ING GROEP NV
Form 20-F
March 17, 2011

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

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2010

OR

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

OR

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

Commission file number 1-14642

ING GROEP N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

ING Groep N.V.
Amstelveenseweg 500
1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands

(Address of principal executive offices)

Hans van Barneveld
Telephone: +31 20 541 8510
E-mail: Hans.van.Barneveld@ing.com
Amstelveenseweg 500
1081KL Amsterdam
The Netherlands

(Name; Telephone, Email and Address of Company Contact Person)

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

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

7.20% ING Perpetual Debt Securities	New York Stock Exchange
6.20% ING Perpetual Debt Securities	New York Stock Exchange
6.125% ING Perpetual Debt Securities	New York Stock Exchange
5.775% ING Perpetual Debt Securities	New York Stock Exchange
6.375% ING Perpetual Debt Securities	New York Stock Exchange
7.375% ING Perpetual Debt Securities	New York Stock Exchange
8.50% ING Perpetual Debt Securities	New York Stock Exchange

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

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

None

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

None

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

Ordinary shares, nominal value EUR 0.24 per Ordinary share	3,831,560,513
Bearer Depositary receipts in respect of Ordinary shares	3,830,227,027

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

Yes þ o No

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

Yes o þ No

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

Yes þ o No

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).*

Yes o o No

* **This requirement does not currently apply to the registrant.**

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

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

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP o

International Financial Reporting Standards as issued by the International Accounting Standards Board þ

Other o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

o Item 17 Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o þ No

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PRESENTATION OF INFORMATION

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

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

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of euro 1.00 = $1.3813, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 1, 2011.

ING prepares financial information in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) for purposes of reporting with the U.S. Securities and Exchange Commission (SEC), including financial information contained in this Annual Report on Form 20-F. ING Group s accounting policies and its use of various options under IFRS-IASB are described under Principles of valuation and determination of results in the consolidated financial statements. In this document the term IFRS-IASB is used to refer to IFRS-IASB as applied by ING Group.

The published 2010 Annual Accounts of ING Group, however, are prepared in accordance with IFRS-EU. IFRS-EU refers to International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU. IFRS-EU differs from IFRS-IASB, in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk. Furthermore, IFRS 9 Financial Instruments (issued in 2009) is not yet endorsed by the EU and, therefore, is not yet part of IFRS-EU. However, IFRS 9 is only effective as of 2013 and ING has not early adopted IFRS 9 under IFRS-IASB.

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

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

Other than for SEC reporting, ING Group intends to continue to prepare its Annual Accounts under IFRS-EU.

A reconciliation between IFRS-EU and IFRS-IASB is included in Note 2.1 to the consolidated financial statements entitled Basis of preparation.

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

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Certain amounts set forth herein may not sum due to rounding.
Although certain references are made to information available on ING s website, no materials from ING s website or any other source are incorporated by reference into this Annual Report, except as specifically stated herein.

Subsequent events

ING changed its accounting policy for insurance provisions for Guaranteed Minimum Withdrawal Benefits for Life (GMWBL) in the Insurance US Closed Block VA book as of January 1, 2011. Furthermore, 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 May 13, 2011. On March 11, 2011 a severe earthquake and tsunami struck Japan. 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. For details, see Subsequent Events on page F-193 to the consolidated financial statements,

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

- changes in general economic conditions, in particular economic conditions in ING s core markets,
- changes in performance of financial markets, including developing markets,
- the implementation of ING s restructuring plan to separate banking and insurance operations,
- changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness,
- the frequency and severity of insured loss events,
- changes affecting mortality and morbidity levels and trends,
- changes affecting persistency levels,
- changes affecting interest rate levels,
- changes affecting currency exchange rates,
- changes in general competitive factors,
- changes in laws and regulations,
- changes in the policies of governments and/or regulatory authorities,
- conclusions with regard to purchase accounting assumptions and methodologies,

- changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards,

- ING s ability to achieve projected operational synergies and

- the move towards fair value acounting for Guaranteed Minimum Withdrawal Benefits for the Insurance US Closed Block VA business line.

ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. See Item 3. Key Information-Risk Factors and Item 5. Operating and Financial Review and Prospects Factors Affecting Results of Operations.

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PART I

Item 1. Identity Of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics And Expected Timetable

Not Applicable.

Item 3. Key Information

The selected consolidated financial information data is derived from the IFRS-IASB consolidated financial statements of ING Group.

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

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			Year ended December 31,			
	2010 USD[(1)]	2010 EUR	2009[(2)] EUR	2008[(2)] EUR	2007[(2)] EUR	2006[(2)] EUR
		(in millions, except amounts per share and ratios)				
IFRS-IASB Consolidated Income Statement Data						
Income from banking operations:						
Interest income	96,260	69,688	81,146	98,201	76,859	59,262
Interest expense	77,727	56,271	68,607	87,118	67,823	49,927
Net interest result	18,532	13,416	12,539	11,082	9,036	9,335
Commission income	3,637	2,633	2,656	2,820	2,926	2,681
Investment and Other income	1,506	1,090	(3,558)	(5,950)	3,151	2,362
Total income from banking operations	23,674	17,139	11,637	7,952	15,113	14,378
Income from insurance operations:						
Gross premiums written:						
Life	36,198	26,206	28,720	38,868	40,732	40,501
Non-life	2,405	1,741	1,772	4,944	6,086	6,333
Premium income	38,603	27,947	30,492	43,812	46,818	46,834
Commission income	2,687	1,945	1,953	2,139	1,901	1,636
Investment and Other income	10,494	7,597	3,363	8,970	13,488	11,172
Total income from insurance operations	51,782	37,488	35,808	54,921	62,208	59,642
Total income [(3)]	**74,994**	**54,292**	**47,109**	**62,582**	**77,097**	**73,804**
Total expenditure from banking operations	16,443	11,904	13,131	11,556	10,092	9,190
Total expenditure from insurance operations:						
Life	51,192	37,061	34,688	51,649	49,526	49,106
Non-life	2,459	1,780	1,807	4,864	6,149	5,601
Total	53,651	38,841	36,495	56,513	55,675	54,707
Total expenditure [(3)] [(4)]	**69,631**	**50,410**	**49,291**	**67,778**	**65,543**	**63,681**

Result before tax from banking operations	7,231	5,235	(1,494)	(3,604)	5,021	5,188
Result before tax from insurance operations:						
Life	(2,323)	(1,682)	(885)	(2,103)	5,314	3,436
Non-life	454	329	198	511	1,219	1,499
Total	(1,869)	(1,353)	(687)	(1,592)	6,533	4,935
Result before tax	**5,362**	**3,882**	**(2,181)**	**(5,196)**	**11,554**	**10,123**
Taxation	1,381	1,000	(639)	(1,667)	1,665	1,961
Minority interests	145	105	(118)	(37)	267	341
Net result	**3,836**	**2,777**	**(1,423)**	**(3,492)**	**9,622**	**7,821**
Dividend on Ordinary shares				1,500	3,180	2,865
Addition to shareholders equity	3,836	2,777	(1,683)	(5,417)	6,442	4,956
Coupon payable on non-voting equity securities (7)			259	425		
Net result attributable to equity holders of the Company			(935)	(729)	9,241	7,692
Basic earnings per share (5)	0.86	0.62	(0.75)	(1.31)	3.45	2.79
Diluted earnings per share (5)	0.86	0.62	(0.75)	(1.31)	3.43	2.76
Dividend per Ordinary share (5)				0.74	1.48	1.32
Interim Dividend				0.74	0.66	0.59
Final Dividend					0.82	0.73
Number of Ordinary shares outstanding (in millions)	3,831.6	3,831.6	3,831.6	2,063.1	2,226.4	2,205.1
Dividend pay-out ratio (6)				n.a.	34.3%	37.0%

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	Year ended December 31,					
	2010 USD(1)	2010 EUR	2009(2) EUR	2008(2) EUR	2007(2) EUR	2006(2) EUR
	(in billions, except amounts per share and ratios)					
IFRS-IASB Consolidated Balance Sheet Data						
Total assets	1,716.7	1,242.8	1,160.0	1,328,6	1,313,2	1,226.5
Investments:						
Banking	153.2	110.9	105.5	148.8	160.4	171.1
Insurance	170.3	123.3	106.6	109.5	132.3	140.5
Total	323.5	234.2	212.1	258.3	292.6	311.6
Loans and advances to customers	841.1	608.9	575.3	616.8	553.7	474.6
Insurance and investment contracts:						
Life	352.4	255.1	226.0	213.0	232.4	237.9
Non-life	5.0	3.6	3.5	6.8	9.6	10.1
Investment contracts	16.6	12.0	11.3	21.1	23.7	20.7
Total	373.8	270.6	240.9	240.8	265.7	268.7
Customer deposits and other funds on deposit:						
Savings accounts of the banking operations	448.4	324.6	304.1	274.3	275.1	283.1
Other deposits and bank funds	258.0	186.8	165.4	248.5	250.1	213.6
Total	706.4	511.4	469.5	522.8	525.2	496.7
Amounts due to banks	100.7	72.9	84.2	152.3	167.0	120.8
Share capital in number of shares (in millions)	3,831.6	3,831.6	3,831.6	2,063.1	2,242.4	2,268.1
Shareholders equity	53.0	38.4	31.1	15.1	37.7	38.4
Non-voting equity securities	6.9	5.0	5.0	10.0		
Shareholders equity per Ordinary share 5)	14.02	10.15	8.22	7.44	17.98	17.84

(1) Euro amounts have been translated into U.S. dollars at the exchange rate of $1.3813 to EUR 1.00, the noon buying rate in New York City on March 1, 2011 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

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

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

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

(5) Basic earnings per share amounts have been calculated based on the weighted average number of Ordinary shares outstanding and Shareholders equity per share amounts have been calculated based on the number of Ordinary shares outstanding at the end of the respective periods. For purposes of this calculation ING Groep N.V. shares held by Group companies are deducted from the total number of Ordinary shares in issue. The rights issue, which was finalized on December 15, 2009 has an effect on the basic earnings per share and the diluted earnings per share, as defined in IFRS IASB. All weighted average number of shares outstanding before the rights issue are restated with an adjustment factor that reflects the fact that the exercise price of the rights issue was less than the fair value of the shares, see Note 49 of Note 2.1 to the consolidated financial statements. The effect of dilutive securities is adjusted as well.

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

(7) For details of the agreements with the Dutch State, see Note 13 of Note 2.1 to the consolidated financial statements.

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EXCHANGE RATES

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

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

	U.S. dollars per euro			
Calendar Period	**Period End(1)**	**Average Rate(2)**	**High**	**Low**
2006	1.3197	1.2661	1.3327	1.1860
2007	1.4603	1.3794	1.4862	1.2904
2008	1.3919	1.4695	1.6010	1.2446
2009	1.4332	1.3955	1.5100	1.2547
2010	1.3269	1.3218	1.4536	1.1959

(1) The Noon Buying Rate at such dates differ from the rates used in the preparation of ING s consolidated financial statements as of such date. See Note 2.1 to the consolidated financial statements.

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

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

	High	**Low**
September 2010	1.3638	1.2708
October 2010	1.4066	1.3688
November 2010	1.4205	1.3036
December 2010	1.3395	1.3084
January 2011	1.3715	1.2944
February 2011	1.3794	1.3474

The Noon Buying Rate for euros on December 31, 2010 was EUR 1.00 = $1.3269 and the Noon Buying Rate for euros on March 1, 2011 was EUR 1.00 = $1.3813.

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RISK FACTORS

Any of the risks described below could have a material adverse effect on the business activities, financial condition, results of operations and prospects of ING. The market price of ING shares could decline due to any of these risks, and investors could lose all or part of their investments. Additional risks of which the Company is not presently aware could also affect the business operations of ING and have a material adverse effect on ING s business activities, financial condition, results of operations and prospects. In addition, the business of a multinational, broad-based financial services firm such as ING is inherently exposed to risks that only become apparent with the benefit of hindsight. The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences.

Risks Related to Financial Conditions, Market Environment and General Economic Trends.

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

Factors such as interest rates, securities prices, credit spreads, liquidity spreads, exchange rates, consumer spending, business investment, real estate and private equity valuations, government spending, inflation, the volatility and strength of the capital markets, political events and trends, and terrorism all impact the business and economic environment and, ultimately, the amount and profitability of business we conduct in a specific geographic region. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments, and lower consumer spending, the demand for banking and insurance products is usually adversely affected and ING s reserves and provisions typically would increase, resulting in overall lower earnings. Securities prices, real estate values and private equity valuations may also be adversely impacted, and any such losses would be realized through profit and loss and shareholders equity. Some insurance products contain minimum return or accumulation guarantees. If returns do not meet or exceed the guarantee levels we may need to set up additional reserves to fund these future guaranteed benefits. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Similarly, a downturn in the equity markets causes a reduction in commission income we earn from managing portfolios for third parties, income generated from our own proprietary portfolios, asset-based fee income on certain insurance products, and our capital base. We also offer a number of insurance and financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. See also Interest rate volatility may adversely affect our profitability , Turbulence and volatility in the financial markets have adversely affected us, and may continue to do so , and Current market conditions have increased the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending below.

In case one or more of the factors mentioned above adversely affects the profitability of our business this might also result, among others, in the following:

- the unlocking of deferred acquisition costs impacting earnings; and/or
- reserve inadequacies which could ultimately be realized through profit and loss and shareholders equity; and/or
- the write down of tax assets impacting net results; and/or
- impairment expenses related to goodwill and other intangible assets, impacting net results ; and/or
- movements in Risk Weighted Assets for the determination of required capital.

Shareholders equity and our net result may significantly be impacted by turmoil and volatility in the worldwide financial markets. Negative developments in financial markets and/or economies may have a material adverse impact on shareholders equity and net result in future periods, including as a result of the potential consequences listed above. The recalibration we have conducted of our economic capital models to reflect difficult market conditions experienced over recent years may have a material impact on our economic capital for credit risk. See Risks Related to the Group Turbulence and volatility in the financial markets have adversely affected us, and may continue to do so .

Adverse capital and credit market conditions may impact our ability to access liquidity and capital, as well as the cost of credit and capital.

The capital and credit markets have been experiencing extreme volatility and disruption for more than two years. In the second half of 2008, the volatility and disruption reached unprecedented levels. In some cases, market developments have resulted in restrictions on the availability of liquidity and credit capacity for certain issuers.

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We need liquidity in our day-to-day business activities to pay our operating expenses, interest on our debt and dividends on our capital stock; maintain our securities lending activities; and replace certain maturing liabilities. The principal sources of our liquidity are deposit funds, insurance premiums, annuity considerations, cash flow from our investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. Sources of liquidity in normal markets also include a variety of short- and long-term instruments, including repurchase agreements, commercial paper, medium-and long-term debt, junior subordinated debt securities, capital securities and stockholders equity.

In the event current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects. Similarly, our access to funds may be limited if regulatory authorities or rating agencies take negative actions against us. If our internal sources of liquidity prove to be insufficient, there is a risk that external funding sources might not be available, or available at unfavorable terms.

Disruptions, uncertainty or volatility in the capital and credit markets, such as that experienced over the past few years and in the second half of 2008 in particular, may also limit our access to capital required to operate our business. Such market conditions may in the future limit our ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements. This could force us to (1) delay raising capital, (2) reduce, cancel or postpone payment of dividends on our shares, (3) reduce, cancel or postpone interest payments on other securities, (4) issue capital of different types or under different terms than we would otherwise, or (5) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility. Our results of operations, financial condition, cash flows and regulatory capital position could be materially adversely affected by disruptions in the financial markets.

In the course of 2008 and 2009, governments around the world, including the Dutch government, implemented unprecedented measures to provide assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. In certain cases governments nationalized companies or parts thereof. The measures adopted in the Netherlands include both liquidity provision and capital reinforcement, and a Dutch Credit Guarantee Scheme. The liquidity and capital reinforcement measures expired on October 10, 2009, and the Credit Guarantee Scheme of the Netherlands expired on December 31, 2010. Our participation in these measures has resulted in certain material restrictions on us, including those agreed to with the European Commission (EC) as part of our Restructuring Plan. See Risks Related to the Restructuring Plan Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions , Risks Related to the Restructuring Plan The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group . The Restructuring Plan as well as any potential future transactions with the Dutch State or any other government, if any, or actions by such government regarding ING could adversely impact the position or rights of shareholders, bondholders, customers or creditors and our results, operations, solvency, liquidity and governance.

We are subject to the jurisdiction of a variety of banking and insurance regulatory bodies, some of which have proposed regulatory changes that, if implemented, would hinder our ability to manage our liquidity in a centralized manner. Furthermore, regulatory liquidity requirements in certain jurisdictions in which we operate are generally becoming more stringent, including those forming part of the Basel III requirements discussed further below under We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business , undermining our efforts to maintain this centralized management of our liquidity. These developments may cause trapped pools of liquidity, resulting in inefficiencies in the cost of managing our liquidity, and hinder our efforts to integrate our balance sheet, which is an essential element of our Restructuring Plan.

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The default of a major market participant could disrupt the markets.

Within the financial services industry the default of any one institution could lead to defaults by other institutions. The failure of a sufficiently large and influential institution could disrupt securities markets or clearance and settlement systems in our markets. This could cause market declines or volatility. Such a failure could lead to a chain of defaults that could adversely affect us and our contract counterparties. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis. Systemic risk could have a material adverse effect on our ability to raise new funding and on our business, financial condition, results of operations, liquidity and/or prospects. In addition, such a failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

Management believes that despite increased attention recently, systemic risk to the markets in which we operate continues to exist, and dislocations caused by the interdependency of financial market participants continues to be a potential source of material adverse changes to our business, results of operations and financial condition.

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

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods, earthquakes and epidemics that may be more severe or difficult to predict as a result of increasingly variable climate conditions, as well as events such as terrorist attacks and political and social unrest.

The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and cannot always be adequately reserved for. Furthermore, we are subject to actuarial and underwriting risks such as, for instance, mortality, longevity, morbidity, and adverse claims development which result from the pricing and acceptance of insurance contracts. In accordance with industry practices, modelling of natural catastrophes is performed and risk mitigation measures are taken. In case claims occur, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established and includes updates when more information becomes available. Although we continually review the adequacy of the established claim reserves, there can be no assurances that our actual claims experience will not exceed our estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, our earnings may be reduced and our net results may be adversely affected.

In addition, and as discussed further below under Risks Related to the Group s Business, Operations, and Regulatory Environment Operational risks are inherent in our business , because unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, our banking and insurance operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions, insurance and pension benefits to employees and also to key personnel. If our business continuity plans are not able to be put into action or do not take such events into account, losses may further increase.

We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business.

We are subject to detailed banking, insurance, asset management and other financial services laws and government regulation in each of the jurisdictions in which we conduct business. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, record keeping, and marketing and sales practices. Banking, insurance and other financial services laws, regulations and policies currently governing us and our subsidiaries may also change at any time and in ways which have an adverse effect on our business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, bank regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. Regulation is becoming increasingly more extensive and complex and regulators are focusing increased scrutiny on the industries in which we operate, often requiring additional Company resources. These regulations can serve to limit our activities, including through our net capital, customer protection and market conduct requirements, and restrictions on businesses in which we can operate or invest. If we fail to address, or appear to fail to address, appropriately any of these matters, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties.

In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. Most of the principal markets where we conduct our business have adopted, or are currently considering, major legislative and/or regulatory initiatives in response to the financial crisis. In particular, governmental and regulatory authorities in the Netherlands, the United Kingdom, the United States and elsewhere are implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including in the areas of prudential rules, capital requirements, executive compensation, crisis and contingency management, bank levies and financial reporting, among others. For example, the EC has agreed upon a full scale revision of the solvency framework and prudential regime applicable to insurance and reinsurance companies known as Solvency II , which was adopted on November 25, 2009. Each member state of the EEA, including the Netherlands, is required to implement Solvency II by January 1, 2013. Significant efforts towards establishing a more cohesive and streamlined European supervisory framework, including establishing a European Systemic Risk Board and a European Insurance and Occupational Pensions Authority, may also affect the Group s operations.

In addition, the Basel Committee on Banking Supervision has announced higher global minimum capital standards for banks, introduced a new global liquidity standard and called for a new leverage ratio. The Committee s package of reforms, collectively referred to as the Basel III rules, will, among other requirements, increase amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets a subject banking institution must hold at a given moment, and limit leverage . Banks will be required to hold a capital conservation buffer to withstand future periods of stress such that the total Tier 1 common equity ratio, when fully phased in on January 1, 2019, will rise to 7%. Further, Basel III calls for stricter definitions of capital that will have the effect of disqualifying many hybrid securities, potentially including those issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitization activities to be introduced at the end of 2011 as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and Financial Stability Board (FSB) are currently considering measures that may have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for systemically important financial institutions (SIFIs) and so-called Global SIFIs (G-SIFI), in addition to the Basel III requirements otherwise applicable to most financial institutions. While the full impact of the new Basel III rules, and any additional requirements for SIFIs or G-SIFIs if and as applicable to the Group, will depend on how they are implemented by national regulators, including the extent to which regulators and supervisors can set more stringent limits and additional capital requirements or surcharges, as well as on the economic and financial environment at the time of implementation and beyond, we expect these rules can have a material impact on ING s operations and financial condition and may require the Group to seek additional capital. Further, the International Accounting Standards Board (IASB) is considering changes to several IFRS standards, which changes could also have a material impact on our reported results and financial condition.

Furthermore, in the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank or the Dodd-Frank Act) has imposed comprehensive changes to the regulation of financial services in the United States and has implications for non-US financial institutions with a US presence, such as ING. Dodd-Frank directs existing and newly-created government agencies and bodies to promulgate regulations implementing the law, a process anticipated to occur over the next few years. We cannot predict with any certainty the requirements of the regulations ultimately adopted or how Dodd-Frank and such regulations will affect the financial markets generally, impact the

Group s business, credit or financial strength ratings, results of operations, cash flows or financial condition or advise or require the Group to raise additional capital. Key risks associated with the Dodd-Frank Act that may have an impact on the Group include:

The newly created risk regulator the Financial Stability Oversight Council (the FSOC) may designate the Group as a company whose material financial distress, or whose nature, scope, size, scale, concentration, interconnectedness or mix of activities, could pose a threat to the financial stability of the United States. In such an instance, the Group would become subject to the oversight of the Federal Reserve. If the Group becomes subject to the examination, enforcement and supervisory authority of the Federal Reserve, the Federal Reserve would have authority to impose capital

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requirements on the Group and its subsidiaries. The Group cannot predict what capital regulations the Federal Reserve will promulgate under these authorizations, either generally or as applicable to organizations with the Group s operations, nor can management predict how the Federal Reserve will exercise potential general supervisory authority over the Group as to its business practices or those of its subsidiaries. If designated as systemically important by the FSOC, the Group would become subject to unspecified stricter prudential standards, including stricter requirements and limitations relating to risk-based capital, leverage, liquidity and credit exposure, as well as overall risk management requirements, management interlock prohibitions and a requirement to maintain a plan for rapid and orderly dissolution in the event of severe financial distress. The Group may become subject to stress tests to be promulgated by the Federal Reserve in consultation with the newly created Federal Insurance Office (discussed below) to determine whether, on a consolidated basis, the Group has the capital necessary to absorb losses as a result of adverse economic conditions. We cannot predict how the stress tests will be designed or conducted or whether the results thereof will cause the Group to alter its business practices or affect the perceptions of regulators, rating agencies, customers, counterparties or investors about the Group s financial strength. The FSOC may also recommend that state insurance regulators or other regulators apply new or heightened standards and safeguards for activities or practices that the Group and other insurers or other financial services companies engage in.

Title II of Dodd-Frank provides that a financial company may be subject to a special orderly liquidation process outside the federal bankruptcy code, administered by the Federal Deposit Insurance Corporation as receiver, upon a determination that the company is in default or in danger of default and presents a systemic risk to US financial stability.

Dodd-Frank creates a new framework for regulation of the over-the-counter (OTC) derivatives markets and certain market participants which could affect various activities of the Group and its subsidiaries.

Dodd-Frank establishes a Federal Insurance Office (FIO) within the Department of the Treasury to be headed by a director appointed by the Secretary of the Treasury. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office would perform various functions with respect to insurance (other than health insurance), including participating in the FSOC s decisions regarding insurers (potentially including the Group and its subsidiaries), to be designated for stricter regulation. The FIO may recommend enhanced regulations to the states. As of this writing, a director for FIO has not been named.

Dodd-Frank establishes the Bureau of Consumer Financial Protection (BCFP) as an independent agency within the Federal Reserve to regulate consumer financial products and services offered primarily for personal, family or household purposes. The BCFP will have significant authority to implement and enforce federal consumer financial laws, including the new protections established under Dodd-Frank, as well as the authority to identify and prohibit unfair and deceptive acts and practices. In addition, the BCFP will have broad supervisory, examination and enforcement authority over certain consumer products, such as mortgage lending. Insurance products and services are not within the BCFP s general jurisdiction, and broker-dealers and investment advisers are not subject to the BCFP s jurisdiction when acting in their registered capacity.

Dodd-Frank also includes various securities law reforms that may affect the Group s business practices and the liabilities and/or exposures associated therewith, including a provision intended to authorize the SEC to impose on broker-dealers fiduciary duties to their customers, as applies to investment advisers under existing law, which new standard could potentially expose certain of ING s US broker-dealers to increased risk of SEC enforcement actions and liability. The SEC staff recently released a study on this issue.

In addition to the adoption of these measures, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the Financial Stability Board (FSB), consisting of representatives of national financial authorities of the

G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance including executive compensation, and a host of related issues associated with responses to the financial crisis. The lawmakers and regulatory authorities in a number of jurisdictions in which the Group s subsidiaries conduct business have already begun introducing legislative and regulatory changes consistent with G20 and FSB recommendations, including proposals governing consolidated regulation of insurance holdings companies by the Financial Services Agency (FSA) in Japan, proposals governing executive compensation by the financial regulators in Germany (BaFIN) and the United Kingdom (FSA).

Governments in the Netherlands and abroad have also intervened over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets. Some of the measures adopted subject us and other institutions for which they were designed to additional restrictions, oversight or costs. For restrictions related to the core Tier 1 Securities and the IABF, as further described in Item 4. Information on the Company Recent Developments (together, the Dutch State Transactions), see Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions . As a result of having received state aid through the Dutch State Transactions, we were required to submit our Restructuring Plan to the EC in connection with obtaining final approval for the Dutch State Transactions. See Risks Related to the Group The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group .

On March 1, 2011, the European Court of Justice issued its judgment in the widely-followed Test Achats case. The Test Achats decision, in effect, provides that the use of gender as a factor in the pricing of or benefits under life and non-life insurance coverage is incompatible with the principles of equal treatment of men and women under the EU Charter. The Test Achat decision provides for a transition period, however, until December 21, 2012, after which the use of such gender-based factors will no longer be permissible. It is unclear whether this prohibition also applies to existing insurance contracts. While it is too early to assess the impacts of the Test Achats case on ING s insurance business, it is expected that the industry generally will incur potentially significant compliance-related costs as policy forms, underwriting and pricing criteria, and related systems undergo required modifications. ING is unable at this stage to quantify the extent of any such costs or other impacts on its business, and intends to follow closely the implementation of the Test Achats decision during the above-referenced transition period.

We cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on our business, results of operations and financial condition.

Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretation or under development or may conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, or we fail to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, amongst other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition.

Turbulence and volatility in the financial markets have adversely affected us, and may continue to do so.

Our results of operations are materially impacted by conditions in the global capital markets and the economy generally. The stress experienced in the global capital markets that started in the second half of 2007 continued and substantially increased throughout 2008 and, although market conditions have improved, volatility continued in 2009, particularly the early part of the year. The crisis in the mortgage market in the United States, triggered by a serious deterioration of credit quality, led to a revaluation of credit risks. While certain conditions have improved over 2009 and 2010, these conditions have generally resulted in greater volatility, widening of credit spreads and overall shortage of liquidity and tightening of financial markets throughout the world. In addition, prices for many types of asset-backed securities (ABS) and other structured products have significantly deteriorated. These concerns have since expanded to include a broad range of fixed income securities, including those rated investment grade, sovereign debt, the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result of these and other factors, sovereign governments across the globe, including in regions where the Group operates, have also experienced budgetary and other financial difficulties, which have resulted in austerity measures, downgrades in credit rating by credit agencies, planned or implemented bail-out measures and, on occasion, civil unrest. As a result, the market for fixed income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also been experiencing heightened volatility and turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including extreme levels of volatility, have had and may continue to have an adverse effect on our revenues and results of operations, in part because we have a large investment portfolio and extensive real estate activities around the world. In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to our or our competitors failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on our revenues and results of operations, including through an increase of lapses or surrenders of policies and withdrawal of deposits. Because a significant percentage of our customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

As a result of the ongoing and unprecedented volatility in the global financial markets in 2007 and 2008, we have incurred substantial negative revaluations on our investment portfolio, which have impacted our shareholders equity and earnings. During 2009 and 2010, the revaluation reserve position improved substantially, positively impacting shareholders equity. Although we believe that reserves for insurance liabilities are generally adequate at the Group, inadequacies in certain product areas have developed.

Such impacts have arisen primarily as a result of valuation issues arising in connection with our investments in real estate (both in and outside the US) and private equity, exposures to US mortgage-related structured investment products, including sub-prime and Alt-A Residential and Commercial Mortgage-Backed Securities (RMBS and CMBS , respectively), Collateralized Debt Obligations (CDOs) and Collateralized Loan Obligations (CLOs), monoline insurer guarantees and other investments. In many cases, the markets for investments and instruments have been and remain highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgment and other factors, and is also impacted by external factors such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. We continue to monitor our exposures, however there can be no assurances that we will not experience further negative impacts to our shareholders equity or profit and loss accounts in future periods.

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

There is substantial competition in the Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking, asset management and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If we are not able to match or compete with the products and services offered by our competitors, it could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the Rest of Western Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors. The Netherlands and the United States are our largest markets for both our banking and insurance operations. Our main competitors in the banking sector in the Netherlands are ABN AMRO Bank and Rabobank. Our main competitors in the insurance sector in the Netherlands are Achmea, ASR and Aegon. Our main competitors in the United States are insurance companies such as Lincoln National, Hartford, Aegon Americas, AXA, Met Life, Prudential, Nationwide and Principal Financial. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in our competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. We may experience pricing pressures as a result of these factors in the event that some of our competitors seek to increase market share by reducing prices. In addition, under the Restructuring Plan we have agreed to certain restrictions imposed by the EC, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions and other businesses. See The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group .

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

General

Third-parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers whose securities we hold, borrowers under loans originated, customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, etc., or even rumours about potential defaults by one or more of these parties or regarding the financial services industry generally, could lead to losses for us, and defaults by other institutions. In light of experiences with significant constraints on liquidity and high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions, we are and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. This is particularly relevant to our franchise as an important and large counterparty in equity, fixed-income and foreign exchange markets, including related derivatives, which exposes it to concentration risk.

We routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, insurance companies and other institutional clients, resulting in large daily settlement amounts and significant credit exposure. As a result, we face concentration risk with respect to specific counterparties and customers. We are exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more financial services institutions could therefore lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions.

With respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized, or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. We also have exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. For example, we hold certain hybrid regulatory capital instruments issued by financial institutions which permit the issuer to defer coupon payments on the occurrence of certain events or at their option. The EC has indicated that, in certain circumstances, it may require these financial institutions to defer payment. If this were to happen, we expect that such instruments may experience ratings downgrades and/or a drop in value and we may have to treat them as impaired, which could result in significant losses. There is no assurance that losses on, or impairments to the carrying value of, these assets would not materially and adversely affect our business or results of operations.

In addition, we are subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our income and risk weighting, leading to increased capital requirements. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. Our credit risk may also be exacerbated when the collateral we hold cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to us, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those currently experienced. The termination of contracts and the foreclosure on collateral may subject us to claims for the improper exercise of its rights. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

Any of these developments or losses could materially and adversely affect our business, financial condition, results of operations, liquidity and/or prospects.

Reinsurers

Our insurance operations have bought protection for risks that exceed certain risk tolerance levels set for both our life and non-life businesses. This protection is bought through reinsurance arrangements in order to reduce possible losses. Because in most cases we must pay the policyholders first, and then collect from the reinsurer, we are subject to credit risk with respect to each reinsurer for all such amounts. As a percentage of our

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(potential) reinsurance as of December 31, 2010, the greatest exposure after collateral to an individual external reinsurer was approximately 24%, approximately 40% related to four other external reinsurers and the remainder of the reinsurance exposure related to various other reinsurers. The inability or unwillingness of any one of these reinsurers to meet its financial obligations to us, or the insolvency of our reinsurers, could have a material adverse effect on our net results and our financial results.

Improving market conditions observed over the last year, may not persist and increase the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending.

We are exposed to the risk that our borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. We may continue to see adverse changes in the credit quality of our borrowers and counterparties, for example as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors. This may lead to impairment charges on loans and other assets, higher costs and additions to loan loss provisions. A significant increase in the size of our provision for loan losses could have a material adverse effect on our financial position and results of operations.

Economic and other factors could lead to further contraction in the residential mortgage and commercial lending market and to further decreases in residential and commercial property prices which could generate substantial increases in impairment losses.

Interest rate volatility may adversely affect our profitability.

Changes in prevailing interest rates may negatively affect our business including the level of net interest revenue we earn, and for our banking business the levels of deposits and the demand for loans. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Changes in the interest rates may negatively affect the value of our assets and our ability to realize gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings. In addition, an increase in interest rates may decrease the demand for loans.

In addition, during periods of declining interest rates, life insurance and annuity products may be relatively more attractive to consumers, resulting in increased premium payments on products with flexible premium features, and a higher percentage of insurance policies remaining in force from year-to-year, creating asset liability duration mismatches. A decrease in interest rates may also require an addition to provisions for guarantees included in life policies, as the guarantees become more valuable to policy holders. During a low interest rate period, our investment earnings may be lower because the interest earnings on our fixed income investments will likely have declined in parallel with market interest rates on our assets recorded at fair value. Declining interest rates may also affect the results of our reserve adequacy testing which may in turn result in reserve strengthening. In addition, mortgages and fixed maturity securities in our investment portfolios will be more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates. Consequently, we may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, during periods of declining interest rates, our profitability may suffer as the result of a decrease in the spread between interest rates charged to policyholders and returns on our investment portfolios. Conversely, in periods of rapidly increasing interest rates, policy loans, and withdrawals and surrenders of life insurance policies and fixed annuity contracts may increase as policyholders choose to forego insurance protection and seek higher investment returns. Obtaining cash to satisfy these obligations may require us to liquidate fixed maturity investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realized investment losses. Regardless of whether we realize an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease our net income. Premature withdrawals may also cause us to accelerate amortization of deferred policy acquisition costs, which would also reduce our net income.

We may incur losses due to failures of banks falling under the scope of state compensation schemes.

In the Netherlands and other jurisdictions deposit guarantee schemes and similar funds (Compensation Schemes) have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which we operate, these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. As a result of the increased number of bank failures, in particular since the fall of 2008, we expect that levies in the industry will continue to rise as a result of the Compensation Schemes. In particular, we are a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). The costs involved with making compensation payments under the Dutch Deposit Guarantee Scheme are allocated among the participating banks by the Dutch Central Bank, *De Nederlandsche Bank N.V.* (the DNB), based on an allocation key related to their market shares with respect to the deposits protected by the Dutch Deposit Guarantee Schemes. Given our size we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which we may be unable to recover from the bankrupt estate. The ultimate costs to the industry of payments which may become due under the Compensation Schemes, remains uncertain although they may be significant and these and the associated costs to us may have a material adverse effect on our results of operations and financial condition. Going forward the Dutch Deposit Guarantee Scheme may change from an ex-post scheme, where we contribute after the failure of a firm, to an ex-ante scheme where we pay yearly contributions to ensure the scheme holds a target level of fund regardless of whether any failures occur. The costs associated with potential future yearly contributions are today unknown, but given our size may be significant.

Risks Related to the Group s Business, Operations, and Regulatory Environment

We may be unable to manage our risks successfully through derivatives.

We employ various economic hedging strategies with the objective of mitigating the market risks that are inherent in our business and operations. These risks include currency fluctuations, changes in the fair value of our investments, the impact of interest rate, equity markets and credit spread changes and changes in mortality and longevity. We seek to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts including from time to time macro hedges for parts of our business.

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from risks associated with those fluctuations. Our hedging strategies also rely on assumptions and projections regarding our assets, general market factors and the credit worthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase our risks and losses. If we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which we have incurred or may incur losses on transactions, perhaps significant, after taking into account our hedging strategies. Further, the nature and timing of our hedging transactions could actually increase our risk and losses. In addition, hedging strategies involve transaction costs and other costs. Our hedging strategies and the derivatives that we use and may use may not adequately mitigate or offset the risk of interest rate volatility, and our hedging transactions may result in losses.

Because we use assumptions about factors, the use of different assumptions about these factors may have an adverse impact on our results of operations.

The establishment of insurance provisions, including the impact of minimum guarantees which are contained within certain variable annuity products, the adequacy test performed on the provisions for life policies and the establishment of Defered Acquisition Costs (DAC) and Value of Business Acquired (VOBA) are inherently uncertain processes involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour (e.g., lapses, persistency, etc.) and other factors, and, in the life insurance business, assumptions concerning mortality, longevity and morbidity trends. The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expense. Changes in assumptions may lead to changes in the insurance provisions over time. Furthermore, some of these assumptions can be volatile.

Because we use assumptions to model client behaviour for the purpose of our market risk calculations, the difference between the realization and the assumptions may have an adverse impact on the risk figures and future results.

We use assumptions in order to model client behaviour for the risk calculations in our banking and insurance books. Assumptions are used to determine insurance liabilities, the price sensitivity of savings and current accounts and to estimate the embedded optional risk in the mortgage and investment portfolios. The realization or use of different assumptions to determine the client behaviour could have material adverse effect on the calculated risk figures and ultimately future results.

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ING Insurance has a significant exposure to the take up of policy options by policyholders. The exposure is greatest for variable annuity business with guarantees deeply in-the-money, policyholder behaviour is difficult to predict and small changes in the proportion of policyholders taking up an option can have a significant financial impact. Furthermore, assumptions about policyholder behaviour are sometimes made for new insurance business without a substantial amount of experiential data. These assumptions may prove imperfect, which can have a material impact on results.

We may incur further liabilities in respect of our defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between results and underlying actuarial assumptions and models.

ING Group companies operate various defined benefit retirement plans covering a significant number of our employees. The liability recognized in our consolidated balance sheet in respect of our defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan s assets, together with adjustments for unrecognized actuarial gains and losses and unrecognized past service costs. We determine our defined benefit plan obligations based on internal and external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index, and the expected return on plan assets. These assumptions are based on available market data and the historical performance of plan assets, and are updated annually. Nevertheless, the actuarial assumptions may differ significantly from actual results due to changes in market conditions, economic and mortality trends and other assumptions. Any changes in these assumptions could have a significant impact on our present and future liabilities to and costs associated with our defined benefit retirement plans.

Our risk management policies and guidelines may prove inadequate for the risks we face.

The methods we use to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than what is suggested by historic experience. For instance, these methods did not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to the government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to us. Such information may not always be correct, updated or correctly evaluated.

We are subject to a variety of regulatory risks as a result of our operations in certain countries.

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

In addition, as a result of our operations in certain countriess, we are subject to risks of possible nationalization, expropriation, price controls, exchange controls and other restrictive government actions, as well as the outbreak of hostilities, in these markets. In addition, the current economic environment in certain of these countries in which we operate may increase the likelihood for regulatory initiatives to protect homeowners from foreclosures. Any such regulatory initiative could have an adverse impact on our ability to protect our economic interest in the event of defaults on residential mortgages.

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

When new financial products are brought to the market, communication and marketing aims to present a balanced view of the product (however there is a focus on potential advantages for the customers). Whilst we engage in a due diligence process when we develop products, if the products do not generate the expected profit, or result in a loss, or otherwise do not meet expectations, customers may file claims against us. Such claims could have an adverse effect on our operations and net result.

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Ratings are important to our business for a number of reasons. Downgrades could have an adverse impact on our operations and net results.

We have credit ratings from Standard & Poor s Ratings Service, Moody s Investor Service and Fitch Ratings. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. In the event of a downgrade the cost of issuing debt will increase, having an adverse effect on net results. Certain institutional investors may also be obliged to withdraw their deposits from ING following a downgrade, which could have an adverse effect on our liquidity.

Claims paying ability, at the Group or subsidiary level, and financial strength ratings are factors in establishing the competitive position of insurers. A rating downgrade could elevate lapses or surrenders of policies requiring cash payments, which might force us to sell assets at a price that may result in realized investment losses. Among others, total invested assets decreases and deferred acquisition costs might need to be accelerated, adversely impacting earnings. A downgrade may adversely impact relationships with distributors of our products and services and customers, which may affect new sales and our competitive position.

Furthermore, ING Bank s assets are risk weighted. Downgrades of these assets could result in a higher risk weighting which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on our competitive position. For ING s insurance businesses in a number of jurisdictions, such as the US and the EU, downgrades of assets will similarly affect the capital requirements for ING Insurance in those jurisdictions.

Our business may be negatively affected by a sustained increase in inflation.

A sustained increase in the inflation rate in our principal markets would have multiple impacts on us and may negatively affect our business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates which may (1) decrease the value of certain fixed income securities we hold in our investment portfolios resulting in reduced levels of unrealized capital gains available to us which could negatively impact our solvency position and net income, (2) result in increased surrenders of certain life & savings products, particularly, those with fixed rates below market rates, and (3) require us, as an issuer of securities, to pay higher interest rates on debt securities we issue in the financial markets from time to time to finance our operations which would increase our interest expenses and reduce our results of operations. A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may (1) result in impairment charges to equity securities that we hold in our investment portfolios and reduced levels of unrealized capital gains available to us which would reduce our net income and negatively impact our solvency position, (2) negatively impact performance, future sales and surrenders of our unit-linked products where underlying investments are often allocated to equity funds, and (3) negatively impact the ability of our asset management subsidiaries to retain and attract assets under management, as well as the value of assets they do manage, which may negatively impact their results of operations. In addition, in the context of certain property & casualty risks underwritten by our insurance subsidiaries (particularly long-tail risks), a sustained increase in inflation with a resulting increase in market interest rates may result in (1) claims inflation (i.e., an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim), coupled with (2) an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders, and, consequently, (3) actual claims payments significantly exceeding associated insurance reserves which would negatively impact our results of operations. In addition, a failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in a systemic mispricing of our products resulting in underwriting losses which would negatively impact our results of operations.

Operational risks are inherent in our business.

Our businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate trained or skilled personnel, IT failures, inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct including fraud, or from external events that interrupt normal business operations. We depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The equipment and software used in our computer systems and networks may be at or near the end of their useful lives or may not be capable of processing, storing or transmitting information as expected. Certain of our computer systems and networks may also have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, such systems and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other external attacks or internal breaches that could have a security impact and jeopardize our confidential information or that of our clients or our counterparts. These events can potentially result in financial loss, harm to our reputation and hinder our operational effectiveness. We also face the risk that the design and operating effectiveness of our controls and procedures prove to be inadequate or are circumvented. Furthermore, widespread outbreaks of communicable diseases, such as the outbreak of the H1N1 influenza virus, may impact the health of our employees, increasing absenteeism, or may cause a significant increase in the utilization of health benefits offered to our employees, either or both of which could adversely impact our business. Unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and our operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, the payment of insurance and pension benefits to employees and the loss of key personnel. If our business continuity plans are not able to be implemented or do not take such events into account, losses may increase further.

We have suffered losses from operational risk in the past and there can be no assurance that we will not suffer material losses from operational risk in the future.

Reinsurance may not be available, affordable or adequate to protect us against losses. We may also decide to reduce, eliminate or decline primary insurance or reinsurance coverage.

As part of our overall risk and capacity management strategy we purchase reinsurance for certain risks underwritten by our various insurance business segments. Market conditions beyond our control determine the availability and cost of the reinsurance protection we purchase. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future business.

In addition, we determine the appropriate level of primary insurance and reinsurance coverage based on a number of factors and from time to time decide to reduce, eliminate or decline coverage based on our assessment of the costs and benefits involved. In such cases, the uninsured risk remains with us.

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

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

Risks related to the Restructuring Plan

The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group.

In November 2008 the Dutch State purchased the core Tier 1 Securities, and in the first quarter of 2009 we entered into the Illiquid Asset Back-up Facility (IABF) with the Dutch State. As a result of having received state aid through the Dutch State Transactions, we were required to submit a restructuring plan (the Restructuring Plan) to the EC in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules. On October 26, 2009, we announced our Restructuring Plan, pursuant to which we are required to divest by the end of 2013 all of our insurance business, including the investment management business, as well as ING Direct US, which operates our direct banking business in the United States, and certain portions of our retail banking business in the Netherlands. The EC s approval of the Restructuring Plan was issued on

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November 18, 2009. On January 28, 2010 ING lodged an appeal with the General Court of the European Union (the General Court) against specific elements of the EC s decision regarding the Restructuring Plan. Although we believe in the merit of our appeal lodged with the General Court of the European Union, there can be no assurance as to its success or as to any consequences resulting from its rejection. Notwithstanding this appeal, we are committed executing the Restructuring Plan as announced on October 26, 2009.

In connection with the Restructuring Plan, we have also agreed to not be a price leader in certain EU markets with respect to certain retail, private and direct banking products and to refrain from (i) acquisitions of financial institutions and (ii) acquisitions of other businesses if this would delay our repurchase of the remaining core Tier 1 Securities. Those limitations may last until November 18, 2012 and could adversely affect our ability to maintain or grow market share in key markets as well as our results of operations. See Risks Related to the Group The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group .

There can be no assurance that we will be able to implement the Restructuring Plan successfully or complete the announced divestments on favorable terms or at all, particularly in light of both the plan s 2013 deadline and expected challenging market conditions in which other financial institutions may place similar assets for sale during the same time period and may seek to dispose of assets in the same manner. Any failure to successfully implement the Restructuring Plan may result in EC enforcement actions and may have a material adverse impact on the assets, profitability, capital adequacy and business operations of the Group. Moreover, in connection with the implementation of the Restructuring Plan, including any proposed divestments, we or potential buyers may need to obtain various approvals, including of shareholders, works councils and regulatory and competition authorities, and we and potential buyers may face difficulties in obtaining these approvals in a timely manner or at all. In addition, the implementation of the Restructuring Plan may strain relations with our employees, and specific proposals in connection with the implementation may be opposed by labor unions or works councils. Furthermore, following the announcement of the Restructuring Plan, several of our subsidiaries have been downgraded or put on credit watch by rating agencies. See Risks Related to the Group Ratings are important to our business for a number of reasons. Downgrades could have an adverse impact on our operations and net results .

Other factors that may impede our ability to implement the Restructuring Plan successfully include an inability of prospective purchasers to obtain funding due to the deterioration of the credit markets, insufficient access to equity capital markets, a general unwillingness of prospective purchasers to commit capital in the current market environment, antitrust concerns, any adverse changes in market interest rates or other borrowing costs and any declines in the value of the assets to be divested. Similarly, it may also be difficult to divest all or part of our insurance or investment management business through one or more initial public offerings. There can also be no assurance that we could obtain favorable pricing for a sale of all or part of our insurance or investment management business in the public markets or succeed in turning the relevant subsidiaries into viable standalone businesses. A divestment may also release less regulatory capital than we would otherwise expect.

Any failure to complete the divestments on favorable terms, could have a material adverse impact on our assets, profitability, capital adequacy and business operations. If we are unable to complete the announced divestments in a timely manner, we would be required to find alternative ways to reduce our leverage, and we could be subject to enforcement actions or proceedings by the EC. In particular, if we do not succeed in completing divestitures as described in the Restructuring Plan within the timelines set out therein, the EC may request the Dutch State to appoint a divestiture trustee with a mandate to complete the relevant divestiture with no minimum price.

The implementation of the divestments announced in connection with the Restructuring Plan, including the separation of the insurance and most of the investment management operations from the banking operations, will also give rise to additional costs related to the legal and financial assessment of potential transactions. The implementation may also result in increased operating and administrative costs. The process of completing the steps contemplated by the Restructuring Plan may be disruptive to our business and the businesses we are trying to sell and may cause an interruption or reduction of our business and the businesses to be sold as a result of, among other factors, the loss of key employees or customers and the diversion of management s attention from our day-to-day business as a result of the need to manage the divestment process as well as any disruptions or difficulties that arise during the course of the divestment process. We may face other difficulties in implementing the Restructuring Plan and completing the planned divestments. For instance, the divestments, individually or in the aggregate, may trigger provisions in various contractual obligations, including debt instruments, which could require us to modify, restructure or refinance the related obligations. We may not be able to effect any such restructuring or refinancing on similar terms as the current contractual obligations or at all. In addition, the announced divestments could be the subject of challenges or litigation, and a court could delay any of the divestment transactions or prohibit them from occurring on their proposed terms, or from occurring at all, which could adversely affect our ability to use the funds of the divestments to repurchase the core Tier 1 Securities, reduce or eliminate our double leverage and strengthen our capital ratios as anticipated and eliminate the constraints on competition imposed by the EC.

The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group.

As part of our Restructuring Plan, we have undertaken with the EC to accept certain limitations on our ability to compete in certain retail, private and direct banking markets in the European Union and on our ability to acquire (i) financial institutions and (ii) businesses insofar this would delay our repurchase of the remaining core Tier 1 Securities held by the Dutch State. These restrictions apply until the earlier of (1) November 18, 2012, and (2) the date upon which we repurchase all remaining core Tier 1 Securities held by the Dutch State. We have also agreed to limitations on our ability to call Tier-2 capital and Tier 1 hybrid debt instruments. If the EC does not approve the calling of Tier-2 capital and Tier 1 hybrid debt instruments in the future, this may have adverse consequences for us, result in additional payments on these instruments and limit our ability to seek refinancing on more favorable terms. The limitations described above will impose significant restrictions on our banking business operations and on our ability to take advantage of market conditions and growth opportunities. Such restrictions could adversely affect our ability to maintain or grow market share in key markets, as well as our results of operations.

Upon the implementation of the Restructuring Plan, we will be less diversified and may experience competitive and other disadvantages.

Following completion of the planned divestments under the Restructuring Plan, we expect to become a significantly smaller, regional financial institution focused on retail, direct and commercial banking in the Benelux region and certain other parts of Europe, as well as selected markets outside Europe. Although we will remain focused on banking operations, we may become a smaller bank than that represented by our current banking operations. In the highly competitive Benelux market and the other markets in which we operate, our competitors may be larger, more diversified and better capitalized and have greater geographical reach than us, which could have a material adverse effect on our ability to compete, as well as on our profitability. The divested businesses may also compete with the retained businesses, on their own or as part of the purchasers enlarged businesses. In addition, the restrictions on our ability to be a price leader and make acquisitions and on our compensation policies could further hinder our capacity to compete with competitors not burdened with such restrictions, which could have a material adverse effect on our results of operations. There can be no assurance that the implementation of the Restructuring Plan will not have a material adverse effect on the market share, business and growth opportunities and results of operations for our remaining core banking businesses.

Our Restructuring Programs may not yield intended reductions in costs, risk and leverage.

On October 26, 2009, we announced that we had reached an agreement with the EC on the Restructuring Plan. Projected cost savings and impact on our risk profile and capital associated with these initiatives are subject to a variety of risks, including:

- contemplated costs to effect these initiatives may exceed estimates;
- divestments planned in connection with the Restructuring Plan may not yield the level of net proceeds expected, as described under Risks Related to the Group The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group ;
- initiatives we are contemplating may require consultation with various regulators as well as employees and labor representatives, and such consultations may influence the timing, costs and extent of expected savings;
- the loss of skilled employees in connection with the initiatives; and
- projected savings may fall short of targets.

While we have begun and expect to continue to implement these strategies, there can be no assurance that we will be able to do so successfully or that we will realize the projected benefits of these and other restructuring and cost saving initiatives. If we are unable to realize these anticipated cost reductions, our business may be adversely affected. Moreover, our continued implementation of restructuring and cost saving initiatives may have a material adverse effect on our business, financial condition, results of operations and cash flows.

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Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions.

For so long as the Dutch State holds at least 25% of the core Tier 1 Securities, for so long as the IABF is in place, or for so long as any of the government guaranteed senior unsecured bonds issued by ING Bank N.V. under the Credit Guarantee Scheme of the Netherlands (the Government Guaranteed Bonds) are outstanding, we are prohibited from issuing or repurchasing any of our own shares (other than as part of regular hedging operations and the issuance of shares according to employment schemes) without the consent of the Dutch State s nominees on the Supervisory Board. In addition, under the terms of the core Tier 1 Securities and IABF, we have agreed to institute certain restrictions on the compensation of the members of the Executive Board and senior management, including incentives or performance-based compensation. These restrictions could hinder or prevent us from attracting or retaining the most qualified management with the talent and experience to manage our business effectively. In connection with these transactions, the Dutch State was granted the right to nominate two candidates for appointment to the Supervisory Board. The Dutch State s nominees have veto rights over certain material transactions. Our agreements with the Dutch State have also led to certain restrictions imposed by the EC as part of the Restructuring Plan, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions and other businesses. See Risks Related to the Group The limitations agreed with the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group .

Whenever the overall return on the (remaining) core Tier 1 securities issued to the Dutch State is expected to be lower than 10% p.a., the European Commission may consider the imposition of additional behavioural constraints.

As stated in the decision of the European Commission of 12 November 2008 (*in State aid N 528/2008 The Netherlands*), the core Tier 1 state-aid measure must be (re)notified to the European Commission by the Dutch authorities whenever the overall return on the core Tier 1 Securities is expected to be lower than 10% p.a. Such (re)notification by the Dutch authorities is particularly required (i) when ING abstains from paying dividend on its shares for a period of two consecutive years or for three years in the five years following the date of the aforementioned decision or (ii) if after a transition period of one year following the date of the aforementioned decision, the share price over a period of two consecutive years remains on average below EUR 13. In such cases, the European Commission may require additional behavioural constraints as a condition of the compatibility of the measure.

Additional risks relating to ownership of ING shares

Because we are a Dutch company and because the Stichting ING Aandelen holds more than 99.9% of our ordinary shares, the rights of our shareholders may differ from the rights of shareholders in other jurisdictions or companies that do not use a similar trust structure, which could affect your rights as a shareholder.

While holders of our bearer depositary receipts are entitled to attend and speak at our General Meeting of Shareholders (General Meeting), voting rights are not attached to the bearer depositary receipts. The Trust holds more than 99.9% of our ordinary shares, and exercises the voting rights attached to the ordinary shares (for which bearer depositary receipts have been issued). Holders of bearer depositary receipts who attend in person or by proxy the General Meeting must obtain and are entitled to voting rights by proxy from the Trust. Holders of bearer depositary receipts and holders of the ADSs (American depositary shares) representing the bearer depositary receipts who do not attend the General Meeting may give binding voting instructions to the Trust. The Trust is entitled to vote on any ordinary shares underlying the bearer depositary receipts for which the Trust has not granted voting proxies, or voting instructions have not been given to the Trust. In exercising its voting discretion, the Trust is required to be guided primarily by the interests of the holders of bearer depositary receipts, while also taking into account:

§ our interests, and

§ the interests of our affiliates

The Trust may, but has no obligation to, consult with the holders of bearer depositary receipts in exercising its voting rights in respect of any ordinary shares for which it is entitled to vote. These arrangements differ from practices in other jurisdictions, and accordingly may affect the rights of the holders of bearer depositary receipts and their power to affect ING s business and operations.

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The share price of ING shares has been, and may continue to be, volatile.

The share price of our bearer depositary receipts has been volatile in the past, and the share price and trading volume of our bearer depositary receipts may continue to be subject to significant fluctuations due, in part, to changes in our actual or forecast operating results and the inability to fulfil the profit expectations of securities analysts, as well as to the high volatility in the securities markets generally and more particularly in shares of financial institutions. Other factors, besides our financial results, that may impact our share price include, but are not limited to:

§ market expectations of the performance and capital adequacy of financial institutions in general;

§ investor perception of the success and impact of our strategies;

§ a downgrade or review of our credit ratings;

§ the implementation and outcome of our Restructuring Plan;

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

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

§ general market circumstances.

There can be no assurance that we will pay dividends on our ordinary shares in the future.

It is ING s policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends can only be declared by shareholders when the Executive Board considers such dividends appropriate, taking into consideration the financial conditions then prevailing and the longer-term outlook. See Item 8. Financial Information Dividends . Given the uncertain financial environment, ING will not pay a dividend over 2010 and there can be no assurance that we will pay dividends in the future.

Certain transactions have resulted in the cumulative change in ownership of our U.S. subsidiaries of approximately 43% for U.S. tax purposes as of December 21, 2009. Future increases of capital or other changes in ownership may adversely affect our net result and equity.

Sections 382 and 383 of the U.S. Internal Revenue Code contain loss limitation rules, the general purpose of which is to prevent trafficking in tax losses (i.e. they are anti-abuse rules). The rules are triggered when the ownership of a corporation changes by more than 50% (measured by value) on a cumulative basis in any three-year period. If triggered, restrictions may be imposed on the future use of realized tax losses as well as certain losses that are built into the assets of the corporation at the time of the ownership change and that are realized within the next five years. As of December 21, 2009, the cumulative change in ownership of our U.S. subsidiaries was approximately 43% for purposes of Sections 382 and 383 (taking into account the issuance of the core Tier 1 Securities to the Dutch State on November 12, 2008, the repurchase of some of the core Tier 1 Securities on December 21, 2009, and the issuance of Ordinary shares on December 21, 2009). However, the calculation is subject to uncertainties and is based on various assumptions. Future increases of capital or other changes in ownership may adversely affect our net result and equity.

The remaining core Tier 1 Securities issued to the Dutch State may be converted into ordinary shares or bearer depositary receipts and dilute existing shareholders.

The terms of the core Tier 1 Securities permit us, on or after November 12, 2011, to convert any or all of the remaining core Tier 1 Securities (EUR 5 billion per year end 2010) into ordinary shares or bearer depositary receipts on the basis of one core Tier-1 security for 1,335 ordinary shares or bearer depositary receipts. Any such conversion would dilute existing shareholders. If we exercise our conversion right, the Dutch State may opt to require us to redeem the core Tier 1 Securities on the conversion date at the original issue price of EUR 10 per core Tier 1 Security, together with the pro rata coupon, if due, accrued to such date.

Certain holders of ING shares may not be able to participate in future equity offerings with subscription rights.

We may undertake future equity offerings with subscription rights. Holders of ING shares in certain jurisdictions, however, may not be entitled to exercise such rights unless the rights and the related shares are registered or qualified for sale under the relevant legislation or regulatory framework. Holders of ING shares in these jurisdictions may suffer dilution of their shareholding should they not be permitted to participate in future equity offerings with subscription rights.

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Item 4. Information on the Company

GENERAL

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

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

Our mission

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

Our profile

ING is a global financial institution of Dutch origin, currently offering banking, investments, life insurance and retirement services to meet the needs of a broad customer base. Going forward, we will concentrate on our position as an international retail, direct and commercial bank, while creating an optimal base for an independent future for our insurance operations (including investment management).

Our strategy

To serve the interests of our stakeholders, increase management focus and create value for our shareholders, ING is moving towards separation of its banking and insurance operations. We believe the widespread demand for greater simplicity, reliability and transparency makes this the best course of action. In the future, ING Bank will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing. ING Insurance/Investment Management has a strong position as a global provider of life insurance and retirement services. While moving towards the public offerings of a Europe-led and a US-focused business, ING Insurance will initially concentrate on further improving its operational performance. Both the Bank and the Insurer will focus on earning our customers trust through transparent products, value for money and superior service. This reflects ING s universal customer ideal: saving and investing for the future should be easier.

Our customers

ING serves a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

Our stakeholders

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

Our corporate responsibility

ING wants to build its future on sustainable profit based on sound business ethics and respect for its stakeholders and be a good corporate citizen. For only by acting with professionalism and integrity, will we be able to maintain our stakeholders trust and preserve our reputation. Our Business Principles prescribe the corporate values we pursue and the responsibilities we have towards society and the environment: we act with integrity, we are open and clear, we respect each other and we are socially and environmentally responsible.

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CHANGES IN THE COMPOSITION OF THE GROUP

Disposals effective in 2010

In October 2009 ING reached an agreement to sell its Asian Private Banking business for a consideration of USD 1,463 million (EUR 985 million). The Asia franchise offers private banking services in 11 markets, including Hong Kong, the Philippines and Singapore. The transaction generated a net profit for ING of EUR 332 million. The sale was completed in the first half of 2010. The Asian Private Banking business was previously included in the segment Retail Asia.

In October 2009 ING reached an agreement to sell its Swiss Private Banking business to Julius Baer for a consideration of EUR 345 million (CHF 520 million) in cash. The transaction generated a net profit for ING of EUR 73 million. The sale was completed in January 2010. The Swiss Private Banking business was previously included in the segment Retail CE.

In August 2010 ING announced that it has agreed to sell its 50% stake in ING Summit Industrial Fund LP (Summit), a Canadian light industrial property portfolio to a joint venture between KingSett Capital and Alberta Investment Management Corporation (AIMCo). The sale was completed in November 2010. The transaction value for 100% of Summit is CAD 2.0 billion (EUR 1.4 billion) and includes assumed debt. In addition to its direct investment in Summit, ING has an indirect participation through its 7.8% unit holding of ING Industrial Fund (IIF), an ING-managed listed property fund in Australia which owns the remaining 50% in Summit. As part of the transaction, IIF has agreed to simultaneously sell its stake in Summit to KingSett/AIMCo. Consequently, ING s indirect participation in Summit will end as well. Separately, ING sold ING Real Estate Canada, the manager of Summit, to KingSett/AIMCo for an undisclosed amount. The transaction had no material impact on ING Group s 2010 results and capital ratios. The transaction resulted in a net loss for ING of EUR 26 million in 2010. Summit was previously included in the segment ING Real Estate.

Furthermore there were some disposals that did not have a significant impact on ING s balance sheet and profit and loss account. In November 2009 ING reached an agreement to sell three of its US independent retail broker-dealer units to Lightyear Capital LLC for a total consideration of EUR 96 million. The transaction concerns Financial Network Investment Corporation, based in El Segundo, California, Multi-Financial Securities Corporation, based in Denver, Colorado, PrimeVest Financial Services, Inc., based in St. Cloud, Minnesota, and ING Brokers Network LLC, the holding company and back-office supporting those broker dealers, which collectively do business as ING Advisors Network. The sale was completed in February 2010. The three US independent retail broker-dealer units were previously included in the segment Insurance US.

In December 2009 ING reached an agreement to sell the non-life insurance operations in Greece for a total consideration of EUR 4 million. The sale was completed in July 2010.

Acquisitions and disposals announced and occurring or expected to occur in 2011

ING announced in February 2011 that it has reached agreement with CB Richard Ellis Group, Inc., to sell ING REIM Europe, ING REIM Asia and Clarion Real Estate Securities (CRES), ING REIM s US-based manager of listed real estate securities, as well as part of ING s equity interests in funds managed by these businesses. The proceeds for these REIM businesses and the equity interests amount to approximately USD 1.0 billion. ING REIM Europe, ING REIM Asia and CRES combined have EUR 44.7 billion in assets under management as of December 31, 2010. In a separate transaction, ING has agreed to sell the private market real estate investment manager of its US operations, Clarion Partners, to Clarion Partners management in partnership with Lightyear Capital LLC for USD 100 million. Clarion Partners has EUR 16.5 billion in assets under management as of December 31, 2010. The Real Estate Investment Management business in Australia (ING REIMA), with EUR 4.8 billion in assets under management as of December 31, 2010, is not included in these transactions. Within the context of the previously announced evaluation, ING finalised the review of the strategic options and implementation has commenced. As a result ING will undertake a phased withdrawal from its Australian real estate investment management activities in a timely and controlled manner. In the transaction with CB Richard Ellis, ING Insurance has agreed to continue its asset management mandate with CB Richard Ellis as the new manager of the funds. ING Bank will continue to have an equity interest in some REIM funds in Europe, Asia, the US and Australia. The equity stakes held by the Bank will be monetised over time as it continues to steadily reduce its exposure to real estate. Combined, the transactions are expected to result in an after-tax gain on disposal of approximately EUR 500 million at current exchange rates. The final terms are subject to potential adjustments at closing, customary for this kind of transaction. ING Real Estate Development and ING Real Estate Finance are not impacted by the transactions and will continue to be part of ING Bank. Both transactions are expected to close in the second half of 2011 and are subject to approvals by certain stakeholders including various regulators.

In December 2009 ING announced the sale of its entire stake in China s Pacific Antai Life Insurance Company Ltd. (PALIC) to China Construction Bank. This is the outcome of a strategic review announced in April 2009 as part of ING s Back to Basics program. The stake in PALIC was previously included in the segment Insurance Asia/Pacific. The transaction is expected to be closed in 2011. The closing is subject to regulatory approval.

The above described disposals and ING Arrendadora S.A. de C.V. are expected to close in 2011 and will be deconsolidated in 2011 when ING loses control. They qualify as disposal groups held for sale at December 31, 2010 as ING expects to recover the carrying amount principally through the sale transactions. They are available for sale in their immediate condition subject to terms that are usual and customary for sales of such assets and the sales are highly probable.

For the years 2009 and 2008, see Note 30 of Note 2.1 to the consolidated financial statements.

RECENT DEVELOPMENTS

Developments in supervision and regulation

In 2010, agreement was reached at EU level on the introduction of a new supervisory structure for the financial sector. The new European architecture consists of the existing national authorities and the newly created European Systemic Risk Board (ESRB) and the following three European Authorities: Banking (EBA), Insurance and Occupational Pensions (EIOPA) and Securities and Markets (ESMA). These institutions are in place since January 1, 2011. Operational day-to-day supervision continues to be with national supervisors.

In September 2010, the Basel Committee on Banking Supervision announced a substantial strengthening of existing capital requirements and the introduction of two international liquidity standards. The proposed Basel III framework covers both microprudential and macro-prudential elements. The framework sets out rules for higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. The Committee s package of reforms will gradually increase the minimum common equity requirement from 2% to 4.5% as from January 1, 2013 (transition period from January 1, 2013 until January 1, 2017). In addition, banks will be required to hold a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity requirements to a minimum of 7%.

Furthermore, to avoid periods of excess aggregate credit growth, a countercyclical buffer within a range of 0% 2.5% of common equity or other fully loss-absorbing capital, according to national circumstances, has been proposed. These capital requirements are supplemented by a non-risk-based minimum Tier 1 leverage ratio of 3%.

The Basel Committee s reforms have introduced two international minimum standards for liquidity risk supervision with the aim of ensuring banks have an adequate liquidity buffer to absorb liquidity shocks. The first one is the liquidity coverage ratio (LCR; to be introduced on January 1, 2015), which is a test to promote short-term resilience of a bank s liquidity risk profile by ensuring that it has sufficiently high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The second one is a net stable funding ratio (NSFR; to be introduced on January 1, 2018), which is a test to promote resilience over a longer period by creating additional incentives for banks to fund their activities with more stable funding on an ongoing basis. The NSFR test is similar to the LCR except the period over which it is tested is one year.

Furthermore, in parallel to the workstream at international level, the European Commission is proposing a European Crisis Management Framework. In this framework different issues will be addressed, such as prevention tools and early intervention and final resolution mechanisms. ING generally supports the Basel Committee and European Commission reform programmes to strengthen the global capital and liquidity regulations and reduce market volatility. Notwithstanding, a number of proposals may hamper traditional retail-oriented institutions in their intermediary function, and thus reduce their ability to play their important role in the European economy. Further, the new rules still allow national regulators a measure of autonomy. For instance, the liquidity requirements assign relatively large powers to national regulators, which may affect the level playing field in the European Internal Market. Hence, the biggest challenge for policy makers and supervisors is to take a coordinated and unified approach. It is essential that supervisors and regulators across the globe adopt a more consistent and coordinated approach (e.g. while Europe is already introducing Basel III, Basel II is not yet fully applied in the US).

The regulatory agenda for insurance companies was dominated by the further development of Solvency II, which aims to introduce a modernised risk framework for insurance companies. Solvency II adopts a broad three pillar supervisory structure similar to Basel II, but with a fundamental difference in that a full Market Value

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Balance Sheet (MVBS) approach and a full economic risk approach to measuring required capital (Economic Capital) have been proposed.

Solvency II may require fundamental shifts in product offerings, pricing and investment portfolio allocation, e.g. by making it far less advantageous to offer long-term investment guarantees. Whereas ING has always been, and remains supportive of the Solvency II framework, a number of issues have arisen during 2010 with regard to the development of the detailed implementing measures. To safeguard the (financial) stability of the insurance industry, the volatility of the Market Value Balance Sheet needs to be sufficiently recognised and addressed. Also, to ensure an international level-playing field, differences between solvency regimes need to be taken into account, e.g. by finding a solution for the treatment of third countries in Solvency II. Finally, rules originally designed for banking should not be automatically applied to the insurance industry.

What is more, in a white paper published in July 2010, the European Commission concluded that the existing differences between national Insurance Guarantee Schemes across the EU create insufficient and uneven levels of protection for insurance policyholders. Therefore, the Commission has suggested a minimum harmonisation directive requiring the establishment of an Insurance Guarantee Scheme as a last-resort mechanism in each Member State. Legislative proposals are expected in the second half of 2011.

Moreover, it is noted that a number of relevant changes in accounting regulations are being considered by the accounting standards bodies. These include proposed changes to accounting for financial instruments, loan loss provisions, hedges, insurance contracts, leasing and others. These changes may, both individually and collectively, be very important to banking and insurance companies, including ING. ING generally supports the efforts to improve and simplify the accounting regulations as well as the objective of international convergence.

Appeal against EC Decision

In January 2010, ING lodged an appeal with the General Court of the European Union against specific elements of the European Commission s decision of November 18, 2009. ING has requested the Court to annul the decision of the European Commission, insofar as it qualifies the core Tier 1 amendment (i.e. the agreement between ING and the Dutch State concerning a reduction of the repayment premium for the first EUR 5 billion tranche of core Tier 1 securities) as additional state aid (of EUR 2 billion), requires price leadership bans and/or imposes disproportional restructuring measures. The Dutch State also lodged an appeal with the General Court to contest the EC decision insofar as it qualifies the core Tier 1 amendment as additional state aid.

ING believes it is in the interest of all its stakeholders to use the opportunities provided by law to let the General Court review these elements of the EC s decision. However, the appeal does not alter ING s commitment to execute its restructuring plan as announced on October 26, 2009 and stands firmly behind its strategic decision to separate its banking and insurance operations and divest the latter. A Court decision is expected in 2011.

ING passes stress test CEBS

Together with 90 other EU-based financial institutions, ING was subject to the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank, and De Nederlandsche Bank. The objective of the 2010 EU-wide stress test was to assess the overall resilience of the EU banking sector and the banks ability to absorb further possible shocks on credit and market risks, including sovereign risks.

The stress test complemented the risk management procedures and regular stress testing programmes set up in ING under the Pillar 2 framework of the Basel II and Capital Requirements Directive (CRD) requirements. The results, announced in July 2010, confirmed that ING s focus on the strengthening of its Bank s balance sheet since the spring of 2009 has given it sufficient resilience to endure a stressful economic scenario.

Operational separation of ING Bank and ING Insurance

Throughout 2009 and 2010, ING worked towards a self-imposed deadline to separate its banking and insurance/investment management businesses at an operational level before the end of 2010. Project teams around the world were established to ensure an orderly separation process. The total separation costs incurred in 2010 amounted to EUR 85 million after tax. For 2011, these costs are estimated at around EUR 200 million after tax (excluding costs for rebranding).

In the first quarter of 2010, the separation process was kicked-off with a global inventory exercise. During this phase it was confirmed that the most challenges lay in Europe, in particular in the Netherlands. The most complicated issues related to IT, human resources, distribution and commercial agreements, as well as our capital structure. To facilitate the disentanglement process, all shared services, contracts, arrangements, coownerships, cross-directorships, and all services provided and received (including those delivered by third parties) had to be analysed and either fully separated or covered in temporary or long-term service agreements.

By the end of 2010 a solution was created for most of the disentanglement projects. Consequently, from January 1, 2011, ING s bank and insurance/investment management businesses became operationally separate under the ING umbrella. Where an interim solution has been put in place, such as critical IT or HR services, a degree of interrelationship remains, which is mitigated through (signed) contracts and ring-fencing measures. In a limited number of instances, where these measures were not feasible due to high costs or time constraints, a documented exception was formalised. By the end of 2011, most interim solutions and documented exceptions that enabled operational separation will be replaced by permanent solutions; thus turning the operational separation into a full separation.

Where the resolution of a specific disentanglement project is expected after 2011 a long-term service agreement will be put in place. The outcome of a small number of projects depends on the details of the actual transaction(s). Hence, the implementation of these projects will be delayed until such details are available. The implementation of local end-state solutions as well as both the local temporary and long-term service agreements will be managed by the respective business units. Throughout ING, a new governance structure has been inaugurated to ensure that the to-be separated units operate at arm s-length. ING Bank and Insurance/Investment Management will continue to work together for commercial purposes. The bank will continue to sell insurance/investment management products, and the insurer/investment manager will continue to use bank services. Terms and conditions of this cooperation have been formalised and brought at arm s length.

Over the course of 2010, the vast majority of support functions were moved to the bank and the insurer/investment manager respectively. The activities that will remain at Group level until the completion of the separation process are those that relate to our responsibilities to shareholders. These include support functions which are vital to comply with material legal and regulatory requirements, and/or to ensure effective and efficient execution of Group control. Consequently, both businesses have their own head office, with their own corporate support functions from January 1, 2011.

With the operational separation thus formalised, our attention has shifted to the next step: how to actually separate our businesses and execute the divestment process. Building on an analysis of market and regulatory conditions, we formulated a base case scenario. While the option of one initial public offering (IPO) remains open, ING will prepare itself for a base case of two IPOs: one Europe-led IPO (including our activities in Asia) and one separate US-focused IPO. Hence, ING will in 2011 proceed with the operational disentanglement of its US and European/Asian Insurance/Investment Management operations.

More information on this matter and the envisaged end-state of the businesses after completion of the divestment process is included in the Group Strategy section.

GROUP STRATEGY

ING reached an important milestone in 2010 by formalising the operational separation of its banking and insurance/investment management operations in preparation for a full split of both businesses. The Group is concentrating on creating strong standalone businesses and repurchasing the remainder of the core Tier 1 securities issued to the Dutch State when prudent and possible. At the heart of the strategic redirection lies a strong resolve to earn trust. ING therefore aims at building sustainable, long-lasting client relationships based on operational excellence, sound business ethics and good corporate citizenship.

ING Bank will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing. It will focus on customer centricity, operational excellence, and top employment practices. Although the option of a single initial public offering (IPO) remains open, we intend to realise the divestment of our insurance and investment management operations through two IPOs. The Europe-led insurance business (including our activities in Asia) will combine the cash generation ability of the Benelux with the attractive growth markets of Central Europe and Asia. The US-focused business will build on its Retirement Services and Life Insurance franchises. We are still exploring strategic options to determine the future of the insurance business in Latin America.

ING Group s priorities: create strong businesses and ensure repayment of the Dutch State

2010 marked a significant turning point for ING. After two difficult years during which the global financial crisis had its impact on the company, we managed to structurally improve our operating and commercial performance while successfully executing the disentanglement of our banking and insurance/investment management operations. As the operational separation of the bank and the insurer/investment manager has been formalised

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(as of January 1, 2011), they now operate at arm s-length from each other. We have thus achieved a first important milestone in the implementation of the Group s strategic decision to move towards a complete separation of both businesses, which was announced in October 2009 in recognition of the need to regain trust through increased transparency and simplicity.

Going forward, ING Group strives to create strong independent businesses and make certain that the interests of all ING businesses are equally served. In addition, assuming favourable economic conditions and availability of excess capital, the Group will concentrate on repurchasing the remaining core Tier 1 securities issued to the Dutch State. Moreover, in 2010, we determined a base case divestment scenario for the insurance and investment management operations, which is further outlined below.

In future, the bank and the insurer/investment manager will continue to work together for commercial purposes on an arm s-length basis. Hence, on the one hand, ING Bank will continue to sell ING Insurance/Investment Management products and, on the other hand, ING Insurance will continue to use ING Bank services. The bank and the insurer/investment manager will, however, develop their own organisations, building on their own culture and strategy. The strategic direction of the individual businesses is further explained below. We are striving to ultimately complete the divestment process before the end of 2013, and sooner whenever market circumstances are appropriate, and conduct it with the utmost diligence to protect stakeholders interests and optimise shareholder value.

Earning trust and increasing customer centricity in both banking and insurance

The financial crisis has demonstrated that the licence to operate for any financial institution is to be trusted by its stakeholders, in particular its customers. At the heart of the strategic redirection of ING Group thus lies our strong resolve to earn trust. By separating our banking and insurance operations, we will build more agile, simple and customer-centric businesses. Obviously, earning and maintaining trust is a challenging task at any time, but this is even more difficult in the current environment. After all, the financial crisis has fuelled a demand for greater simplicity and transparency.

In addition, prudential supervision and regulation are being tightened. Meanwhile, competition in financial markets continues to be strong, so efficiency remains imperative. In earning the trust of our customers, our employees are a very valuable asset. ING is therefore encouraging its employees to build sustainable, long-lasting client relationships based on operational excellence, sound business ethics and good corporate citizenship (see Human Resources for more information on these efforts). The operating leverage in this is obvious. For only a company pursuing a strategy focused on winning the hearts and minds of its customers, employees and other stakeholders, will achieve satisfactory financial performance for its shareholders.

Therefore, our Business Principles clearly prescribe the corporate values we pursue and the responsibilities we have towards society and the environment: we act with integrity, we are open and clear, we respect each other and we are socially and environmentally responsible. In addition, we have decided to increasingly embed two-way stakeholder exchange as an integral part of the overall strategy of both our banking and our insurance businesses. This means that we actively seek a continuous dialogue with our customers and other stakeholders on their demands regarding our products, services, business performance and/or other issues. This also includes efforts to more pro-actively and systematically measure and monitor customer satisfaction, as we want our customers to recommend ING to their friends, family, colleagues and peers. Hence, we are introducing Net Promoter Score in all our businesses across the globe.

Furthermore, we have taken significant steps to ensure that every customer gets the right products and services, via the right distribution channels, and at the right prices or returns. Therefore, we are evaluating our entire product portfolio and product approval procedures based on sharpened criteria for good customer care. Importantly, financial education an essential pillar of our corporate responsibility is embedded in our business strategy through tools and initiatives to improve the financial capabilities of our customers.

All in all, we are convinced that the changes we have set in motion will make us a stronger company and partner for our stakeholders that is better able to anticipate and address emerging issues. With a clearer focus on customer needs as the anchor of our business operations, we are not only building businesses that are financially sound and viable, but that also have the potential to become the supplier of choice for our customers.

Completing the separation of the Bank and the Insurer/Investment Manager

The operational separation of ING Bank and ING Insurance/Investment Management under the ING Group umbrella has been finalised. With the operational separation in place, ING is ready to move towards the next phase, including the full preparation for one or more transactions.

Although the option of a single public offering remains on the table, we have determined the base case divestment scenario for our insurance and investment management operations as follows:

One separate public offering of our combined insurance operations in Europe and Asia, which rely on our solid cashgeneration ability in the Benelux, and attractive growth opportunities in Central Europe and Asia.

One separate public offering of our leading US franchise in life insurance and retirement services.

We are still exploring strategic options to determine the future of the insurance business in Latin America. The preference for two public offerings is driven by a number of factors. Firstly, such a scenario would facilitate optimal alignment of the timing and order of execution with the market environment in Europe and the US respectively. In addition to this increased flexibility, our preference for a two-IPO scenario relates to the uncertainty caused by the divergence in solvency regulations in the EU and the US, which will likely place European insurance companies with a presence in the US at a disadvantage vis-à-vis local US competitors. Lastly, a separate public offering of the US insurance operations is expected to improve the overall proceeds of the divestments, as US investors are generally more familiar than European investors with the US business (including variable annuities) and its valuation than European investors, given the existence of listed companies with similar business profiles in the US. The actual timing of the anticipated transactions will depend on market conditions and commercial performance.

Shaping the future of our banking business

ING Bank aims to build a leading international retail, direct and commercial bank serving a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments. It will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing. The banking strategy has been developed with the changing regulatory environment in mind

The bank will remain based in the Benelux and predominantly focused on Europe with key positions in selected growth markets in Central Europe, Turkey and Asia. The bank is starting from a good base. It is one of the largest retail savings banks in the world with a strong funding base; its direct service model is low-cost and internationally renowned and it has an extensive international network, especially for globally operating clients. In the future, ING will serve consumers, corporate clients and institutions with one balance sheet, one consistent brand, one management structure and one support organisation.

The bank will focus on customer centricity, operational excellence, and top employment practices, while fully integrating its various banking business lines. We have developed a prudent approach for resource allocation, which will not only result in a smaller balance sheet, but also envisages boosting profit and reducing risk. To achieve this, a number of priorities have been defined. In order to ensure a stable deposit base and increase cross-sell and cross-buy opportunities, the bank will concentrate on becoming the preferred bank for its customers. This means that we want our customers and potential customers to consider ING first for all their financial requirements.

We will increasingly bring loan growth in line with deposit growth, particularly focusing on deposits with attractive liquidity characteristics (e.g. term deposits and savings accounts) and an increased weighting on long-term public debt. Mortgage growth will be managed in the context of the bank s objectives with regard to deposit growth, and strengthening client relationships. In addition, the bank will seek to raise fee and commission income and originate higher yielding lending assets (e.g. consumer finance and mid-corporate lending), while reducing low yielding investments. This will include a diversification of asset classes in some regions, and efforts to further build commercial capabilities. Lastly, given regulatory changes and the desire to strengthen the funding base, the bank will adapt its asset-only strategies (e.g. in businesses like Structured Finance, Real Estate Finance, Lease) and mono-client businesses.

Shaping the future of our insurance business

As already mentioned, the future independence of ING Insurance/Investment Management is to be realised through two public offerings: a Europe-led IPO with solid cash flow combined with strong growth positions in developing markets; and a US-focused IPO with a leading franchise in retirement services.

The Europe-led business will combine the cash generation ability of the Benelux with the attractive growth markets of Central Europe and Asia. It will thus have an attractive growth profile in comparison with its life insurance peers. The

US-focused business will build on its strong Retirement Services and Life Insurance franchises, focus on the run-off of the closed variable annuities block, and restore profitability.

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In preparing for the public offerings, ING Insurance will concentrate on further improving operational performance and building strong management teams. Moreover, it intends to sharpen its strategic direction, strengthen the capital base, improve investment results and review IT and procurement procedures. The product portfolio will be managed in an integrated way with a particular focus on capital consumption, e.g. through significantly reduced sales of variable annuities products and improved hedging capabilities. To enhance commercial performance, we will strengthen and further diversify our distribution capabilities (including tied agents, bank distribution, and direct distribution). The three key elements in improving performance include improving margins, containing costs and pursuing select growth opportunities to create strong global Insurance businesses, ready for IPOs ultimately by 2013.

Repayment of the Dutch State

In December 2009, ING repurchased the first half of the core Tier 1 securities of EUR 5 billion plus a total premium of EUR 605 million. Furthermore, 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 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 of the core Tier 1 securities ultimately by May 2012 from retained earnings. The final decision on repurchase of these 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.

Conclusions and ambitions

With the operational separation of the banking and insurance/investment management operations completed in 2010, ING Group is now able to focus on creating more agile and customer-centric businesses and repaying the Dutch State. To earn trust, we will build the future of our businesses on sustainable profit based on sound business ethics and good corporate citizenship. We will continue along the path of intensifying our dialogue with our customers and other stakeholders on our products, services, business performance and/or other issues, as we consider it our responsibility to provide every customer with the right products and services, via the right distribution channels, and at the right prices or returns.

ING has the ambition to repay the Dutch State in full as soon as possible and intends to realise the divestment of its insurance and investment management operations through two public offerings. Looking at the future, ING bank has a promising starting position as a leading retail, direct and commercial bank. It aims to become the preferred bank for its customers and will focus on customer centricity, operational excellence, and top employment practices. While moving towards the public offerings of a Europe-led and a US-focused business, ING Insurance will initially concentrate on further improving its operational performance.

CORPORATE GOVERNANCE

Legislative and regulatory developments

On January 1, 2010, the Dutch Banking Code (Code Banken) became effective. For more information reference is made to the paragraph Corporate Governance Codes . On July 1, 2010, the bill on shareholders rights (wet aandeelhoudersrechten) came into force. The relevant provisions of this bill will apply for the first time at the 2011 annual General Meeting. In addition, several legislative proposals are under discussion in or were adopted in 2010 by the Lower House of the Dutch Parliament, or are under discussion in the Upper House of the Dutch Parliament. It concerns, among others things, the bill on revision and claw back of executive bonuses and profit-sharing of directors and the bill on management and supervision. If enacted, these legislative proposals may affect ING Group.

Transactions with the Dutch State

On November 12, 2008, ING Group issued one billion core Tier 1 securities (Securities) for a total consideration of EUR 10 billion to the Dutch State. Following the repurchase of 500 million Securities on December 21, 2009, another 500 million Securities representing EUR 5 billion remain outstanding. The Securities do not form part of ING Group s share capital; accordingly they do not carry voting rights in the General Meeting. The financial entitlements of the Securities are described in the Note 33 of Note 2.1 to the consolidated financial statements. On January 26, 2009, ING Group reached an agreement with the Dutch State regarding the Illiquid Asset Back-up Facility (IABF) . During 2009, ING Bank N.V. issued various series of debt instruments under the 2008 Credit Guarantee Scheme of the Dutch State

(Bonds), for the first time on January 30, 2009. As part of these transactions, certain arrangements with respect to corporate governance and remuneration were agreed with the Dutch State which will remain in place as long as the Dutch State owns at least 250 million Securities, as long as the IABF remains in place or any of the Bonds is outstanding (whichever expires last). These arrangements entail that the Dutch State may recommend two candidates

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(State Nominees) for appointment to the Supervisory Board. Certain decisions of the Supervisory Board require approval of the State Nominees (these decisions are specified in the section on the Supervisory Board on page 66). Furthermore, in line with these arrangements a sustainable remuneration policy for the Executive Board and Senior Management was introduced in 2010, which continues certain specific arrangements in relation to the remuneration of members of the Executive Board.

Shareholder participation and position of ING Trust Office

During the years 2007-2010, participation of shareholders, excluding the ING Trust Office, and depositary-receipt holders in annual General Meetings consistently increased from 36.7% to 41.3%. Only the extraordinary General Meeting of November 25, 2009 showed a deviation from this trend with a markedly lower turnout of 31.1%. In view of the above, the Executive Board and the Supervisory Board evaluated the position of the ING Trust Office and ING Group s depositary-receipts structure, the outcome of which was discussed in the 2010 annual General Meeting. On the basis of this evaluation, the Executive Board and the Supervisory Board concluded that it would be premature to change or abolish ING Group s depositary-receipts structure in 2010 and that it would be more appropriate to reconsider this as part of a re-evaluation of ING Group s entire governance structure following the current restructuring of ING Group and the completion of the divestments approved in the 2009 extraordinary General Meeting.

CORPORATE GOVERNANCE CODES

Compliance with the Corporate Governance Code

For its corporate governance structure and practices, ING Group uses the Corporate Governance Code as reference. The Corporate Governance Code can be downloaded from the website of the Monitoring Commission Dutch Corporate Governance Code (www.commissiecorporategovernance.nl/Corporate Governance_Code). from the application of the Corporate Governance Code in 2010 is described in the publication ING s implementation of the Dutch Corporate Governance Code , dated April 2010, on the website of the Company (www.ing.com), which is to be read in conjunction with this section and is deemed to be incorporated into this section.

Dutch Banking Code

The Banking Code is applicable to ING Bank N.V. and not to ING Group. The Banking Code can be downloaded from the website of the Dutch Banking Association (www.nvb.nl). The principles of the Banking Code are considered as a reference by ING Bank N.V. and their application is described in the publication Application of the Dutch Banking Code by ING Bank N.V. on the website of the Company. However, ING Group voluntarily applies the principles of the Banking Code regarding remuneration with respect to the members of its Executive Board, and considers these principles as a reference for its own corporate governance. ING Group s remuneration policy for the Executive Board and Senior Management is in agreement with these principles. The remaining principles of the Banking Code are not considered as a reference for ING Group s own corporate governance, although the application thereof by ING Bank N.V. and its subsidiaries will be reflected to a certain extent in ING Group s own corporate governance structure and corporate governance practices.

NYSE Requirements

For an overview of what we believe to be the significant differences between our corporate governance practices and NYSE corporate governance rules applicable to US companies, see Item 16G. Corporate Governance . The summary of such significant differences is also available on the website of ING Group (www.ing.com).

CORPORATE ORGANIZATION

ING Groep N.V. has a Supervisory Board and an Executive Board. The Executive Board of ING Group, the Management Board Banking and the Management Board Insurance are responsible for the day-to-day management of the Group and its business lines (Retail Netherlands, Retail Belgium, ING Direct, Retail Central Europe, Retail Asia, Commercial Banking, Real Estate, Insurance Benelux, Insurance Central and Rest of Europe, Insurance US, Insurance US Closed Block VA, Insurance Latin America, Insurance Asia/Pacific and ING Investment Management). For more information about the Supervisory and Executive Boards, see Item 6. Directors, Senior Management and Employees .

Business Lines

The Executive Board of ING Group, the Management Board Banking and the Management Board Insurance set the performance targets and approve and monitor the budgets prepared by the business lines. Business lines formulate strategic, commercial, and financial policy in conformity with the strategy and performance targets set

by the Executive Board, the Management Board Banking and the Management Board Insurance. Please see Item 5. Operating and Financial Review and Prospects , Segment Reporting for the total income and result before tax by business line for the years ended 2010, 2009 and 2008.

RETAIL BANKING

The retail banking business focuses on retail banking services to individuals, and to small- and medium-sized businesses and on private banking. These businesses are supported by a multi-product, multi-channel distribution approach. We serve two types of retail markets, each reflecting our different market positions and therefore each requiring a slightly different approach with regard to the retail strategy. In the mature markets of the Netherlands and Belgium, our strategy is to assist our clients in areas such as wealth accumulation, savings and mortgages. We seek to distribute these different products through an efficient mix of channels appropriate to the client segments and products. In a number of selected developing markets with the right demographics, economic growth potential and stable institutional environment, our strategy is to become a prominent player in the local retail banking markets, providing our clients with simple but quality products.

RETAIL NETHERLANDS

ING combined ING Bank and Postbank under the ING brand in the first quarter of 2009. This combination services over 8,1 million retail clients and approximately 600,000 SME clients. The new bank has improved customer service by combining the direct banking model of Postbank with the professional advice capabilities of ING Bank.

Retail banking reaches its individual customers through internet banking, telephone, call centers, mailings and branches. Using direct marketing methods, it leverages its position as a leading provider of current account services and payments systems to provide other financial services such as savings accounts, mortgage loans, consumer loans, credit card services, investment and insurance products. Mortgages are offered through a tied agents sale force and direct and intermediary channels.

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

As part of the Restructuring Plan and the EC Decision of 18 November 2009, ING has committed to carve out part of its retail banking business: WUH/Interadvies (WUB). WUB is commercially and operationally separated from ING Bank as per 18 November 2010. WUB is active in mortgages and consumer lending and is currently introducing consumer savings products.

RETAIL BELGIUM

ING Belgium provides banking, insurance (life, non-life) and asset management products and services to meet the needs of individuals, families, companies and institutions through a network of local head offices, 800 branches and direct banking channels (fully automated branches, home banking services and call centres). ING Belgium also operates a second network, Record Bank, which provides a full range of banking products through independent banking agents and credit products through a multitude of channels (agents, brokers, vendors).

ING DIRECT

ING Direct is a direct banking business, which is an important part of ING s international retail strategy. The strategy of ING Direct is to be a low-cost provider of financial services in large, mature markets by offering clients simple and transparent products and excellent service via call-centres, direct mail and the internet. The main products offered by ING Direct are saving accounts and mortgages. Payment accounts are offered in all countries except the UK. ING Direct also sells a focused range of financial products such as mutual funds, e-brokerage and pensions. ING Direct s direct banking business is active in nine countries: Canada, Spain, Australia, France, the United States, Italy, Germany, Austria and the United Kingdom and as of the end of 2010, provides services to almost 24 million customers.

ING Direct showed resilient commercial growth in 2010 bringing the total client balances (includes funds entrusted, retail lending and asset management/mutual funds) to EUR 398 billion at the end of December. ING Direct is focusing on maintaining an attractive customer offering in savings and term deposits while continuing to balance its mortgage portfolio growth. At year-end 2010 total funds entrusted to ING Direct worldwide amounted to EUR 238 billion and total retail lending amounted to EUR 148 billion.

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ING remains committed to the ING Direct franchise, which ING expects to be an important contributor to ING s growth going forward.

RETAIL CENTRAL EUROPE

Retail Central Europe has a leading presence in Poland and strong positions in Romania and Turkey. It operates full-service banks in all three, combining retail and commercial banking products and services for its customers. These banks are also striving to become the customer s preferred bank through operational excellence, customer centricity and being a top employer. In 2010, ING Bank Slaski continued to modernise its branch network and optimise customer services by closer integration between its call centre, internet and branches. In Romania, ING has achieved its ambition to become the country s most preferred bank, serving over one million customers. ING Bank Romania made further progress in internet banking, in which it is a leader in terms of transaction numbers. Turkey is an important growth market for ING, and ING Bank Turkey completed various initiatives throughout 2010 to support its ambition to be the preferred bank for Turkish consumers. With 1.2 million customers, the bank is concentrating on improving customer service and offering smart products serving specific customer needs that differentiate ING from its principal competitors.

RETAIL ASIA

Retail Banking has a leading presence in the important Asian markets of India, China and Thailand. ING Vysya, in which ING has a 44% stake, serves over two million customers and is striving to increase its market share in the rapidly growing Indian banking market. TMB Bank, in which ING has a 30% stake, and is growing in both its Retail and Commercial banking businesses. Bank of Beijing (BoB) in which ING is the largest single shareholder (16.7%) is continuing its rapid growth in volumes and profits. BoB is the largest city commercial bank in China. In 2010, ING decided to renew the strategic alliance with BoB for a further five years (until 2015). As an extension to its strategic partnership, ING and BoB also signed a second five-year Technical Assistance Agreement in 2010. As with all other banking business units, Retail Asia is working hard to become the customer s preferred bank by focusing on operational excellence, customer centricity and being a top employer.

COMMERCIAL BANKING (EXCLUDING REAL ESTATE)

Commercial Banking offers core banking services such as lending and payments and cash management to corporate clients in more than 40 countries. It also provides tailored solutions in areas including corporate finance, structured finance, commercial finance, equity markets, financial markets and leasing. Clients range from medium-sized and large companies to major multinationals, as well as governments and financial institutions.

Throughout 2010, Commercial Banking focused investments and resources on achieving its Fitter, Focused, Further strategic goals: namely, to develop key market and product positions, improve client satisfaction by implementing client-centric initiatives, reduce costs and enhance operational excellence. It maintained its positions as No 1 bank in the Benelux and top 5 bank in its core Central & Eastern Europe markets, and demonstrated a leading and highly profitable financial markets franchise in developed and emerging markets. Commercial Banking s Structured Finance arm achieved its aim to be a top 10 player globally, as measured by ranking in the top 10 in various locations as a Mandated Lead Arranger (MLA) by number of deals.

Managing risk and costs remained key priorities for Commercial Banking in 2010. Risk costs fell significantly as a result of a resilient high-quality portfolio and better risk management. Commercial Banking s exposure to real estate was also steadily reduced.

Volumes in the Lending business remained under pressure in 2010 due to low demand, as companies continued deleveraging across key geographic and business markets.

PCM saw a large increase in outstanding balances in 2010, but the benefits were offset to some degree by lower margins due to low market interest rates. Other significant developments during the year included an increase in payment transactions compared to the previous year. ING is the market leader in payments processing in the Netherlands and a large player in Belgium.

Structured Finance, ING s specialised commercial lending business, continued to grow in 2010. Revenues were supported by margins that held up relatively well.

Leasing & Factoring s 2010 results showed a strong improvement on 2009, driven by a combination of stable volumes overall, higher margins, reduced risk costs and an excellent performance by ING Car Lease, which

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benefited from a sustained recovery in the second-hand car markets and an increasing order book from major corporate customers. Although the overall European leasing market shrunk by around 30% from 2008 to 2010 due to the economic downturn, Leasing & Factoring has maintained its market position in its core markets.

After a record year in 2009, income from Financial Markets trended downwards in 2010, but it was still FM s second best year on record. Client flows remained strong, but margins fell to lower levels. Revenues in developed markets were negatively impacted due to the sovereign debt crisis and the weaker client flows that the crisis caused. In combination with lower volatility, the crisis also significantly decreased flow trading.

Despite the subdued market conditions, ING continued to win some transformational mandates. An example was ING s joint bookrunner role in Deutsche Bank s EUR 10.2 billion rights issue, the largest rights issue ever for a German financial institution and the largest European equity issue to date. Commercial Banking also acted as mandated lead arranger and bookrunner on a EUR 1.2 billion syndicated facility for French mobile phone company SFR; Commercial Banking and ING Direct joined forces to share a final position in the facility of EUR 135 million. These deals illustrate that cross-selling is an integral part of ING s client offering and that businesses can work closely together to deliver highly tailored solutions to ING s clients.

Despite the challenging environment, 2010 was an excellent year for Commercial Banking. Although critical investment expenses were up, risk costs dropped significantly. Commercial Banking made solid progress in realising its goals and achieving leading market positions in selected geographies and products. Within the overall banking organisation, Commercial Banking intends to further develop its winning formula to help ING Bank realise its ambition to become the preferred bank for customers. It will do this by adopting a number of operational and strategic measures, including better leveraging its international network to benefit clients and enhancing its focus on customers, employees and operational excellence.

REAL ESTATE

ING continued to steadily reduce its exposure to real estate. ING Real Estate Finance (REF) successfully weathered the adverse environment, following prudent property financing for the last five years. ING Real Estate Development (RED) continued to reduce its risk and capital exposure. RED intends to concentrate on its core markets in the coming years and gradually reduce its development portfolios in non-core markets.

INSURANCE BENELUX

ING continued to make solid progress in becoming the most efficient and customer centric large insurance company in the Benelux. In the Netherlands and Luxembourg, a new 10 year distribution agreement with ING Bank was concluded as part of ING Benelux s initiatives undertaken during the year to prepare for the operational separation of Banking and Insurance at ING Group by January 2011.

In the Netherlands, the wider transformation of ING s insurance businesses is well underway. Operational costs reduced towards benchmark level and the integration of businesses towards new market-oriented business units showed first evidence of customer centricity. The launch of the revitalized Nationale-Nederlanden brand reflecting market developments and customer sentiment was well received. Blue prints for the new organization were approved and the roadmap for optimizing the distribution mix constructed.

ING s life insurance products in the Benelux consist of a broad range of traditional, unit-linked and variable annuity policies written for both individual and group customers. ING is also a prominent provider of (re-insured) company pension plans in the Netherlands. ING has a dedicated team to develop and grow its variable annuity business across Europe, servicing own and third party distributors in Luxembourg, Spain, Hungary, the Netherlands, Italy and Belgium.

ING Benelux non-life products, mainly in the Netherlands, include coverage for both individual and commercial/group clients for fire, motor, disability, transport and third party liability. Nationale-Nederlanden has also a central product manufacturing service for property & casualty insurance, which has developed products for ING Bank in Belgium and ING Bank in the Netherlands. ING offers a broad range of disability insurance products and complementary services for employers and self-employed professionals (such as dentists, general practitioners and lawyers).

INSURANCE CENTRAL AND REST OF EUROPE

ING s life insurance products in (Central) Europe consist of a broad range of traditional, unit-linked and variable annuity policies written for both individual and group customers. The operating companies in these countries have tailored their insurance products, investment and pension fund services for certain target markets and distribution channels. In some countries, Group policies are designed to fund private pension benefits offered by a wide range of businesses and institutions as a supplement to government provided benefits. ING is also a prominent provider of mandatory and voluntary pension funds.

For Insurance Central and Rest of Europe, tied agents are the main distribution channel. It continues to enhance the effectiveness of its tied agents sales: giving customers professional advice and service. Besides, ING continues to strive towards a multi-distribution approach, especially with banks and brokers as additional channels.

Remaining the region s market leading life insurer and pension provider is an important goal towards building a sustainable growth engine. Sustainable indicates that it is meant for long-term success in the market. This means Insurance Central and Rest of Europe has to deliver good value-for-money to customers, good margins for shareholders, as well as, meet today s and tomorrow s compliance and risk requirements.

INSURANCE UNITED STATES (EXCLUDING US CLOSED BLOCK VA)

ING Insurance US (ING US) offers life insurance, retirement services (primarily defined contribution plans), fixed annuities, mutual funds, broker-dealer services and institutional financial products in the United States. ING US currently operates three core businesses: Retirement Services, Individual Retirement and Individual Life.

In 2010, the focus for ING US was on preparing the organization for separation from the global Banking operation and on preparing for a US-focused IPO. ING US efforts were directed at strengthening its capital position, improving operational results, managing administrative expenses and bolstering its leadership positions in its retirement services and life insurance businesses. To prepare for a successful US-focused IPO, ING US will focus on three key priorities in 2011: sales growth, expense management and improving investment margins.

Retirement Services offers a broad range of retirement solutions to all sizes and types of employers corporations, public and private school systems, state and local governments, hospitals and healthcare facilities, and not-for-profit organizations. It serves the full spectrum of the US market from pure recordkeeping services to fully bundled plan management and investment offerings. Retirement Services is the third largest provider of defined contribution (DC) retirement plans in the US based on assets under management and administration, the second largest based on the number of plan participants and the largest based on the number of retirement plans managed. ING US has a leadership position in delivering high-quality service and developing long-lasting, trusted relationships with distribution partners, retirement plan sponsors and their employees.

The vision of ING US is to be the leader in helping individuals and institutions grow, protect, and enjoy their wealth. As part of that strategy, ING US formed a new product line in 2010 Individual Retirement to focus on meeting the financial and retirement income needs of individuals. Individual Retirement offers a variety of products including rollover annuities that are part of a broad suite of simple, lower cost, lower risk investment vehicles. Individual Retirement also provides the Rollover IRA (individual retirement account, essentially an individually established defined contribution retirement fund) which is expected to be the fastest growing segment of the US retirement market. Individual Retirement will also leverage the capabilities of its affiliated broker-dealer, ING Financial Partners, to provide holistic advice and guidance to individuals over the phone or face-to-face. These products and services are aimed at capturing the growth opportunity that lies within the rapidly expanding market for retirees and people changing jobs.

Individual Life manufactures a range of products from low cost term in the middle market up through high end universal life (UL) sales in the affluent markets. The business has a strong multi-channel sales team with the breadth to touch every licensed life insurance agent in the US. It has over 80,000 independent producers and 1,500 intermediaries under contract or appointment. Its distribution organization boasts a best-in-class sales support and illustration system. This model has allowed Individual Life to create significant scale, become a top 5 writer of individual term life insurance, and develop into a major writer of permanent life insurance. Individual Life also distributes fixed annuities, including fixed index annuities as key product offering.

In order to focus on its core businesses, ING US is allowing the Institutional Financial Products business to reduce in size over time. This business line issues guaranteed investment contracts and funding agreements, which are primarily sold to institutional investors and corporate benefit plans, in support of a spread lending business.

INSURANCE US CLOSED BLOCK VA

From October 1, 2010, ING implemented a number of key changes with regard to the US Closed Block VA business to increase transparency, improve reserve adequacy, reduce earnings volatility, and to bring accounting and hedging more into line with US peers as the company prepares for a potential US-focused IPO. As part of these changes, ING began to report the US Closed Block VA business as a separate business line within ING Insurance/IM to improve transparency for both the Closed Block and ongoing businesses.

ING US Closed Block VA consists of variable annuities issued in the US that are primarily owned by individuals and were designed to address the demand for tax-advantaged savings, retirement planning, and wealth-protection. These annuity contracts were sold in the US, primarily through independent third party distributors, including wirehouses and securities firms, independent planners and agents and banks. The management of the US Closed Block VA continues to assist existing individual annuity contract-owners invest their savings, manage their investments, and plan their financial future through asset accumulation and annuity payout options. With over 500,000 contract-owners and over USD 46 billion in assets under management, US Closed Block VA seeks to provide clients with strong customer service and financial security.

US Closed Block VA continues to share resources with ING US to leverage scale and capacity of administrative systems and product competencies.

INSURANCE LATIN AMERICA

ING Insurance has operations in six Latin American countries Mexico, Chile, Colombia, Peru, Brazil and Uruguay. ING s businesses are largely focused on pension and life insurance (with the exception of Brazil). ING also has banking operations in select countries. ING serves approximately 9.7 million customers and manages EUR 51 billion of assets. It also owns a 36% stake in Sul America the largest independent insurance company in Brazil, which serves an additional 6.3 million customers, primarily in the health and auto insurance segments. ING s Latin American businesses employ 6,900 people (excluding Brazil).

ING is the third largest private pension fund manager in Latin America as measured by assets under management: ING is no.2 in Peru, no.2 in Uruguay, no. 3 in Mexico and Chile and no. 5 in Colombia. ING is a leading life insurance company in the region with life insurance businesses in Chile, Peru and Brazil.

ING is the no.1 life insurance company in Chile as measured by AUM. ING also has a minority stake in a leading life insurance business in Peru. In Brazil, ING participates in the life insurance business through SulAmerica.

Roll-out of Wealth Management initiative across Latin America continues, this is a key source of earnings growth in the medium to long-term timeframes. During 2010 Mexico launched its Mutual Fund business, Chile, Colombia and Peru started late 2009.

Strong leadership, top talent development and effective communication, appropriate reward based on performance, a winning performance culture and social responsibility (as evidenced by our regional partnership with the Happy Hearts Foundation) are all key to creating a highly committed staff that is critical to executing the strategy and helping ING maintain a clear competitive advantage.

INSURANCE ASIA/PACIFIC

ING Insurance Asia/Pacific (IAP) is a leading provider of life insurance products and services. It is a leading international life insurer in the region, with nine life operations in seven markets. IAP has flagship operations in the mature and larger markets of Japan and South Korea, operates a dominant business in Malaysia, and is well positioned to secure an increasing share of future growth in the large and emerging markets of China, Hong Kong, India and Thailand, which are also among the fastest growing in Asia.

The Bank of Beijing replaced Beijing Capital Group as ING s joint venture partner in ING Capital Life Insurance Company Limited and the company was renamed ING-BoB Life Insurance Company Limited, effective 1 July 2010.

In the third quarter of 2010, ING Malaysia in conjunction with Public Bank Berhad and Public Islamic Bank Berhad received approval for a Family Takaful license from the Bank Negara Malaysia.

The IAP regional office in Hong Kong leads, controls and supports all IAP business units in the region, ensures implementation of strategy and standards and facilitates regional and global synergies.

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The business units of IAP offer select types of life insurance, wealth management, and retail products and services. These include annuities, endowment, disability/morbidity insurance, unit linked/universal life, whole life, participating life, group life, accident and health, term life and employee benefits. In Hong Kong non-life insurance products (including medical, motor, fire, marine, personal accident and general liability) are also offered.

The core traditional distribution network of tied agents, career agents and financial advisors is increasingly complemented by alternative distribution channels including bancassurance, brokers, worksite and direct marketing as well as online distribution.

ING INVESTMENT MANAGEMENT

ING Investment Management (IIM) is a leading globally coordinated asset manager. As of December 31, 2010, IIM manages approximately EUR 387 billion of assets for institutions and individual investors worldwide, and IIM serves as the principal asset manager of ING Group. With over 3,600 employees and an investment presence in 34 countries across the Americas, Asia-Pacific, Europe and the Middle East, IIM provides its clients with access to domestic, regional and global investment solutions.

PRINCIPAL GROUP COMPANIES

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

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REGULATION AND SUPERVISION

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

The Dutch regulatory system for financial supervision consists of prudential supervision monitoring the soundness of financial institutions and the financial sector, and conduct-of-business supervision regulating institutions conduct in the markets. Prudential supervision is exercised by De Nederlandsche Bank (DNB), while conduct-of-business supervision is performed by the Netherlands Authority for the Financial Markets, Autoriteit Financiële Markten (AFM).

A large number of national, regional and global bodies have presented in 2010 views and proposals of possible legislative and regulatory changes for the banking, insurance and investment industry, building on proposals in the previous years such as the 2009 Report by the High-Level Group on Financial Supervision in the EU chaired by Mr Jacques de Larosière. On the issue of supervisory architecture we have seen in 2010 the agreement on the establishment of three European supervisory agencies for each of the financial sectors and one Systemic Risk Board. The three European agencies replace the so-called Level 3 committees (CEBS, CESR and CEIOPS) and will have a broader mandate to directly influence supervision, which in itself will remain with local supervisory authorities. These new European bodies have established and started their mandate on 1 January 2011. The Systemic Risk Board will start working on detecting risks building up in the financial sector and the economy as a whole. In addition to changes to the regulatory architecture, significant changes to capital and liquidity standards were agreed and also on topics such as remuneration various national and international bodies have issued guidelines that need implementation.

In addition, a variety of proposals on a global level, in particular those made by the Financial Stability Board and the Basel Committee on Banking Supervision, as well various regional or national entities are expected to have a significant impact on the way financial institutions will operate going forward. In the US the adopted Dodd-Frank Act will have a significant effect on the regulatory framework governing the US financial sector, as discussed further below. As various parts of the Dodd-Frank Act will require further rule making it is not yet possible to assess fully the impact the Dodd-Frank Act will have on financial institutions such as ING. The aggregated impact and possible interaction of these proposals is hard to determine, and it may be difficult to reconcile them where they are not aligned. The financial industry has not stood silent and has also taken initiatives by means of guidelines and forms of self regulation. A prime example of this is the Banking Code as established by the Dutch Bankers Association, which entails a set of principles on corporate governance, risk management, audit and remuneration that Dutch banks will have to apply on a comply or explain basis. In 2010 the Association of Dutch Insurers followed suit and developed their own Code reflecting similar topics. Work has also been done on many other topics including deposit guarantee schemes and cross border crisis and resolution management. The latter discussion could have a significant impact on business models and capital structure of financial groups.

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, 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.

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.

In the U.S., the Dodd-Frank Wall Street Reform and Consumer Protection Act, which became law on July 21, 2010, creates a new agency, the Financial Stability Oversight Council (FSOC), an inter-agency body that is responsible for monitoring the activities of the US financial system and recommending a framework for substantially increased regulation of systemically significant financial services firms (a Systemically Significant Company), including large, interconnected bank holding companies and systemically important nonbank financial companies that could consist of securities firms, insurance companies and other providers of financial services, including non-US companies. If ING or its US operations, or any part thereof, were designated as such a Systemically Significant Company, then ING and its subsidiaries would be supervised by the Federal Reserve Board and would be subject to heightened prudential standards, including minimum capital requirements, liquidity standards, short-term debt limits, credit exposure requirements, management interlock prohibitions, maintenance of resolution plans, stress testing, and restrictions on proprietary trading. Failure to meet the requisite measures of financial condition applicable to a Systemically Significant Company could result in requirements for a capital restoration plan or capital raising; management changes; asset sales; and limitations and restrictions on capital distributions, acquisitions, affiliate transactions and/or product offerings. We cannot predict whether ING or the US operations will be designated as a Systemically Significant Company. In addition, Dodd-Frank also imposes a number of other requirements, some of which may have a material impact on our operations and results, as discussed further under Item 3. Key Information Risk Factors We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business .

As discussed under Item 3. Key Information Risk Factors , as a large multinational financial institution we are subject to reputational and other risks in connection with regulatory and compliance matters involving such countries.

INSURANCE

Europe

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

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

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

The European Commission, jointly with Member States,is carrying out a fundamental review of the regulatory regime of the insurance industry; the Solvency II project. Solvency II will introduce economic risk-based solvency requirements across all EU Member States. These new solvency requirements will be more risk-sensitive and more sophisticated than in the past, thus enabling a better coverage of the real risks run by any particular insurer. Also, Solvency II will introduce new governance requirements and requirements relating to supervisory reporting and disclosure. The European Parliament adopted and approved the Solvency II directive (level 1 text) on April 22, 2009. As regards the level 2 text (interpretations by CEIOPS) and level 3 text (interpretations by local regulators/guidance), the work is steadily advancing. Member States are required to apply Solvency II from January 1, 2013

Americas

United States

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

ING Insurance s U.S. operations are subject to Risk Based Capital (RBC) guidelines which provide a method to measure the adjusted capital (statutory capital and surplus plus other adjustments) that insurance companies should maintain, taking into account the risk characteristics of the company s investments and products. The RBC guidelines are used by state insurance regulators as an early warning regulatory tool to identify possibly inadequately capitalized insurers which may need additional regulatory oversight. Each of the companies comprising ING Insurance s U.S. operations was above its target and statutory minimum RBC ratios at year-end 2009.

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

Although the U.S. federal government generally does not directly regulate the insurance business, many federal laws affect the insurance business in a variety of ways, including federal privacy legislation which requires safeguarding and confidentiality of customer information, federal tax laws relating to insurance and annuity product taxation, and the USA PATRIOT Act of 2001 requiring, among other things, the establishment of anti-money laundering monitoring programs. In addition, a number of the products issued by ING Group s U.S. insurance companies are regulated as securities under state and federal law. Finally, a variety of U.S. retirement savings products and services may be subject to Department of Labor regulation under the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Canada

In February 2009, ING sold its 70% stake in ING Canada through a private placement and concurrent public offering and thus no longer owns any interest in ING Canada, the largest provider of property and casualty insurance products and services in Canada. Our U.S. insurance businesses that are licensed in Canada are subject to regulation by the Office of the Superintendent of Financial Institutions (OSFI).

Mexico

ING s annuities, mandatory pension, leasing, mortgage and mutual fund businesses in Mexico are subject to general rules and detailed regulations under federal law and are supervised by the National Insurance and

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Bonding Commission (CNSF) in the case of annuities, the National Retirement Savings System Commission (CONSAR) in the case of mandatory pensions and the National Banking and Securities Commission (CNBV) in the case of mortgage, leasing and mutual funds. The main legal framework applicable to the afore mentioned businesses includes the Insurance Companies Law, the Insurance Contract Law, Retirement Savings Systems Law, Stock Market Law, Fund Management Law and regulations issued by the relevant regulators (CONSAR, CNSF and CNBV).
The Commerce Code, the Mercantile Companies Law, the Foreign Investment Law, Income Tax Laws and regulations issued by the Ministry of Finance are also applicable to these entities.
The Ministry of Finance has authority to grant or revoke licenses to conduct annuities, mandatory pensions, leasing, mortgage and mutual fund businesses in Mexico, and to prescribe rules on anti-money laundering. The regulators (CNSF, CONSAR, and CNBV), regulate ING business activities through inspection and ongoing supervision, and have issued regulations that provide specific rules for its operations, including capital requirements and reserves, financial information standards and reporting, corporate governance guidelines, investment rules, risk management and related party transactions. Insurance, pension, mortgage, leasing and mutual funds companies are also subject to a mandatory annual audit of their financial statements and tax reports by independent auditors.

Argentina

In May 2009, ING sold 100% of its stake in the insurance annuities business in Argentina.
ING is in the process of liquidating Nationale-Nederlanden Cía de Seguros de Vida (INGIA) a legacy company which is a branch of the Nationale-Nederlanden Life in Holland. In late 2004, ING sold the insurance portfolio of this company. Currently INGIA is winding down the entire business which is in the final stage of liquidation process.
Private pension fund businesses in Argentina were nationalized on December 9, 2008, pursuant to law 26.425. This law ordered all Private Pension Fund Managers (AFJP) to transfer the pension funds they then held to the ANSES (Administración Nacional de la Seguridad Social), the Argentine State social security system. As a result of the nationalization of the Argentine pension fund system, ANSES has taken over control of the private pension funds and ING s Argentine AFJP will ultimately be liquidated. During this liquidation process, the AFJP is regulated by the General Inspection of Justice (Inspección General de Justicia).

Peru

ING s mutual fund and pension businesses in Peru are subject to supervision at the federal level by the National Supervisory Commission of Entities and Securities (Comisión Nacional Supervisora de Empresas y Valores) and Superintendent of Banking, Insurance and Private Pension Fund Administrators (Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones*)*, respectively. Various laws and regulations including those related to capital maintenance, disclosure to clients with respect to client funds under administration, minimum investment yield, marketing activities and investment trading, safeguarding of confidential information, proper complaint handling, risk management, supervision of sales force activities, and anti-money laundering standards and procedures also apply.

Chile

ING s insurance business in Chile is subject to supervision by the Chilean Securities and Insurance Commission (SVS), the rules and directives issued by the SVS and the Insurance Law (Decree Law No. 251). The SVS is the authority that licenses and regulates insurers in Chile. Only Chilean corporations may operate an insurance business in Chile. The Insurance Law establishes requirements and regulations regarding the conduct of operations by insurance businesses, including rules regarding technical reserves, permitted investments and legal solvency requirements such as minimum solvency margins and limits on indebtedness.
ING s pension business in Chile is subject to supervision by the Chilean Superintendent of Pension (SP) (SP), regulations issued by the SP, Decree Law No. 3.500 of 1980 (DL 3.500) and by its regulation (Supreme Decree No. 57). The SP is the authority that licenses and regulates pension funds in Chile. According to DL 3.500, pension funds must be managed by corporations that are pension funds administrators (AFPs). The DL 3.500 regulates the structure of funds, investment limits, transactions with related parties, the transfer of pension members participations between AFPs, and other pension fund administrator rights and

obligations. AFPs are incorporated as stock corporations and ING s pension businesses are also subject to supervision by the Chilean Securities and Insurance Commission (SVS),
ING s mutual fund business in Chile is subject to supervision by the Chilean Securities and Insurance Commission (SVS), the rules and directives issued by the SVS, the Securities Exchange Law (Law No. 18.045), the Corporation Law (Law No. 18.046), the Mutual Funds Law (Decree Law No. 1325), the Mutual Funds Regulations (Supreme Decree No. 249) and the rules established in the relevant internal regulations, approved by SVS. The SVS is the authority that licenses and regulates mutual funds in Chile. Mutual Fund Companies are incorporated as stock corporations. The abovementioned regulation establishes requirements and regulations regarding the conduct of operations by mutual fund businesses, including rules regarding permitted investments and legal solvency requirements and restriction regarding funds ownership by the company.

Colombia

ING s pension business in Colombia is subject to Law 100 of 1993, Decree 656 of 1994, Law 797 of 2003, Law 860 of 2003 and Decree 3995 of 2008 which regulate the general regime of social security, including corporate requirements for incorporating a Pension and Severance Funds Administrator (PFA); Financial System Statute Decree 663 of 1993, which regulates the authorized activities, liabilities, obligations and minimum profitability of funds administered by PFAs; and External Circular No. 007 of 1996 of the Finance Superintendency. The Finance Superintendency is the authority that licenses and regulates PFAs. The Superintendency has the power to examine PFAs and request financial and operational information and to apply sanctions for failure to comply with applicable regulations.

Law 1328 of 2009 created Multifund for mandatory pensions fund and multi-portfolio for Severance pay fund. Multi-portfolio for Severance pay fund started applying on January 2010, and in December 2009 the Government issued the regulation regarding the administration commission, investment regimen and profitability limits. On the other hand, Multifunds for Mandatory Pensions will become effective starting September 2010. No regulation on this matter has been issued.

PFAs are required to have specialized personnel and technical capacity to properly manage pension funds. The requirements vary based on the nature and size of the pension funds managed. PFAs are also required to invest pension funds in accordance with rules established by the Finance Superintendency. PFAs must guarantee pension fund minimum returns, based on a methodology adopted by the Finance Superintendency. All institutions under Finance Superintendency supervision must also adopt anti-money laundering mechanisms.

Uruguay

ING Group s pension business in Uruguay is subject to the regulation of the Uruguay Central Bank (Banco Central del Uruguay) pursuant to Law 16.713, a Federal law which sets forth the creation of the private pension system (sistema previsional), requirements for incorporation of Administradora de Fondos de Ahorro Provisional (AFAP), capital, eligible investment and resources. Specific regulations such as decrees and official letters (circulares) issued by the Central Bank also deal with bank secrecy, anti-money laundering, sales and marketing training and supervision.

Asia/Pacific

While the insurance regulations in Asia Pacific vary from country to country, these regulations are designed to protect the interests of policyholders. Most jurisdictions in which ING operate have regulations governing solvency standards, capital and reserves level, permitted investments, business conduct, sales intermediaries licensing and sales practices, policy forms and, for certain lines of insurance, approval or filing of rates. In certain jurisdictions, regulations limit sales commissions and certain marketing expenses. In general, insurers are required to file detailed financial statements with their regulators. Regulators have power to conduct regular or specific examinations of the insurers operations and accounts and request for information from the insurers.

Japan

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

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

South Korea

ING Group s South Korean insurance companies are subject to supervision by the Financial Services Commission (FSC) and its executive arm, the Financial Supervisory Service (FSS). Another body, the Korean Insurance Development Institute (KIDI) established under the Insurance Business Law, calculates net insurance premium rates that insurance companies can apply and reports such premium rates to the FSC. The KIDI also confirms insurance companies methods of calculating insurance premiums and the liability reserve in relation to new products and revisions of existing products. Since April 2007, the FSS adopted the Risk Assessment and Application System to strengthen insurance risk management system of insurance companies.

Malaysia

ING Group s Malaysian insurance subsidiary is subject to the supervision of the Central Bank of Malaysia (BNM). Regulation of the Malaysian insurance industry covers licensing, policy development, administration and enforcement of the industry, actuarial function and consumer education and complaints handling. In addition, BNM introduced the Risk-Based Capital Framework for insurers with effect from January 1, 2009 to better align the regulatory capital requirements with the underlying risk exposure of each individual insurer.

BANKING

Basel II and European Union Standards as currently applied by ING Bank

DNB, our home supervisor, has given ING permission to use the most sophisticated approaches for solvency reporting under the Financial Supervision Act, the Dutch legislation reflecting the Basel II Framework. DNB has shared information with host regulators of relevant jurisdictions to come to a joint decision. In all jurisdictions where the bank operates through a separate legal entity, ING must meet local Basel requirements as well.

ING uses the Advanced IRB Approach for credit risk, an internal VaR model for its trading book exposures and the Advanced Measurement Approach for operational risk. During 2008 a Basel I regulatory floor of 90%, in 2009, 2010 and 2011 a floor of 80%, still applied. (A small number of portfolios are still reported under the Standardized Approach.

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

Americas

United States

ING Bank has a limited direct presence in the United States through the facility of the ING Bank Representative Office in New York. Although the office s activities are strictly limited to essentially that of a marketing agent of bank products and services and a facilitator (i.e. the office may not take deposits or execute any transactions), the office is subject to the regulation of the State of New York Banking Department and the Federal Reserve. ING Bank also has a subsidiary in the United States, ING Financial Holdings Corporation, which through several operating subsidiaries offers various financial products, including lending, and financial markets products. These entities do not accept deposits in the United States on their own behalf or on behalf of ING Bank NV.

Anti-Money Laundering Initiatives and countries subject to sanctions

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the USA PATRIOT Act) substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued a number of implementing

regulations, which apply various requirements of the USA PATRIOT Act to financial institutions such as our bank, insurance, broker-dealer and investment adviser subsidiaries and mutual funds advised or sponsored by our subsidiaries. Those regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. In addition, the bank regulatory agencies are imposing heightened standards, and law enforcement authorities have been taking a more active role. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputation consequences for the institution.

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, 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.

Canada

ING Bank of Canada (ING Direct Canada) is a federally regulated financial institution that is subject to the supervision of the Office of the Superintendent of Financial Institutions (OSFI), which is the primary supervisor of federally chartered financial institutions (including banks and insurance companies) and federally administered pension plans. Our regulators are closely monitoring the activities of financial institutions with a focus on ensuring the stability and integrity of the banking system, including issues such as: capital adequacy, consumer protection and transparency. In particular, legislation has been introduced to ensure plain language is used in disclosure for deposit and lending products. OSFI has communicated its expectations regarding capital management and planning for banks. The Federal government is also pushing for a national securities regulator that will simplify the regulatory regime for securities and facilitate capital entering into Canada. In addition, Canada maintains a robust anti-money laundering regime where financial institutions are required to know and monitor their customers and their transactions.

ING Direct Canada manufactures and sells mutual funds through its wholly-owned subsidiaries. ING Direct Asset Management Limited manages three index-based mutual funds exclusively sold by ING Direct Funds Limited, a registered mutual fund dealer. Both entities are principally regulated by the Ontario Securities Commission. The dealership is also a member of the Mutual Fund Dealers Association, a mandatory self-regulatory body, which governs and oversees the conduct of mutual fund dealers in Canada.

Asia/Pacific

Australia

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

BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES

Americas

United States

ING s broker-dealer entities in the United States are regulated by the Securities and Exchange Commission, the states in which they operate, and the Financial Industry Regulatory Authority (FINRA), the self-regulatory organization which succeeded to the regulatory functions of the National Association of Securities Dealers and the New York Stock Exchange. The primary governing statutes for such entities are the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and state statutes and regulations, as applicable. These and other laws, and the regulations promulgated there under, impose requirements (among others) regarding minimum net capital, safeguarding of customer assets, protection and use of material, non-public (inside) information, record-keeping requirements, supervision of employee activities, credit to customers, suitability determinations in the context of recommending transactions to customers, clearance and settlement procedures and anti-money laundering standards and procedures. The rules of FINRA in some respects duplicate the above-mentioned legal requirements, but also impose requirements specific to the marketplaces that FINRA oversees. For example, FINRA imposes requirements relating to activities by market-makers in the over-the-counter market in equity securities and requirements regarding transactions effected in its listed securities market.

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

Other federal laws affect ING s US financial services businesses in a variety of ways, including federal and state privacy legislation which requires safeguarding and confidentiality of customer information, federal tax laws, and the USA PATRIOT Act of 2001 requiring, among other things, the establishment of anti-money laundering monitoring programs. Certain sales and solicitation practices are also subject to US Department of Labor and state regulation and disclosure obligations as well.

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

Canada

As noted above, in February 2009, ING sold its 70% stake in ING Canada through a private placement and concurrent public offering and thus no longer owns any interest in ING Canada. As a result, ING also no longer owns an interest in the former ING Investment Management, Inc. (now called Intact Investment Management).

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COMPETITION

ING is involved in insurance, retail and wholesale banking, and other products and services across more than 40 countries. The mature markets of the Netherlands, Belgium, the Rest of Europe, North America and Australia are characterised by a high degree of competition. As financial institutions from mature markets have increasingly established themselves in developing markets, competition in these markets has increased too. In some cases ING and its competitors have sought to form alliances, mergers or strategic relationships with local institutions, which are rapidly becoming more sophisticated and competitive.

During the financial crisis, governments around the globe have undertaken exceptional measures to support financial institutions. ING s management feels that these measures were important and necessary steps to restore confidence and bring stability and certainty to the financial system. ING itself entered into two transactions with the Dutch State: on the issuance of EUR 10 billion of core Tier 1 securities to the Dutch State (October 2008) and an Illiquid-Assets Back-up Facility (January 2009) with respect to 80% of ING s Alt-A residential mortgage backed securities.

Under European state-aid rules, all state-supported financial institutions need to demonstrate their long-term viability and take actions to prevent undue distortions of competition. As a result, and parallel to the introduction and implementation of the Back to Basics programme, ING was also required to develop and submit a restructuring plan to the EC. The negotiations with the EC on the Restructuring Plan have acted as a catalyst to accelerate the separation of our banking and insurance operations, and thereby eliminate our double leverage.

However, ING has had to accept a number of commitments to obtain the EC s approval for transactions with the Dutch State. One of these involves the divestment of ING Direct US. Also as part of the Restructuring Plan, a new company is being created in the Dutch retail market out of part of our current operations, by combining the Interadvies banking division (including Westland Utrecht and the mortgage activities of Nationale-Nederlanden) and the existing consumer lending portfolio of ING Retail. Furthermore, ING must refrain from being a price leader within the EU for certain retail and SME banking products, and must refrain from acquisitions of financial institutions that might slow down the repayment of the core Tier 1 securities.

In January 2010, ING lodged an appeal with the General Court of the European Union against specific elements of the European Commission s decision on ING s restructuring plan, which the Dutch State submitted to the EC in October 2009. ING has requested the Court to annul the decision of the European Commission, insofar as it qualifies the amendment to the core Tier 1 securities (that is the agreement between ING and the Dutch State to reduce the repayment premium for the first EUR 5 billion tranche of core Tier 1 securities) as additional State aid (of EUR 2 billion), requires price leadership bans and/or imposes disproportional restructuring measures. In parallel with ING s decision to lodge an appeal with the General Court, the Dutch state also lodged an appeal with the General Court to contest the core Tier 1 amendment.

ING believes it is in the interest of all its stakeholders to use the opportunities provided by law to let the General Court review these elements of the EC s decision. However, the appeal does not alter ING s commitment to execute its restructuring plan as announced on October 26, 2009 and stands firmly behind its strategic decision to separate its banking and insurance operations and divest the latter. A Court decision is expected in 2011.

In the long run, competition in the financial services industry in both mature and developing markets will continue to be based on factors like brand recognition, scope of distribution systems, customer service, products offered, financial strength, price and, in the case of investment-linked insurance products and asset management services, investment performance. Management believes that over the coming years (i.e. throughout the entire restructuring process) ING s major competitors will be the leading global European, American and Asian commercial banks, insurance companies, asset management and other financial-services companies.

RATINGS

We rely upon the short-term and long-term debt capital markets for funding, and the cost and availability of debt financing is significantly influenced by our credit ratings. Credit ratings are also important when we are competing in certain markets.

ING Groep N.V. s long-term senior debt is rated A (with a stable outlook) by Standard & Poor s Ratings Service (Standard & Poor s), a division of the McGraw-Hill Companies, Inc. ING Groep N.V. s long-term senior debt is rated A1 (with a stable outlook) by Moody s Investors Service (Moody s). ING Groep N.V. s long term senior debt is rated (with a stable outlook) by Fitch Ratings (Fitch).

ING Verzekeringen N.V. s long-term senior debt is rated A- (with a negative outlook) by Standard & Poor s and Baa1 (with a negative outlook) by Moody s. Fitch rated ING Verzekeringen N.V. s long-term senior debt A- (with a negative outlook).

ING Bank N.V. s long-term senior debt held a A+ (with a stable outlook) rating by Standard & Poor s. Moody s rated ING Bank N.V. s long-term senior debt at Aa3 (with a stable outlook). Finally, ING Bank N.V. s long-term senior debt was rated A+ (with a stable outlook) by Fitch Ratings, Ltd.

ING Verzekeringen N.V. s short-term senior debt is rated A-2 by Standard & Poor s and Prime-2 (P-2) by Moody s. ING Verzekeringen held a F2 rating by Fitch.

ING Bank N.V. s short-term senior debt held a rating of A-1 by Standard & Poor s and Prime-1 (P-1) by Moody s. Fitch rated ING Bank N.V. s short-term senior debt F1+ .

All ratings are provided as of March 15, 2010, and are still current at date of filing.

DESCRIPTION OF PROPERTY

ING predominantly leases the land and buildings used in the normal course of its business. In addition, ING has part of its investment portfolio invested in land and buildings. Management believes that ING s facilities are adequate for its present needs in all material respects.

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Item 5. Operating and financial review and prospects

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

FACTORS AFFECTING RESULTS OF OPERATIONS

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

General market conditions

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

In addition, conditions in the non-life insurance markets in which ING Insurance operates are cyclical, and characterized by periods of price competition, fluctuations in underwriting results, and the occurrence of unpredictable weather-related and other losses.

Fluctuations in equity markets

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

Fluctuations in interest rates

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

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

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Fluctuations in exchange rates

ING Group is exposed to fluctuations in exchange rates. Our management of exchange rate sensitivity affects the results of our operations both through the trading activities for our own account and because that we prepare and publish our consolidated financial statements in euros. Because a substantial portion of our income and expenses are denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. dollar,the Canadian dollar, the Pound sterling, the Polish zloty, the Australian dollar, the Japanses yen, the Korean won and the Turkish lira into euros will impact our reported results of operations and cash flows from year to year. This exposure is mitigated by the fact that realized results in non-Euro currencies are translated into euro by monthly hedging. See Note 24 of Note 2.1 to the consolidated financial statements for a description of our hedging activities with respect to foreign currencies. Fluctuations in exchange rates will also impact the value (denominated in euro) of our investments in our non-Euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of our non-euro reporting subsidiaries are generally denominated in the same currencies. The translation risk is managed taking into account the effect of translation results on the core Tier-1 ratio.

The weakening of the euro against most currencies during 2010 had a positive impact of EUR 88 million on (underlying) net result. In 2009 and 2008 exchange rates influenced net result, respectively, by EUR 184 million positively and EUR 163 million negatively.

For the years 2010, 2009 and 2008, the year-end exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for balance sheet items not denominated in euros) and the average quarterly exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for income statement items and cash flows not denominated in euros) were as follows for the currencies specified below:

	Average			
	4Q 2008	**3Q 2008**	**2Q 2008**	**1Q 2008**
U.S. dollar	1.345	1.511	1.566	1.514
Australian dollar	1.922	1.694	1.664	1.674
Canadian dollar	1.590	1.559	1.579	1.509
Pound sterling	0.844	0.796	0.792	0.761
Japanese yen	130.787	161.518	162.530	159.662
South Korean won	1,748.405	1,640.581	1,589.017	1,438.373
Turkish lira	1.995	1.825	1.973	1.838
Polish zloty	3.741	3.327	3.425	3.566

	4Q 2009	**3Q 2009**	**2Q 2009**	**1Q 2009**
U.S. dollar	1.473	1.431	1.371	1.319
Australian dollar	1.634	1.702	1.810	1.985
Canadian dollar	1.567	1.575	1.608	1.641
Pound sterling	0.902	0.874	0.888	0.919
Japanese yen	132.199	133.816	133.099	124.067
South Korean won	1,723.971	1,761.229	1,775.507	1,829.427
Turkish lira	2.210	2.144	2.169	2.160
Polish zloty	4.179	4.235	4.506	4.509

	4Q 2010	**3Q 2010**	**2Q 2010**	**1Q 2010**
U.S. dollar	1.347	1.290	1.285	1.386
Australian dollar	1.376	1.431	1.450	1.541

Canadian dollar	1.371	1.347	1.322	1.452
Pound sterling	0.857	0.834	0.856	0.884
Japanese yen	110.883	110.502	118.316	126.568
South Korean won	1,531.253	1,530.355	1,495.789	1,600.933
Turkish lira	2.000	1.957	1.976	2.097
Polish zloty	3.999	4.034	3.996	3.997

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	Year-end		
	2010	2009	2008
U.S. dollar	1.338	1.440	1.396
Australian dollar	1.314	1.602	2.026
Canadian dollar	1.334	1.514	1.710
Pound sterling	0.862	0.889	0.956
Japanese yen	108.745	133.057	126.354
South Korean won	1,500.388	1,679.614	1,758.273
Turkish lira	2.067	2.157	2.143
Polish zloty	3.959	4.106	4.175

Financial environment

2010 was a year marked by continued external challenges. Although economic conditions broadly improved, risks remained significant due to eurozone sovereign risk fears and a continued weak performance of the US economy. The financial sector was also confronted with proposed changes in the regulatory environment, as authorities launched proposals to increase capital, liquidity and risk requirements for banks and insurers. For details regarding the impact of the credit and liquidity crisis on ING s assets and results, see section Risk Management in Note 2.2.1 to the consolidated financial statements.

Critical Accounting Policies

See Note 2.1 to the consolidated financial statements.

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CONSOLIDATED RESULTS OF OPERATIONS

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

While these excluded items are significant components in understanding and assessing the Group s consolidated financial performance, ING Group believes that the presentation of underlying result before tax enhances the understanding and comparability of its segment performance by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. For example, we believe that trends in the underlying profitability of our segments can be more clearly identified without the effects of the realized gains/losses on divestitures as the timing is largely subject to the Company s discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Underlying result before tax is not a substitute for result before tax as determined in accordance with IFRS-IASB. ING Group s definition of underlying result before tax may differ from those used by other companies and may change over time. For further information on underlying result before tax as well as the reconciliation of our segment underlying result before tax to our result before taxation see Item 5. Operating and Financial Review and Prospects Segment Reporting and Note 51 of Note 2.1 to the consolidated financial statements. The following table sets forth the consolidated results of the operations of ING Group and its banking and insurance operations for the years ended December 31, 2010 and 2009:

	Banking		**Insurance**		**Eliminations[3)]**		**Total**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
				(EUR millions)				
Premium income			27,947	30,492			27,947	30,492
Interest result banking operations	13,416	12,539			93	164	13,323	12,375
Commission income	2,633	2,656	1,945	1,953			4,578	4,609
Investment and Other income	1,090	(3,558)	7,597	3,363	243	172	8,444	(367)
Total income	**17,139**	**11,637**	**37,488**	**35,808**	**336**	**336**	**54,292**	**47,109**
Underwriting expenditure			32,765	30,984			32,765	30,984
Other interest expenses			1,128	1,052	336	336	792	716
Operating expenses (4)	10,153	10,158	4,341	4,387			14,494	14,545
Addition to loan loss provision	1,751	2,973					1,751	2,973
Other			607	72			607	72
Total expenditure	**11,904**	**13,131**	**38,841**	**36,495**	**336**	**336**	**50,410**	**49,291**

Result before tax	**5,235**	**(1,494)**	**(1,353)**	**(687)**	**3,882**	**(2,181)**
Taxation	1,215	(556)	(215)	(83)	1,000	(639)
Minority interests	80	(141)	25	23	105	(118)
Net result	**3,939**	**(797)**	**(1,164)**	**(627)**	**2,777**	**(1,423)**
Result before tax	**5,235**	**(1,494)**	**(1,353)**	**(687)**	**3,882**	**(2,181)**
Gains/losses on divestments[1]	(389)		(9)	(63)	(398)	(63)
Result divested units	(35)	473	15	(48)	(20)	425
Special items [2]	456	1,727	829	594	1,285	2,321
Underlying result before tax	**5,267**	**705**	**(519)**	**(202)**	**4,749**	**502**

(1) Divestments Bank: sale Private Banking Swiss (EUR (69) million, 2010), sale Private Banking Asia (EUR (346) million, 2010), sale Summit Canada (EUR 26 million, 2010). Divestments Insurance: sale joint-venture Brasil (EUR (22) million, 2010) sale Industry Pension Funds (EUR (5) million, 2010, EUR 160 million, 2009), sale Greece Non-life (EUR 5 million, 2010, EUR (6) million, 2009), sale of Canada (EUR 38 million, 2009), sale of Argentina (EUR 7 million, 2009), sale of Australia (EUR (337) million, 2009), sale US (EUR 14 million, 2010, EUR 42 million, 2009), sale of Russia (EUR 2 million, 2009), sale of Chile Health/Annuities (EUR 23 million, 2009), sale of Mexico (EUR (2) million, 2009), sale Taiwan (EUR (1) million, 2009).

(2) Special items Bank: separation costs ING (EUR 58 million, 2010), Retail Netherlands strategy (EUR 242 million, 2010, EUR 222 million, 2009), not launching ING Direct Japan (EUR 39 million, 2009), transaction result on Alt-A portfolio (EUR (69) million, 2009), additional IABF payments (EUR 1,104 million, 2009), restructuring provisions (EUR 156 million, 2010, EUR 430 million, 2009). Special items Insurance: goodwill impairment US (EUR 537 million, 2010), restructuring provisions (EUR 292 million, 2010, EUR 331 million, 2009), transaction result on Alt-A portfolio (EUR 118 million, 2009), additional IABF payments (EUR 146 million, 2009).

(3) After elimination of certain intercompany transactions between the banking operations and the insurance operations.

(4) Including Intangibles amortisation and impairments banking operations.

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The following table sets forth the consolidated results of the operations of ING Group and its banking and insurance operations for the years ended December 31, 2009 and 2008:

	Banking		Insurance		Eliminations[3)]		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Premium income			30,492	43,812			30,492	43,812
Interest result banking operations	12,539	11,082			167	43	12,375	11,039
Commission income	2,656	2,820	1,953	2,139			4,609	4,959
Investment and Other income	(3,558)	(5,950)	3,363	8,970	169	248	(367)	2,772
Total income	**11,637**	**7,953**	**35,808**	**54,921**	**336**	**291**	**47,109**	**62,583**
Underwriting expenditure			30,984	49,485			30,984	49,485
Interest expenses			1,052	1,269	336	291	716	978
Operating expenses [(4)]	10,158	10,276	4,387	5,449			14,545	15,725
Addition to loan loss provision	2,973	1,280					3,045	1,590
Other			72	310				
Total expenditure	**13,131**	**11,556**	**36,495**	**56,513**	**336**	**291**	**49,291**	**67,778**
Result before tax	**(1,494)**	**(3,604)**	**(687)**	**(1,592)**			**(2,181)**	**(5,196)**
Taxation	(556)	(1,194)	(83)	(472)			(639)	(1,667)
Minority interests	(141)	(69)	23	31			(118)	(38)
Net result	**(797)**	**(2,341)**	**(627)**	**(1,151)**			**(1,423)**	**(3,492)**
Result before tax	**(1,494)**	**(3,604)**	**(687)**	**(1,592)**			**(2,181)**	**(5,196)**
Gains/losses on divestments[(1)]			(63)	(8)			(63)	(8)
Result divested units	473	187	(48)	152			425	339
Special items	1,727	301	594	93			2,321	394
Underlying result before tax	**705**	**(3,115)**	**(202)**	**(1,356)**			**502**	**(4,470)**

(1) Divestments Insurance: sale Industry Pension Funds (EUR 160 million, 2009), sale Greece Non-life (EUR 6 million, 2009), sale of Canada (EUR 38 million, 2009), sale of Argentina (EUR 7 million, 2009), sale of Australia (EUR (337) million, 2009), sale US (EUR 42 million, 2009), sale of Russia (EUR 2 million, 2009), sale

of Chile Health/Annuities (EUR 23 million, 2009, EUR 55 million in 2008), sale of Mexico (EUR (2) million, 2009, EUR 182 million, 2008), sale Taiwan (EUR (1) million, 2009, EUR (214) million, 2008), sale NRG (EUR (15) million, 2008).

(2) Special items Banking: Retail Netherlands strategy (EUR 222 million, 2009, EUR 271 million, 2008), not launching ING Direct Japan (EUR 39 million, 2009, EUR 30 million, 2008), transaction result on Alt-A portfolio (EUR (69) million, 2009), additional IABF payments (EUR 1,104 million, 2009), restructuring provisions (EUR 430 million, 2009) Special items Insurance: restructuring provisions (EUR 331 million, 2009, EUR 93 million, 2008), transaction result on Alt-A portfolio (EUR 118 million, 2009), additional IABF payments (EUR 146 million, 2009).

(3) After elimination of certain intercompany transactions between the banking operations and the insurance operations.

(4) Including Intangibles amortisation and impairments banking operations.

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GROUP OVERVIEW

Year ended December 31, 2010 compared to year ended December 31, 2009

Although macro-economic conditions in 2010 broadly improved, risks remained significant due to eurozone sovereign risk fears and a continued weak performance of the US economy. Nevertheless, ING Group s results showed a strong improvement compared with previous year. Total result before tax increased by EUR 6,063 million from a loss of EUR (2,181) million in 2009 to a profit of EUR 3,882 million in 2010 and total underlying result before tax increased by EUR 4,247 million from EUR 502 million in 2009 to a profit of EUR 4,749 million in 2010. The increase in total result before tax is also impacted by divestments which resulted in a gain of EUR 398 million and EUR 63 million for 2010 and 2009, respectively, and special items in 2010 and 2009 influenced result before tax negatively by EUR 1,285 million and EUR 2,321 million, respectively.

Net result increased by EUR 4,200 million from a loss of EUR (1,423) million in 2009 to a profit of EUR 2,777million in 2010. This lower net profit increase, compared with the increase in result before tax, was due to higher taxation due to the reversal of losses in profit, which resulted in a change in taxation from EUR (639) million in 2009 to EUR 1,000 million in 2010.

Basic earnings per share increased to EUR 0.62 in 2010 from EUR (0.75) in 2009.

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital (see the discussion under Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources ING Group Consolidated Cash Flows), which differs from total equity attributable to equity holders of the Company. Adjusted equity includes core Tier-1 securities, hybrid capital and prudential filters. Adjusted equity also excludes the difference between IFRS-EU and IFRS-IASB, as capital ratios are based on IFRS-EU as primary accounting basis, which is also the basis for statutory and regulatory reporting. On this basis, the debt/equity ratio of ING Group increased to 13.3% in 2010 compared with 12.4% in 2009, reflecting the conversion of EUR 1.5 billion of hybrid debt securities from ING Group into equity in ING Verzekeringen NV. The Insurance Groups Directive ratio of ING Verzekeringen N.V. decreased to 250% of E.U. regulatory requirements at the end of 2010, compared with 247% at the end of 2009, as the required capital increased more than the Insurance Group Directive capital. The Tier 1 ratio of ING Bank N.V. stood at 12.2% at the end of 2010, up from 10.2% (both based on Basel II risk weighted assets) at the end of 2009, well above the 10% target. Tier 1 capital increased from EUR 34 billion to EUR 39 billion. This was driven by profits and a positive exchange rate impact. Risk weighted assets dropped from EUR 332.4 billion on December 31, 2009 to EUR 321.1 billion on December 31, 2010. More information on capital ratio s can be found in the Capital Management section of Note 2.2.2 to the consolidated financial statements.

BANKING OPERATIONS

Income

Total income from banking increased 47.3%, or EUR 5,502 million, to EUR 17,139 million in 2010 from EUR 11,637 million in 2009. This increase was largely attributable to a strong improvement of investment income, and other income as the negative effects from the US housing market and property markets became less severe, combined with higher interest results.

The net interest result increased by EUR 877 million, or 7.0%, to EUR 13,416 million in 2010 from EUR 12,539 million in 2009, driven by an improvement of the interest margin. The interest margin in 2010 was 1.42%, an increase of 10 basis points from 1.32% in 2009, mainly due to higher margins on savings and mortgages in Retail Netherlands and ING Direct and on the General Lending and Structured Finance activities within Commercial Banking.

Commission income decreased 0.9%, or EUR 23 million, to EUR 2,633 million in 2010 from EUR 2,656 million in 2009. The decrease in commission income was driven by the divestment of the Private Banking activities in Switzerland and Asia at the beginning of 2010 and the Summit portfolio in Canada in the fourth quarter. Excluding these divestments, commission income rose 3.6% driven principally by higher Structured Finance fees

Investment income improved by EUR 3,620 million from a loss of EUR 2,860 million in 2009 to a profit of EUR 760 million in 2010, which included a EUR 381 million gain on the sale of the Private Banking activities in Switzerland and Asia, and the Summit portfolio in Canada. Realized results on debt securities (including

impairments) improved to EUR 4 million in 2010 from a loss of EUR 2,436 million in 2009. This strong improvement was mainly driven by lower impairments on the Alt-A RMBS portfolio in the US, while 2009 included a one-time charge of EUR 1,104 million before tax related to an accrual of additional payments for the IABF. Fair value changes on real estate investments improved by EUR 540 million to EUR (50) million in 2010, supported by the signs of stabilization in the property markets. Realized result on equity securities improved from EUR (25) million in 2009 to EUR 306 million in 2010, which included EUR 295 million of capital gains on the sale of two Asian equity positions. Next to this, rental income decreased by EUR 32 million.

Other income improved by EUR 1,028 million to EUR 330 million in 2010 from EUR (698) million in 2009. Net trading income increased EUR 314 million from EUR 803 million in 2009 to EUR 1,117 million in 2010. Valuation results from non-trading derivatives, for which hedge accounting is not applied under IFRS-IASB, improved by EUR 335 million to EUR (1,237) million in 2010. The share of profit from associates improved by EUR 492 million to EUR 104 million, mainly due to associates at ING Real Estate. This was in part offset by a decrease of EUR 112 million in other revenues to EUR 346 million in 2010.

Expenses

Total operating expenses decreased by EUR 5 million, to EUR 10,153 million in 2010 from EUR 10,158 million in 2009. In 2010, special items reported under expenses amounted to EUR 456 million, including EUR 242 million in provisions and costs related to the Retail Netherlands strategy (combining ING Bank and Postbank), EUR 156 million in provisions and costs for other restructuring and IT decommissioning and EUR 58 million of costs related to the separation of Banking and Insurance. In 2009, special items were EUR 725 million, including EUR 222 million in provisions and costs related to the Retail Netherlands Strategy and EUR 503 million in provisions and costs for restructurings (including EUR 31 million for not launching ING Direct Japan). Excluding these special items and the impact of the divested units, total operating expenses increased by EUR 422 million, or 4.6%, reflecting higher staff costs, increased marketing expenses and deposit guarantee costs as well as higher IT project costs.

The addition to the provision for loan losses

The total addition to the provision for loan losses in 2010 was EUR 1,751 million compared to EUR 2,973 million in 2009, a decrease of 41.1% or EUR 1,222 million. The decline was mainly driven by lower net additions at ING Direct (reflecting signs of stabilization in the US housing markets), ING Real Estate and in the Structured Finance and General Lending activities of Commercial Banking. As a percentage of average risk-weighted assets, the addition to the provision for loan losses in 2010 was 52 basis points compared with 87 basis points in 2009.

Result before tax and net result

Total result before tax improved by EUR 6,729 million, to EUR 5,235 million in 2010 from EUR (1,494) million in 2009. Special items (amongst others provisions and costs related to the Retail Netherlands Strategy, other restructuring and IT decommissioning) had in 2010 a negative impact of EUR 456 million on result before tax. The divestment of the Private Banking activities in Switzerland and Asia and the Summit portfolio in Canada resulted in a profit before tax of EUR 389 million in 2010, next to EUR 35 million of operational results on these divested units. In 2009, special items had a negative impact of EUR 1,727 million on the result before tax, while the divested units reported a loss of EUR 473 million.

Net result from banking improved by EUR 4,736 million from EUR (797) million in 2009 to EUR 3,939 million in 2010. The effective tax rate for ING s banking operations decreased from 37.2% in 2009 to 23.2% in 2010. The net result also included EUR 80 million of minority interests, mainly related to ING Real Estate, compared with EUR (141) million in 2009.

Underlying result before tax

Excluding special items and divestments, ING s banking operations showed an increase in underlying result before tax of EUR 4,562 million from EUR 705 million in 2009 to EUR 5,267 million in 2010.

INSURANCE OPERATIONS

Income

Total premium income decreased by 8.3%, or EUR 2,545 million from EUR 30,492 million in 2009 to EUR 27,947 million in 2010. Life premiums decreased 8.8%, or EUR 2,514 million from EUR 28,720 million in 2009 to EUR 26,206 million in 2010 largely driven by EUR 1,706 million lower premium income in US Closed Block VA and EUR 527 million lower premium income in Insurance Benelux. In addition, divestments in 2009 of the Chile Annuity business and the life insurance and wealth management businesses in Australia and New Zealand resulted in a further decrease in premium income of EUR 83 million and EUR 230 million respectively. Non-life premiums decreased 1.7%, or EUR 31 million from EUR 1,772 million in 2009 to EUR 1,741 million in 2010. Investment and other income increased by 125.9%, or EUR 4,234 million, to EUR 7,597 million in 2010, driven by EUR 1,202 million lower investment losses in US Closed Block VA and EUR 911 million higher investment income in Benelux.

Underwriting Expenditure

Underwriting expenditure increased by EUR 1,781 million, or 5.7% from EUR 30,984 million in 2009 to EUR 32,765 million in 2010. The underwriting expenditure of the life insurance operations increased by EUR 1,732 million, or 5.8%, partly due to the unlocking and write down of DAC in the US Closed Block VA in 2010 for a total amount of EUR 1,459 million.

Expenses

Operating expenses from the insurance operations decreased 1.0%, or EUR 46 million to EUR 4,341 million in 2010, from EUR 4,387 million in 2009.

Result before tax and net result

Total result before tax of Insurance decreased by EUR 666 million, to a loss of EUR 1,353 million in 2010 from a loss of EUR 687 million in 2009. The impact of divestments amounted to EUR 9 million in 2010 and EUR 63 million in 2009. Divested units contributed a loss of EUR 15 million before tax in 2010 and a profit of EUR 48 million to result before tax in 2009. Special items had a negative impact of EUR 829 million in 2010 compared to a loss of EUR 594 million in 2009. The net result from Insurance decreased EUR 537 million to a loss of EUR 1,164 million in 2010 from a loss of EUR 627 million in 2009.

Underlying result before tax

The underlying result before tax (excluding the impact of divestments and special items) decreased EUR 317 million to a loss of EUR 519 million in 2010 from a loss of EUR 202 in 2009. The underlying result before tax from life insurance decreased EUR 350 million to a loss of EUR 842 million from a loss of EUR 492 million in 2009. Underlying result before tax from non-life insurance increased 11.7%, or EUR 34 million, to EUR 324 million from EUR 290 million in 2009.

GROUP OVERVIEW

Year ended December 31, 2009 compared to year ended December 31, 2008

Total result before tax increased by EUR 3,015 million from a loss of EUR (5,196) million in 2008 to a loss of EUR (2,181) million in 2009 and total underlying result before tax increased by EUR 4,977 million from EUR (4,475) million in 2008 to a profit of EUR 502 million in 2009. Throughout the year, market conditions remained challenging, but the second half of 2009 also brought the first signs of recovery leading to reduced losses in the banking operations as well a the insurance operations, although both still showed negative results but improved considerably compared to last year. The increase in total result before tax is also impacted by divestments which resulted in a gain of EUR 63 million and EUR 8 million for 2009 and 2008, respectively, and special items in 2009 and 2008 influenced result before tax negatively by EUR 2,321 million and EUR 394 million, respectively.

Net result increased by EUR 2,069 million from a loss of EUR (3,492) million in 2008 to a loss of EUR (1,423) million in 2009. This lower loss compared with the increase in result before tax was due to reduced taxation caused by lesser losses , which resulted in a change in taxation from EUR (1,667) million in 2008 to EUR (639) million in 2009. Basic earnings per share increased to EUR (0.75) in 2009 from EUR (1.31) in 2008.

Capital Ratios

ING calculates certain capital ratios on the basis of adjusted capital (see the discussion under Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources ING Group Consolidated Cash Flows), which differs from total equity attributable to equity holders of the Company. Adjusted equity includes core Tier-1 securities, hybrid capital and prudential filters. Adjusted equity also excludes the difference between IFRS-EU and IFRS-IASB, as capital ratios are based on IFRS-EU as primary accounting basis, which is also the basis for statutory and regulatory reporting. On this basis, the debt/equity ratio of ING Group decreased to 12.4% in 2009 compared with 13.5% in 2008, benefiting from the EUR 7.5 billion rights issue and improving revaluation reserves, partly offset by the repayment of half of the core Tier 1 securities. The capital coverage ratio of ING Verzekeringen N.V. increased to 270% of E.U. regulatory requirements at the end of 2009, compared with 256% at the end of 2008, as the required capital decreased more than the available capital ((9%) vs. (4%)). The Tier 1 ratio of ING Bank N.V. stood at 10.2% at the end of 2009, up from 9.3% (both based on Basel II risk weighted assets) at the end of 2008, well above the 9% target. Tier 1 capital increased from EUR 32 billion to EUR 34 billion. Roughly half of this was due to profits and a positive exchange rate impact and roughly half to an increase of hybrid capital from ING Group originally on-lent to ING Insurance, but since December on-lent to ING Bank. Risk weighted assets dropped from EUR 343.4 billion on December 31, 2008 to EUR 332.4 billion on December 31, 2009. More information on capital ratio s can be found in the Capital Management section of Note 2.2.2 to the consolidated financial statements.

BANKING OPERATIONS

Income

Total income from banking increased 46.3%, or EUR 3,684 million, to EUR 11,637 million in 2009 from EUR 7,953 million in 2008. This increase was largely attributable to the strong improvement in valuation results from non-trading derivatives and net trading income as well as higher interest results. These developments were partly offset by lower investment income and commission income.

The net interest result increased by EUR 1,457 million, or 13.1%, to EUR 12,539 million in 2009 from EUR 11,082 million in 2008, driven by higher interest results in all business lines, but especially in Commercial Banking and ING Direct. The interest margin in 2009 was 1.32%, an increase from 1.07% in 2008, supported by the de-leveraging of the balance sheet and due to higher margins in Commercial Banking (especially General Lending) and ING Direct (particularly influenced by lower central bank rates across the globe).

Commission income decreased 5.8%, or EUR 164 million, to EUR 2,656 million in 2009 from EUR 2,820 million in 2008. The decrease in commission income was primarily driven by EUR 151 million lower management fees (especially at ING Belgium and ING Real Estate). Fees from funds transfer decreased by EUR 45 million, but brokerage and advisory fees and insurance broking fees increased by EUR 22 million and EUR 9 million, respectively.

Investment income decreased by EUR 401 million to a loss of EUR 2,860 million in 2009 from a loss of EUR 2,459 million in 2008. Realized results on debt securities (including impairments) decreased from EUR (2,087) million in 2008 to EUR (2,436) million in 2009, which included a one-time charge of EUR 1,104 million before tax, related to an accrual of additional payments for the IABF as part of the overall agreement with the European Commission announced in October 2009. Fair value changes on real estate investments were EUR (589) million in 2009 compared with EUR (350) million in 2008. Realized results on equity securities (including impairments) improved by EUR 277 million to a loss of EUR 25 million in 2009 from a loss of EUR 302 million in 2008. Next to this, rental income decreased by EUR 38 million and dividend income dropped EUR 30 million.

Other income improved by EUR 2,793 million to EUR (698) million in 2009 from EUR (3,491) million in 2008. Net trading income increased EUR 1,208 million from a loss of EUR 405 million in 2008 to a profit of EUR 803 million in 2009. Valuation results from non-trading derivatives, for which hedge accounting is not applied under IFRS-IASB, improved by EUR 1,805 million to EUR (1,572) million in 2009. This was partly offset by a decrease of EUR 177 million of the share of profit from associates, mainly due to associates at ING Real Estate, and a decrease of EUR 42 million in other revenues, including lower income from operating lease.

Expenses

Total operating expenses decreased by EUR 118 million, or 1.1%, to EUR 10,158 million in 2009 from EUR 10,276 million in 2008. In 2009, special items reported under expenses amounted to EUR 725 million, including EUR 222 million in provisions and costs related to the Retail Netherlands strategy (combining ING Bank and Postbank), EUR 81 million in provisions and costs for other restructuring at Retail Netherlands, EUR 58 million at Retail Belgium, EUR 58 million at ING Direct (including EUR 31 million for not launching ING Direct Japan), EUR 27 million at Retail Central Europe and Asia, EUR 272 million at Commercial Banking and EUR 7 million on the Corporate Line. In 2008, special items were EUR 271 million in provisions and costs related to the Retail Netherlands Strategy and EUR 30 million impairment costs of not launching ING Direct Japan. Excluding these special items, total operating expenses decreased by EUR 542 million, or 5.4%, driven by the cost containment initiatives as part of the

Back to Basics program and despite higher impairments on real estate development projects, increased deposit insurance premiums at ING Direct and the provision taken for the deposits guarantee scheme in the Netherlands following the bankruptcy of DSB Bank.

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The addition to the provision for loan losses

The total addition to the provision for loan losses in 2009 was EUR 2,973 million compared to EUR 1,280 million in 2008, an increase of 132.3% or EUR 1,694 million. Commercial Banking showed an increase by EUR 614 million, from EUR 596 million in 2008 to EUR 1,210 million in 2009, Retail Banking (excluding ING Direct) showed an increase by EUR 597 million, from EUR 401 million in 2008 to EUR 998 million in 2009, and ING Direct showed an increase by EUR 482 million, from EUR 283 million in 2008 to EUR 765 million in 2009. As a percentage of average risk-weighted assets, the addition to the provision for loan losses in 2009 was 87 basis points compared with 40 basis points in 2008.

Result before tax and net result

Total result before tax improved by EUR 2,110 million, to EUR (1,494) million in 2009 from EUR (3,604) million in 2008. Special items (amongst others the accrual of additional payments for the IABF-deal, the provisions and costs related to the Retail Netherlands Strategy and several restructuring provisions) and divested units had in 2009 a negative impact of EUR 2,200 million on result before tax. In 2008, these items had a negative impact of EUR 488 million on result before tax.

Net result from banking improved by EUR 1,544 million from EUR (2,341) million in 2008 to EUR (797) million in 2009. The effective tax rate for ING s banking operations increased from 33.1% in 2008 to 37.2% in 2009. The net result also included EUR (141) million of minority interests, mainly related to ING Real Estate, compared with EUR (69) million in 2008.

Underlying result before tax

Excluding special items and divestments, ING s banking operations showed an increase in underlying result before tax of EUR 3,820 million from a loss of EUR 3,115 million in 2008 to a profit of EUR 705 million in 2009.

INSURANCE OPERATIONS

Income

Total premium income decreased 30.4%, or EUR 13,320 million from EUR 43,812 million in 2008 to EUR 30,492 million in 2009. Life premiums decreased 26.1%, or EUR 10,149 million from EUR 38,869 million in 2008 to EUR 28,720 million in 2009. The decline reflects the lower sales of investment-oriented products in the US, Japan and Central Europe. Non-life premiums decreased 64.2%, or EUR 3,171 million from EUR 4,943 million in 2008 to EUR 1,772 million in 2009 largely as a result of divesting the Canadian non-life business which generated EUR 2,671 million premium income in 2008.

Investment and Other income decreased 62.5%, or EUR 5,607 million from EUR 8,970 million in 2008 to EUR 3,363 million in 2009, partly due to the EUR 2,564 million lower investment and Other income in Insurance Variable Annuity U.S. and EUR 1,116 million lower investment and Other income in Insurance Benelux. Commission income decreased 8.7%, or EUR 186 million from EUR 2,139 million in 2008 to EUR 1,953 million in 2009.

Underwriting Expenditure

Underwriting expenditure decreased by EUR 18,501 million, or 37.4% from EUR 49,485 million in 2008 to EUR 30,984 million in 2009. The underwriting expenditure of the life insurance operations decreased by EUR 16,097 million, or 35.2%. The underwriting expenditure of the non-life insurance operations decreased by EUR 2,404 million, or 64.3%.

Expenses

Operating expenses from the insurance operations decreased 19.5%, or EUR 1,062 million to EUR 4,387 million in 2009, from EUR 5,449 million in 2008. All business lines contributed to this decrease through cost-containment measures.

Result before tax and net result

Total result before tax from Insurance increased EUR 905 million, to a loss of EUR 687 million in 2009 from a loss of EUR 1,592 million in 2008. The increase reflects, the improved financial market conditions, the de-risking efforts, and the lower expenses. The impact of divestments amounted to a EUR 63 million in 2009 and EUR 8 million in 2008. Divested units contributed a profit of EUR 47 million before tax in 2009 and a loss of EUR 147 million to result before tax in 2008. Special items had a negative impact of EUR 594 million in 2009 (principally the IABF) compared to a loss of EUR 93 million in 2008. The net result from insurance improved EUR 524 million to a loss of EUR 627 million in 2009 from a loss of EUR 1,151 million in 2008.

Underlying result before tax

The underlying result before tax (excluding the impact of divestments and special items) improved EUR 1,154 million to a loss of EUR 202 million in 2009 from a loss of EUR 1,356 in 2008. The increase in result was mainly due to the improvement of the financial markets, de-risking efforts, and lower expenses. The underlying result from life insurance increased EUR 1,303 million to a loss of EUR 492 million from a loss of EUR 1,795 in 2008. Underlying result before tax from non-life insurance decreased 34.1% to EUR 290 million from EUR 440 million in 2008.

CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s consolidated assets and liabilities for the years ended December 31, 2010, 2009 and 2008:

	2010	**2009**	**2008**
	(EUR billions, except amounts per share)		
Investments	234.2	212.1	258.3
Financial assets at fair value through the profit and loss account	263.9	233.2	280.5
Loans and advances to customers	608.9	575.3	616.8
Total assets	1,242.8	1,160.0	1,328.6
Insurance and investment contracts:			
Life	255.1	226.0	213.0
Non-life	3.6	3.5	6.8
Investment contracts	12.0	11.3	21.1
Total insurance and investment contracts	270.6	240.9	240.8
Customer deposits and other funds on deposits (1)	511.4	469.5	522.8
Debt securities in issue/other borrowed funds	157.9	143.1	127.7
Total liabilities (including minority interests)	1,200.6	1,124.8	1,301.9
Non-voting equity securities	5.0	5.0	10.0
Shareholders equity	38.4	31.1	15.1
Shareholders equity per Ordinary share (in EUR)	10.15	8.22	7.44

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

Year ended December 31, 2010 compared to year ended December 31, 2009

Total assets increased in 2010 by 7.1%, or EUR 82.8 billion, to EUR 1,242.8 billion, mainly due a EUR 22.1 billion increase of investments, increased financial assets at fair value through the profit and loss account of EUR 30.7 billion and loans and advances to customers which rose by EUR 33.6 billion. The increase in Investments was almost entirely caused by the insurance operations, which rose by EUR 17.8 billion due to positive revaluations and favourable currency effects. The financial assets at fair value through the profit and loss account of the banking operations increased by EUR 12.3 billion, due to positive currency effects and higher trading and non-trading derivatives. The insurance operations increased by EUR 17.4 billion, mainly due to increased investments for risk of policyholders. The increase in loans and advances to customers was almost completely caused by the banking operations, which increased by EUR 35.1 billion almost entirely in residential mortgages at ING Direct and in the Beneux. Shareholders equity increased by 23.3% or EUR 7,249 million to EUR 38,370 million at December 31, 2010 compared to EUR 31,121 million at December 31, 2009. The increase is mainly due the net profit (EUR 2,775 million), unrealised revaluations debt securities (EUR 3,143 million) and exchange rate difference (EUR 2,890 million), partly offset by deferred interest crediting to life policyholders (EUR (1,644) million).

Year ended December 31, 2009 compared to year ended December 31, 2008

Total assets decreased in 2009 by 12.7%, or EUR 168.6 billion, to EUR 1,160.0 billion, mainly due a EUR 46.2 billion decrease of investments, decreased financial assets at fair value through the profit and loss account of

EUR 47.3 billion and loans and advances to customers which fell by EUR 41.5 billion. The decrease in

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Investments was almost totally caused by the banking operations, which fell by EUR 42.2 billion. The financial assets at fair value through the profit and loss account banking operations were reduced by EUR 52.2 billion, slightly compensated by EUR 5.1 billion increase at the insurance operations. The decrease in loans and advances to customers was caused by the banking operations which decreased by EUR 46.6 billion almost entirely due to the Netherlands, slightly offset by an increase of EUR 4.6 billion at the insurance operations. During 2009, certain product features and internal procedures for current accounts were amended. As a result thereof the balances on these current accounts meet the criteria under IFRS for netting of positive and negative balances per client in the balance sheet. This additional netting resulted in a decrease in Loans and advances to customers (banking operations) and a similar decrease in Customer deposits and other funds on deposit of approximately EUR 73.9 billion.

Shareholders equity increased by 106.3% or EUR 16,041 million to EUR 31,121 million at December 31, 2009 compared to EUR 15,080 million at December 31, 2008. The increase is due to proceeds from the rights issue (EUR 7,276 million), revaluations of debt securities (EUR 9,563 million) and revaluations of equities (EUR 2,782 million), offset by the net result (EUR (1,424) million and the deferred interest crediting to life policyholders (EUR (2,079) million).

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SEGMENT REPORTING

ING Group segments are based on the management structure of the Group, which is different from its legal structure. As a result of changes in the internal management and reporting structure the operating segments have changed as from January 1, 2010. The years 2009 and 2008 are restated accordingly. The following table sets forth the contribution of ING s banking business lines and the corporate line Banking (CL) to underlying result before tax for each of the years 2010, 2009, and 2008. See Note 51 of Note 2.1 to the consolidated financial statements for further disclosure of our segment reporting.

2010 (EUR millions)	Retail Netherlands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Commercial Banking	Real Estate	CL	Total Banking
Total income	**4,333**	**2,123**	**3,782**	**977**	**640**	**4,354**	**875**	**55**	**17,139**
Total expenditure	**3,249**	**1,529**	**2,332**	**822**	**212**	**2,612**	**974**	**174**	**11,904**
Result before tax	**1,084**	**595**	**1,449**	**155**	**427**	**1,742**	**(99)**	**(119)**	**5,235**
Gains/losses divestments		(69)			(346)		26		(389)
Result divested units					(2)		(33)		(35)
Special items	311	20				43	42	40	456
Underlying result before tax	**1,396**	**545**	**1,449**	**155**	**80**	**1,784**	**(63)**	**(79)**	**5,267**

2009 (EUR millions)	Retail Netherlands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Commercial Banking	Real Estate	CL	Total Banking
Total income	**3,882**	**2,156**	**1,845**	**880**	**306**	**4,301**	**(253)**	**(1,480)**	**11,637**
Total expenditure	**3,301**	**1,615**	**2,487**	**802**	**375**	**3,082**	**1,177**	**292**	**13,131**
Result before tax	**580**	**541**	**(641)**	**78**	**(69)**	**1,219**	**(1,430)**	**(1,773)**	**(1,494)**
Gains/losses divestments									
Result divested units		(21)			93		401		473
Special items	303	58	(25)	7	2	231	40	1,110	1,727
Underlying result before tax	**883**	**578**	**(667)**	**85**	**25**	**1,450**	**(988)**	**(662)**	**705**

2008 (EUR millions)	Retail Netherlands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Commercial Banking	Real Estate	CL	Total Banking
Total income	**4,335**	**1,816**	**878**	**870**	**333**	**(49)**	**425**	**(654)**	**7,953**
Total expenditure	**3,348**	**1,488**	**2,033**	**861**	**282**	**2,750**	**722**	**73**	**11,556**
Result before tax	**987**	**328**	**(1,155)**	**9**	**50**	**(2,799)**	**(297)**	**(727)**	**(3,604)**

Gains/losses divestments									
Result divested units		(21)			(12)		221		187
Special items	271		30						301
Underlying result before tax	**1,258**	**306**	**(1,125)**	**9**	**38**	**(2,799)**	**(76)**	**(727)**	**(3,115)**

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The following table sets forth the contribution of ING s insurance business lines and the corporate line Insurance (CL) to underlying result before tax for each of the years 2010, 2009, and 2008. See Note 51 of Note 2.1 to the consolidated financial statements for further disclosure of our segment reporting.

2010 (EUR millions)	**Benelux**	**Central & Rest of Europe**	**United States**	**US VA closed block**	**Latin America**	**Asia/ Pacific**	**ING IM**	**CL**	**Elimina- tions**	**Total**
Total income	**10,179**	**2,607**	**14,564**	**251**	**898**	**7,429**	**912**	**1,567**	**(919)**	**37,488**
Total expenditure	**9,440**	**2,411**	**14,370**	**2,045**	**550**	**6,913**	**794**	**3,237**	**(919)**	**38,842**
Result before tax	**738**	**196**	**193**	**(1,793)**	**348**	**516**	**118**	**(1,670)**		**(1,353)**
Gains/losses divestments	(5)	5	13		(22)					(9)
Result divested units		(1)			16					15
Special items	41	54	101				55	577		829
Underlying result before tax	**775**	**253**	**308**	**(1,793)**	**342**	**516**	**173**	**(1,093)**		**519**

2009 (EUR millions)	**Benelux**	**Central & Rest of Europe**	**United States**	**US VA closed block**	**Latin America**	**Asia/ Pacific**	**ING IM**	**CL**	**Elimina- tions**	**Total**
Total income	**9,836**	**2,536**	**14,273**	**704**	**961**	**7,864**	**737**	**354**	**(1,458)**	**35,808**
Total expenditure	**9,862**	**2,272**	**14,168**	**1,358**	**717**	**7,160**	**605**	**1,810**	**(1,458)**	**36,495**
Result before tax	**(25)**	**264**	**105**	**(654)**	**244**	**704**	**132**	**(1,456)**		**(687)**
Gains/losses divestments	160	8	80		31	(337)		(4)		(63)
Result divested units		1	(23)		(4)	(23)		2		(48)
Special items	155	18	194		2	40	37	148		594
Underlying result before tax	**290**	**290**	**356**	**(654)**	**273**	**383**	**169**	**(1,309)**		**(202)**

2008 (EUR millions)	**Benelux**	**Central & Rest of Europe**	**United States**	**US VA closed block**	**Latin America**	**Asia/ Pacific**	**CL**	**Elimina- tions**	**Total**

							ING IM			
Total income	**10,957**	**2,959**	**16,504**	**7,971**	**2,428**	**11,551**	**844**	**3,199**	**(1,493)**	**54,921**
Total expenditure	**10,864**	**2,777**	**17,332**	**8,501**	**2,181**	**11,899**	**665**	**3,785**	**(1,493)**	**56,513**
Result before tax	**93**	**182**	**(828)**	**(530)**	**247**	**(348)**	**179**	**(586)**		**(1,592)**
Gains/losses divestments					(237)	214		15		(8)
Result divested units		4	(129)		139	131		6		152
Special items			89		3					93
Underlying result before tax	**92**	**187**	**(868)**	**(530)**	**152**	**(2)**	**179**	**(566)**		**(1,356)**

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

RETAIL NETHERLANDS

	Retail Netherlands		
(EUR millions)	**2010**	**2009**	**2008**
Interest result	3,795	3,278	3,564
Commission income	507	535	633
Investment income	7	4	27
Other income	24	64	112
Total income	**4,333**	**3,882**	**4,335**
Operating expenses	2,687	2,773	3,097
Additions to the provision for loan losses	561	529	251
Total expenditure	**3,249**	**3,301**	**3,348**
Result before tax	**1,084**	**580**	**987**
Gains/losses on divestments			
Result divested units			
Special items	311	303	271
Underlying result before tax	**1,396**	**883**	**1,258**

Year ended December 31, 2010 compared to year ended December 31, 2009

Income

Total income increased by 11.6%, or EUR 451 million, to EUR 4,333 million in 2010 from EUR 3,882 million in 2009. The interest result increased EUR 517 million or 15.8%, mainly driven by higher margins and volumes on mortgages and savings and despite lower demand for business lending. Commission income decreased EUR 28 million or 5.2%, mainly due to lower funds transfer fees. Investment and Other income decreased EUR 37 million or 54.4% to EUR 31 million in 2010.

Expenses

Operating expenses decreased by 3.1%, or EUR 86 million, to EUR 2,687 million in 2010 from EUR 2,773 million in 2009. In 2010, EUR 311 million of special items is included in operating expenses, including EUR 242 million in provisions and costs related to the Retail Netherlands Strategy (combining ING Bank and Postbank), other restructuring expenses and costs related to the operational and legal separation of WestlandUtrecht Bank. In 2009, EUR 303 million of special items is included related to the Retail Netherlands Strategy and the Group initiative to reduce operating expenses. Excluding these special items, operating expenses declined EUR 94 million or 3.8%, driven by the cost containment measures and the benefits of the merger of ING Bank and Postbank. The cost/income ratio improved to 62.0% in 2010 from 71.4% in 2009. Excluding special items, the underlying cost/income ratio improved to 54.8% from 63.6%.

The addition to the provision for loan losses increased by 6.0%, or EUR 32 million, to EUR 561 million in 2010 from EUR 529 million in 2009. The increase can be principally explained by the one-off impact of a model update for mortgages that reflects lower anticipated recovery rates. Risk costs for the mid-corporate and SME segment declined somewhat compared with previous year as a result of lower provisioning for sectors such as transport and greenhouse farming. The total addition equaled 108 basis points of average risk-weighted assets in 2010, compared to 107 basis points in 2009.

Result before tax and underlying result before tax

Result before tax improved by 86.9%, or EUR 504 million, to EUR 1,084 million in 2010 from EUR 580 million in 2009. Result before tax included EUR 311 million of special items in 2010 compared to EUR 303 million in 2009. Excluding special items, underlying result before tax increased by 58.1%, or EUR 513 million, to EUR 1,396 million in 2010 from EUR 883 million in 2009. This improvement was driven mainly by higher margins and volumes on mortgages and savings.

Year ended December 31, 2009 compared to year ended December 31, 2008

Income

Total income decreased by 10.4%, or EUR 453 million, to EUR 3,882 million in 2009 from EUR 4,335 million in 2008. The interest result decreased EUR 286 million or 8.0%, mainly driven by a decline in margins due to the continued competition for savings. Commission income decreased EUR 98 million or 15.5%, driven by the deterioration of the equity markets. Investment and Other income decreased EUR 70 million or 51.1%, among others due to lower income on financial market related products in the business segment (SME and mid-corporates).

Expenses

Operating expenses decreased by 10.5%, or EUR 324 million, to EUR 2,773 million in 2009 from EUR 3,097 million in 2008. In 2009, EUR 303 million of special items is included in operating expenses, mainly related to the Retail Netherlands Strategy (combining ING Bank and Postbank), and restructuring costs and provisions related to the Group initiative to reduce operating expenses. In 2008, EUR 271 million of special items is included related to the Retail Netherlands Strategy. Excluding these special items, operating expenses declined EUR 356 million or 12.6%, driven by the cost containment measures and the benefits of the merger of ING Bank and Postbank. The cost/income ratio remained stable at 71.4%. Excluding special items, the underlying cost/income ratio improved to 63.6% from 65.2% in 2008.

The addition to the provision for loan losses doubled to EUR 529 million in 2009 from EUR 251 million in 2008, mainly due to higher risk costs in the mid-corporate and SME segments. The total addition equaled 107 basis points of average risk-weighted assets in 2009, compared to 57 basis points in 2008.

Result before tax and underlying result before tax

In the Netherlands, result before tax declined by 41.2%, or EUR 407 million, to EUR 580 million in 2009 from EUR 987 million in 2008. Result before tax included EUR 303 million of special items in 2009 compared to EUR 271 million in 2008. Excluding special items, underlying result before tax declined by 29.8%, or EUR 375 million, to EUR 883 million in 2009 from EUR 1,258 million in 2008. This deterioration was mainly due to lower interest results and higher risk costs, partly offset by lower operating expenses.

RETAIL BELGIUM

		Retail Belgium	
(EUR millions)	**2010**	**2009**	**2008**
Interest result	1,603	1,637	1,286
Commission income	347	407	473
Investment income	101	27	(4)
Other income	73	86	60