offsets the move of the reinsurance Japan variable annuity business to the corporate line.

Regulatory Capital Sensitivities US Insurance Business

For the capital adequacy assessment of ING s US domiciled regulated insurance business, available capital is measured under US statutory accounting principles and required capital is measured under the US regulatory Risk Based Capital (RBC) methodology defined by the National Association of Insurance Commissioners (NAIC). Commonly in the US an insurer s financial strength and ability to meet policyholder obligations is measured in terms of the amount of statutory capital held in relation to the Company Action Level RBC defined by the NAIC framework. Note that the level of capital required by rating agencies to maintain an acceptable claims paying ability rating is well above the regulatory minimum defined by Company Action Level RBC. Consequently the US Insurance business manages its available capital primarily with respect to capital metrics that are aligned with the models of the various ratings agencies.

The US Insurance business calculates regulatory capital sensitivities on the Risk-Based Capital model of the National Association of Insurance Commissioners (NAIC) in order to provide insight into how the amount of available capital in excess of regulatory required capital is sensitive to an increase or decrease in different market and credit risk factors under a moderate stress scenario which corresponds approximately with a 1-in-10 event. Our regulatory capital sensitivities are calculated in aggregate for the US domiciled regulated insurance entities.

Statutory capital in the US domiciled regulated insurance entities ended 2010 with an estimated EUR 4,009 million in excess of Company Action Level RBC. The Capital Management section describes the ratio of available statutory capital over required capital at the Company Action Level.

The table below presents market risk sensitivity figures before diversification between risks and legal entities. The stress events are described in the Model Disclosure section. Interest rates are shocked 30% relative compared to the ten-year swap rate. The credit risk sensitivities are based on the new methodology introduced in 2010 which can be found in the Model Disclosure section. Equities are shocked 25% down. As the US regulatory capital sensitivities as described have only been set up during 2010 there are no 2009 comparable figures available. In 2009 the US Insurance Business was included in the Economic Capital framework which was used to manage the risk.

Regulatory Capital Sensitivities US Insurance Busines§[1][2]:

	2010
Interest Rate Up	(138)
Interest Rate Down	76
Equity	(298)
Credit	(466)

(1) Real Estate, Credit Spread, FX and Implied Volatility Sensitivities do not have a material impact

(2) Sensitivities are calculated at legal entity level and cover US domiciled insurance entities.

Taking into account diversification between risk factors as described in the Model Disclosure section, we are exposed to a EUR 818 million decrease in our excess capital.

ING INSURANCE MARKET RISKS

ING Insurance is exposed to market risk to the extent to which the market value of surplus can be adversely impacted due to movements in financial markets; these include interest rates, credit spreads, equity prices, Real Estate prices, implied volatilities of options and foreign exchange rates. Changes in financial market prices impact the market value of ING s current asset portfolio and hedging derivatives directly as well as the calculated market value of ING s insurance liabilities.

In 2010 ING moved away from managing the market risk purely on an AFR basis (Market Value at Risk limits based on a 99.95% confidence interval) and moved to a new risk limit framework based on limits set on market risk sensitivities for AFR, IFRS Earnings and Regulatory Capital. On at least an annual basis, the Asset Liability

Committee (ALCO) Insurance sets market risk limits at business line level, which are ultimately allocated to the business units. The market risk limits are managed by ALCO Insurance at the relevant organizational level. The Group Insurance ALCO determines the aggregate limit and ensures that the Group stays within its risk tolerance limits and allocates the sub-limits to business lines, with similar roles for the business line and business unit ALCOs. Limit

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breaches by business lines are reported to ALCO Insurance and resolved in accordance with the policy within the next quarter.

The market risk limit framework is based on moderate stress scenarios for market risk drivers. The section below shows the impact of these stress scenarios on AFR and IFRS Earnings. These stress scenarios are described in more detail in the Model Disclosure section.

AFR Sensitivities

AFR Sensitivities are defined as the potential reduction of the current net asset value (based on fair values) during a moderate stress scenario. Interest rates are shocked 30% upwards and downwards relative to the ten year swaps rates. The credit sensitivity in table below is based on a new method introduced in 2010 such that there is no comparable 2009 number available. Equity and Real estate are based on a 25% and 15% downward shock respectively. The FX shock is based on a 10% up or down movement for each currency. Implied volatilities for swaptions are shocked by 30%. The shock for implied volatilities for equities is related to the underlying tenor. More details on the stress scenarios can be found in the Model Disclosure section.

The AFR sensitivities are only applicable for the EurAsia and LatAm insurance business as these sensitivities drive the ratio of Available Financial Resources over Economic Capital. The capital management section discusses the AFR over Economic Capital ratio.

AFR sensitivities for insurance market risks EurAsia and LatAm Insurance Business:

	2010	2009
Interest Rate Up	329	(626)
Interest Rate Down	(1,538)	(291)
Equity	(1,822)	(988)
Real Estate	(813)	(842)
FX	(1,547)	(1,332)
Credit Spread	(1,746)	n/a
Implied Volatility	(468)	(427)

Interest rate sensitivities are mainly related to the Benelux and Asia/Pacific business. In 2010 the AFR has become significantly more sensitive to downward interest rate movements. Lower interest rate levels have contributed to this increase. Furthermore economic hedges have been unwound in the Benelux.

Equity sensitivity has increased due to unwinding of hedging activities, relating to both direct and indirect exposure and a higher equity value due to positive equity markets in 2010. Direct exposure relates to the holding of shares and is most significant for ING in the Netherlands. Indirect exposure relates to the potential loss of fee income from unit linked, variable annuity, and pension fund business across all regions. Direct exposure represents approximately half of the equity sensitivity, after taking the hedge positions into account.

Credit Spread sensitivity relates to increases in credit spreads from investments in fixed income securities and also includes offsetting movements in the liquidity premium on the liabilities. Sensitivity is largely driven by the general account business in Benelux and to a smaller degree our Asia/Pacific business.

Real Estate sensitivity exists mostly in the Netherlands and relates in a large part to direct Real Estate investments.

Implied volatility sensitivity relates to the risk that market values of assets or liabilities change due to movements in the volatility implied from market option prices. In general, ING is exposed to increases in implied volatility as the guarantees provided to customers become more expensive.

Foreign exchange sensitivity is small in the business units. The main exposure is at the corporate level and relates to the FX translation risk which increase due to a change in the market value surplus of non-Euro businesses and a lower recognition of diversification.

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Earnings sensitivities

Complementing Economic Capital, which is based on a market value analysis, ING Insurance also measures risk based on IFRS earnings. More specifically, using scenario analysis, ING Insurance measures the potential sensitivity of realized pre tax earnings of the insurance operations to a change in different risk factors over a full year. Earnings sensitivities are defined on moderate stress scenarios for pre-tax IFRS earnings. The tables below present figures before diversification between risks and business units. Interest rates are shocked 30% upwards and downwards relative to the ten year swaps rate. The credit sensitivity in the table below is based on new method introduced in 2010 such that there is no comparable 2009 number available. Equity and Real estate are based on a 25% and 15% downward shock respectively. The FX shock is based on a 10% up or down movement for each currency. Implied volatilities for swaptions are shocked by 30%. More details on the stress scenarios can be found in the Model Disclosure section.

Earnings sensitivities for insurance market risks EurAsia and LatAm Insurance Business:

	2010	2009
Interest Rate Up	(205)	(291)
Interest Rate Down	285	317
Equity	(137)	(172)
Real Estate	(806)	(812)
FX	(152)	(181)
Credit Default	(258)	n/a

The table above shows that Real Estate fluctuations can have a relatively large impact on earnings since most price volatility is reflected in earnings for Real Estate investments. The impact on earnings of interest rates and equity price changes are normally lower than the economic and shareholder s equity impact given the fact that current accounting rules are not fully market value based. The sensitivity results reflect the impacts of asymmetric accounting, whereby the hedges must be marked to market through earnings while the liability value is not marked-to-market through earnings.

The interest rate sensitivity is dominated by the Dutch separate account business where interest rate derivatives are used to hedge a liability on Group life contracts that is not marked to market.

Earnings sensitivities for insurance market risks US Insurance Business:

	2010	2009
Interest Rate Up	17	76
Interest Rate Down	(68)	(44)
Equity	(934)	(1,084)
Real Estate	(2)	(2)
Credit Default	(795)	(737)

The US earnings sensitivities are dominated by credit and equity exposure. The credit default exposure relates to general account debt securities. Exposure to Asset Backed Securities (ABS) and Residential Mortgage Backed Securities (RMBS) contributes significantly to the earnings sensitivity. Equity exposure relates mostly to the US Closed block VA where an equity stress scenario results in DAC unlocking. As earnings sensitivities are forward looking, the US Closed Block VA business line sensitivities are based on the situation on January 1, 2011, which reflects the DAC write-down as well as change to apply current market interest rates and current estimates for other assumptions in valuation of insurance liabilities and hedging of the interest rate exposure for the Guaranteed Minimum Withdrawal Benefit (GMWB).

In the US there is no significant earnings sensitivity to Foreign Exchange Rates as the US is managed on a local currency basis and therefore there is no translation risk to the group reporting currency included. There is no significant earnings exposure to non US currencies.

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Real Estate

Real Estate price risk arises from the possibility that the value of Real Estate assets fluctuate because of a change in earnings related to Real Estate activities and/or a change in required investor yield. ING Insurance has two different categories of Real Estate exposure on its insurance books. First, ING Insurance owns buildings it occupies. Second, ING Insurance has invested capital in several Real Estate funds and direct Real Estate assets. A decrease in Real Estate prices will cause the value of this capital to decrease and as such ING Insurance is exposed to Real Estate price shocks. The second category can be divided on the one hand in minority stakes in Real Estate assets that are revalued through equity and on the other hand stakes in funds managed by ING and direct Real Estate revalued through P&L. Only for the last category will Real Estate price shocks have a direct impact on reported net profit.

The crisis in the financial markets has led to a further slowdown of the world economy in general. These global economic factors also had negative consequences for the value of Real Estate assets.

Per year end 2010 ING Insurance has EUR 3.8 billion of Real Estate related investments (excluding leverage). ING Insurance Real Estate exposure (i.e. including leverage) is EUR 5.9 billion of which EUR 4.3 billion is recognized as fair value through P&L and EUR 1.6 billion is not revalued through P&L, but is either booked at cost or is revalued through equity (with impairments going through P&L). In total, Real Estate exposure decreased by EUR 179 million mainly as a result of negative fair value changes (EUR 71 million), impairments (EUR 22 million) and divestments (EUR 140 million) compensated by net investments (EUR 16 million) and FX appreciation (EUR 32 million).

Real Estate Exposure (Insurance) recorded as fair value through P&L (by geographic area and sector type):

	2010	2009		2010	2009
Continent			**Sector**		
Europe	4,105	4,236	Residential	349	379
Americas	108	94	Office	1,321	1,366
Australia	10	25	Retail	1,933	1,958
Asia	84	68	Industrial	422	450
Other			Other	282	270
Total	**4,307**	**4,423**	**Total**	**4,307**	**4,423**

Real Estate Exposure (Insurance) not revalued through P&L (by geographic area and sector type):

	2010	2009		2010	2009
Continent			**Sector**		
Europe	1,444	1,524	Residential	785	747
Americas	139	125	Office	329	373
Australia			Retail		3
Asia	23	20	Industrial		5
Other			Other	492	541
Total	**1,606**	**1,669**	**Total**	**1,606**	**1,669**

ING Insurance Liquidity risk

As with other ING Insurance market risks, liquidity risk falls under the supervision of the ALCO function. Liquidity risk is the risk that ING Insurance or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner. ING Insurance defines three levels of Liquidity Management. Short term liquidity, or cash management covers the day-to-day cash requirements under normally expected or likely business conditions. Long term liquidity management takes into consideration of various expected and adverse business

conditions, which will result in the inability of realizing the current market values of the assets. The assets may only be sold at a further distressed price simply due to the lack of liquidity. Stress liquidity management looks at the company s ability to respond to a potential crisis situation. The day-to-day and ongoing cash management allows for a more proactive response to potential liquidity problems in distressed markets.

ING INSURANCE INSURANCE RISKS

General

Actuarial and underwriting risks are risks such as mortality, longevity, morbidity, adverse motor or claims development, etc., which result from the pricing and acceptance of insurance contracts. In general, these risks cannot be (easily) hedged directly in the financial markets and tend to be mitigated by diversification across large portfolios. They are therefore primarily managed at the contract level

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through standard underwriting policies, product design requirements as set by ING s IRM function, independent product approval processes and risk limitations related to insurance policy terms and conditions agreed with the client.

Measurement

For portfolio risks which are not mitigated by diversification, the risks are managed primarily through concentration and exposure limits and through reinsurance and/or securitization. Aggregate portfolio level limits and risk tolerance levels are set in reference to potential losses stemming from adverse claims in ING s insurance portfolios which are reviewed annually. ING Group has established actuarial and underwriting risk tolerance levels in specific areas of its insurance operations as described below. For non-life insurance, risk tolerance levels are set by line of business for catastrophic events (e.g. natural perils such as storms, earthquakes and floods) and for individual risks.

For the main non-life units (in the Benelux) the risk tolerance for property and casualty (P&C) business is derived from the total Non-Life earnings of 2009. For 2010, this translated into an aggregated (pre-tax) risk tolerance level of EUR 180 million for the Benelux (2009: EUR 190 million).

In order to determine how much reinsurance protection is required these risk tolerance levels are compared to the estimated maximum probable loss resulting from catastrophic events with a 1 in 250 probability of occurrence which is in line with industry practice. The maximum probable loss estimates for Fire business are based on risk assessment models that are widely accepted in the industry.

For the smaller non-life units, the (pre-tax) risk tolerance level for catastrophe related events for 2010 was set at EUR 5 million (2009: EUR 5 million) per event per business unit.

With respect to life business, ING Group s (pre-tax) risk tolerance level for 2010 was set at EUR 22 million (2009: EUR 22 million) per insured life for mortality risk. While life insurance risks are considered to be naturally diversifiable by virtue of each life being a separate risk, group contracts may result in significant exposures. For potential losses, resulting from significant mortality events (e.g. pandemics or events affecting life insurance contracts involving multiple lives), ING applies a separate risk tolerance level which equaled EUR 1,100 million in 2010 (2009: EUR 1,100 million). The potential impact of pandemics continues to be modeled by ING based on studies published by respected international organizations.

Overall exposures and concentrations are actively managed within limits and risk tolerance levels through the purchase of external reinsurance from approved reinsurers in accordance with ING s reinsurance credit risk policy. Particularly for the property and casualty portfolio, ING purchases protection which substantially mitigates ING s exposure due to natural catastrophes. ING believes that the credit risks to which it is exposed under reinsurance contracts are relatively minor, with exposures being monitored regularly and limited by a reinsurance credit risk policy.

For catastrophic losses arising from events such as terrorism, ING believes that it is not possible to develop models that support inclusion of such events in underwriting in a reliable manner. The very high uncertainty in both the frequency and severity of these events makes them, in ING s opinion, uninsurable. For the non-life business, losses that result from these events are generally not covered unless required by law. In various countries industry pools have been established to mitigate the terrorism risk to which the individual insurers are nevertheless still exposed. ING participates in such pools.

The following table provides an overview of the Economic Capital for insurance risks, split into mortality risk, morbidity risk and risk related to P&C products:

Economic Capital Insurance risks EurAsia and LatAm:

	2010	**2009**
Mortality	797	578
Morbidity	361	298
P&C	125	106
Total EurAsia and LatAm	**1,283**	**982**

For insurance risk the EC is shown by risk type above. The tables below show Earnings sensitivities for both EurAsia/LatAm and US Insurance business. The EC are based on a 99.5% confidence level.

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The change in confidence level from 99.95% to 99.5% reduced the 2010 Economic Capital for insurance risks by 25% (29% for 2009).

The mortality risk relates to the potential for increasing deaths (life risk) or decreasing deaths (longevity risk). This risk relates to a potential mortality catastrophe or to changes in long term mortality rates. As noted, ING manages these risks via limits and external reinsurance. Morbidity risk relates to disability products in the Netherlands and some health riders sold in Asia. Finally, property and casualty risk exists primarily in the Benelux.

Through scenario analyses, ING Insurance measures the sensitivity of pre-tax earnings of the insurance operations to a change of the insurance risk factors over a one year period. These changes to earnings can relate to realized claims or any other profit item that would be affected by these factors. ING assumes that not all the shifts presented below will happen at the same time.

Earnings sensitivities are defined on a shock scenario at the 90% confidence level on IFRS pre-tax earnings. The table below shows the impact on earnings over a one year horizon.

Earnings sensitivities for Insurance risks EurAsia and LatAm Insurance Business:

	2010	2009
Mortality	(31)	(34)
Morbidity	(100)	(97)
P&C	(49)	(42)

The table above presents figures after diversification between insurance risks and diversification across business units of ING Insurance. The largest earnings sensitivity to P&C claims relates to health and P&C claims in the Netherlands. Earnings sensitivity from Mortality and Morbidity is more evenly spread over the regions.

Earnings sensitivities for Insurance risks US Insurance Business:

	2010	2009
Mortality	(16)	(12)
Morbidity	(48)	(37)
P&C		

The largest contribution to the Mortality sensitivity comes from the Retail Life business while the Morbidity exposure relates for a large part to the Employee Benefit business.

ING INSURANCE CREDIT RISKS

The credit risks in the general accounts portfolio within ING Insurance are subject to the same principles, policies, definitions and measurement as those of the banking operations. The credit risks are measured and monitored by Corporate Credit Risk Management (CCRM) as well as local credit risk managers within the various locations where credit risk is taken within ING Insurance and ING Investment Management. Within ING Insurance, the goal is to maintain a low risk, well diversified credit risk portfolio that meets or exceeds market based benchmark returns.

ING Insurance s credit exposure arises from the investment of insurance premiums in assets subject to credit risk, largely in the form of unsecured bond investments, and smaller amounts of residential mortgages and structured finance products. In addition, credit exposure also arises from derivatives, sell/repurchase transactions, securities lending/borrowing and reinsurance contracts used to hedge the portfolio. ING Insurance has a policy of maintaining a high quality investment grade portfolio.

Overall portfolio credit risk limits are established and integrated into investment mandates by ALCO Insurance based on asset or investment category and risk classes. Individual issuer limits are determined based on the obligor s rating. These limits are managed by the region where the parent company is domiciled but may be sub-allocated to regional or local portfolios. In addition, each Insurance company has one or more investment mandates (which may differ by insurance portfolio) specifying credit risk appetite by issuer type and quality.

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The credit risk classification of issuers, debtors and counterparties within the Insurance companies credit risk portfolios continues its transition to the methodology used by the banking operations. Similar to ING Bank, ING Insurance uses risk classes which are calibrated to the probability of default of the underlying issuer, debtor or counterparty. These ratings are defined based upon the quality of the issuer in terms of creditworthiness, varying from investment grade to problem grade expressed in S&P equivalents.

Risk classes: ING Insurance portfolio, as % of total outstandings [(1)]:

	Insurance US		Insurance EurAsia and LatAm		Total ING Insurance	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
1 (AAA)	23.4%	25.1%	29.7%	30.5%	27.0%	28.1%
2-4 (AA)	14.5%	13.3%	14.4%	17.2%	14.5%	15.4%
5-7 (A)	24.6%	23.2%	32.1%	30.1%	28.7%	26.9%
8-10 (BBB)	22.3%	20.0%	11.8%	11.0%	16.3%	15.1%
11-13 (BB)	4.2%	7.1%	6.1%	6.5%	5.3%	6.8%
14-16 (B)	4.7%	5.0%	3.0%	2.7%	3.8%	3.7%
17-22 (CCC & Problem Grade)	6.3%	6.3%	2.9%	2.0%	4.4%	4.0%
	100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.

ING Insurance risk class distribution remained fairly stable during 2010, as downgrades experienced in the securitization market were compensated by active divestment programs and other de-risking measures. The CCC and Problem Grade class mainly contains downgraded securitizations but also some unrated private equity and real estate investments.

Risk concentration: ING Insurance portfolio, by economic sector [(1)(2)]:

	Insurance US		Insurance EurAsia and LatAm		Total ING Insurance	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Non-Bank Financial Institutions	43.6%	48.5%	21.9%	21.6%	31.2%	34.0%
Central Governments	8.8%	12.2%	40.6%	40.7%	26.9%	27.7%
Commercial Banks	3.6%	3.6%	10.8%	11.6%	7.7%	7.9%
Private Individuals	2.4%	2.5%	8.6%	10.1%	5.9%	6.6%
Real Estate	8.3%	9.4%	2.4%	0.9%	5.0%	4.8%
Utilities	5.4%	4.0%	2.2%	2.4%	3.6%	3.1%
Natural Resources	5.7%	3.7%	1.2%	1.2%	3.2%	2.3%
Food, Beverages & Personal Care	3.3%	2.6%	1.1%	0.9%	2.1%	1.7%
Other	18.9%	13.5%	11.2%	10.6%	14.4%	11.9%

100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities.

(2) Economic sectors below 2% are not shown separately but grouped in Other .

Where overall risk concentrations within ING Insurance shifted towards Central Governments in 2009, this was partially reversed in 2010 again. The upward shift in Real Estate for Insurance EurAsia and LatAm is related to real estate investments in The Netherlands.

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

	Insurance US		Insurance EurAsia and LatAm		Total ING Insurance	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Netherlands	3.7%	4.0%	22.6%	19.6%	14.3%	12.4%
Belgium	0.1%	0.1%	3.8%	3.3%	2.2%	1.8%
Rest of Europe	7.1%	5.8%	43.2%	47.9%	27.3%	28.5%
Americas	85.8%	87.6%	7.6%	7.8%	41.9%	44.7%
Asia/Pacific	3.2%	2.4%	22.7%	21.2%	14.2%	12.5%
Rest of World	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Country is based on the country of residence of the obligor.

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The US portfolio stayed constant in terms of local currency, but increased in Euro terms due to the appreciation of the US Dollar against the Euro. The relative concentration in the US has diminished, however, due to faster growth in other regions. The portfolio in the Netherlands mainly increased due to investments in state bonds. There were no other significant shifts in the portfolio concentration.

ING GROUP NON-FINANCIAL RISKS

In addition to the above financial risks (credit, market, insurance and liquidity risk) the next paragraphs describe the non-financial risks, being operational and compliance risks.

GENERAL

Policy implementation

To ensure robust non-financial risk management, ING monitors the full implementation of ING s Risk Policies and Minimum Standards. Business units have to demonstrate that the appropriate steps have been taken to control their operational and compliance risk. ING applies scorecards to measure the quality of the internal control within a business unit. Scoring is based on the ability to demonstrate that the required risk management processes are in place and effective within the business units.

Non-financial Risk Dashboard

The Non Financial Risk Dashboard (NFRD) is a report that is standard on the agenda for the meetings of the Management Boards Banking and Insurance and the Risk Committee. NFRD provides management at all organizational levels with information on their key Operational, Compliance and Legal Risks. NFRD is based on their risk tolerance within their business and a clear description of the risks and responses enabling management to prioritize and to manage operational, compliance and legal risks**.**

OPERATIONAL RISKS

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the related risk of reputation loss, as well as legal risk whereas strategic risks are not included. Effective operational risk management leads to more stable business processes (including IT systems) and lower costs. Generic mandatory controls are described in the Operational Risk Management (ORM) policy house.

Clear and accessible policies and minimum standards are embedded in ING business processes in all business lines. An infrastructure is in place to enable management to track incidents and operational risk issues. A comprehensive system of internal controls creates an environment of continuous improvement in managing operational risk. ING uses this knowledge (including lessons learned from incidents) to improve the control of key risks.

Organization of Operational Risk Management

The General Manager Corporate Operational Risk Management (CORM) reports directly to the CRO and is responsible for monitoring operational risks and developing and establishing the Operational Risk Framework within ING Group, ING Bank and ING Insurance. The General Manager Corporate ORM also establishes and approves the policies and minimum standards, and assists and supports the Executive Board in managing ING s operational risks. The CORM function consists of functional departments for Operational risks (including policies, systems, SOX testing, capital allocation and reporting), for Information (Technology) risks and for Security & Investigations. The CORM function is responsible for developing and communicating ING s operational risk framework, policies, minimum standards and guidelines. The corporate function advises the Management Boards Banking and Insurance and senior management, supports the business line ORM staff, monitors the quality of operational risk management and leads the group-wide reporting of operational risks to the Management Boards Banking and Insurance and the Risk Committee.

ORM uses a layered functional approach within business lines to ensure systematic and consistent implementation of the group-wide ORM framework, policies and minimum standards. To avoid potential conflicts of interests, it is imperative that the ORM officer is impartial and objective when advising business management on operational risk matters in their business unit or business line. To facilitate this, a strong functional reporting line to the next higher

level ORM officer is in place. The

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functional reporting line has clear accountabilities with regard to objective setting, remuneration, performance management and appointment of new ORM staff.

Operational risk framework

ING has developed a comprehensive framework supporting and governing the process of identifying, mitigating, measuring and monitoring operational risks thus reflecting the stages described in the Enterprise Risk Management model of COSO (Committee of Sponsoring Organizations of the Treadway Commission).

At all levels in the organization Operational Risk Committees (ORC s) are established that identify, measure and monitor the operational risks of the region or business unit with appropriate quality of coverage (granularity) and to ensure that appropriate management action is taken by the responsible line managers at the appropriate level of granularity. ORC s, chaired by the business management, steer the risk management activities of the first and second line of defense in their entities. On a group level the Operational & Residual Risk Committee approves the operational risk capital model.

IT Risk Governance: IT risk management has become more and more important because of increasing dependency on IT and the increase of IT risk due to amongst others cybercrime. Two Executive IT Risk Steering Committees, one for Banking and one for Insurance, steer and monitor ING s IT Risk Management process and results. In 2011 these Committees will be integrated into the respective ORC s.

The operational risk appetite within ING is defined as the acceptable and authorized maximum level of risk, in each of the operational risk areas that must be adhered to in order for ING to achieve its business plan within approved budgets. This risk appetite is quarterly monitored through the Non-Financial Risk Dashboard which reports the key non financial risk exposures.

Processes are in place to identify key threats, vulnerabilities and the associated risks which might cause adverse events. Event identification is performed proactively and precedes a risk assessment. Different techniques for event identification exist within ING, e.g. the structured team approach, scenario analysis, external events inventories, internal incident analysis (e.g. based on information from incident reporting), key risk indicator events and threat scans.

At least once a year business units and departments perform an integrated risk assessment with involvement of other departments such as Operational Risk, Compliance, Legal and Finance.

Based on the results of the risk assessment, response measures must be determined for the identified risks beyond the risk appetite. Risk response actions balance the expected cost for implementing these measures with the expected benefits regarding the risk reduction. Risk response can be achieved through several combinations of mitigation strategies, for example reducing likelihood of occurrence, reducing impact, risk avoidance, risk acceptance or through the transfer of risk. Tracking takes place through a global Action Tracking system.

Certain operational risks can best be transferred to the insurance market if risks are high but difficult to mitigate internally. In order to protect ING against financial consequences of uncertain operational events ING has acquired insurance policies issued by third-party insurers for Crime, Professional Liability, Directors and Officers Liability through its Risk Management & Transfer Programmes.

Management at all levels in the organization periodically needs information on their key operational risks (including compliance and legal risks) and mitigating actions. In order to make it easier for management to access this kind of information, business units periodically report through the Non-Financial Risk Dashboard (NFRD).

The yearly objective setting process for both business management and ORM professionals aims to keep improving the management of operational risk throughout ING to ensure that ING stays in control of its current and future operational risks. ING s ORM Framework is further maturing towards an integrated controls framework according to pre-agreed requirements and development stages in the individual business units. This development is measured through the scorecard process.

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Capital calculation

The Operational Risk Capital model of ING is based on a Loss Distribution Approach (LDA). The Loss Distribution is based on both external and internal loss data exceeding EUR 1 million. The model is adjusted for the scorecard results, taking into account the specific quality of control in a business line and the occurrence of large incidents (bonus/malus). This provides an incentive to local (operational risk) management to better manage operational risk. The Bank Operational Risk Regulatory Capital is based on the Advanced Measurement Approach (AMA) decreased from EUR 3,309 million in 2009 to EUR 2,872 million in 2010 due to the extension and improvement of business environment factors and the update of the external operational loss data in the capital model as approved by the Operational & Residual Risk Committee of ING. ING started in 2010 a program to further enhance its AMA framework in 2011 and align with peer/industry practices as they develop.

Main developments in 2010

Cybercrime Based on a High-Tech Crime Prevention assessment a number of potential risks has been identified. Secure Code Review was found as an area of concern and during 2010 a dedicated taskforce has taken action across ING Group. After remediation of the identified gaps, dynamic code scan and review (in order to detect vulnerabilities in websites) has been implemented.

Operational Risk Committees Following the changes in the organisation and governance of ING and regulatory requirements, ING has installed a periodic Bank Operational Risk Committee (ORC) in December 2010, consisting of the members of the Bank management board, the CEO s of the Regions and Functions, and the General Managers of ORM, Legal and Compliance. The mandate of the Bank ORC has been approved in the Bank Management Board. The responsibility of the Bank ORC is to monitor and manage the operational risks of the bank. Below the Bank ORC six Region/Function ORC s were set up which are responsible for the regional and functional operational risk oversight in their area of responsibility: ORC Netherlands, ORC Belgium, ORC ING Direct, ORC International/Commercial Banking, ORC Financial Markets and ORC OIB.

Anti-Fraud ING has a zero tolerance approach towards fraud and therefore implemented the ING s Global Anti-Fraud Programme in 2010. This programme aims for a high level of fraud resilience and further mitigation of losses deriving from fraud. Design and implementation of additional fraud controls, training and building the anti-fraud community and risk awareness communication are key elements to the programme.

IT security monitoring To ensure that the approved enterprise s information security baseline is maintained, ING installed monitoring agents on almost all platforms. This improved monitoring capabilities contributed to the reduction of the IT- risk profile.

Disentanglement The ORM function monitored during 2010 the operational risks around the disentanglement process of ING Bank and ING Insurance (project Readiness). The Readiness project completed the Day-1 sign off in which CEO s confirmed to be operating at arm s length.

COMPLIANCE RISKS

Compliance Risk is defined as the risk of damage to ING s integrity as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies, procedures and ethical standards. In addition to reputational damage, failure to effectively manage Compliance Risk could expose ING to fines, civil and criminal penalties, and payment of damages, court orders and suspension or revocation of licenses, which would adversely impact customers, staff and shareholders of ING.

ING believes that fully embedded Compliance Risk Management preserves and enhances the trust of its customers, staff and shareholders. Being trusted is essential to building sustainable businesses. ING s Business Principles set the foundation for the high ethical standards ING expects of all our business activities. ING s Business Principles require all staff at every level to conduct themselves, not only in compliance with laws and regulations, but also by acting with integrity, being open and clear, respectful, and responsible.

Clear and practical policies and procedures are embedded in ING business processes in all Business Lines. Systems are in place to enable management to track current and emerging Compliance Risk issues, to communicate these to internal and external stakeholders, and to drive continuous improvement. ING understands that good Compliance Risk

Management involves understanding and delivering on the expectations of customers and other stakeholders, thereby strengthening the quality of key relationships.

The Scope of the Compliance Risk Management function

The Compliance Risk Management function focuses on managing the risks arising from laws, regulations and standards which are specific to the financial services industry. The Compliance Risk

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Management function actively educates and supports the business in managing compliance risks including anti-money laundering, preventing terrorist financing, conflicts of interest, proper sales and trading conduct and protection of customer interest.

ING separates Compliance Risk into four conduct-related integrity risk areas: client conduct, personal conduct, organizational conduct as well as conduct required because of laws and regulations in the financial services industry. In addition to effective reporting systems, ING has a Whistleblower procedure which encourages staff to speak up if they know of or suspect a breach of external regulations or internal policies or Business Principles.

The Compliance Risk Management function

The Chief Compliance Officer (CCO) reports directly to the Chief Risk Officer who is a member of the Executive Board. The CCO is responsible for developing and establishing the company-wide Compliance Risk Management Charter & Framework, establishes the Minimum Standards for managing Compliance Risks and assists and supports the Executive Board in managing ING s Compliance Risks.

ING uses a functional approach within Business Lines to ensure systematic and consistent implementation of the company-wide Charter & Framework, policies, Minimum Standards and related procedures. The Local Compliance Officer has the responsibility to assist local management in managing Compliance Risk within that business unit. The regional or division Compliance Officer has a management and supervisory role over all functional activities of the Compliance Officers in the respective region or division. Reporting functionally into the CCO, the Business Line Compliance Officers perform this task for their Business Line and also provide leadership and overall direction to the regional or divisional Compliance Officers.

To avoid potential conflicts of interest, it is imperative that the Compliance Officers are impartial and objective when advising business management on Compliance Risk in their Business Unit, region, division or Business Line. To facilitate this, a strong functional reporting line to the next higher level Compliance Officer is in place. The functional reporting line has clear accountabilities relating to objective setting, remuneration, performance management and the appointment of new Compliance Risk Management staff as well as obligations to veto and escalate.

Compliance Risk Management Framework

The Framework consists of three key components: the Compliance Risk Management process, an Advisory component and the Scorecard.

1. The Compliance Risk Management process

The process has five key activities carried out in accordance with the requirements of the Framework:

A. Identification of Compliance Risk Obligations;

B. Risk Assessment;

C. Compliance Risk Mitigation (includes Training and Education);

D. Compliance Risk Monitoring (includes Action Tracking);

E. Compliance Risk Reporting (includes Incident Management).

2. Advisory

Compliance Officers proactively advise their CEO, Management, local boards and committees, the next higher level Compliance Officer, and employees on Compliance Risk, responsibilities, obligations and concerns.

3. Scorecard

The Compliance Risk Management function works with the Operational Risk Management Scorecard process to evaluate how well the Compliance Risk Management Framework is embedded in each business. Scoring is based on the ability of the business unit to demonstrate that the required policies and procedures are implemented. The scoring indicates the level of control within the business units and the result is integrated with the Operational Risk Management results into ING s Dutch Central Bank approved regulatory capital model.

Extra-territorial regulations

Financial institutions continue to be closely scrutinized by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws,

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regulations, standards and expectations. Bank and insurance regulators and other supervisory authorities in Europe, the US and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and conduct business in an efficient, orderly and transparent manner. ING seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinizing account holder information, payment processing and other transactions to support compliance with regulations governing money laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or alleged failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING s licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING s reputation and financial condition, and accordingly ING s primary focus is to support good business practice through its Business Principles and group policies.

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

As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives ING continues to believe that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba. Each of these countries is subject to a variety of EU, US and other sanctions regimes. Cuba, Iran, Sudan, and Syria are identified by the US as state sponsors of terrorism and are subject to US economic sanctions and export controls.

Regulatory measures and law enforcement agencies investigations

ING Bank N.V. has continued discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the US and other authorities and its earlier review of transactions involving sanctioned parties. In connection with that review and related discussions ING Bank has undertaken to complete the global implementation of enhanced compliance and risk management procedures, and to monitor the implementation of such procedures on an ongoing basis, as instructed by DNB.

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

Main developments in 2010

Regulator relationships Group Compliance Risk Management continued to invest in pro-active relationships with regulators in the jurisdictions where ING operates, striving for an open approach and cooperation in identifying and mitigating compliance risks for ING.

Promoting Integrity Programme Group Compliance Risk Management, together with Group Human Resources and Corporate Communications & Affairs, created and launched the Promoting Integrity Programme (PIP), a global employee education programme focusing on ING s values (including the ING Business Principles) and the role they play in the business and workplace. A short e-learning course was developed and was followed by manager-led dialogue sessions, where employees discussed what integrity means for them and how the Business Principles can be applied in their daily work.

Building Customer Trust As part of ING s commitment to building customer trust, Group Compliance Risk Management and the business worked closely together to consider how both products and services could be enhanced to improve the customer experience.

Further embedding of Financial Economic Crime & Extra-Territorial Laws ING continued its strong commitment to preventing any involvement in criminal activity. Existing activities were further strengthened by

increased monitoring and internal audits as well as awareness and training

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programmes and an internal annual sign-off process for senior management concerning implementation of policies and procedures relating to Financial Economic Crime and business with ultra high risk countries.

Learning Continuous education and awareness training was provided through face-to-face training sessions and online learning tools on topics such as Ultra High Risk Countries & Export Trade, Financial Economic Crime, Competition Law and Customer Suitability. Compliance Risk Management also continued its mandatory global Compliance Officer Training programme for all compliance officers new to ING.

MODEL DISCLOSURES

Users of the information in the risk management section should bear in mind that the analyses provided are forward looking measures that rely on assumptions and estimates of future events, some of which are considered extreme and therefore unlikely to occur. In the normal course of business ING Group continues to develop, recalibrate and refine the various models that support risk metrics, which may result in changes to the risk metrics as disclosed.

This model disclosure section explains the models applied in deriving the disclosed metrics. The methodologies used to determine Economic Capital for ING Bank and ING Insurance are described, as are the methodologies for sensitivities for ING Insurance. The risk models for the Economic Capital calculations are reviewed on a periodic basis and validated by the internal Model Validation department. The ING Bank Economic Capital calculation is also used as part of the Basel II Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP) that is performed regularly by the Dutch Central Bank.

ECONOMIC CAPITAL (ING BANK)

Economic Capital is defined as the amount of capital that a transaction or business unit requires in order to support the economic risks it originates. In general Economic Capital is measured as the unexpected loss above the expected loss at a given confidence level. This Economic Capital definition is in line with the net market value (or surplus) definition. The process of Economic Capital modeling enables ING Bank to allocate Economic Capital to the business units and support risk-adjusted performance measurement (RAROC).

The following fundamental principles and definitions have been established for the model:

ING Bank uses a one-sided confidence level of 99.95% consistent with ING s target debt rating (AA) and a one-year time horizon to calculate Economic Capital;

It is assumed that all currently known measurable sources of risk are included;

The best estimate risk assumptions are as objective as possible and based on proper analysis of statistical data. There is one set of best-estimate assumptions for each risk type to be used at ING Bank;

The Economic Capital calculation is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;

The Economic Capital calculations reflect known embedded options and the influence of client behavior in banking products;

The Economic Capital calculations are on a pre-tax basis and do not consider the effect of regulatory accounting and solvency requirements on capital levels;

The framework does not include any franchise value of the business, discretionary management intervention or future business volumes and margins.

Specific measurement by risk type is described in greater detail in the separate risk type sections.

Aggregation model

The main processes executed in the ING Bank Economic Capital aggregation model are depicted in the flowchart below. The white boxes show the processes performed by the model while the shaded box indicates inputs from other corporate risk departments.

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Correlation factors between risk types used for diversification are based on best estimate assumptions supported by statistical analysis of historical data, ING risk expert judgment, external benchmark studies and common logic. As a foundation correlations are applied based on a 90% confidence level, i.e. they correspond to the correlations observed in the 10% largest downward movements (a 1 in 10 event). As shown in the flow-chart, the correlation factors are stressed upwards where necessary to account for potential measurement inaccuracy in extreme events due to limited historic data observations. Expert opinion is used for aggregating business and operational risk.

The Economic Capital for ING Bank involves the aggregation of the underlying Economic Capital of five risk types, namely credit, transfer, market, operational and business risks (latter two also referred to as other risks). These risk types are aggregated to provide a total diversified ING Bank Economic Capital by applying the variance-covariance approach with a 5 x 5 inter-risk correlation matrix.

For allocation of Economic Capital to units and products, diversification factors are calculated for each risk type. These factors are applied consistently throughout ING Bank. The level of diversification benefit is dependent on both the inter-risk correlations as well as the relative size of the undiversified Economic Capital exposure for each risk type.

Reporting Framework

For each business unit and product line, the gross Economic Capital for each risk type is delivered to MISRAROC the financial data warehouse for RAROC and Economic Capital reporting of ING Bank. The net Economic Capital figures are calculated by taking the product of the gross Economic Capital and one minus the diversification factor. Total Economic Capital is calculated as the sum of the net Economic Capital for each risk type at all reporting levels.

CREDIT AND TRANSFER RISK (ING BANK)

Economic Capital for credit risk and for transfer risk is the portion of Economic Capital held to withstand unexpected losses inherent in the credit portfolios related to (unexpected) changes in the underlying creditworthiness of debtors or the recovery value of underlying collateral (if any). Credit risk and transfer risk capital are calculated on all portfolios which contain credit or transfer risk, including investment portfolios. The same methodology is used for both the banking and the insurance operations.

Economic Capital for credit risk and for transfer risk are calculated using internally developed models with a 99.95% confidence level and a time horizon of one year, which represents ING s desired credit rating. ING uses a series of credit risk models that can be grouped into three principal categories: Probability of Default (PD) models, which measure the standalone creditworthiness of individual debtors; Exposure at Default models (EAD) which estimate the size of the financial obligation at the moment of default in the future; and Loss Given Default Models (LGD), which estimate the recovery value of the underlying collateral or guarantees received (if any) and the unsecured part. Collectively, ING uses over 100 models for credit risk. The various models can be grouped into three categories: statistical, expert and hybrid.

The Economic Capital formula for credit and transfer risks relies on seven different risk drivers. In addition to the PD, EAD, and LGD models mentioned above, the formula also considers the industry and the country of the debtor as well as the remaining term of the respective underlying transactions. Lastly, the formula considers correlation of different asset class types.

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The underlying formulas and models that are used for determining Economic Capital for credit and transfer risk are similar to those used for determining the level of regulatory capital that is required under Basel II (Pillar 1). Despite the fact that the same underlying formulas are used, (internal) Economic Capital and regulatory capital are not the same, due to various specific rules imposed by Basel II, such as regulatory caps and floors, and the use of the standardized approach for certain portions of ING s portfolio. These differences are permitted under the Basel II guidelines.

The table below summarizes different capital measures used for different purposes and shows the difference in key elements and purposes.

Credit Risk Capital Measurements	Methodology	Location	Confidence level	Inputs	Purpose
Regulatory Capital	Basel II Formula	Vortex Basel Engine (VBE) in the Central Risk Database	99.90%	Basel II model outputs	RWA
Economic Capital	Risk Adjusted Capital (RAC) Closed Algebraic Formula	Vortex Risk Engine (VRE) in the Central Risk Database	99.95%	Basel II model outputs excluding Basel II caps and floors, maturity, repayment schedules, correlation factors, migration matrix.	Pricing, Economic Capital for credit at transactional level and above

Economic Capital levels for credit and transfer risk are calculated regularly for most of the Commercial Bank, ING Retail Benelux, and the Retail Direct & International banking operations. On a quarterly basis, the Economic Capital for credit risk and transfer risk figures are consolidated with the corresponding Economic Capital components from other disciplines.

Governance of Economic Capital for Credit and Transfer Risk

All PD, EAD and LGD models are approved by the Credit Risk Committee (CRC) after thorough review of documentation by the Model Development Committee (MDC) and Model Validation (MV). In addition, each model is validated on an annual basis by MV. Each model has both a credit risk and a front office co-sponsor. Both the MDC and the CRC have participation from both credit risk officers as well as the front office to ensure maximum acceptance by the organization.

CREDIT AND TRANSFER RISK (ING INSURANCE)

For the determination of Economic Capital for credit and transfer risk within the ING Insurance entities the methodology used is the same methodology as used for ING Bank, with the exception that the Economic Capital is reported on the 99.5% confidence level in line with the requirements for Solvency II.

MARKET RISK (ING BANK)

General

Economic Capital for market risk is the Economic Capital necessary to withstand unexpected value movements due to changes in market variables, such as interest rates, equity prices, foreign exchange rates and real estate prices. Economic Capital for market risk is calculated for exposures both in trading portfolios and non-trading portfolios.

Measurement

Economic capital for market risk is calculated using internally developed methodologies with a 99.95% confidence interval and a horizon of one year, which represents extreme events and ING s target rating. The Economic Capital for market risk for non trading portfolios is calculated for each risk type, while for trading portfolios it is calculated on a portfolio level. The calculations for Economic Capital market risk include real estate risk, foreign exchange rate risk, equity price risk, interest rate risk and model risks.

Real estate price risk includes both the market risks in both the investment portfolio and the development portfolio of ING Real Estate. The real estate price risk for the investment portfolio is calculated by stressing the underlying market variables. The stress scenarios at a portfolio level take

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into account all diversification effects across regions and real estate sectors. Also, the leverage of participations in the real estate investment funds is taken into account.

For the Real Estate development process, in addition to market sale price risk, the risk drivers of market rent, investor yield and construction delays are taken into account. Furthermore the risk model differs for each development phase (i.e., research, development, and construction) to appropriately reflect the risk taken in each phase. Using correlations, all risk drivers, and stages are used to calculate a possible market value loss representing the Economic Capital for market risk for the development portfolio.

For the direct market risks, the actual VaR (measured at a 99% confidence interval, a one day holding period and under the assumption of an expected value of zero) of the trading and non-trading portfolios is taken as a starting point for the Economic Capital calculations for market risk. To arrive at the Economic Capital for market risk, a simulation based model is used which includes scaling to the required confidence interval and holding period. In determining this scaling factor, several other factors are also taken into account like the occurrence of large market movements (events) and management interventions.

The economic capital for the equity investments is calculated based on the ECAPS system. Using Monte-Carlo simulation, the model generates 20,000 possible states-of-the-world , by randomly simulating all risk drivers simultaneously. For each state-of-the-world, the market value is recalculated and the 99.95% worst-case change in market value is the Economic Capital level.

Economic Capital for market risk for the mortgage portfolios within ING Retail Banking (Benelux, Direct and International Banking) and ING Commercial Banking is calculated for embedded option risk (e.g. the prepayment option and offered rate option in mortgages). The embedded options are hedged using a delta-hedging methodology, leaving the mortgage portfolio exposed to convexity and volatility risk. The Economic Capital model for market risk is based on the estimated 99% confidence adverse interest rate change.

While aggregating the different Economic Capital market risk figures for the different portfolios, diversification benefits are taken into account as it is not expected that all extreme market movements will appear at the same moment.

The nature of market risk Economic Capital, evaluating the impact of extreme stress with a 99.95% confidence level, can sometimes be difficult to evidence in a statistical sound manner with the available historical data. The Economic Capital figures disclosed by ING Group are a best effort estimate based on available data and expert opinions.

OPERATIONAL RISK (ING BANK AND ING INSURANCE)

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss, as well as legal risk, whereas strategic risks are not included. While operational risk can be limited through management controls and insurance, operational risk incidents may have a substantial impact on the profit and loss account of financial institutions.

The capital model, an actuarial model, consists of a combination of three techniques:

- Loss Distribution approach (LDA), which applies statistical analysis to historical loss data;
- Scorecard approach, which focuses on the quality of risk control measures within a specific business unit;
- Bonus/Malus approach, which focuses on the actual operational incidents of a specific business unit.

Loss Distribution approach

The main objective of the LDA approach is to derive an objective capital amount based on the size and the risk appetite of an institution and its business units. This approach estimates the likely (fat-tailed) distribution of operational risk losses over some future horizon for each combination of business line and loss event type. The main characteristic of the LDA is the explicit derivation of a loss distribution, which is based on separate distributions for event frequency (Poisson) and severity (Inverse Gaussian). The model uses both external and internal loss data above one million EUR.

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The calculation of operational risk capital for the units follows five basic principles:

Principle 1: If the world gets riskier, the business units need more Economic Capital;
Principle 2: If a business unit s size increases, so does its capital;
Principle 3: If the business of a business unit is more complex, it needs more capital;
Principle 4: If the level of control of a business unit is higher, it needs less capital;
Principle 5: If the business units losses from internal incidents exceed the level of expected loss accounted for in the first four framework principles, it needs more capital.

The capital calculated according to the first three is generic : if two business units operate in the same markets and have the same size, the resulting capital will be the same. The specific capital adjustments mentioned below adjust the generic capital of a specific institution to its specific operational risk capital.

Scorecard approach (principle 4)

The scorecard adjustment reflects the level of quality of control in a specific institution. Scorecards aim to measure the quality of key operational risk management processes. The scorecard procedure concerns questions that require quantitative data, qualitative judgments or simple yes/no questions (e.g. indicating compliance with certain group policies). The scorecards are completed by all business units using self-assessment and reviewed by an expert panel who determines the final score. The set of scorecards lead to an increase or decrease of the capital of the specific unit.

Bonus/Malus approach (principle 5)

Units are assigned additional capital in case losses from internal incidents exceed the level of expected losses that have been accounted for in the LDA. When the actual loss of a business unit is lower than expected based on a comparison with external losses of peers, the capital of the related business unit is reduced.

BUSINESS RISK (ING BANK)

Business Risk for ING Bank has been defined as the exposure to value loss due to fluctuations in volumes, margins and costs, as well as client behavior risk. It is the risk inherent to strategy decisions and internal efficiency. The calculation of Business Risk Capital is done by calculation of two components,

(i) Expense risk relates to the (in)flexibility to adjust expenses, when that is needed.

(ii) Client behavior risk relates to clients behaving differently than expected and the effect that this behavior can have on customer deposits and mortgage pre-payments. The client behavior risk is calculated by stressing the underlying assumptions in the models for behavioral assets and liabilities.

Each of these components is calculated separately, and combined to one business risk figure via the variance-covariance methodology.

ECONOMIC CAPITAL (ING INSURANCE)

In 2007, ING Insurance introduced ECAPS as an intranet-based Economic Capital reporting system utilizing replicating portfolio techniques. Since then, ECAPS has been constantly enhanced to improve its robustness, usability and accuracy. Since 2010 Economic Capital is only reported for EurAsia and LatAm businesses.

The ECAPS system provides a well controlled and automated basis for Economic Capital and risk sensitivity measurement. Each business unit enters the risk characteristics of its assets and liabilities into the ECAPS system on a regular basis. These risk characteristics are then translated to a uniform basis in the form of replicating portfolios of standardized financial instruments. Based on the constellation of replicating portfolios (including representations of non-market risks), the ECAPS system then is capable of calculating Economic Capital at every level of aggregation.

Economic Capital (EC) is defined by ING Insurance as the amount of assets that needs to be held in addition to the market value of liabilities to assure a non-negative surplus at a 99.5% level of confidence on a 1 year time horizon. ING Insurance measures Economic Capital by quantifying the impact of adverse events on the Market Value Surplus (MVS), a Surplus-at-Risk concept. The change in MVS or Available Financial Resources (AFR) is the combined effect of changes in Market Value of Assets (MVA) minus Market Value of Liabilities (MVL) and an adjustment for illiquidity spreads due to current dislocated asset markets.

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ING continues to adjust Available Financial Resources to reflect the illiquidity in its insurance portfolios as reporting AFR with MVLs discounted at the swap rates results in an asymmetry between the assets and liabilities.

Illiquidity is also reflected through Interest Rate Risk, (adding the liquidity spread to the discount curve effectively reduces the duration of our liabilities and therefore reduces the duration mismatch between our assets and liabilities resulting in a reduced interest rate risk); through Credit Spread Risk (the Economic Capital model stresses both the asset spreads and the illiquidity spread: the netting of asset spread risk with illiquidity liability spread risk results in a lower credit spread risk) and through Foreign Exchange Risk (the adjustment of the MVS for illiquidity results in a reduced net exposure to foreign currency movements and in particular the US dollar: this results in a lower foreign exchange risk).

The MVL consists of the Financial Component of Liabilities (FCL) and a Market Value Margin (MVM) for non-hedgeable risks (e.g. insurance risk). The MVM is calculated using a Cost-of-Capital approach based on an estimate of required shareholder return on Economic Capital.

ING quantifies the impact of the following types of risk in its Economic Capital model:

- Market risk
- Credit risk (including transfer risk)
- Business risk
- Operational risk
- Life risk (both catastrophe and non-catastrophe)
- Morbidity risk (both catastrophe and non-catastrophe)
- P&C risk (both catastrophe and non-catastrophe)

Strategic business risk has been excluded from the EC calculations of ING Insurance.

Non-market risk Economic Capital is calculated by business units, CCRM and CORM and inputted into ECAPS at the sub risk level. ECAPS then aggregates 21 sub-risk types (e.g. mortality and trend risk) to 9 non-market risk types using a bottom-up Economic Capital diversification approach based on a matrix of correlations. The inputs are used to calibrate marginal distributions for these risk types. These distributions, in combination with the Gaussian copula, are then used in the Economic Capital calculation to measure diversification between market and non-market risks.

The following fundamental principles have been established for the model:

- All identified sources of risk should be considered;
- The best estimate actuarial assumptions should be as objective as possible and based on a proper analysis of economic, industry, and company-specific data. There is one set of best-estimate assumptions per product to be used for all purposes at ING;
- Valuation of assets and liabilities is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;
- The Economic Capital and valuation calculations should reflect the embedded options in insurance contracts;
- The Economic Capital and valuation calculations are on a pre-tax basis and do not consider the effect of local regulatory accounting and solvency requirements on capital levels. Capital is assumed to be fully transferable between legal entities;
- The framework does not include any franchise value of the business. It does, however, include the expense risk associated with the possibility of reduced sales volume in the coming year.

The following is a brief description of the model.

1. Market Data Retrieval, Calibration and Scenario Generation

- Automated retrieval and extrapolation of all current and historical market data
- Generation of a comprehensive (Market and Non-Market Risks) correlation matrix
- Calibration of market risk drivers for scenario generation
- Generation of 500 Risk Neutral and Risk Volatile scenarios that are sent to each business unit to locally develop stochastic asset and liability cash flows
- Generation of 20,000 Real World Monte-Carlo scenarios for Economic Capital calculation

2. Stochastic Cash flows Generation and Aggregation of Non-market Risk Capital

Actuarial software used to produce the stochastic cash flows based on Risk Neutral and Risk Volatile scenarios produced in step 1.

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Business units upload stochastic asset and liability cash flows to determine the optimized replicating portfolio
Asset derivatives are directly processed as replicating instruments.
Non-market risk capital calculated in accordance with ING Standards of Practice

3. Replicating Portfolio Definition

Capture the risk profile of the financial component of insurance liabilities by mapping onto a finite set of standard financial instruments
Standard instruments contain zero coupon bonds, swaptions, callable bonds, CMS options, equity forwards/options and FX options. Business units can define the strikes and tenors of the instruments themselves to fit best to the risk profile of their liabilities.
Compile a replicating portfolio of standard financial instruments that matches the present value of cash flows as closely as possible for the 500 Risk Neutral and Risk Volatile scenarios

4. Economic Capital calculation

For each Real World Scenario the market value of assets and liabilities is recalculated and the change in value of the Market Value Surplus (MVS) is stored. The changes in MVS are sorted and the 99.5% worst case is identified to provide the market risk Economic Capital level for the given level of aggregation.
Non-market risks are aggregated and integrated with market risk.
The total diversified Economic Capital then results.

Further details on the Insurance Economic Capital model

Market Data Retrieval, Calibration and Scenario Generation

ING Insurance uses ING Bank s Global Market Database (GMDB) as a provider of market price and risk data for financial risk drivers. All market data is obtained from reputable data providers such as Reuters and Bloomberg. The GMDB operational team then validates the market data and calculates relevant risk parameters. This validated data is then automatically delivered to the ECAPS system.

Since ING Insurance operates in many developing financial markets, extrapolation algorithms are in place for extending beyond observable market data when this is needed for the calculation of the Market Value Liabilities and the Economic Capital. These algorithms are based on comparable data in mature markets.

Based on the market data from GMDB, ING calibrates two economic scenario generators:

Risk Neutral Economic Scenario Generator (RN ESG): capable of generating multiple equity indices and exchange rates, consistent with a multi-currency dynamic term structure model. Scenarios are used in the cash flow projection to determine replicating portfolios. RN ESG scenarios are consistent with observed market prices of equity, FX and interest options;
Real World Economic Scenario Generator (RW ESG): capable of jointly simulating all risk types, i.e. all market risks, credit risk, business risk, operational risk, life risk, morbidity risk and P&C risk. Diversification between risks is taken into account through a Gaussian copula, allowing for different marginal probability distributions at the risk driver level. RW ESG scenarios are calibrated based on historical time series of the market risk drivers using at least 5 years of Historical data. Volatilities and correlations are calibrated to represent the distribution on a quarterly frequency.

Stochastic Cash Flows Generation and Aggregation of Non-Market Risk Capital

The market risks in assets and liabilities are captured in and represented by stochastic cash flows in 500 scenarios. Business units are responsible for generating these cash flows, the modeling of embedded options and guarantees and a proper mapping of risk drivers in the scenario set to cash flow determinants such as policyholder behavior and management actions restricted to dynamic hedge programs and setting of crediting rates/profit sharing. To better capture the behavior in the tails of the distribution, the set of scenarios consist of 300 Risk Neutral scenarios and 200 Risk Volatile scenarios with double volatilities. The average of the 300 Risk Neutral scenarios provides a check on the market value of the replicating portfolio. It should be noted that this serves only as a check, and that the simulated market value of liabilities is derived directly from the replicating portfolio. The 200 Risk Volatile scenarios ensure that the replicating portfolio is calibrated against enough extreme scenarios such that it can be used safely in Economic Capital calculations.

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Replicating Portfolios Definition

To handle the full complexity of calculating diversification by Monte Carlo simulation, ING maps its assets and liabilities to a set of standard financial instruments. The set of standard instruments consists of zero coupon bonds, market indices, equity forwards, swaptions, callable bonds, FX options and equity options. Assets and the financial components of the liabilities are represented by a portfolio of this standard set of instruments. A user interface allows the selection of different types of replicating instruments for different cash flow types. Then an optimal replicating portfolio is created that matches the risk profile on a net present value of the stochastically generated cash flows as closely as possible. The resulting replicating portfolio is used in the calculation of Economic Capital.

Through the inclusion of equity options, FX options and swaptions in the set of replicating instruments, ING is able to incorporate implied volatility risk in the considered risk types. The same holds for the credit spread risk through the inclusion of credit risk bearing zero coupon bonds in the set of replicating instruments.

The quality of the replicating portfolio is monitored by several statistical criteria including R-squared and benchmarked against market value sensitivities such as duration, convexity, and changes in value for larger interest rate and equity shocks. High quality replicating portfolios are important in several ways. First, they ensure a good reflection of the actual risk profile and an accurate calculation of Economic Capital. Second, they assist business units in hedging strategies and management of Economic Capital. Third, the process of replicating portfolio calculations increases the understanding of the complex nature of insurance liabilities in a market consistent environment.

Replicating portfolios are currently determined from a single factor RN ESG interest rate model. The RW ESG interest rate scenarios for the Value at Risk calculations are generated using a multi-factor model which allows for non-parallel interest rate moves.

Economic Capital calculation

ECAPS uses Monte-Carlo simulation to determine diversification benefits for the complete portfolio hierarchy , from business unit level up to an ING Insurance level. All diversification calculations are done within ECAPS and are driven by the Gaussian copula of all risk drivers using the underlying distributions applicable for each risk type. Diversification benefit allocation to business units, business lines and risk types is done outside ECAPS.

For the calculation of Economic Capital ING uses a one-year time horizon. In practice, the model calculates instantaneous quarterly shocks and then annualizes the resulting VaR statistic to determine an annualized EC. The quarterly shock is used to stabilize the results and to ensure the shocks are within a range that can be more credibly valued for assets and liabilities. Also, it can better capture the impact of dynamic hedge strategies. It proves to have more consistency in how correlations between risk factors are defined and therefore align closer to actual risk practices and reporting cycles.

Using Monte-Carlo simulation, ING s Economic Capital model generates 20,000 possible states-of-the-world , by randomly simulating all risk drivers simultaneously. For each state-of-the-world, the market value of assets and liabilities are recalculated and the change in value of the Market Value Surplus (MVS) is stored. All these changes in MVS are then sorted, and the 99.5% worst-case change in MVS is identified, to provide the Economic Capital level for the given level of aggregation.

AFR SENSITIVITIES AND EARNINGS SENSITIVITIES (ING INSURANCE)

Scenarios for AFR sensitivities and Earnings sensitivities

The sensitivities shown for AFR and Earnings are based on simple to explain shocks to underlying risk factors. The following risk factors are taken into account:

- Interest rates;
- Credit (including spread changes, liquidity premium and default);
- Equity;
- Real Estate;
- Foreign exchange;
- Implied volatility (of both equity and interest rates).

Changes in implied volatility levels mostly impact the AFR through embedded options in our liabilities. The same has no material impact for IFRS Earnings and is currently not measured.

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The table below provides an overview of the shock scenarios applied for the AFR and Earnings sensitivities. These shocks are also the basis for the US regulatory capital market risk scenarios.

Risk factor	Description shock
Interest Rates	Up and down parallel shock equal to 30% of the 10 year swap rate. Shock is floored at 50bps and capped at 150bps.
Credit	For AFR we apply a credit spread shock based on the rating of the debt security (e.g. single A shock 110bps). Home government bonds (e.g. KRW government bonds in Korea) are excluded. The liquidity premium is shocked by 50bps. For financial capital securities the underlying assumption is that they are called at their legal maturity and not at earlier call-dates. For structured credit we increase credit spread shocks by 50%. For Earnings we apply a credit default scenario in which we multiply the probability of Default, Loss Given Default and Historical Cost. For impaired assets we apply a credit spread shock with default probabilities based on a 1-in-10 event. The asset positions data used for the AFR credit spread shocks and Earnings credit default scenarios is for a large part based on third quarter 2010 positions.
Equity	All equity 25% down
Real Estate	All real estate 15% down
Foreign Exchange	The worst case of a 10% up or down movement for each currency
Implied volatility	Swaption volatilities up by 30% Equity implied volatility up by 80% for tenors less than 1 year, up 30% for tenors between 1and 3 years, up 20% for tenors between 3-7 years and up 10% for tenors of 7 years and above,

REGULATORY CAPITAL SENSITIVITIES US INSURANCE BUSINESS

The sensitivities shown are calculated at legal entity level and cover US domiciled insurance entities. The sensitivities are based on simple to explain shocks to underlying risk factors. The following risk factors are taken into account:

- Interest rates;
- Credit;
- Equity;
- Real Estate;
- Foreign exchange
- Implied volatility

The table below provides an overview of the shock scenarios applied for Statutory Surplus sensitivities.

Risk factor	Description shock
Interest Rates	Up and down parallel shock equal to 30% of the 10 year swap rate. Shock is floored at 50bps and capped at 150bps.
Credit	The credit risk sensitivity consistent out of two components:

	Firstly we apply a credit default scenario in which we multiply the probability of Default, Loss Given Default and Historical Cost. For impaired assets we apply a credit spread shock with default probabilities based on a 1-in-10 event. Secondly we apply rating migrations on the current portfolio using the rating transition matrix as observed by S&P in the year 2002 for US Corporate Bonds.
Equity	All equity 25% down
Real Estate	All real estate 15% down
Foreign Exchange	The worst case of a 10% up or down movement for each currency
Implied volatility	Swaption volatilities up by 30% Equity implied volatility up by 80% for tenors less than 1 year, up 30% for tenors between 1and 3 years, up 20% for tenors between 3-7 years and up 10% for tenors of 7 years and above.

The Regulatory Capital Sensitivity in aggregate is calculated by combining the joint impact of the various market stress events calculated by taking into account the correlations between risk types.

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2.2.2 CAPITAL MANAGEMENT

OBJECTIVES

ING Group Capital Management (Capital Management) is responsible for the sufficient capitalization of ING Group entities at all times in order to manage the risk associated with ING s business activities. This involves the management, planning and allocation of capital within ING Group. ING s Corporate Treasury is part of Capital Management. It executes the necessary capital market transactions, term (capital) funding and risk management transactions. Capital Management monitors and plans capital adequacy on a consolidated basis at three levels: ING Group, ING Insurance and ING Bank. Capital Management takes into account the metrics and requirements of regulators (Insurance Group Directive (IGD) Solvency I, Tier 1 and BIS ratios and limits for hybrid capital), rating agencies (leverage ratios, Adjusted Equity) and internal models such as the economic capital and market value balance sheet approach for parts of ING Insurance including Available Financial Resources (AFR).

ING applies the following main capital definitions:

Adjusted Equity (ING Group) This rating agency concept is defined as shareholders equity plus core Tier 1 securities, hybrid capital and prudential filters. See Capital Base disclosures in this section. This capital definition is applied in comparing available capital to core debt for ING Group;

Insurance Group Directive capital (ING Insurance) This regulatory concept is defined as shareholders equity plus hybrid capital, prudential filters and certain adjustments. IGD capital is calculated in accordance with method 3 method based on accounting consolidation of the Dutch Act on Financial Supervision. In this method the solvency margin is calculated on the basis of the consolidated accounts and is the difference of (i) the assets eligible for the inclusion in the calculation of the solvency margin based on the consolidated data; and (ii) the minimum amount of the solvency margin calculated on the basis of the consolidated data. In applying this method a solvency deficit of an insurance subsidiary, if any, is taken into account, as well as regulatory adjustments of the Dutch insurance subsidiaries based on the Dutch Act on Financial Supervision. See Capital Base disclosures in this section. This capital definition is applied in comparing IGD capital to EU required capital base. This measurement of available capital is different from previous years. In previous years we treated fixed income revaluations similar to ING Bank to allow adding up Bank and Insurance on a consistent basis. However with the upcoming separation and hence the decreased importance of Bank and Insurance consistency we changed the IGD to align with European Insurance peers.

Core Tier 1 capital, Tier 1 capital and total BIS capital (ING Bank) Tier 1 capital is defined as shareholders equity including core Tier 1 securities plus hybrid capital less certain prudential filters and deductible items. Tier 1 and BIS capital divided by risk-weighted assets equal the Tier 1 and BIS ratio respectively. Core Tier 1 capital is equal to Tier 1 capital excluding hybrid capital;

AFR (ING Insurance other than the US) This is a market value concept, defined as market value of assets (MVA) less the market value of liabilities (MVL) on the balance sheet. The liabilities do not include perpetual hybrid capital which is included in AFR. The valuation of ING Insurance includes an adjustment for portfolio illiquidity. AFR is used as the measure of available capital in comparison with Economic Capital employed.

EC, or Economic Capital (ING Insurance other than the US), is the required capital, based on a 99.5% confidence interval. This interval is aligned with the Solvency II capital requirement. The excess of AFR over EC is set based on the business strategy and resulting risk appetite defined by the Management Board Insurance.

Risk Based Capital (ING US Insurance only). In the US, regulators have well developed capital adequacy models and stress tests that reflect the unique characteristics of the US insurance industry. During 2010, ING decided that the US regulatory frameworks better reflect the evolving capital management approach for ING Insurance s US business. US domiciled insurance legal entities are required to hold minimum capital levels by state insurance regulators. The level of capital required by rating agencies to maintain an acceptable claims paying ability rating is well above these levels. The US Insurance business manages its statutory surplus primarily with respect to capital metrics that are aligned with the models of the various ratings agencies.

Financial Leverage (ING Insurance). Financial Leverage is the sum of hybrid capital, sub-debt and net financial debt and is used to measure the debt ratio of ING Insurance starting 2010.

DEVELOPMENTS

In 2010 Capital Management s main focus was to strengthen the capital position of ING Group, ING Bank and ING Insurance. ING s capital positions are well placed to deal with the uncertain financial

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environment, increasing regulatory requirements and the ambition to repurchase the remaining outstanding Core Tier 1 securities.

In March 2011, ING announced that it has informed the Dutch State of its intention to early repurchase EUR 2 billion of the non-voting equity securities (core Tier 1 securities) on 13 May 2011. The Dutch Central Bank has approved the intended repurchase. The total payment will amount to EUR 3 billion and includes a 50% repurchase premium. In order to fund the repayment, it is probable that ING Bank will pay, in 2011, a dividend out of retained earnings to ING Group for a similar amount. ING disclosed to the market that based on our capital position at that date the intended repurchase in May would reduce the core Tier 1 ratio by 90 basis points and the ratio is expected to remain above 8.5%.

POLICIES

The activities of Capital Management are executed on the basis of established policies, guidelines and procedures. The main documents that serve as guidelines for capital planning are the Capital Letter (comprising the approved targets and limits for capital), the Capital Planning Policy, the Dividend Policy and the Capital Request Policy. For the Corporate Treasury there are many policies and limits that guide the management of the balance sheets and the execution of capital market transactions.

The above capital definitions and policies have been approved by the ING Group Executive Board or delegated authorities.

PROCESSES FOR MANAGING CAPITAL

In addition to measuring capital adequacy, Capital Management also ensures that sufficient capital is available through setting targets and limits relevant to the above mentioned metrics for ING Group, ING Bank and ING Insurance and ensuring adherence to the set limits and targets through planning and executing capital management transactions. The process is supplemented by stress testing and scenario analysis. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management s capital planning process and results in a quarterly capital update report which is presented to both the ING Group Finance and Risk Committee and the ING Group Executive and Supervisory Boards. The main objective of the assessment is to ensure that ING Group as a whole has sufficient capital relative to its risk profile both in the short and the medium term.

A key priority of Capital Management is to make sure that strong stand-alone companies are created for banking and insurance in preparation of the separation. All operating entities need to stay adequately capitalized based on local regulatory and rating agency requirements and interdependencies should be reduced to a minimum. The entities should also be able to access capital markets independently.

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CAPITAL ADEQUACY ASSESSMENT

During 2010, ING Group, ING Bank and ING Insurance were adequately capitalized in relation to their risk profile and strategic objectives.

ING Group s Capital base:

	Group		Bank		Insurance	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Shareholders equity (parent)	38,370	31,121	31,267	27,480	20,811	15,887
Core Tier 1 securities	5,000	5,000				
Group hybrid capital [1]	12,039	11,478	8,438	8,057	2,094	3,410
Group leverage [2]	8,462	6,913				
Total capitalisation	**63,871**	**54,512**	**39,705**	**35,537**	**22,905**	**19,297**
Adjustments to equity:						
- Revaluation reserve debt securities	(1,158)	2,481	(19)	123		
- Revaluation reserve crediting to life policyholders	1,488	(156)				
- Revaluation reserve cashflow hedge	(847)	(372)	639	472	(1,567)	(926)
- Goodwill [3]	(2,908)	(3,244)	(1,645)	(1,636)	(1,425)	(1,857)
Revaluation reserves fixed income & other	**(3,425)**	**(1,291)**	**(1,025)**	**(1,041)**	**(2,992)**	**(2,783)**
Revaluation reserves excluded from Tier 1 [4]			(2,212)	(3,111)		
Insurance hybrid capital [5]					2,094	1,944
Minority interests			748	960	111	80
Differences IFRS-IASB and IFRS-EU [6]	3,185	2,742	3,185	2,742		
Deductions Tier 1			(1,069)	(1,073)		
Tier 1 capital for Bank			**39,332**	**34,015**		
Other qualifying capital [7]			9,813	10,716		
Insurance Group Directive adjustments [8]					(1,213)	651
Group leverage (core debt)	(8,462)	(6,913)				
Total capital (Adjusted Equity for Group, BIS capital for Bank and IGD capital for Insurance)	**55,169**	**49,050**	**49,145**	**44,731**	**20,906**	**19,189**

(1) Tier 1 instruments issued by ING Group (e.g. perpetual debt securities and preference shares) at nominal value. Group hybrid Tier 1 instruments other than preference shares are provided as hybrid capital to ING Bank or ING Insurance.

(2) Investments in subsidiaries less equity (including core Tier 1 securities) of the Group holding company. This net debt position is provided as equity to ING Insurance and ING Bank.

(3) According to the regulatory definition.

(4) Includes mainly EUR (1,727) million (2009: EUR (2,536) million) in participations (e.g. Kookmin, Bank of Beijing) and other equity investments, EUR (382) million (2009: EUR (546) million) for Real estate for own use. The Dutch banking regulator requires this deduction to be made from Tier 1 capital. This deduction is added back to Tier 2 capital.

(5) Qualifying dated subordinated debt issued by ING Insurance at nominal value.

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

(7) Consists of EUR 10,882 million (2009: EUR 11,789 million) Tier 2 capital and no Tier 3 (2009: nil), offset by EUR 1,069 million (2009: EUR 1,073 million) of regulatory deductions.

(8) An adjustment for the Dutch Financial supervision act. A test-of-adequacy has to be included in the available capital measurement. The revaluation reserve debt securities and revaluation reserve crediting to life policyholders are no reversed out of the IGD capital definition.

REGULATORY REQUIREMENTS

ING BANK

Capital adequacy and the use of regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision (The Basel Committee) and the European Union Directives, as implemented by the Dutch Central Bank (DNB) for supervisory purposes. The minimum Tier 1 ratio is 4% and the minimum total capital ratio (known as the BIS ratio) is 8% of all risk-weighted assets.

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Basel II

As of 2008 ING Bank publishes risk-weighted assets (RWA), Tier 1 and BIS capital and the accompanying capital ratios based on Basel II data only. In addition, ING publishes the minimum required capital level according to Basel II and according to the Basel I floor. As of 2009 the Basel I floor is based on 80% of Basel I RWA. The minimum requirements according to Basel II and Basel I are both compared to total BIS available capital according to Basel II. Capital position of ING Bank:

	2010	2009
Shareholders equity (parent)	31,267	27,480
Differences IFRS-IASB and IFRS-EU (1)	3,185	2,742
Minority interests (2)	748	960
Subordinated loans qualifying as Tier 1 capital (3)	8,438	8,057
Goodwill and intangibles deductible from Tier 1 (2)	(1,645)	(1,636)
Deductions Tier 1	(1,069)	(1,073)
Revaluation reserve (4)	(1,592)	(2,515)
Available capital Tier 1	**39,332**	**34,015**
Supplementary capital Tier 2 (5)	10,882	11,789
Available Tier 3 funds		
Deductions	(1,069)	(1,073)
BIS capital	**49,145**	**44,731**
Risk-weighted assets	321,103	332,375
Core Tier 1 ratio	9.62%	7.81%
Tier 1 ratio	12.25%	10.23%
BIS ratio	15.30%	13.46%
Required capital based on Basel I floor (6)	29,860	28,709
BIS ratio based on Basel I floor (6)	13.17%	12.46%

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

(2) According to the regulatory definition.

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

(4) Includes revaluation debt securities, revaluation reserve cash flow hedge and revaluation reserves equity and real estate (see ING s Capital base table, footnote 3).

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

(6) Using 80% of Basel I Risk-Weighted Assets in 2010 and 2009 respectively.

ING INSURANCE

The table below shows the Insurance Group Directive which represent the consolidated regulatory Solvency I position of ING Insurance business. The Insurance companies comply with their respective local regulatory requirement.

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Capital position of ING Insurance:

	2010	2009
Shareholders equity (parent)	20,811	15,887
Hybrids issued by ING Group	2,094	3,410
Hybrids issued by ING Insurance	2,094	1,944
Required regulatory adjustments	(4,094)	(2,052)
IGD capital	**20,906**	**19,189**
EU required capital base	8,374	7,774
IGD Solvency I ratio	250%	247%

ING Insurance continues to ensure that all operating entities are adequately capitalized based on local regulatory and rating agency requirements and that on a consolidated basis, the financial leverage (hybrids, sub-debt and net financial debt) of ING Insurance is appropriate.

Capital base and financial leverage of ING Insurance:

	2010	2009
Shareholders equity (parent)	20,811	15,887
Revaluation reserve debt securities	(1,164)	2,334
Revaluation reserve crediting to life policyholders	1,488	(156)
Revaluation reserve cashflow hedge	(1,567)	(926)
Goodwill	(1,425)	(1,857)
Minority interests	111	80
Capital base	**18,254**	**15,362**
Group hybrid capital [(1)]	2,094	3,405
Insurance hybrid capital [(2)]	2,313	2,337
Total hybrids	**4,407**	**5,742**
External debt issued by ING	3,347	3,508
External debt issued by US Holding companies	1,384	1,408
Other net financial debt [(3)]	2,273	(166)
Total financial debt [(4)]	**7,004**	**4,750**

(1) Hybrids issued by ING Group at amortised cost value consistent with IFRS carrying value.

(2) Hybrids issued by ING Insurance at amortised cost value consistent with IFRS carrying value.

(3) Includes net internal borrowings from the operating subsidiaries, net of cash and current tax liability of the holding companies, mainly ING Verzekeringen NV and ING America Insurance Holdings Inc.

(4) The difference between the 2009 financial debt (of EUR 4,750 million) and the core debt EUR 2,586 million reported in the 2009 Annual Report is mainly due to pension assets and deferred tax assets of the holding companies in the calculation of financial debt.

For ING Insurance (excluding the US business), Available Financial Resources (AFR) continues to be important (especially as an evolving proxy for the Own Funds derivation from our internal model under Solvency II). ING has carried out a rigorous review of the internal model (own funds and capital requirements) in the context of a Solvency II gap analysis. In the review we benchmarked our models against the Solvency II Standard Formula as presented in QIS 5, the CEIOPS consultation papers and commentary of expert groups like CRO Forum and Group Consultative. We consequently plan further refinements of our Economic Capital model (EC) that address improvements of our market risk calibration, in particular for spread risk; business risk, to improve our capturing of policyholder behavior risk and to address country risk; and operational risk. These changes will result in a material increase of our EC, estimated to be between one and two billion euro as at year end 2010.

At the end of 2009 the Available Financial Resources (AFR) for ING Insurance other than the US was EUR 19.0 billion. As described in the Risk Paragraph. Economic Capital (EC), based on 99.5%

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confidence interval was EUR 7.0 billion, which leads to excess of AFR over EC for 2009 of EUR 12.0 billion. For 2010 the AFR is EUR 19.7 billion, EC is EUR 10.4 billion and the excess of AFR over EC is EUR 9.4 billion. The EC for 2010 does not include the potential adjustment between one and two billion, as described in the previous paragraph.

For the capital adequacy assessment of ING Insurance s US domiciled regulated insurance business, available capital and required capital are measured based on the US regulatory Risk Based Capital (RBC) methodology as prescribed by the National Association of Insurance Commissioners (NAIC). For ING s US domiciled regulated insurance business, the consolidated RBC ratio (available capital/required capital) is estimated to be approximately 426% for the period ended December 31, 2010. The actual US consolidated RBC ratio may be different from the estimate since the statutory results are not final until filed with the regulators. For ING Insurance s US domiciled regulated insurance business, the RBC ratio was 362% at the end of 2009.

ING GROUP

The debt/equity ratio of ING Group as at year-end 2010 was 13.30% (2009: 12.35%)

ING Group reports to the Dutch Central Bank as required under the Dutch implementation of the financial conglomerates directive (FICO). The directive mainly covers risk concentrations in the group, intra-group transactions and an assessment of the capital adequacy of the Group.

In the following table, we show the Group s FICO ratio on the following basis:

Insurance required capital from applying European Solvency I rules to all ING Insurance entities globally (regardless of local capital requirements);

Bank required capital based on applying Basel II with the Basel I floor (80% in 2010 and 2009);

Group FICO capital using an approach similar to that used for Bank BIS capital and Insurance IGD capital whereby Group leverage is deducted.

Capital base and financial leverage of ING Group:

	2010	**2009**
BIS capital	49,145	44,731
IGD capital	20,906	19,188
Group leverage (core debt)	(8,462)	(6,913)
Regulatory capital	**61,589**	**57,006**
Required capital banking operations	29,860	28,709
Required capital insurance operations	8,374	7,774
Total required capital	**38,234**	**36,483**
FICO ratio	161%	156%

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Capital adequacy and ratios

Quantitative disclosures on capital measures and ratios:

	Group		Bank		Insurance	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Tier 1 ratio (Bank)						
Year-end actual Tier 1 ratio			12.25%	10.23%		
Regulatory minimum Tier 1 ratio			4.00%	4.00%		
Target minimum Tier 1 ratio			10.00%	9.00%		
BIS ratio (Bank)						
Year-end actual BIS ratio			15.30%	13.46%		
Regulatory minimum BIS ratio			8.00%	8.00%		
Target minimum BIS ratio			10.00%	10.50%		
Insurance Groups Directive						
Year-end actual Capital coverage ratio					250%	247%
Required capital					100%	100%
Target ratio					150%	150%
Debt/Equity ratio (Group)						
Debt/Equity ratio	13.30%	12.35%				
Target maximum Debt/Equity ratio	15.00%	15.00%				

In 2010, ING decided to raise the Tier ratio target, as a move towards the more demanding solvency requirements of Basel III. The Tier 1 ratio is a regulatory requirement. Internally ING manages on the Core Tier 1 ratio, for which the target was raised from 7.5% to 8.0% in 2010. The actual ratios were 7.81% at the end of 2009 and 9.62% at the end of 2010. ING expects the BIS ratio to lose its meaning.

Main credit ratings of ING at December 31, 2010:

	Standard & Poor s	**Moody s**	**Fitch**
ING Group			
- long term	A stable	A1 stable	A stable
ING Bank			
- short term	A-1	P-1	F1+
- long term	A+ stable	Aa3 stable	A+ stable
- financial strength		C+	
ING Insurance			
- short term	A-2	P-2	F2
- long term	A- negative	Baa1 negative	A- negative

ING s key credit ratings and outlook are shown in the table above. Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency.

A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency s judgment, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.

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2.2.3 SUBSEQUENT EVENTS

ING changed its accounting policy for the insurance provisions for Guaranteed Minimum Withdrawal Benefits for Life (GMWBL) on the Insurance US Closed Block VA book as of January 1, 2011. The revised accounting will better reflect the economic value of these guarantees and more closely align accounting practice with US peers. Under the revised accounting, the insurance provisions will reflect current market interest rates and current estimates for other assumptions, except for volatility and correlation (which remain unchanged). ING substantially increased hedging of interest rate risk in the Insurance US Closed Block VA book; the results from these hedging derivatives are expected to largely mirror the effect of interest changes on the guarantees in future periods. Implementation of the revised accounting for GMWBL represents a change in accounting policy under IFRS, with a transitional impact being reflected in shareholders equity. Comparative periods results will be restated. The estimated combined impact on shareholders equity as at January 1, 2011 will be EUR 0.7 billion (lower equity), of which EUR 0.4 billion and EUR 0.1 billion will be reflected in the restated 2010 and 2009 net result after tax (lower net result). This impact reflects the revised accounting for the GMWBL retrospectively, but does not reflect the additional hedging of interest rate risk.

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

On 11 March 2011 a severe earthquake and tsunami struck Japan. While ING does not have any non life operations in Japan, ING has life insurance, asset management and banking businesses in Japan. The life insurance business sold primarily two product types: Single Premium Variable Annuities (SPVA, closed for new business in 2009) and Corporate Owned Life Insurance (COLI). ING s financial position may be impacted by these events and any related developments, including through (but not limited to) death and health-related claims, policyholder behaviour, re-insurance coverage, investment losses and impact from general market developments. As of the date of this Annual Report, the full impact of these catastrophic events was not yet known and, therefore, it is too early to determine the impact of these events on ING.

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2.3 SUPPLEMENTAL INFORMATION

The following financial information presents the balance sheets for the years ended December 31, 2010 and 2009, and the profit and loss accounts and statements of cash flows for the years ended December 31, 2010, 2009 and 2008 of (i) ING Groep N.V. (parent company only), (ii) subsidiaries, (iii) the eliminations necessary to arrive at the information for ING on a consolidated basis and (iv) the total for ING Group. The principles of determination of results stated in connection with the profit and loss account are also applicable to the ING Groep N.V. parent only column. Investments in group companies and investments in associates are initially recognized at cost and subsequently accounted for by the equity method of accounting.

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2.3.1 CONSOLIDATING BALANCE SHEET
For the year ended December 31, 2010

	ING Group NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
ASSETS				
Cash and balances with central banks	72	13,072	(72)	13,072
Amounts due from banks		51,828		51,828
Financial assets at fair value through profit and loss:				
- trading assets		125,675		125,675
- investments for risk of policyholders		120,481		120,481
- non-trading derivatives		11,722		11,722
- designated as at fair value through profit and loss				
Investments:		6,016		6,016
- available-for-sale		222,547		222,547
- held-to-maturity		11,693		11,693
Loans and advances to customers		608,938		608,938
Reinsurance contracts		5,789		5,789
Investments in associates	63,488	3,925	(63,488)	3,925
Real estate investments		1,900		1,900
Property and equipment		6,132		6,132
Intangible assets		5,372		5,372
Deferred acquisition costs		10,604		10,604
Assets held for sale		681		681
Other assets	464	36,006	(1)	36,469
Total assets	**64,024**	**1,242,381**	**(63,561)**	**1,242,844**
EQUITY				
Shareholders equity (parent)	38,370	52,086	(52,086)	38,370
Non-voting equity securities	5,000			5,000
	43,370	**52,086**	**(52,086)**	**43,370**
Minority interests		729		729
Total equity	**43,370**	**52,815**	**(52,086)**	**44,099**
LIABILITIES				
Subordinated loans	11,766		(1,121)	10,645
Debt securities in issue	6,571	129,033		135,604

Other borrowed funds	500	31,201	(9,410)	22,291
Insurance and investment contracts		270,582		270,582
Amounts due to banks		72,852		72,852
Customer deposits and other funds on deposit		511,934	(572)	511,362
Financial liabilities at fair value through profit and loss:				
- trading liabilities		108,050		108,050
- non-trading derivatives	236	17,782	(236)	17,782
- designated as at fair value through profit and loss		12,707		12,707
Liabilities held for sale		424		424
Other liabilities	1,581	35,001	(136)	36,446
Total liabilities	**20,654**	**1,189,566**	**(11,475)**	**1,198,745**
Total equity and liabilities	**64,024**	**1,242,381**	**(63,561)**	**1,242,844**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise
For the year ended December 31, 2009

	ING Group NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
ASSETS				
Cash and balances with central banks	183	15,390	(183)	15,390
Amounts due from banks		43,397		43,397
Financial assets at fair value through profit and loss:				
- trading assets		111,444		111,444
- investments for risk of policyholders		104,597		104,597
- non-trading derivatives		11,632		11,632
- designated as at fair value through profit and loss		5,517		5,517
Investments:				
- available-for-sale		197,703		197,703
- held-to-maturity		14,409		14,409
Loans and advances to customers		575,275		575,275
Reinsurance contracts		5,480		5,480
Investments in associates	55,642	3,699	(55,642)	3,699
Real estate investments		3,638		3,638
Property and equipment		6,119		6,119
Intangible assets		6,021		6,021
Deferred acquisition costs		11,398		11,398
Assets held for sale		5,024		5,024
Other assets	563	38,698	(32)	39,229
Total assets	**56,388**	**1,159,441**	**(55,857)**	**1,159,972**
EQUITY				
Shareholders equity (parent)	31,121	43,264	(43,264)	31,121
Non-voting equity securities	5,000			5,000
	36,121	**43,264**	**(43,264)**	**36,121**
Minority interests		915		915
Total equity	**36,121**	**44,179**	**(43,264)**	**37,036**
LIABILITIES				
Subordinated loans	11,139		(1,040)	10,099
Debt securities in issue	6,545	113,436		119,981
Other borrowed funds	500	33,079	(10,428)	23,151

Insurance and investment contracts		240,858		240,858
Amounts due to banks		84,235		84,235
Customer deposits and other funds on deposit		470,191	(683)	469,508
Financial liabilities at fair value through profit and loss:				
- trading liabilities		98,245		98,245
- non-trading derivatives	268	20,070	(268)	20,070
- designated as at fair value through profit and loss		11,474		11,474
Liabilities held for sale		4,890		4,890
Other liabilities	1,815	38,784	(174)	40,425
Total liabilities	**20,267**	**1,115,262**	**(12,593)**	**1,122,936**
Total equity and liabilities	**56,388**	**1,159,441**	**(55,857)**	**1,159,972**

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

2.3.2 CONSOLIDATING PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2010

	ING Group NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
INCOME				
Interest income banking operations		68,334		68,334
Interest expense banking operations		(55,011)		(55,011)
Interest result banking operations		13,323		13,323
Gross premium income		27,947		27,947
Investment income		7,563		7,563
Net result on disposals of group companies		310		310
Gross commission income		6,303		6,303
Commission expense		(1,725)		(1,725)
Commission income		4,578		4,578
Valuation results on non-trading derivatives		(1,005)		(1,005)
Net trading income		627		627
Share of profit from associates	2,971	314	(2,971)	314
Other income	(263)	898		635
Total income	**2,708**	**54,555**	**(2,971)**	**54,292**
EXPENSES				
Gross underwriting expenditure		44,998		44,998
Investment result for risk of policyholders		(10,492)		(10,492)
Reinsurance recoveries		(1,741)		(1,741)
Underwriting expenditure		32,765		32,765
Addition to loan loss provisions		1,751		1,751
Intangible amortization and other impairments		1,112		1,112
Staff expenses		7,771		7,771
Other interest expenses		792		792
Other operating expenses		6,219		6,219
Total expenses		**50,410**		**50,410**
Result before tax	**2,708**	**4,145**	**(2,971)**	**3,882**
Taxation	(69)	1,069		1,000

Net result (before minority interests)	**2,777**	**3,076**	**(2,971)**	**2,882**
Attributable to:				
Equityholders of the parent				2,777
Minority interests				105
Results for the period				**2,882**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise
For the year ended December 31, 2009

	ING Group NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
INCOME				
Interest income banking operations		79,850		79,850
Interest expense banking operations		(67,475)		(67,475)
Interest result banking operations		12,375		12,375
Gross premium income		30,492		30,492
Investment income		3,342		3,342
Net result on disposals of group companies		264		264
Gross commission income		6,790		6,790
Commission expense		(2,177)		(2,177)
Commission income		4,613		4,613
Valuation results on non-trading derivatives		(5,332)		(5,332)
Net trading income		1,125		1,125
Share of profit from associates	(321)	(461)	321	(461)
Other income	(1,574)	2,265		691
Total income	**(1,895)**	**48,683**	**321**	**47,109**
EXPENSES				
Gross underwriting expenditure		50,440		50,440
Investment result for risk of policyholders		(17,742)		(17,742)
Reinsurance recoveries		(1,714)		(1,714)
Underwriting expenditure		30,984		30,984
Addition to loan loss provisions		2,973		2,973
Intangible amortization and other impairments		568		568
Staff expenses		7,338		7,338
Other interest expenses		716		716
Other operating expenses		6,711		6,711
Total expenses		**49,290**		**49,290**
Result before tax	**(1,895)**	**(607)**	**321**	**(2,181)**
Taxation	(472)	(168)		(640)

Net result (before minority interests)	**(1,423)**	**(439)**	**321**	**(1,541)**

Attributable to:	
Equityholders of the parent	(1,423)
Minority interests	(118)
Results for the period	**(1,541)**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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For the year ended December 31, 2008

	ING Group NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
INCOME				
Interest income banking operations		97,011		97,011
Interest expense banking operations		(85,969)		(85,969)
Interest result banking operations		11,042		11,042
Gross premium income		43,812		43,812
Investment income		4,664		4,664
Net result on disposals of group companies		17		17
Gross commission income		7,504		7,504
Commission expense		(2,539)		(2,539)
Commission income		4,965		4,965
Valuation results on non-trading derivatives		(1,409)		(1,409)
Net trading income		(749)		(749)
Share of profit from associates	(3,332)	(404)	3,332	(404)
Other income	(240)	884		644
Total income	**(3,572)**	**62,822**	**3,332**	**62,582**
EXPENSES				
Gross underwriting expenditure		18,831		18,831
Investment result for risk of policyholders		32,408		32,408
Reinsurance recoveries		(1,754)		(1,754)
Underwriting expenditure		49,485		49,485
Addition to loan loss provisions		1,280		1,280
Intangible amortization and other impairments		464		464
Staff expenses		8,764		8,764
Other interest expenses		978		978
Other operating expenses		6,807		6,807
Total expenses		**67,778**		**67,778**
Result before tax	**(3,572)**	**(4,956)**	**3,332**	**(5,196)**

Taxation	(80)	(1,587)		(1,667)
Net result (before minority interests)	**(3,492)**	**(3,369)**	**3,332**	**(3,529)**
Attributable to:				
Equityholders of the parent				(3,492)
Minority interests				(37)
Results for the period				**(3,529)**

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

2.3.3 CONSOLIDATING STATEMENT OF CASH FLOWS
For the years ended December 31, 2010

	ING Group NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
Result before tax	2,708	(1,797)	2,971	3,882
Adjusted for:				
- depreciation		1,723		1,723
- deferred acquisition costs and value of business acquired		1,296		1,296
- increase in provisions for insurance and investment contracts		3,860		3,860
- addition to loan loss provisions		1,751		1,751
- other	(47)	3,094		3,047
Taxation paid	140	(643)		(503)
Changes in:				
- amounts due from banks, not available on demand		(4,333)		(4,333)
- trading assets		(14,782)		(14,782)
- non-trading derivatives	110	(1,590)	(110)	(1,590)
- other financial assets at fair value through profit and loss		832		832
- loans and advances to customers	1,504	(16,331)	(1,504)	(16,331)
- other assets	35	1,968		2,003
- amounts due to banks, not payable on demand		(9,831)		(9,831)
- customer deposits and other funds on deposit		21,202		21,202
- trading liabilities		9,804		9,804
- other financial liabilities at fair value through profit and loss		1		1
- other liabilities	(3,245)	(811)	(2,750)	(6,806)
Net cash flow from operating activities	**1,205**	**(4,587)**	**(1,393)**	**(4,775)**
Investments and advances:				
- group companies	(1,300)	1,500	(200)	
- associates		(165)		(165)
- available-for-sale investments		(163,038)		(163,038)
- held-to-maturity investments		(141)		(141)
- real estate investments		(73)		(73)
- property and equipment		(527)		(527)
- assets subject to operating leases		(1,284)		(1,284)
- investments for risk of policyholders		(52,370)		(52,370)
- other investments		(372)		(372)
Disposals and redemptions:				

- group companies		1,757		1,757
- associates		232		232
- available-for-sale investments		154,640		154,640
- held-to-maturity investments		2,620		2,620
- real estate investments		295		295
- property and equipment		96		96
- assets subject to operating leases		53		53
- investments for risk of policyholders		54,817		54,817
- other investments		111		111
Net cash flow from investing activities	**(1,300)**	**(1,849)**	**(200)**	**(3,349)**

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

	ING Group NV parent company	Subsi-diaries	Consoli-dating entries	ING Group consoli-dated
Proceeds from borrowed funds and debt securities		412,804		412,804
Repayments of borrowed funds and debt securities		(406,624)	1,504	(405,120)
Payments to acquire treasury shares		(136)		(136)
Sales of treasury shares	(16)	108		92
Dividends paid		(200)	200	
Net cash flow from financing activities	**(16)**	**5,952**	**1,704**	**7,640**
Net cash flow	**(111)**	**(484)**	**111**	**(484)**
Cash and cash equivalents at beginning of year	183	20,959	(183)	20,959
Effect of exchange rate changes on cash and cash equivalents		265		265
Cash and cash equivalents at end of year	**72**	**20,740**	**(72)**	**20,740**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Amounts in million of euros, unless stated otherwise
For the year ended December 31, 2009

	ING Group NV parent company	Subsidiaries	Consolidating entries	ING Group consolidated
Result before tax	**(1,895)**	**(607)**	**321**	**(2,181)**
Adjusted for:				
- depreciation		1,701		1,701
- deferred acquisition costs and value of business acquired		(1,131)		(1,131)
- increase in provisions for insurance and investment contracts		3,829		3,829
- addition to loan loss provisions		2,973		2,973
- other	(259)	6,107	167	6,015
Taxation paid	207	(619)		(412)
Changes in:				
- amounts due from banks, not available on demand		8,611		8,611
- trading assets		47,963		47,963
- non-trading derivatives		864		864
- other financial assets at fair value through profit and loss		2,196		2,196
- loans and advances to customers	1,053	12,208	(1,053)	12,208
- other assets	442	6,864	(358)	6,948
- amounts due to banks, not payable on demand		(67,410)		(67,410)
- customer deposits and other funds on deposit		21,040	33	21,073
- trading liabilities		(54,366)		(54,366)
- other financial liabilities at fair value through profit and loss		(5,798)		(5,798)
- other liabilities	1,405	(11,758)	(130)	(10,483)
Net cash flow from operating activities	**953**	**(27,333)**	**(1,020)**	**(27,400)**
Investments and advances:				
- group companies	(350)	(5)	350	(5)
- associates		(181)		(181)
- available-for-sale investments		(165,771)		(165,771)
- real estate investments		(130)		(130)
- property and equipment		(640)		(640)
- assets subject to operating leases		(1,034)		(1,034)
- investments for risk of policyholders		(65,362)		(65,362)
- other investments		(338)		(338)
Disposals and redemptions:				
- group companies		2,643		2,643
- associates		294		294

- available-for-sale investments		167,075		167,075
- held-to-maturity investments		1,675		1,675
- real estate investments		656		656
- property and equipment		82		82
- assets subject to operating leases		93		93
- investments for risk of policyholders		64,158		64,158
- other investments		24		24
Net cash flow from investing activities	**(350)**	**3,239**	**350**	**3,239**

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

	ING Group NV parent company	Subsi-diaries	Consoli-dating entries	ING Group consoli-dated
Proceeds from issuance of subordinated loans		1,931	(1,931)	
Repayments of subordinated loans		(3,023)	3,023	
Proceeds from borrowed funds and debt securities	3,800	439,561	(5,589)	437,772
Repayments of borrowed funds and debt securities	(5,550)	(425,182)	5,550	(425,182)
Issuance of ordinary shares	7,276	700	(700)	7,276
Repayment of non-voting equity securities	(5,000)			(5,000)
Payments to acquire treasury shares		(101)		(101)
Sales of treasury shares	51	67		118
Dividends paid	(1,030)	(350)	350	(1,030)
Net cash flow from financing activities	**(453)**	**13,603**	**703**	**13,853**
Net cash flow	**150**	**(10,491)**	**33**	**(10,308)**
Cash and cash equivalents at beginning of year	33	31,238		31,271
Effect of exchange rate changes on cash and cash equivalents		(4)		(4)
Cash and cash equivalents at end of year	**183**	**20,743**	**33**	**20,959**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Amounts in million of euros, unless stated otherwise

For the year ended December 31, 2008

	ING Group NV parent company	Subsidiaries	Consoli-dating entries	ING Group consolidated
Result before tax	**(3,572)**	**(4,956)**	**3,332**	**(5,196)**
Adjusted for:				
- depreciation		1,492		1,492
- deferred acquisition costs and value of business acquired		(444)		(444)
- increase in provisions for insurance and investment contracts		16,363		16,363
- addition to loan loss provisions		1,280		1,280
- other	436	7,088	(569)	6,955
Taxation paid	80	(129)		(49)
Changes in:				
- amounts due from banks, not available on demand		7,162		7,162
- trading assets		32,386		32,386
- non-trading derivatives	(2)	(2,020)	2	(2,020)
- other financial assets at fair value through profit and loss		3,174		3,174
- loans and advances to customers	(2,771)	(73,702)	3,967	(72,506)
- other assets	2,784	(11,730)	(2,901)	(11,847)
- amounts due to banks, not payable on demand		13,210		13,210
- customer deposits and other funds on deposit		6,669	162	6,831
- trading liabilities		3,501		3,501
- other financial liabilities at fair value through profit and loss		13,018	(2)	13,016
- other liabilities	(71)	(552)	138	(485)
Net cash flow from operating activities	**(3,116)**	**11,810**	**4,129**	**12,823**
Investments and advances:				
- group companies	(12,721)	(1,725)	12,721	(1,725)
- associates		(1,034)		(1,034)
- available-for-sale investments		(228,291)		(228,291)
- held-to-maturity investments		(314)		(314)
- real estate investments		(905)		(905)
- property and equipment		(708)		(708)
- assets subject to operating leases		(1,401)		(1,401)
- investments for risk of policyholders		(64,735)		(64,735)
- other investments		(881)		(881)
Disposals and redemptions:				
- group companies		1,590		1,590
- associates		972		972
- available-for-sale investments		225,539		225,539

- held-to-maturity investments		1,640		1,640
- real estate investments		415		415
- property and equipment		137		137
- assets subject to operating leases		428		428
- investments for risk of policyholders		59,251		59,251
- other investments		19		19
Net cash flow from investing activities	**(12,721)**	**(10,003)**	**12,721**	**(10,003)**

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

	ING Group NV parent company	Subsidiaries	Consoli-dating entries	ING Group consolidated
Proceeds from issuance of subordinated loans	2,721	6,591	(6,591)	2,721
Proceeds from borrowed funds and debt securities	7,566	387,101	(2,752)	391,915
Repayments of borrowed funds and debt securities	(5,376)	(354,015)	5,376	(354,015)
Issuance of ordinary shares	448	12,721	(12,721)	448
Issuance of non-voting equity securities	10,000			10,000
Payments to acquire treasury shares	(2,379)	(9)		(2,388)
Sales of treasury shares	(1,147)	1,399		252
Dividends paid	3,875	(7,082)		(3,207)
Net cash flow from financing activities	**15,708**	**46,706**	**(16,688)**	**45,726**
Net cash flow	**(129)**	**48,513**	**162**	**48,546**
Cash and cash equivalents at beginning of year	162	(16,811)	(162)	(16,811)
Effect of exchange rate changes on cash and cash equivalents		(464)		(464)
Cash and cash equivalents at end of year	**33**	**31,238**	**0**	**31,271**

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

2.3.4 NOTES TO THE SUPPLEMENTAL INFORMATION

ASSETS

Investment in wholly owned subsidiaries

Investment in wholly owned subsidiaries:

	Ownership (%)	Balance sheet value 2010	Ownership (%)	Balance sheet value 2009
Name of investee:				
ING Bank N.V.	100	31,266	100	27,469
ING Verzekeringen N.V.	100	20,785	100	15,880
Other		9		(85)
		52,060		**43,264**

Movement in investment in wholly owned subsidiaries:

	2010	2009
Opening balance	43,264	32,444
Revaluations	4,535	10,800
Result of the group companies	2,971	(321)
Capital contribution	1,500	700
Dividend	(200)	(350)
	52,070	**43,273**
Changes in ING Groep N.V. shares held by group companies:	(10)	(9)
Closing balance	**52,060**	**43,264**
Receivables from group companies	11,428	12,378
Total	**63,488**	**55,642**

SUBORDINATED LOANS

See Note 14 to the consolidated financial statements.

			Balance sheet value	
Interest rate	**Year of issue**	**Due date**	**2010**	**2009**
9.000%	2008	Perpetual	10	10
8.500%	2008	Perpetual	1,469	1,357

8.000%	2008	Perpetual	1,485	1,479
7.375%	2007	Perpetual	1,111	1,022
6.375%	2007	Perpetual	773	713
5.140%	2006	Perpetual	692	670
5.775%	2005	Perpetual	741	690
6.125%	2005	Perpetual	504	472
4.176%	2005	Perpetual	498	498
Variable	2004	Perpetual	994	999
6.200%	2003	Perpetual	363	337
Variable	2003	Perpetual	729	731
7.200%	2002	Perpetual	748	656
7.050%	2002	Perpetual	528	465
8.439%	2000	December 31, 2030	1,121	1,040
			11,766	**11,139**

EUR 7,147 million (2009: EUR 7,862 million) of these loans has been subsequently provided as subordinated loans by ING Groep N.V. to ING Bank N.V. under the same conditions as the original bonds.
EUR 2,003 million (2009: EUR 3,267 million) of these loans has been subsequently provided as subordinated loans by ING Groep N.V. to ING Verzekeringen N.V. under the same conditions as the original bonds.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Unsecured subordinated loans from group companies to ING Groep N.V., which may be renewable at their due dates at the then prevailing market rates, are included in subordinated loans.

DEBT SECURITIES IN ISSUE

			Balance sheet value	
Interest rate	**Year of issue**	**Due date**	**2010**	**2009**
5.630%	2008	September 3, 2013	1,072	1,073
4.699%	2007	June 1, 2035	117	117
4.750%	2007	May 31, 2017	1,890	1,864
Variable	2006	June 28, 2011	749	749
Variable	2006	April 11, 2016	997	997
4.125%	2006	April 11, 2016	746	745
6.125%	2000	January 4, 2011	1,000	1,000
			6,571	**6,545**

The number of debentures held by group companies as at December 31, 2010 was 131,680 with a balance sheet value of EUR 13 million (2009: 114,760 with a balance sheet value of EUR 11 million).

Amounts owed to group companies by remaining term:

	2010	**2009**
- within one year	1	32
- more than one year but less than five years	500	500
	501	**532**

Derivatives from group companies by remaining term:

	2010	**2009**
- within one year	25	
- more than one year but less than five years		30
- more than five years	211	238
	236	**268**

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ACTUARIAL AND UNDERWRITING RISK

These risks (mortality, longevity, morbidity, adverse motor or home claims, etc.), result from the pricing and acceptance of insurance contracts. Actuarial risk is the risk that premium levels and provisions in respect of insurance risk may turn out to be (no longer) correct. Underwriting risk is the risk that an issuer will receive a claim under an insurance policy it issues/underwrites. Maximum underwriting exposures are limited through exclusions, cover limits and reinsurance.

ADVANCED MEASUREMENT APPROACH (AMA)

The risk methodology to calculate the regulatory Operational Risk capital.

ALT-A RESIDENTIAL MORTGAGE BACKED SECURITY (ALT-A RMBS)

A type of US residential mortgage which is considered riskier than prime and less risky than sub-prime mortgages. Parameters generally taken into account are borrower credit scores, residential property values and loan-to-value ratios. Alt-A mortgages are further characterized by a limited degree of income and/or asset verification.

AMORTIZED COST

The amount at which the financial asset or liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

ASSET AND LIABILITY COMMITTEE (ALCO)

Manages the balance sheet of ING, especially with regard to strategic non-trading risk. These risks comprise interest rate exposures, equity risk, real estate risk, liquidity, solvency and foreign exchange risk and fluctuations.

ASSET LIABILITY MANAGEMENT (ALM)

The practice of managing a business such that decisions on assets and liabilities are coordinated. It involves the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities.

ASSET BACKED COMMERCIAL PAPER (ABCP)

Commercial paper that is collateralized by other financial assets.

ASSET BACKED SECURITIES (ABS)

A type of bond or note that is based on pools of assets, or collateralized by the cash flows from a specified pool of underlying assets.

ASSOCIATE

An entity over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights, and that is not a subsidiary not a joint venture.

AVAILABLE FINANCIAL RESOURCES (AFR)

The available financial resources equal the market value of assets minus market value of liabilities, excluding hybrids issued by ING Group which is counted as capital. ING s policy is that the available financial resources should exceed economic capital for Bank, Insurance and Group.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Those non-derivative financial assets that are designated as available-for-sale or are not classified as:

- loans and receivables;
- held-to-maturity investments; or
- financial assets at fair value through profit and loss.

BASEL I

Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation, which are superseded by Basel II, for ING, from 2008 onwards.

BASEL II

Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation, which, for ING, apply from 2008 onwards. Basel II is an international standard for calculating the required capital based on internal models that take into account the financial and operational risks.

BASEL III

Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation and liquidity requirements, which will supersede Basel II. From January 1, 2013 these requirements will start to apply, with the full requirements being effective as of January 1, 2018.

BASIS POINT VALUE (BPV)

The change in the Net Present Value of a cash flow or a pool of cash flows due to a one basis point change of the yield curve.

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BASIS RISK
This risk arises from an imperfect correlation in the adjustment of the rates earned and paid on different financial instruments. Examples of products in which these risks are inherent are demand deposits, saving accounts and mortgages with prepayment options.

BIS
An international organization which fosters international monetary and financial co-operation and serves as a bank for central banks. BIS has set a minimum for the solvency ratio reflecting the relationship between capital and risk weighted assets. The ratio should be at least 8%.

BUSINESS RISK
The exposure to value loss due to fluctuations in volumes, margins and costs. These fluctuations can occur because of internal, industry, or wider market factors. It is the risk inherent to strategy decisions and internal efficiency.

CAPITAL AT RISK (CAR)
The maximum negative impact on ING Group s economic surplus over a one year forward looking horizon under normal market conditions. CaR is calculated at a 90% confidence interval.

CERTIFICATES OF DEPOSIT
Short-term negotiable bearer debt instruments issued by banks.

CLAIM
A demand for payment of a policy benefit because of the occurrence of an insured event, such as the death or disability of the insured or the maturity of an endowment, the incurrence of hospital or medical bills, the destruction or damage of property and related deaths or injuries, defects in, liens on, or challenges to the title to real estate, or the occurrence of a surety loss.

CLAIMS RATIO
Claims, including claims handling expenses, expressed as a percentage of net earned premiums.

COLLATERALISED DEBT OBLIGATION (CDO)
A type of asset-backed security which provides investors exposure to the credit risk of a pool of fixed income assets.

COLLATERALISED LOAN OBLIGATION (CLO)
A type of CDO which is backed primarily by leveraged bank loans.

COMBINED RATIO
The sum of the claims ratio and the cost ratio for a non-life insurance company or a reinsurance company. A combined ratio of more than 100% does not necessarily mean that there is a loss on non-life insurance policies, because the result also includes the allocated investment income.

COMMERCIAL PAPER
Promissory note (issued by financial institutions or large firms) with very-short to short maturity period (usually 2 to 30 days, and not more than 270 days), and unsecured.

COMPLIANCE RISK
Compliance risk is defined as the risk of damage to ING s reputation as a result of failure or perceived failure to comply with relevant laws, regulations, internal policies and procedures or ethical standards.

CONCENTRATIONS OF CREDIT RISK
Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate exposure is material in relation to ING Group s total exposure.

CONTINGENT LIABILITIES
Possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

CONTROL

The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

CONVERTIBLE DEBENTURES

Debentures with embedded options issued by corporations. The holder has the right to exchange a convertible debenture for equity in the issuing company at certain times in the future according to a certain exchange ratio. Very often, the conversion is callable. This means that it can be repurchased by the issuer at a certain price at certain times in the future. Once the debentures have been called, the holder can

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always choose to convert prior to repurchase.

CONVEXITY

The non-linear relationship between changes in the interest rates and changes in bond prices and their Net Present Value. It is a very important market risk measure for portfolios containing (embedded) options.

CORE DEBT

Investments in ING Group subsidiaries minus the equity of the holding company including hybrids.

COST OF CAPITAL

The costs related to owning capital. These can be split into the cost of equity, hybrids and debt, taking a target leverage into account.

COST RATIO

Underwriting costs expressed as a percentage of premiums written.

COUNTRY RISK

The risk that a government will not fulfill its obligations or obstructs the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (e.g. political risk).

CREDIT INSTITUTIONS

All institutions that are subject to banking supervision by public authorities, including mortgage banks, capital market institutions, multilateral development banks and the International Monetary Fund (IMF).

CREDIT RISK

The risk of loss from default by borrowers (including bond issuers) or counterparties. Credit risks arise in ING s lending, presettlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

DEFERRED TAX LIABILITIES

The amounts of income tax payable in future periods in respect of taxable temporary differences between carrying amounts of assets or liabilities in the balance sheet and tax base, based on tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled.

DEFINED BENEFIT PLAN

Post-employment benefit plans other than defined contribution plans.

DEFINED CONTRIBUTION PLAN

Post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DELTA HEDGE

The delta hedge minimizes the exposure of the employee option scheme by holding an appropriate number of (depositary receipts for) ordinary shares. The exposure is reassessed every quarter and, if necessary, ordinary shares are bought from the market. In December 2010 ING Groep N.V. announced that it will no longer rebalance its hedge portfolio. This decision is an effort to simplify the management and administration of ING s various employee share and option programmes. The remaining shares in the hedge portfolio will be used to fund the obligations arising out of exercise and vesting. Once all shares in the hedge portfolio are used ING will fund these obligations by issuing new shares.

DEPOSITARY RECEIPT

Depositary receipt for ordinary and preference shares, issued by the ING Trust Office, in exchange for ordinary and preference shares issued by ING Group.

DERIVATIVES

Financial instruments, which include forwards, futures, options and swaps, whose value is based on an underlying asset, index or reference rate.

DISCOUNTED BILLS

Bills that are sold under deduction of interest giving the owner the right to receive an amount of money on a given date.

DISCRETIONARY PARTICIPATION FEATURE

A contractual right to receive, as a supplement to guaranteed benefits, additional benefits that: are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the insurer, that are contractually based on the performance of a specified pool or type of contract, (un)realized investment returns on a specified pool of assets held by the insurer, or the profit of the company, fund, or other entity that issues the contract.

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EARNINGS AT RISK (EAR)
Measures the impact on earnings resulting from changes in market rates over a one-year horizon.

EARNINGS SENSITIVITY (ES)
Measures the impact on earnings resulting from changes in economic and financial conditions over a one-year horizon.

ECONOMIC CAPITAL
The minimum amount of capital that is required to absorb unexpected losses in times of severe stress. Given ING Group s target rating, ING calculates economic capital requirements for ING Bank at a 99.95% level of confidence. This confidence level is derived from the historical default frequency of AA-rated companies (probability of default of 1 in 2000 years or 0.05%). For ING Insurance the economic capital is calculated based on a confidence level of 99.5%, which is aligned with the Solvency II.

EFFECTIVE INTEREST METHOD
A method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period.

ELIMINATION
A process by which intercompany transactions are matched with each other and deducted, so that the assets, liabilities, income and expenses are not inflated.

EMBEDDED VALUE (EV)
Embedded value is the present value of all future cash flows from the contracts being owned today (embedded value does not take into account future sales). The discount rate used is equal to Weighted average cost of capital.

EMBEDDED VALUE PROFIT (EVP)
Embedded value profit is the change in embedded value over a given period over and above the amount related to the unwinding of the discount rate.

EMPLOYEE BENEFITS
All forms of consideration given by a company in exchange for service rendered by (current and former) employees.

FAIR VALUE
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm s length transaction.

FINANCE LEASE
A lease that transfers substantially all the risks and rewards associated with ownership of an asset to the lessee. Title may or may not eventually be transferred.

FINANCIAL ASSET
Any asset that is:
- cash;
- an equity instrument of another company;
- a contractual right to;
  - receive cash or another financial asset from another company; or
  - exchange financial instruments with another company under conditions that are potentially favorable; or
  - certain contract that will or may be settled in ING s own equity instruments.

FINANCIAL INSTRUMENTS
Contracts that give rise to both a financial asset for one company and a financial liability or equity instrument for another company.

FINANCIAL LIABILITY
Any liability that is a contractual obligation:
- to deliver cash or another financial asset to another company; or
- to exchange financial instruments with another company under conditions that are potentially unfavorable; or
- certain contracts that will or may be settled in ING s own equity instruments.

FOREIGN EXCHANGE RATE RISK

Probability of loss occurring from an adverse movement in foreign exchange rates.

FORWARD CONTRACTS

Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates.

FUTURE CONTRACTS

Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates. Exchanges act as intermediaries and require daily cash settlement and collateral deposits.

GROSS PREMIUMS WRITTEN

Total premiums (whether or not earned) for insurance contracts written or assumed (including deposits for investment contracts with limited or no life contingencies written) during a specific period, without deduction for premiums ceded.

HELD-TO-MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity that ING Group has the positive

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intention and ability to hold to maturity other than:

a. those that ING Group upon initial recognition designates as at fair value through profit and loss;
b. those that ING Group designates as available-for-sale; and
c. those that meet the definition of loans and receivables.

HISTORICAL SIMULATION

A model to calculate Value at Risk, assuming that future changes in risk factors will have the same distribution as they had in the past taking into account the non-linear behavior of financial products.

IMPAIRMENT LOSS

The amount by which the carrying amount of an asset exceeds its recoverable amount.

INTEREST BEARING INSTRUMENT

A financial asset or a liability for which a time-proportionate compensation is paid or received in relation to a notional amount.

INTERNAL RATE OF RETURN (IRR)

Internal rate of return is the discount rate at which the present value of distributable earnings from new business equals the investment in new business (i.e. the projected return on the investment in new business) is calculated.

INTEREST-RATE REBATES

Profit sharing for group life insurance business. A rebate granted to policyholders based on the discounted value of the difference between the interest rate used to calculate the premiums and the expected yield on investment. The profit sharing is granted by means of a premium discount related to the yield on government bonds.

INTEREST RATE RISK

Probability that the market interest rates will rise significantly higher than the interest rate earned on investments such as bonds, resulting in their lower market value.

IN THE MONEY

A call option is said to be in the money if the exercise price is lower than the price of the underlying value; a put option is said to be in the money if the exercise price is higher than the price of the underlying value.

INVESTMENT RISK

Investment risk is the credit default and risk rating migration risk that is associated with ING Group s investments in bonds, commercial paper, securitizations, and other similar publicly traded securities. Investment risk arises when ING purchases a (synthetic) bond with the intent to hold the bond for a longer period of time (generally through maturity).

INVESTMENT PORTFOLIO

Comprises those assets which are intended for use on a continuing basis, and have been identified as such. These investments are held in order to cover the insurance provisions and to manage interest rate, capital and liquidity risks.

IRREVOCABLE FACILITIES

Mainly constitute unused portions of irrevocable credit facilities granted to corporate clients and commitments made to purchase securities to be issued by governments and private issuers.

IRREVOCABLE LETTERS OF CREDIT

Concerns an obligation on behalf of a client to pay an amount of money under submission of a specific document or to accept a bill of exchange, subject to certain conditions. An irrevocable letter of credit cannot be cancelled or adjusted by the bank that has granted it during the duration of the agreement unless all those concerned agree.

JOINT VENTURE

A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

LEGAL RISK

Legal risk is the risk related to:

a failure (or perceived failure) to adhere to applicable laws, regulations and standards;
contractual liabilities or contractual obligations that are defaulted or cannot be enforced as intended, or are enforced in an unexpected or adverse way; and

liability (tort) towards third parties due to an act or omission contributable to ING; (potentially) resulting in impairment of ING s integrity, leading to damage to ING s reputation, legal or regulatory sanctions, or financial loss.

LENDING RISK

Lending risk arises when ING Group grants a loan to a customer, or issues guarantees on behalf of a customer. This is the most common risk category, and includes term loans, mortgages, revolving credits, overdrafts, guarantees, letters of credit, etc. The risk

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is measured at the notional amount of the financial obligation that the customer has to repay to ING, excluding any accrued and unpaid interest, or discount/premium amortizations or impairments.

LIQUIDITY RISK

The risk that ING Group or one of its subsidiaries cannot meet its financial liabilities when they fall due, at reasonable costs and in a timely manner.

MARKET RISK

Market risk is the risk that movements in market variables, such as interest rates, equity prices, implied volatilities, foreign exchange rates, real estate prices negatively impact the earnings or market value.

MARKET VALUE AT RISK (MVAR)

A calculation method which measures the decrease in the market value surplus caused by movements in financial markets, at a 99.95% confidence level over a one year horizon.

MINORITY INTERESTS

The part of the profit and loss and net assets of a subsidiary attributable to an interest which is not owned, directly or indirectly, by the parent company.

MONETARY ASSETS AND LIABILITIES

Assets and liabilities which are fixed in terms of units of currency by contract or otherwise. Examples are cash, short or long-term accounts, notes receivable in cash and notes payable in cash.

MONEY MARKET RISK

Money market risk arises when ING Group places short term deposits with a counterparty in order to manage excess liquidity, as such, money market deposits tend to be short term in nature (1-7 days is common). In the event of a counterparty default, ING Group may lose the deposit placed. Money market risk is therefore measured simply as the notional value of the deposit, excluding any accrued and unpaid interest or the effect of any impairment.

MONOLINER

A financial company that deals specifically with one particular branch of the financial industry.

MONTE CARLO SIMULATION

A model to calculate Value at Risk, assuming that changes in risk factors are (jointly) normally distributed taking into account nonlinear behavior of financial products.

MORTGAGE BACKED SECURITIES (MBS)

A security whose cash flows are backed by typically the principal and/ or interest payments of a pool of mortgages.

NEW SALES

New sales of life insurance, measured as Annual Premium Equivalent (APE), have been defined as the total of annual premiums and 10% of single premiums received on production in a given period.

NET ASSET VALUE

Used in the equity method of accounting. The initial net asset value of the investment is determined by the fair value of the assets and liabilities of the investee. After the initial valuation of assets and liabilities of the investee at fair value, the assets and liabilities of the investee are valued in accordance with the accounting policies of the investor. The profit and loss account reflects the investor s share in the results of operations of the investee.

NET PREMIUMS WRITTEN

Gross premiums written for a given period less premiums ceded to retrocessionaires during the given period.

NET PRESENT VALUE AT RISK (NPV-AT-RISK)

Establishes what the value of future cash flows is in terms of today s monetary value. NPV-at-Risk establishes the change in value of future cash flows as a result of interest rate changes in terms of today s monetary value.

NON-VOTING EQUITY SECURITIES

Core Tier 1 securities issued to the Dutch State in November 2008 for a total consideration of EUR 10 billion. In December 2009 EUR 5 billion was paid back to the Dutch State. This capital injection qualifies as core Tier 1 capital for regulatory purposes.

NOTIONAL AMOUNTS

Represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets. They do not reflect, however, the credit risks assumed by entering into derivative transactions.

OPERATING LEASE

A lease other than a finance lease.

OPERATIONAL RISK

The risk of a direct or indirect loss resulting from inadequate or failed internal processes, people and

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systems or from external events.

OPTION CONTRACTS

Give the purchaser, for a premium, the right, but not the obligation, to buy or sell within a limited period of time a financial instrument or currency at a contracted price that may also be settled in cash. Written options are subject to market risk, but not to credit risk since the counterparties have already performed in accordance with the terms of the contract by paying a cash premium up front.

ORDINARY SHARE

An equity instrument that is subordinate to all other classes of equity instruments. Ordinary shares participate in the net profit for the financial year after other types of shares such as preference shares.

OUT OF THE MONEY

A call option is said to be out of the money if the exercise price is higher than the price of the underlying value; a put option is said to be out of the money if the exercise price is lower than the price of the underlying value.

OVER-THE-COUNTER INSTRUMENT

A non-standardized financial instrument not traded on a stock exchange but directly between market participants.

PLAN ASSETS

Comprise assets held by a long-term employee benefit fund and qualifying insurance policies. Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting enterprise) that:

- are held by an entity (a fund) that is legally separate from the reporting enterprise and exists solely to pay or fund employee benefits; and
- are available to be used only to pay or fund employee benefits, are not available to the reporting enterprise s own creditors (even in bankruptcy), and cannot be returned to the reporting enterprise, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting enterprise or the assets are returned to the reporting enterprise to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting enterprise, if the proceeds of the policy:

- can be used only to pay or fund employee benefits under a defined benefit plan; and
- are not available to the reporting enterprise s own creditors (even in bankruptcy) and cannot be paid to the reporting enterprise, unless either the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations or the proceeds are returned to the reporting enterprise to reimburse it for employee benefits already paid.

POST-EMPLOYMENT BENEFIT PLANS

Formal or informal arrangements under which a company provides post-employment benefits for one or more employees. Post-employment benefits are employee benefits other than termination benefits and equity compensation benefits, which are payable after the completion of employment.

PREFERENCE SHARE

Similar to an ordinary share but carries certain preferential rights. These rights usually concern the guarantee of a fixed (cumulative) return to the shareholder or a guaranteed return on the investment.

PREMIUMS EARNED

The portion of net premiums written in current and past periods which applies to the expired portion of the policy period, calculated by subtracting movements in unearned premium reserves from net premiums.

PRE-SETTLEMENT RISK

Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Group has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavorable) market price. The pre-settlement risk (potential or expected risk) is the cost of ING Group replacing a trade in the market. This credit risk category is associated with dealing room products such as options, swaps, and securities financing transactions. Where there is a mutual exchange of value, the amount of outstanding is generally based on the replacement value (mark-to-market) plus potential future volatility concept, using an historical 7 year time horizon

and a 99% confidence level.

PRESSURISED ASSETS

Pressurized assets have been defined as subprime ABS exposures, Alt-A ABS exposures, CMBS, CDO/CLOs, Greek Government bonds, Greek Financial Institution Bonds, Irish Government bonds and

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Irish Financial Institution bonds.

PRIVATE LOAN

Loans to governments, other public bodies, public utilities, corporations, other institutions or individuals with a loan agreement as the only instrument of title.

PRIVATE PLACEMENT

A placement in which newly issued shares or debentures come into possession of a limited group of subscribers who are prepared to buy the new securities.

PROJECTED UNIT CREDIT METHOD

An actuarial valuation method that considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

QUALIFYING ASSET (WITHIN THE MEANING OF BORROWING COSTS)

An asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

RECOGNITION

The process of incorporating in the balance sheet or profit and loss account an item that meets the definition of an element and satisfies the following criteria for recognition:

- it is probable that any future economic benefit associated with the item will flow to or from the enterprise; and
- the item has a cost or value that can be measured reliably.

RECOVERABLE AMOUNT

The higher of an asset s net selling price and its value in use.

REDEMPTION VALUE

With respect to investments in fixed-interest securities, the amount payable on the maturity date.

REINSURANCE

The practice whereby one party, called the reinsurer, in consideration for a premium paid to him, agrees to indemnify another party, called the reinsured or ceding company, for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued. The reinsured may also be referred to as the original or primary insurer, the direct writing company, or the ceding company.

RETURN ON EQUITY (ROE)

The return on equity is the net result as percentage of the average equity.

RISK ADJUSTED RETURN ON CAPITAL (RAROC)

A performance indicator that measures revenues in the perspective of the risks that had to be taken to obtain that revenue. RAROC is calculated by dividing the risk-adjusted-return by economic capital. In the RAROC calculation, the actual credit-risk provisioning is replaced by statistically expected losses reflecting the average credit losses over the entire economic cycle.

RISK-WEIGHTED ASSETS (RWA UNDER BASEL I)

Assets which are weighted for credit risk according to a formula used by the Dutch central bank (De Nederlandsche Bank), which conforms to the capital adequacy guidelines of the BIS (Bank of International Settlements). On and off-balance-sheet items are weighted for risk, with off-balance-sheet items converted to balance-sheet equivalents (using credit-conversion factors) before being allocated a risk weight.

RISK-WEIGHTED ASSETS (RWA UNDER BASEL II)

Assets which are weighted for credit and market risk in accordance with the Basel II methodology. The risk-weighted assets are calculated using internal models approved by The Dutch central bank (De Nederlandsche Bank). Regulatory capital requirements for operational risk are calculated without use of risk-weighted assets.

SETTLEMENT RISK

Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING Group has paid or delivered its side of the trade. The risk is that ING Group delivers, but does not receive delivery from the counterparty.

SIGNIFICANT INFLUENCE

The power to participate in the financial and operating policy decisions of an entity, but not to have control over these policies. Significant influence may be gained by share ownership, statute or agreement.

SOLVENCY II

The fundamental reform of European insurance solvency and risk governance legislation, which is effective as of January 1, 2013

SUB-PRIME MORTGAGES

Mortgage loans made to borrowers who cannot get a regular mortgage because

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they have a bad credit history or limited income.

SUBSIDIARY

An entity that is controlled by another entity.

SURRENDER

The termination of a life or retirement contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, on the contract.

SWAP CONTRACTS

Commitments to settle in cash at a specified future date, based on differentials between specified financial indices as applied to a notional principal amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party.

TIER 1 CAPITAL

Also referred to as the core capital of ING Bank. It comprises paid up share capital, reserves excluding revaluation reserves, retained earnings, minority interests and hybrid Tier 1.

TIER 1 RATIO

Reflecting the Tier 1 capital of ING Bank as a percentage of its total risk weighted assets. The minimum set by the Dutch central bank is 4%.

TOTAL AND UNDERLYING NET RESULT

The variance between Total and Underlying net result is caused by divestments and special items.

TRADING PORTFOLIO

Comprises those financial instruments which are held to obtain short-term transaction results, to facilitate transactions on behalf of clients or to hedge other positions in the trading portfolio.

TRANSFER RISK

Probability of loss due to currency conversion (exchange) restrictions imposed by a foreign government that make it impossible to move money out of the country.

TREASURY BILLS

Generally short-term debt certificates issued by a central government. Dutch Treasury Certificates are regarded as Dutch Treasury bills.

TREASURY SHARES

An entity s own equity instruments, held by the entity or other members of the consolidated group.

VALUE CREATION

Value creation is measured by Economic Profit (regarding non life and asset management business and banking operations) and Embedded Value Profit (regarding life and long term health business).

VALUE AT RISK (VAR)

Quantifies, with a one-sided confidence level of at least 99%, the maximum overnight loss in Net Present Value that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remain unchanged for a time interval of one day.

VALUE IN USE

The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

VARIANCE-COVARIANCE

A model to calculate Value at Risk, assuming that changes in risk factors are (jointly) normally distributed and that the change in portfolio value is linearly dependent on all risk factor changes.

WARRANT

A financial instrument that gives the holder the right to purchase ordinary shares.

WEIGHTED AVERAGE COST OF CAPITAL (WACC)

The weighted average cost of capital is used as the discount rate for calculating the present value of future cash flows.

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SCHEDULE I SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES
Amounts are in millions of euros

Column A Type of investment	Column B Cost	Column C Fair value	Column D Amount at which shown in balance sheet
DEBT SECURITIES			
Debt securities held to maturity	11,693	11,854	11,693
Debentures/available-for-sale:			
- Dutch governments	8,798	9,198	9,198
- foreign governments	87,386	89,232	89,232
- public utilities	8,260	8,683	8,683
- asset-backed securities	31,774	31,693	31,693
- redeemable preference shares sinking funds	4	5	5
- all other corporate bonds	73,100	73,982	73,982
SHARES AND CONVIRTIBLE DEBENTURES			
Ordinary shares			
- public utilities	105	131	131
- banks, trusts and insurance companies	2,251	4,212	4,212
- industrial and all other	3,382	4,933	4,933
Preference shares	385	478	478
Total investments	**227,138**	**234,401**	**234,240**

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SCHEDULE III SUPPLEMENTARY INSURANCE INFORMATION
Amounts are in millions of euros

Column A Segment	Column B Deferred policy acquistion costs	Column C Future policy benefits, losses, claims and loss expenses	Column D Unearned premiums	Column E Other policy and claims	Column F Premium revenue	Column G Net investment income (including other income and other expenses) allocated to underwriting accounts	Column H Benefits, claims, losses and settlement expenses	Column I Amortization of deferred policy acquisition costs	Column J Other operating expenses	Column K Premiums written
2010										
Life	10,562	257,913		3,432	24,165	7,480	26,558	2,821	3,911	24,165
Non-life	42	3,103	345		1,702	368	1,041	13	662	1,676
Total	**10,604**	**261,016**	**345**	**3,432**	**25,867**	**7,848**	**27,599**	**2,834**	**4,573**	**25,841**
2009										
Life	11,355	230,344		1,600	26,853	4,163	27,427	446	3,829	26,853
Non-life	43	3,073	361		1,704	255	976	12	749	1,702
Total	**11,398**	**233,417**	**361**	**1,600**	**28,557**	**4,418**	**28,403**	**458**	**4,578**	**28,555**

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SCHEDULE IV REINSURANCE
Amounts are in millions of euros

Column A	Column B Gross amount	Column C Ceded to other companies	Column D Assumed from other companies	Column E Net amount	Column F Percentage of amount assumed to net
2010 Premiums					
- life	25,042	2,041	1,164	24,165	4.8%
- non-life	1,718	65	23	1,676	1.4%
Total Premiums	**26,760**	**2,106**	**1,187**	**25,841**	**4.6%**
Life insurance in Force	1,210,461	274,082	14,981	951,360	1.6%
2009 Premiums					
- life	27,421	1,867	1,299	26,853	4.8%
- non-life	1,746	70	26	1,702	1.5%
Total Premiums	**29,167**	**1,937**	**1,325**	**28,555**	**4.6%**
Life insurance in Force	1,096,442	254,454	34,094	876,082	3.9%
2008 Premiums					
- life	37,487	1,802	1,382	37,067	3.7%
- non-life	4,920	196	23	4,747	0.5%
Total Premiums	**42,407**	**1,998**	**1,405**	**41,814**	**3.4%**
Life insurance in Force	1,062,700	269,041	105,094	898,753	11.7%

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SCHEDULE VI SUPPLEMENTAL INFORMATION CONCERNING NON-LIFE INSURANCE OPERATIONS
Amounts are in millions of euros

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H		Column I	Column J	Column K
Affiliation with the registrant	Deferred policy acquisition costs	Reserves for unpaid claims & claims adjusted expenses	Discount if any deducted in column C	Unearned premiums	Earned premiums	Net investment income (including other income and other expenses)	Claims and claims Adjustment expenses incurrent related to accident years		Amorti-zation of DPAC[1]	Paid claims & claims adjusted expenses	Premiums written
							Current	Prior			
2010											
Consolidated Non-life entities	42	3,103	235	345	1,702	368	1,121	11	13	1,041	1,676
2009											
Consolidated Non-life entities	43	3,073	215	361	1,704	255	1,111	(84)	12	976	1,702

(1) DPAC: Deferred policy acquisition costs