



ING GROUP
EMBEDDED VALUE REPORT
2007

20 February 2008

Contents

Introduction	1
1. Executive Summary – Embedded Value results ING Group life insurance	3
1.1 Embedded Value results for ING life insurance & ING Group	4
1.2 Return on Embedded Value in comparison to 2006 results	5
1.3 New Business	6
1.4 Sensitivity analysis	8
2. Insurance Europe	11
2.1 Embedded Value results for Insurance Europe	12
2.2 Return on Embedded Value in comparison to 2006 results	13
2.3 New Business	13
2.4 Sensitivity analysis	15
3. Insurance Americas	17
3.1 Embedded Value results for Insurance Americas	18
3.2 Return on Embedded Value in comparison to 2006 results	18
3.3 New Business	19
3.4 Sensitivity analysis	21
4. Insurance Asia/Pacific	23
4.1 Embedded Value results for Insurance Asia/Pacific	24
4.2 Return on Embedded Value in comparison to 2006 results	25
4.3 New Business	25
4.4 Sensitivity analysis	28
5. Review Statement	30
 Appendix 1. Embedded Value movement analysis	 31
Appendix 2. Sensitivity analysis – value new business	39
Appendix 3. Analysis of variances and assumption changes	43
Appendix 4. Economic assumptions	44
Appendix 5. Methodology	50
Appendix 6. Exchange Rates	57
Appendix 7. Glossary & abbreviations	58
Disclaimer	61
ING Groep N.V.	62

Introduction

Embedded Value (EV) is an indicator of the economic value creation as a consequence of selling and managing long-term contracts such as life insurance, annuities and pensions. ING has used Embedded Value for many years as a management tool for its life insurance operations. ING's management believes that Embedded Value, together with other publicly disclosed financial information, provides valuable information for investors in order to assess the value embedded in the in-force business.

Embedded Value can be interpreted as the economic value of our current, covered in-force business; future new business that is sold after the valuation date is not included in the analysis, although certain assumptions (e.g. expense assumptions) are on a going-concern basis. Embedded Value is defined as the sum of Adjusted Net Worth (ANW) and the Value of the in-Force covered business (ViF) where

- Adjusted Net Worth equals the sum of Free Surplus (FS) and Required Capital (RC). Required Capital is the amount of assets which ING holds based on its internal capital model over and above the value placed on in-force liabilities and is in aggregate above minimum regulatory capital requirements. The distribution of Required Capital to shareholders is therefore restricted. Free Surplus is defined as the additional capital held in the business in excess of the Required Capital and represents all accumulated, non-distributed profits that are not needed to back the in-force life insurance business; and
- The Value of in-Force (ViF) covered business is defined as the present value of future, after-tax statutory book profits expected to arise from the in-force business, including new business written during the reporting period, less the Cost of Capital (CoC) where the Cost of Capital is the cost related to holding Required Capital.

ING's Embedded Value will change over time due to the realisation of the expected distributable earnings, the Value of New Business sold during the reporting period and investment income on Free Surplus. In addition, variances from expected earnings can materialise from a variety of sources, some outside of management control (e.g. economic assumption changes) and some under management control (e.g. operational variances).

For internal performance measurement purposes, EV Profit is ING's primary measure of value creation in our life insurance operations. EV Profit is defined as the change in value during the year in excess of the required return which arises from only those items in Embedded Value that business line management can influence. An additional measure, Return on Embedded Value (RoEV) is also tracked by management. RoEV is defined as the total change in Embedded Value over the period (including EV Profit, required return and assumption changes deemed by ING to be outside management control) divided by the revised EV at the beginning of the year.

Future profits are estimated using actuarial methods and ING's best estimates for future assumptions except for economic assumptions. Local regulatory accounting restricts the profits that can be distributed to shareholders. ING reflects these constraints by reporting Embedded Values using after-tax book profits calculated according to the local accounting requirements. Note therefore that all figures presented in this document are on an after-tax basis unless otherwise stated.

Coverage

ING calculates Embedded Value for the business sold through its life insurance operations. This business is referred to throughout this report as "life insurance business". The following products are included:

- Life, health and disability products and their riders,
- Deferred and immediate annuity (or pension) products,
- Guaranteed Investment Contracts (GICs),
- Pension funds,
- Mutual Funds/Trust business in Australia.

All material blocks of life insurance business are included in the 2007 reported Embedded Value results. Under EEV Principles an allowance is required in the Embedded Value for profit or losses arising in other Group companies (such as investment subsidiaries) in respect of services provided to the life insurance businesses. No adjustments have been made to the Embedded Value in this respect as such services are charged to the life insurance businesses on a cost basis and hence do not give rise to material profits or losses outside the covered businesses.

Basis of Preparation

The European Embedded Value (EEV) Principles were published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of major European insurers. The Principles and associated guidance provide a framework for calculating and reporting supplementary embedded value information.

ING has adopted the EEV Principles in respect of the year-end results from 2004 through 2007. This report also takes account of the Additional Guidance on EEV Disclosures effective for 31 December 2006 reporting.

Embedded Value Report

The report starts with an Executive Summary of the consolidated EV results together with information on the return on EV, the Value of New Business and the Sensitivity of results.

Sections 2, 3 and 4 then provide a breakdown of the results for ING's businesses in Europe, the Americas and Asia/Pacific respectively.

Watson Wyatt has been engaged to review ING's Embedded Value. The scope and conclusions of this review are shown in Section 5.

Appendices 1, 2 and 3 set out a more detailed analysis of results covering EV movements, sensitivities for New Business and variances/assumptions changes respectively.

Economic assumptions are approved by the Executive Board of ING. A description of their derivation and the major economic assumptions are included in Appendix 4.

The methodology ING uses to calculate the Embedded Value of life insurance business is discussed in more detail in Appendix 5. This methodology is in compliance with EEV Principles. This includes a description of the way in which ING has developed its' economic capital assessment that is used to set the level of Required Capital.

Included in Appendix 5 are descriptions of two changes to ING's methodologies, along with the impact of these changes on EV:

- Clarifications in ING's expense policy that impacted 2007 Embedded Value and VNB figures and changes to ING's expense policy that will be reflected in our figures beginning in 2008;
- Recalibration of ING's Capital Model.

Finally, Appendix 6 sets out the exchange rates used in the calculations followed by a glossary of major terms in Appendix 7.

1. Executive Summary – Embedded Value results ING Group life insurance

- **Embedded Value of covered life businesses increases 20.7% to EUR 33,456 million before capital injections/(dividends) and currency effects. Including the impact of currency, the increase is 17.1% to EUR 32,460 million**
- **Value of New Business rises 37.9% to EUR 1,113 million**
- **The IRR on sales increases to 14.3%, an increase of 1.0% from 2006**

<i>in EUR million</i>	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	2007 Total	2006 Total
Free Surplus _{boy} (FS)	7,589	1,170	-4,978	3,781	2,274
Required Capital _{boy} (RC)	2,826	4,796	6,251	13,873	13,691
ViF _{boy}	<u>5,689</u>	<u>4,305</u>	<u>71</u>	<u>10,064</u>	<u>11,622</u>
Total EV_{boy}	16,103	10,272	1,343	27,718	27,586
Addition of business / (divested business)	-580	5	143	-431	407
Currency effects	77	-1,043	-31	-996	-1,164
Model changes	<u>642</u>	<u>-126</u>	<u>-332</u>	<u>185</u>	<u>92</u>
Revised EV_{boy}	16,243	9,108	1,124	26,476	26,921
Value of New Business (VNB)	400	270	442	1,113	807
Financial variances	1,201	-69	40	1,172	1,240
Operational variances	56	271	66	394	-33
Operating assumption changes	<u>125</u>	<u>24</u>	<u>-26</u>	<u>123</u>	<u>-33</u>
Embedded Value Profit (EV Profit)	1,781	498	523	2,802	1,981
Required return - return on RC and ViF	666	701	403	1,770	1,716
Investment return on Free Surplus	557	10	-97	470	968
Discount rate changes	35	81	94	210	-338
Economic assumption changes	275	128	-142	261	-1,534
Embedded Value of business acquired	-25	497	0	472	0
Capital injections	135	284	304	723	139
Dividends	<u>-5,512</u>	<u>-673</u>	<u>-5</u>	<u>-6,191</u>	<u>-2,134</u>
Subtotal	-3,869	1,027	557	-2,285	-1,185
EV_{boy} - after capital injections/(dividends)	14,156	10,633	2,204	26,993	27,718
EV _{boy} - before capital injections/(dividends)	19,533	11,022	1,905	32,460	29,714
RoEV% - before capital injections/(dividends)	20%	16%	69%	21%	10%

Major drivers of change in EV 2007 are:

- Value of New Business, EUR 1,113 million is a large increase over the 2006 figure of EUR 807 million. The VNB of the Americas and Europe increased by 61.7% and 82.6%, respectively. Asia/Pacific increased by 5.0% and remains the largest contributor to VNB of the three regions.
- Financial variances of EUR 1,172 million are down slightly from 2006 and are attributed to realised equity gains in the Netherlands.
- Operational variances of EUR 394 million compare to EUR -33 million in 2006. Better than anticipated reserve development, implementation of US Life reinsurance transaction for redundant reserves and improved general account asset strategies in USFS were the largest contributors to the increase.
- Operational assumption changes of EUR 123 million are primarily due to a better reflection of the US variable annuity fees in the actuarial projection models.
- Total impact of economic assumption changes (EUR 261 million) and corresponding discount rate adjustments (EUR 210 million) was EUR 471 million. Economic assumption changes include interest rates, equity & real estate, and other asset return assumptions, as well as expense and wage inflation.

- Required return on beginning in-force (unwind of discount rate) increased the Embedded Value EUR 1,770 million.

The beginning Embedded Value is adjusted for the addition/(divestment) in business, currency effects over the year, and model changes.

- The addition of business/(divested business) of EUR –431 million primarily reflects a divestment in Belgium and the increase in ING's ownership percentage of ING Life Korea. Note that the acquisition of Santander's Latin America pension business is reflected in a separate category – Embedded Value of business acquired.
- Currency effects of EUR –996 million reflect the weakening of currencies in the Americas vs. the Euro.
- Model changes reflect the true-up of year-end 2006 in-force to the actual figures to re-establish the starting point for 2007 reporting, changes to Embedded Value that result from asset mix changes, a change in expense policy to include the start-up expenses for Greenfields, and changes to the models used to project distributable earnings. Asset mix changes in the Netherlands account for the large contribution in Europe. Changes to the expense methodology in the US account for EUR -198 million in the Americas. Model changes and the Greenfield expenses (EUR -173 million) account for the reduction in Asia/Pacific.

Note that Financial Options and Guarantees (FOGs) reduced the 2007 Embedded Value by EUR 1,442 million, primarily from Japan, the Netherlands and the United States. FOG costs in 2006 were EUR 1,053 million.

Embedded Value Profit (EV Profit)

Embedded Value profit (EV Profit) is ING's primary measure of absolute value creation in Life insurance businesses. Intuitively, EV profit is the value of those items in the EV movement over the year in excess of the required return that the business units can influence. EV Profit consists of the following components:

- Value of New Business (VNB) written during the reporting period;
- Variances from current and future expected profits due to performance over the current year (financial and operational performance variances); and
- Operating assumption changes i.e. non-economic assumption changes.

EV profit in 2007 increased 41.4% to EUR 2,802 million from EUR 1,981 million in 2006. The VNB and financial variances were the largest contributors, but the other two components – operational variances and operational assumptions changes – also contributed to the positive result.

Two movement analyses are shown in Appendix 1. The first of these shows the cash flows between Free Surplus and Required Capital plus the Value of in-Force covered business (ViF). The second details the cash flows between Adjusted Net Worth and the ViF. Please refer to Appendix 3 for a more detailed breakdown of the financial and operational variances and operating assumption changes.

1.1 Embedded Value results for ING life insurance & ING Group

The sections below discuss in further detail ING's Embedded Value results of covered business and Group Embedded Value results. Later sections of this report provide details on these values - the principles and assumptions used and sensitivities to changes in the assumptions. To gain a more complete understanding of the results, the principles, assumptions and sensitivities should be considered.

Embedded Value results for ING life insurance

Embedded Value is the total of the Adjusted Net Worth (which includes Free Surplus and Required Capital) and Value of in-Force of covered life businesses. Before dividends less capital injections, The Embedded Value of life insurance operations increased by EUR 4,742 million to EUR 32,460 million. Except for the divestment of business and currency effects, all components of the Embedded Value movement contributed to the increase. Because of the dividends less capital injections, the effect of which can be seen in the large reduction in free surplus, the overall Embedded Value of the covered business decreased to EUR 26,993 million.

Table 2. Embedded Value - covered life insurance business

<i>In EUR million</i>	2007	2006	% Change
Free Surplus (FS)	1,128	3,781	-70.2%
Required Capital (RC)	<u>13,498</u>	<u>13,873</u>	-2.7%
Adjusted Net Worth (ANW)	14,626	17,654	-17.2%
Present Value of Future (statutory book) Profits (PVFP)	17,102	15,382	11.2%
Cost of holding Required Capital (CoC)	<u>-4,734</u>	<u>-5,318</u>	-11.0%
Value of in-Force covered business (ViF)	12,367	10,064	22.9%
Embedded Value (ViF and ANW)	26,993	27,718	-2.6%

Embedded Value results for ING Group

Group Embedded Value is the Embedded Value of the life insurance operations included in this report with the addition of equity of all other operations of ING Group.

The Embedded Value for the life insurance operations is based on local accounts which are not consistent with IFRS reporting in many of the countries in which ING operates. To determine the total Embedded Value for the Group, adjustments need to be made to the reported Embedded Values to account for differences between the local and IFRS reporting.

Table 3. ING Group Embedded Value comparison

<i>In EUR million</i>	2007	2006	% Change
ING Group shareholder's equity	37,208	38,266	-2.8%
Life insurance adjustments for Embedded Value ¹	<u>-5,267</u>	<u>-4,844</u>	8.7%
Adjusted capital	31,941	33,422	-4.4%
Present value of future (statutory book) profits (PVFP)	17,102	15,382	11.2%
Cost of holding Required Capital (CoC)	<u>-4,734</u>	<u>-5,318</u>	-11.0%
Embedded Value before unrealised pension gains/(losses)	44,309	43,486	1.9%
Pension deficit (after-tax)			
Life insurance	-24	-194	-87.6%
Non-life insurance and Bank	178	-319	-155.8%
Offsets to pensions deficit included in EV expenses	<u>0</u>	<u>0</u>	-
Group Embedded Value	44,463	42,973	3.5%

1. The adjustments to Embedded Value account for the difference between regulatory accounting and ING GAAP. These include the differences in the valuation of investments/capital gains (EUR -743 mln), policyholder reserves (EUR 4,725 mln), DAC assets (EUR -10,630 mln), tax reserves/assets (EUR 1,228 mln), and EUR 153 mln in misc. differences.

The Group Embedded Value developed in Table 3 is the Embedded Value for the life operations adjusted from regulatory to ING GAAP accounting based on IFRS and added to the Group equity unrelated to the life insurance operations. After deduction for pension deficit, the Table shows a Group Embedded Value of EUR 44,463 million, an increase of 3.5% from EUR 42,973 million in 2006. The pension deficit reflects the actuarial gains and losses that will be amortised in the future (in total EUR -154 million).

1.2 Return on Embedded Value in comparison to 2006 results

Table 4 below shows the Return on Embedded Value (RoEV) after revisions to the year-end 2006 Embedded Value. These revisions include the impact of currency movements versus the Euro, model changes and the inclusion of additional business to the Embedded Value calculation.

The major components that make up the RoEV are shown in the Table:

- EV Profit;
- Required return on the in-force and new business; and
- Other returns (includes investment return on Free Surplus, changes in economic assumptions and discount rates).

Table 4. Change in Embedded Value and EV Profit

<i>In EUR million</i>	2007	2006	% Change
Embedded Value _{boy}	27,718	27,586	0.5%
Revisions to EV	<u>-1,242</u>	<u>-665</u>	86.8%
Revised EV_{boy}	26,476	26,921	-1.7%
Embedded Value Profit (EV Profit)	2,802	1,981	41.4%
Required return - return on RC and ViF	1,770	1,716	3.1%
Other returns	<u>941</u>	<u>-904</u>	-204.1%
Return on EV (RoEV) before capital injections/(dividends)¹	5,513	2,793	97.4%
RoEV% - before capital injection/(dividends)	21%	10%	
Embedded Value of business acquired	472	0	-
Capital injections / (dividends)	<u>-5,468</u>	<u>-1,995</u>	174.1%
EV_{boy} - after capital injections/(dividends)	26,993	27,718	-2.6%

1. Measured on revised EV_{boy}

The RoEV is calculated using the revised Embedded Value for 2006 as the starting point. This eliminates the beginning of year adjustments such as currency effects, model changes, addition of business and divestitures. ING insurance RoEV increased to 21% in 2007 from 10% in 2006.

1.3 New Business

The profitability of the new life insurance production written in 2007 is measured by the Value of New Business (VNB), which equals the present value of future after-tax distributable earnings generated by the sale of policies during the reporting year. The cost of holding Required Capital associated with the new business is included in the Value of New Business. The Value of New Business is reported using the assumptions applicable in the quarter the products were sold.

The table below includes both the final and the profit-tested Value of New Business. The profit-tested VNB represents the value assuming the business is a mature going concern in normal conditions i.e. no acquisition expense overrun; the final VNB includes any actual expense overruns. The Internal Rate of Return (IRR) is the discount rate at which the present value of the distributable earnings from new business equals the investment in new business i.e. the projected return on the investment in new business with the investment in new business being defined as the negative projected distributable earnings the first policy year(s). Note that the IRRs presented in this document are adjusted for currency movements relative to the Euro in order to make the IRRs more comparable.

Table 5. Value of New Business – covered life insurance business

<i>In EUR million</i>	Quarterly Results					Full Year Results		
	4Q 2007	4Q 2006	% change	3Q 2007	% change	2007	2006	% Change
Profit-tested Value of New Business (a)	419	157	166.9%	311	34.7%	1,156	893	29.5%
After-tax acquisition expense & commission overrun (b)	<u>-21</u>	<u>29</u>	-	<u>13</u>	-	<u>44</u>	<u>87</u>	-49.4%
Value of New Business (a-b)	440	128	243.8%	298	47.7%	1,113	807	37.9%
Investment in new business	603	357	68.9%	541	11.5%	2,093	1,831	14.3%
Final IRR on new sales				13.4%		14.3%	13.3%	

The Value of New Business for 2007 of EUR 1,113 million compares to EUR 807 million in 2006, an increase of 37.9%. The largest contributions were from the developing markets in Asia/Pacific and Central Europe. The largest increases were in Central Europe, where the Romania Pillar II pension funds added EUR 150 million; and the Americas, where the largest increases occurred in the US Life insurance business and ING Financial Products, and in Mexico's pension business.

Profitability of the business sold, as measured by the internal rate of return (IRR) improved by 1.0%, to 14.3% on greater volume of business, as measured by the investment in new business. The investment increased by 14.3% from 2006. The higher investment and IRR is consistent with the higher VNB.

Acquisition expense overruns decreased from EUR 87 million in 2006 to EUR 44 million in 2007 – a decrease of 49.4%. This is explained by a combination of 13.3% higher sales, the reallocation of expenses in the US from acquisition to maintenance, and the removal of Greenfield start-up costs from acquisition expenses (EUR 16 million for Asia/Pacific and EUR 4 million for Central Europe Greenfields).

Table 6. New life insurance value by region – quarterly compare							
<i>In EUR million</i>	4Q2007	4Q2006	Impact of Discount change	4Q2006 before change	% change	3Q2007	% change
Insurance Europe	200	45	-26	71	344.4%	92	117.4%
Insurance Americas	111	-12	-31	19	-	73	52.1%
Insurance Asia/Pacific	<u>128</u>	<u>95</u>	<u>15</u>	<u>80</u>	<u>34.7%</u>	<u>133</u>	-3.8%
Total	440	128	-42	170	243.8%	298	47.7%

Table 7. New life insurance IRR by region									
<i>In EUR million</i>	4Q2007	4Q2006	change	3Q2007	change	2Q2007	Change	1Q2007	Change
Insurance Europe	15.8%	14.9%	0.9%	14.3%	1.5%	14.3%	1.5%	14.3%	1.5%
Insurance Americas	11.8%	10.3%	1.5%	10.8%	0.9%	10.3%	1.5%	9.5%	2.3%
Insurance Asia/Pacific	<u>16.8%</u>	<u>16.8%</u>	0.0%	<u>16.7%</u>	0.1%	<u>15.6%</u>	1.2%	<u>15.2%</u>	1.6%
Total	14.3%	13.3%	1.0%	13.4%	0.8%	12.8%	1.4%	12.2%	2.1%

The tables above provide quarterly comparisons of the VNBs and IRRs. Because of a large catch-up adjustment in 4Q 2006, which was caused by an increase in the risk discount margin from 2.9% to 3.1%, the 4Q 2006 VNB is also shown before the change was made. The adjusted figures should provide for a better quarter-to-quarter comparison.

In Europe, the Value of New Business increased significantly from 4Q 2006, largely due to Romania Pillar II pension funds, where sales began in September 2007. The Romania pension funds added EUR 116 million in VNB in 4Q 2007 and EUR 34 million in 3Q 2007. Aside from the Romania pension funds, the VNB in Europe in whole and also in Central Europe show gains in VNB.

The IRR in Europe improved from 4Q 2006 and 3Q 2007. The increase is mainly due to higher IRRs in Central Europe and the higher portion of business sold in that region.

In the Americas, the US Life insurance business recorded VNB of EUR 19 million in 4Q 2007, an increase of EUR 38 million from 4Q 2006. Significantly higher sales and implementation of on-shore reinsurance agreements in the US all contributed to this improvement. ING Financial Products in the US also contributed to the increase from 4Q 2006, on higher sales and improved margins. Latin Americas' improvement comes primarily from Mexico's pension business. A combination of the acquisition of Santander's pension business, an improved business environment, and higher quality sales all had a positive impact on the results.

The IRR in the Americas improved compared to prior quarters; both the US and Latin America improved, a result that is in line with the increase in VNB.

In Asia/Pacific the Value of New Business increased 34.7% from 4Q 2006. The 3Q 2007 and 4Q 2007 figures do reflect the change in the Greenfield expense policy that went into effect 3Q 2007 and contributed approximately EUR 8 million to the VNB in each of the two quarters. Also included in the 4Q 2007 figures are the addition of previously unmodelled top-up premiums in Taiwan. The 2007 full year's sales and VNB are reflected in the 4Q 2007 figures, adding EUR 8 million to the VNB for the quarter.

The IRR in Asia/Pacific is at the same level as one year ago, but the VNB increased due to significantly higher investment in new business. The IRR improved slightly from 3Q 2007.

Table 8. New life insurance production by region – Annualized Premium								
<i>In EUR million</i>	Quarterly Results					Full Year Results		
	4Q2007	4Q2006	% change	3Q2007	% change	2007	2006	% Change
Annualized Premium								
Insurance Europe	220	138	59.4%	168	31.0%	643	488	31.8%
Insurance Americas	473	441	7.3%	388	21.9%	1,773	1,817	-2.4%
Insurance Asia/Pacific	<u>503</u>	<u>396</u>	27.0%	<u>485</u>	3.7%	<u>1,777</u>	<u>1,621</u>	9.6%
Total Annual Premium	1,196	974	22.8%	1,041	14.9%	4,193	3,927	6.8%
Single Premium								
Insurance Europe	871	836	4.2%	640	36.1%	3,256	3,109	4.7%
Insurance Americas	5,317	4,147	28.2%	5,704	-6.8%	18,983	16,628	14.2%
Insurance Asia/Pacific	<u>2,033</u>	<u>1,193</u>	70.4%	<u>2,647</u>	-23.2%	<u>9,034</u>	<u>5,609</u>	61.1%
Total Single Premium	8,221	6,175	33.1%	8,992	-8.6%	31,273	25,347	23.4%
APE								
Insurance Europe	307	222	38.3%	232	32.3%	969	799	21.3%
Insurance Americas	1,004	856	17.3%	958	4.8%	3,671	3,480	5.5%
Insurance Asia/Pacific	<u>706</u>	<u>514</u>	37.4%	<u>750</u>	-5.9%	<u>2,680</u>	<u>2,182</u>	22.8%
Total APE	2,018	1,591	26.8%	1,940	4.0%	7,320	6,462	13.3%

1. Annual Premium Equivalent (APE) = Annual Premium + 10% * Single Premium

The table below shows new business statistics such as new business profit margins (VNB/Present value of New Premiums). The statistic, VNB/PV Premiums is an indicator of the expected margin relative to future premium income. All regions show higher volumes as measured by the PV of Premiums.

Table 9. New business statistics								
<i>In EUR million</i>	Quarterly Results				Full Year Results			
	PV of Premiums		VNB/PV Premiums		PV of Premiums		VNB/PV Premiums	
	4Q2007	4Q2006	4Q2007	4Q2006	2007	2006	2007	2006
Insurance Europe	4,801	1,725	4.2%	2.6%	11,531	7,114	3.5%	3.1%
Insurance Americas	7,066	5,042	1.6%	-0.2%	24,848	21,266	1.1%	0.8%
Insurance Asia/Pacific	<u>4,516</u>	<u>3,264</u>	2.8%	2.9%	<u>17,518</u>	<u>13,752</u>	2.5%	3.1%
Total	16,383	10,031	2.7%	1.3%	53,897	42,132	2.1%	1.9%

The table below compares the 2007 Value of New Business production for each quarter of 2007. Europe and the Americas show an upward trend throughout the year, and Asia/Pacific was off marginally from the high level established in 3Q 2007.

Table 10. Development of value of new life insurance production				
<i>In EUR million</i>	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Insurance Europe	200	92	55	53
Insurance Americas	111	73	53	33
Insurance Asia/Pacific	<u>128</u>	<u>133</u>	<u>99</u>	<u>82</u>
Total	440	298	207	168

1.4 Sensitivity analysis

Embedded Value calculations rely upon several best-estimates with respect to assumptions including future investment income and mortality, morbidity and lapse rates. This section gives the impact on EV of changes in these assumptions. The sensitivity results include estimates of the impact of changes in the financial options and guarantees. Please note that if several changes occurred at once, the results would not necessarily be the sum of the individual sensitivity tests.

Economic assumptions

The tables below show the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2007 to:

- One percentage point decrease and increase in new-money interest rates
- One percentage point decrease and increase in the discount rates
- New money rates based on implied market forward rates derived from the swap rates as at 31 October 2007. In Appendix 4 the detailed economic assumptions can be found. The discount rate is adjusted accordingly
- One percentage point decrease in assumed investment returns for equity and real estate investments
- Ten percent fall in market value of equity and real estate investments
- Local regulatory minimum capital requirement

In each sensitivity calculation, all other assumptions remain unchanged except

- Where they are directly affected by the revised economic conditions – for example, future bonus crediting rates are automatically adjusted to reflect sensitivity changes to future investment returns; and
- When indicated above that the risk discount rate is adjusted accordingly – in this case the risk margin remains unchanged.

Table 11. Sensitivity of Embedded Value to economic assumptions				
<i>in EUR million</i>	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Embedded Value (net of tax)	14,156	10,633	2,204	26,993
1% decrease in new-money rates	-310	-532	-1,656	-2,499
1% increase in new-money rates	279	304	1,532	2,115
1% decrease in discount rates	1,161	499	522	2,182
1% increase in discount rates	-979	-451	-446	-1,876
Implied market forward rates (31 Oct 2007)	-2	57	17	73
1% lower equity and real estate returns	-846	-190	-197	-1,233
10% downward shift in market values of equity and real estate investments	-1,245	-396	-304	-1,946
Local regulatory minimum capital requirement	295	220	2,107	2,621
Net impact of¹				
1% decrease in new-money & 1% decrease in discount rates	851	-34	-1,134	-317
1% increase in new-money & 1% increase in discount rates	-700	-147	1,086	239

1. Net impact shown here is the sum of the individual sensitivities presented above. Note that this may differ from an exact calculation of changing both parameters together.

Regarding the above results:

- The net impacts of 1% decrease/increase in new money rate (1% downward/upward parallel shift) and discount rates are largely offsetting. Interest rate guarantees make the results more sensitive to the downward shift.
- The impact of using local regulatory minimum capital instead of ING capital model is positive EUR 2,621 million and primarily due to Taiwan for which ING allocates capital at a significantly higher level than local regulatory level.

For the results of a sensitivity analysis to changes in economic assumptions performed on the Value of New Business please refer to Appendix 2.

Non-economic assumptions

The table below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2007 to the following changes in non-economic assumptions:

- 10% decrease in maintenance expenses throughout the projection period (a 10% sensitivity on a base expense assumption of EUR 100 would represent an expense assumption of EUR 90)
- 10% decrease in lapse rates (a 10% sensitivity on a base assumption of 4% pa would represent a lapse rate of 3.6% pa)

- 5% decrease in both mortality and morbidity rates. Mortality and morbidity assumptions are multiplied by 0.95. The impact of this decrease is shown separately for business where the decrease has a positive impact (life and morbidity business) and where it has a negative impact due to longevity risk (annuities).

In each sensitivity calculation, all other assumptions remain unchanged.

Table 12. Sensitivity of Embedded Value to non-economic assumptions				
<i>in EUR million</i>	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Embedded Value (net of tax)	14,156	10,633	2,204	26,993
10% decrease in maintenance expenses	371	252	131	754
10% decrease in lapse rates	187	267	125	579
5% decrease in mortality and morbidity rates – Life	51	166	271	489
5% decrease in mortality and morbidity rates - Annuity	-72	-22	0	-94

Regarding the above results:

- The 5% decrease for mortality and morbidity rates is driven by Taiwan, reflecting the product mix and morbidity risk of the in-force business. For Insurance Americas this sensitivity primarily reflects gains in the Life insurance business.
- A 10% decrease in maintenance expenses will lead to a EUR 754 million increase in Embedded Value.
- The sensitivity results for a 10% decrease in lapse rates in Insurance Americas are driven by Annuity and Retirement Services.
- For Insurance Asia/Pacific lower lapse rates have a significant positive impact on the profitability of Japan's COLI business and for Japan this reduction in lapse rates would result in a EUR 53 million impact or an 8.8% increase in Embedded Value.

For the results of a sensitivity analysis to changes in non-economic assumptions performed on the Value of New Business please refer to Appendix 2.

2. Insurance Europe

- **Embedded Value of covered life businesses increases 21.3% to EUR 19,533 million before capital injections/(dividends)**
- **Value of New Business increases 82.6% to EUR 400 million**
- **IRR on new business increases to 15.8% from 14.9% in 2006**

	Netherlands	Belgium & Luxembourg	Central Europe & Spain	2007 Total	2006 Total
<i>in EUR million</i>					
Free Surplus _{boy} (FS)	6,791	390	408	7,589	6,407
Required Capital _{boy} (RC)	1,917	421	488	2,826	2,620
ViF _{boy}	<u>3,325</u>	<u>300</u>	<u>2,064</u>	<u>5,689</u>	<u>5,902</u>
Total EV_{boy}	12,032	1,111	2,961	16,103	14,929
Addition of business / (divested business)	0	-520	-60	-580	31
Currency effects	0	0	77	77	52
Model changes	<u>682</u>	<u>-11</u>	<u>-29</u>	<u>642</u>	<u>-61</u>
Revised EV_{boy}	12,714	580	2,949	16,243	14,951
Value of New Business (VNB)	70	17	313	400	219
Financial variances	1,169	-6	38	1,201	691
Operational variances	29	2	25	56	122
Operating assumption changes	<u>-66</u>	<u>10</u>	<u>180</u>	<u>125</u>	<u>-187</u>
Embedded Value Profit (EV Profit)	1,202	23	556	1,781	846
Required return - return on RC and ViF	398	24	244	666	606
Investment return on Free Surplus	528	6	24	557	1,054
Discount rate changes	-34	-2	70	35	-399
Economic assumption changes	85	10	181	275	133
Embedded Value of business acquired	0	0	-25	-25	0
Capital injections	0	0	135	135	24
Dividends	<u>-5,170</u>	<u>-95</u>	<u>-247</u>	<u>-5,512</u>	<u>-1,111</u>
Subtotal	-4,193	-58	382	-3,869	307
EV_{boy} - after capital injections/(dividends)	9,723	546	3,887	14,156	16,103
EV _{boy} - before capital injections/(dividends)	14,893	641	3,999	19,533	17,191
RoEV% - before capital injections/(dividends)	17%	11%	36%	20%	15%

The most important items impacting the change in Embedded Value during 2007 were:

- Addition of business /(divested business) is EUR –580 million, primarily due to the sale of Belgium’s Employee Benefits and Broker businesses. Central Europe shows EUR –60 million due to the addition of the Russia Pension Fund in 2007 (EUR –81 million), which is equal to the present value of the initial start-up costs for this new Greenfield. This was partially offset by the increase in ownership for ING Piraeus (EUR 14 million).
- Model changes of EUR 642 million are primarily due to a change in the target asset mix at Nationale-Nederlanden. This asset mix impact of EUR 482 million was included as a model change so that there would be no impact on the RoEV or on the EV Profit. The present value of the Bulgaria Greenfield start-up costs is reflected as a model change (EUR –12 million) because this Greenfield was started prior to 2007.
- Value of New Business is EUR 400 million.
- Financial variances of 1,201 million are primarily due to the realised gains on shares in the Netherlands.
- Operational performance variances of EUR 56 million - split between the Netherlands and Central Europe. In the Netherlands, favourable morbidity experience (EUR 49 million), adjustments to policy terms (EUR 20 million), mix of business (EUR 28 million) were nearly offset by additional benefits granted to unit-linked

policyholders. In Central Europe, the variances primarily reflect better than anticipated premium inflows in the Poland and Bulgaria pension funds (EUR 19 million).

- Operating assumption changes of EUR 125 million. The most significant changes in Central Europe are lower lapse and maturity rates (EUR 98 million), positively impacting Poland, Czech and Slovakia. Favourable changes in the assumed expense and commission levels (EUR 50 million) in Poland and Greece and higher anticipated management fees and premium increases (EUR 40 million) were partially offset by higher anticipated mortality and morbidity claims (EUR –20 million) including higher anticipated costs for reinsurance and FOGs.
- Required return of EUR 666 million.
- Investment return on free surplus of EUR 557 million reflects the gain on shares during the year.
- Economic assumption changes increased EV by EUR 275 million. Two-thirds of that increase is from Central Europe, where changes to the wage and expense inflation assumptions primarily impacted the Hungary and Poland pension funds and accounted for EUR 79 million of this increase; updated fixed income assumptions added EUR 48 million; and a recalibration of the ING Capital Model resulted in an increase of EUR 40 million. The change to a lower corporate tax rate in the Czech Republic added EUR 17 million.
- Dividends, net of capital injections, are EUR 5,377 million.

FOGs reduced the 2007 Embedded Value by EUR 296 million (vs. EUR 262 million in 2006) and the VNB by EUR 13 million.

2.1 Embedded Value results for Insurance Europe

The table provides a high level overview of the Embedded Value for Insurance Europe. The results presented below should be read carefully in connection with the embedded movement shown in Table 13, including the explanations, and also with the sensitivity analysis in Section 2.4.

Table 14. Embedded Value – covered life insurance business			
<i>In EUR million</i>	2007	2006	% Change
Free Surplus (FS)	3,621	7,589	-52.3%
Required Capital (RC)	<u>3,286</u>	<u>2,826</u>	16.3%
Adjusted Net Worth (ANW)	6,907	10,415	-33.7%
Present Value of Future (statutory book) Profits (PVFP)	8,162	6,727	21.3%
Cost of holding Required Capital (CoC)	<u>-912</u>	<u>-1,038</u>	-12.1%
Value of in-Force covered business (ViF)	7,249	5,689	27.4%
Embedded Value (ViF and ANW)	14,156	16,103	-12.1%

Embedded Value of the covered life business decreased 12.1% to EUR 14,156 million. Free Surplus decreased to EUR 3,621 million from EUR 7,589 million in 2006 because EUR 5,512 million in dividends were up-streamed.

2.2 Return on Embedded Value in comparison to 2006 results

The table below shows RoEV after revisions to the year-end 2006 Embedded Value.

Table 15. Change in Embedded Value and EV Profit			
In EUR million	2007	2006	% Change
Embedded Value _{boy}	16,103	14,929	7.9%
Revisions to EV	140	22	536.4%
Revised EV_{boy}	16,243	14,951	8.6%
EV Profit	1,781	846	110.5%
Required return - return on RC and ViF	666	606	9.9%
Other returns	867	788	10.0%
Return on EV (RoEV) before capital injections/(dividends)¹	3,314	2,240	47.9%
RoEV% - before capital injection/(dividends)	20%	15%	
Embedded Value of business acquired	-25	0	-
Capital injections / (dividends)	<u>-5,377</u>	<u>-1,087</u>	394.7%
EV_{boy} - after capital injections/(dividends)	14,156	16,103	-12.1%

1. Measured on Revised EV_{boy}

RoEV% increased from 15% in 2006 to 20% in 2007. Most of the increase is from financial performance variances, which were significant in 2007, nearly twice 2006 levels.

2.3 New Business

The tables below provide an overview of the profitability of the new life insurance production written in 2007 measured by the Value of New Business and internal rate of return. Furthermore the investment in new business is shown and detailed information is provided with respect to sales, measured as annual premium, single premium and annual premium equivalent (APE). Profit margins are shown in Table 20 as percentage of the present value of the new business premiums.

Table 16. Value of New Business – covered life insurance business								
In EUR million	Quarterly Results					Full Year Results		
	4Q 2007	4Q 2006	% change	3Q 2007	% change	2007	2006	% Change
Profit-tested Value of New Business (a)	197	48	310.4%	99	99.0%	413	226	82.7%
After-tax acquisition expense & commission overrun (b)	<u>-2</u>	<u>3</u>	-	<u>1</u>	-	<u>12</u>	<u>7</u>	71.4%
Value of New Business (a-b)	200	45	344.4%	92	117.4%	400	219	82.6%
Investment in new business	128	91	40.7%	106	20.8%	398	322	23.6%
Final IRR on new sales				14.3%		15.8%	14.9%	

VNB in Insurance Europe is up by 82.6% to EUR 400 million, with most of the increase coming from Romania pension funds. Removing the Romania pension funds, the VNB for Europe would have been up 14.2% from 2006.

Table 17. New life insurance value by country								
In EUR million	Quarterly Results					Full Year Results		
	4Q2007	4Q2006	% change	3Q2007	% change	2007	2006	% Change
Netherlands	26	10	160.0%	13	100.0%	70	76	-7.9%
Belgium & Luxembourg	4	6	-33.3%	4	0.0%	17	19	-10.5%
Central Europe & Spain	<u>170</u>	<u>29</u>	<u>486.2%</u>	<u>74</u>	<u>129.7%</u>	<u>313</u>	<u>124</u>	<u>152.4%</u>
Total	200	45	344.4%	92	117.4%	400	219	82.6%

Table 18. New life insurance IRR by country									
<i>In EUR million</i>	4Q2007	4Q2006	change	3Q2007	change	2Q2007	Change	1Q2007	Change
Netherlands	12.2%	12.8%	-0.6%	11.4%	0.8%	11.6%	0.6%	11.1%	1.1%
Belgium & Luxembourg	13.2%	12.3%	0.9%	12.7%	0.5%	11.8%	1.4%	12.1%	1.1%
Central Europe & Spain	<u>18.4%</u>	<u>18.1%</u>	0.3%	<u>16.8%</u>	1.6%	<u>17.9%</u>	0.4%	<u>18.5%</u>	-0.1%
Total	15.8%	14.9%	0.9%	14.3%	1.5%	14.3%	1.5%	14.3%	1.5%

The most important items influencing the 2007 results were:

- The Netherlands VNB for 4Q 2007 of EUR 26 million compares to 4Q 2006 of EUR 10 million and EUR 13 million from 3Q 2007. The normalized VNB for 4Q 2006 before discount rate change was EUR 17 million. Approximately half of the increase from 3Q 2007 is due to lower acquisition expense overruns. The other half is due to higher sales, a shift to the more profitable traditional business, and higher charges for the interest guarantees/cost of capital in the Group business.
- The Central Europe and Spain VNB of EUR 170 million is significantly higher than the 4Q 2006 VNB of EUR 29 million and EUR 74 million in 3Q 2007. The addition of the Romania pension fund accounts for EUR 116 million of the increase from one year ago and EUR 82 million compared to 3Q 2007. Much of the remaining increase in VNB is in line with the increase in sales.
- The change in Greenfield expense policy added EUR 4 million compared to a year ago.

Table 19. New life insurance production by country – Annualized Premium								
<i>In EUR million</i>	Quarterly Results					Full Year Results		
	4Q2007	4Q2006	% change	3Q2007	% change	2007	2006	% Change
Annualized Premium								
Netherlands	42	41	2.4%	37	13.5%	156	154	1.3%
Belgium & Luxembourg	9	7	28.6%	3	200.0%	22	21	4.8%
Central Europe & Spain	<u>169</u>	<u>90</u>	87.8%	<u>128</u>	32.0%	<u>465</u>	<u>314</u>	48.1%
Total Annual Premium	220	138	59.4%	168	31.0%	643	488	31.8%
Single Premium								
Netherlands	300	362	-17.1%	255	17.6%	1,191	1,495	-20.3%
Belgium & Luxembourg	182	209	-12.9%	217	-16.1%	1,037	904	14.7%
Central Europe & Spain	<u>389</u>	<u>265</u>	46.8%	<u>168</u>	131.5%	<u>1,028</u>	<u>711</u>	44.6%
Total Single Premium	871	836	4.2%	640	36.1%	3,256	3,109	4.7%
APE								
Netherlands	72	78	-7.7%	63	14.3%	275	304	-9.5%
Belgium & Luxembourg	27	28	-3.6%	24	12.5%	126	111	13.5%
Central Europe & Spain	<u>208</u>	<u>116</u>	79.3%	<u>145</u>	43.4%	<u>568</u>	<u>385</u>	47.5%
Total APE	307	222	38.3%	232	32.3%	969	799	21.3%

1. Annual Premium Equivalent (APE) = Annual Premium + 10% * Single Premium

Note: Belgium and Luxembourg figures adjusted to exclude the divested business

Annualized premium equivalent sales for 4Q 2007 are 38.3% above 4Q 2006 levels and 32.3% above 3Q 2007. The increase is driven by Central Europe & Spain, but all three regions increased compared to 3Q 2007.

Annualized Regular Premiums

The Central Europe and Spain annual premiums of EUR 169 million are significantly higher than the 4Q 2006 figure of EUR 90 million and EUR 128 million for 3Q 2007. The addition of Romania Pillar II pension funds explains nearly the entire increase in annual premium sales compared to the prior quarters.

Single Premiums

The Central Europe and Spain single premiums of EUR 389 million are significantly higher than the 4Q 2006 figure of EUR 265 million and EUR 168 million for 3Q 2007. Spain was the largest contributor with an increase of

EUR 72 million from 4Q 2006 and EUR 94 million from 3Q 2007, with sales of the SPVA product and large group sales partially offset by lower unit-linked and traditional sales.

The launch of new UL products in the Czech Republic and in Greece also contributed to the increase, with a combined increase of EUR 72 million compared to both 4Q 2006 and 3Q 2007. The single premium endowment campaign in Poland added EUR 42 million to the increase over the prior quarter. This is a seasonal campaign, occurring in the 2nd and 4th quarters. The 4Q 2007 campaign generated EUR 17 million less in single premiums than it did a year ago.

The table below shows new business statistics such as new business profit margins (VNB/PV NBP), which have increased for Europe overall due to the greater portion of sales in Central Europe, where margins are generally higher than the developed markets of the Benelux.

Table 20. New business statistics								
In EUR million	Quarterly Results				Full Year Results			
	PV of Premiums		VNB/PV Premiums		PV of Premiums		VNB/PV Premiums	
	4Q2007	4Q2006	4Q2007	4Q2006	2007	2006	2007	2006
Netherlands	648	647	4.0%	1.5%	2,433	2,673	2.9%	2.8%
Belgium & Luxembourg	232	321	1.7%	1.9%	1,322	1,335	1.3%	1.4%
Central Europe & Spain	<u>3,921</u>	<u>757</u>	4.3%	3.8%	<u>7,777</u>	<u>3,106</u>	4.0%	4.0%
Total	4,801	1,725	4.2%	2.6%	11,531	7,114	3.5%	3.1%

The table below compares the 2007 Value of New Business production for each quarter of 2007. The increase for Europe largely reflects the Romania Pillar II pension fund activity in the 3rd and 4th quarter of the year.

Table 21. Development of value of new life insurance production				
In EUR million	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Netherlands	26	13	17	13
Belgium & Luxembourg	4	4	4	5
Central Europe & Spain	<u>170</u>	<u>74</u>	<u>34</u>	<u>35</u>
Total	200	92	55	53

2.4 Sensitivity analysis

Economic assumptions

The table below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2007 to economic assumptions. For an explanation of the sensitivities please refer to Section 1.4.

Table 22. Sensitivity of Embedded Value to economic assumptions				
In EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
As reported – Embedded Value (net of tax)	9,723	546	3,887	14,156
1% decrease in new-money rates	-134	-12	-164	-310
1% increase in new-money rates	113	10	156	279
1% decrease in discount rates	803	18	340	1,161
1% increase in discount rates	-672	-18	-289	-979
Implied market forward rates (31 Oct 2007)	-8	0	7	-2
1% lower equity and real estate returns	-788	-5	-53	-846
10% downward shift in market values of equity and real estate investments	-1,182	-35	-28	-1,245
Local regulatory minimum capital requirement	194	-11	112	295
Net impact of				
1% decrease in new-money & 1% decrease in discount rates	669	6	176	851
1% increase in new-money & 1% increase in discount rates	-559	-8	-133	-700

Regarding the above results:

- 1% decrease/increase to the new-money rates in the Netherlands is less sensitive than in 2006. Nationale-Nederlanden's Group business dampens the sensitivity through profit-sharing and the impact of swaptions.
- The Embedded Value is more sensitive to the equity/real estate returns than in the 2006 Embedded Value, primarily reflecting the fact that for 5% equity holdings no tax offset is taken in the sensitivity testing.
- For Central Europe & Spain, the net impact of a reduction in new money rate and corresponding reduction in discount rate is positive, primarily attributable to the pension funds of Poland, Hungary and Romania.
- The sensitivity to local regulatory minimum capital requirements is negative for Belgium & Luxembourg because these businesses hold less than the regulatory minimum capital. In the Netherlands, Nationale-Nederlanden reflects capital that is higher than the regulatory minimum, but Postbank and RVS reflect less. If RVS and Postbank were to hold the minimum regulatory capital, the Embedded Value would decrease by EUR 22 million. Finally, several business units in Central Europe & Spain hold less than the regulatory minimum. For these business units, holding the regulatory minimum would decrease the Embedded Value by EUR 11 million.

For the results of a sensitivity analysis to changes in economic assumptions performed on the Value of New Business please refer to Appendix 2.

Non-economic assumptions

Table 23 below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2007 to the following changes in non-economic assumptions.

Table 23. Sensitivity of Embedded Value to non-economic assumptions				
<i>in EUR million</i>	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
As reported – Embedded Value (net of tax)	9,723	546	3,887	14,156
10% decrease in maintenance expenses	290	10	70	371
10% decrease in lapse rates	84	2	101	187
5% decrease in mortality and morbidity rates – Life	11	1	40	51
5% decrease in mortality and morbidity rates - Annuity	-70	0	-2	-72

The negative impact of the decrease in mortality and morbidity rates is primarily due to Nationale Nederlanden (EUR – 70 million) as a result of the large portfolio of Group annuity business and the portfolio of immediate annuities. Note that with respect to the mortality tables used for the Embedded Value calculations the latest industry tables have been used including future mortality improvements.

For the results of a sensitivity analysis to changes in non-economic assumptions performed on the Value of New Business please refer to Appendix 2.

3. Insurance Americas

- **Embedded Value of covered life businesses increases 17.5% to EUR 12,065 million before capital injections/(dividends) and currency effects. Including currency effects, the Embedded Value increases 7.3%**
- **Value of New Business increases by 61.7% to EUR 270 million, with large increases in US Life insurance and ING Financial Products and in Mexico's pension funds**
- **New sales (as measured in APE) rise 5.5%**

Table 24. Analysis of movement – Insurance Americas				
<i>in EUR million</i>	USFS	Latin America	2007 Total	2006 Total
Free Surplus _{boy} (FS)	1,136	34	1,170	810
Required Capital _{boy} (RC)	4,377	419	4,796	5,226
ViF _{boy}	3,862	442	4,305	4,822
Total EV_{boy}	9,376	896	10,272	10,858
Addition of business / (divested business)	0	5	5	376
Currency effects	-981	-62	-1,043	-1,134
Model changes	-141	15	-126	31
Revised EV_{boy}	8,254	854	9,108	10,130
Value of New Business (VNB)	215	55	270	167
Financial variances	-102	33	-69	331
Operational variances	286	-15	271	0
Operating assumption changes	44	-20	24	48
Embedded Value Profit (EV Profit)	443	55	498	546
Required return - return on RC and ViF	596	105	701	708
Investment return on Free Surplus	0	10	10	4
Discount rate changes	60	21	81	-194
Economic assumption changes	157	-29	128	-23
Embedded Value of business acquired	0	497	497	0
Capital injections	216	68	284	0
Dividends	-657	-15	-673	-899
Subtotal	371	656	1,027	-404
EV_{boy} - after capital injections/(dividends)	9,068	1,565	10,633	10,272
EV _{boy} - before capital injections/(dividends)	9,510	1,512	11,022	11,171
RoEV% - before capital injections/(dividends)	15%	19%	16%	10%

The most important items impacting the change in Embedded Value during 2007 were:

- Unfavourable currency movements of EUR –1,043 million, reflecting the strengthening of the Euro against US and Latin American currencies.
- Model changes include EUR -198 million due to a methodology change in the US, which resulted in higher expenses being allocated to maintenance from acquisition. The offset to this is a EUR 11 million positive impact on the 2007 VNB.
- Value of New Business of EUR 270 million, which is an increase of 61.7% compared to EUR 167 million in 2006.
- Financial performance variances of EUR –69 million primarily reflects lower than projected equity performance on fund values and fee income of the US Annuity and Retirement businesses. This was partially offset in USFS by favourable credit default experience, and favourable returns on assets backing required capital. The favourable variances in Latin America are attributable to investment gains in Mexico.
- Operational performance variances of EUR 271 million reflects EUR 145 million from US Annuity related to the actual development of reserves and required capital compared to expected, EUR 66 million in US Life to reflect the retroactive impact of the on-shore reinsurance transactions on business sold in 2006, and EUR 65 million in Retirement Services for improvement in general account asset strategies. Other variances in the US – mortality,

persistence and expenses – were largely offsetting, with a EUR 31million variance related to persistence (Group Reinsurance and Retirement Services) offset by EUR –48 million variance from mortality and expenses. In Latin America, the continuation of the transfer war in Peru and additional expenses allocated to Mexico's pension funds largely account for the EUR –15 million in operating performance variances.

- Operational assumption changes of EUR 24 million include EUR –163 million for increased maintenance expenses in the US, which are offset by EUR 166 million from improved product fees and fund fee income.
- Required return on beginning in-force (unwind of discount rate) of EUR 701 million.
- Discount rate and economic assumption changes added EUR 81 million and EUR 128 million.

Financial Options and Guarantees reduced Insurance Americas Embedded Value by EUR 232 million, driven by USFS. FOG costs reduced the 2006 Embedded Value by EUR 211 million.

3.1 Embedded Value results for Insurance Americas

Table 25 provides a high level overview of the Embedded Value for Insurance Americas. The results presented below should be read carefully in connection with the embedded movement shown in Table 24, including the explanations, and also with the sensitivity analysis in Section 3.4.

Table 25. Embedded Value – covered life insurance business			
<i>In EUR million</i>	2007	2006	% Change
Free Surplus (FS)	1,280	1,170	9.4%
Required Capital (RC)	<u>4,623</u>	<u>4,796</u>	-3.6%
Adjusted Net Worth (ANW)	5,903	5,967	-1.1%
Present Value of Future (statutory book) Profits (PVFP)	5,927	5,660	4.7%
Cost of holding Required Capital (CoC)	<u>-1,197</u>	<u>-1,356</u>	-11.7%
Value of in-Force covered business (ViF)	4,731	4,305	9.9%
Embedded Value (ViF and ANW)	10,633	10,272	3.5%

Embedded Value of the covered life business increased 3.5% to EUR 10,633 million. Free Surplus increased to EUR 1,280 million from EUR 1,170 million in 2006, an increase of 9.4%. The movement over the year of Free Surplus, Adjusted Net Worth and the Value of in-Force covered business can be found in Appendix 1.

3.2 Return on Embedded Value in comparison to 2006 results

Table 26 below shows RoEV after revisions to the year-end 2006 Embedded Value.

Table 26. Change in Embedded Value and EV Profit			
<i>In EUR million</i>	2007	2006	% Change
Embedded Value _{boy}	10,272	10,858	-5.4%
Revisions to EV	<u>-1,163</u>	<u>-728</u>	59.8%
Revised EV_{boy}	9,108	10,130	-10.1%
EV Profit	498	546	-8.8%
Required return - return on RC and ViF	701	708	-1.0%
Other returns	<u>219</u>	<u>-213</u>	-202.8%
Return on EV (RoEV) before capital injections/(dividends)¹	1,418	1,040	36.3%
RoEV% - before capital injection/(dividends)	16%	10%	
Embedded Value of business acquired	497	0	-
Capital injections / (dividends)	<u>-389</u>	<u>-899</u>	-56.7%
EV_{boy} - after capital injections/(dividends)	10,633	10,272	3.5%

1. Measured on Revised EV_{boy}

EV Profit of EUR 498 million is 8.8% below the 2006 figure. Favourable financial variances in 2006 were replaced by large operational variances and an increase to the VNB.

The RoEV increased by 36.3% to EUR 1,418 million on the revised EV of EUR 9,108 million, a return percentage of 16%. Other return components - changes to discount rates, economic assumption changes and returns on free surplus – added EUR 219 million, in contrast to EUR –213 million in 2006.

3.3 New Business

The tables below provide an overview of the profitability of the new life insurance production written in 2007 measured by the Value of New Business and internal rate of return. Furthermore the investment in new business is shown and detailed information is provided with respect to sales, measured as annual premium, single premium and annual premium equivalent (APE). Profit margins are shown in Table 31 as percentage of the present value of the new business premiums.

Table 27. Value of New Business – covered life insurance business								
<i>In EUR million</i>	Quarterly Results					Full Year Results		
	4Q 2007	4Q 2006	% change	3Q 2007	% change	2007	2006	% Change
Profit-tested Value of New Business (a)	113	5	2160.0%	79	43.0%	300	227	32.2%
After-tax acquisition expense & commission overrun (b)	2	18	-88.9%	7	-71.4%	29	60	-51.7%
Value of New Business (a-b)	111	-12	-	73	52.1%	270	167	61.7%
Investment in new business	324	168	92.9%	293	10.6%	1,138	1,031	10.4%
Final IRR on new sales				10.8%		11.8%	10.3%	

Value of New Business of EUR 270 million in 2007 is 61.7% higher than full year 2006. In comparing 2007 to 2006, recall that at year-end 2006, the Americas VNB was reduced by EUR 31 million due to the discount rate change, all of which was reflected in the 4Q 2006 results.

Table 28. New life insurance value by country								
<i>In EUR million</i>	Quarterly Results					Full Year Results		
	4Q2007	4Q2006	% change	3Q2007	% change	2007	2006	% Change
USFS	77	-3	-2666.7%	64	20.3%	215	145	48.3%
Latin America	35	-9	-488.9%	9	288.9%	55	22	150.0%
Total	111	-12	-1025.0%	73	52.1%	270	167	61.7%

Table 29. New life insurance IRR by country									
<i>In EUR million</i>	4Q2007	4Q2006	change	3Q2007	change	2Q2007	change	1Q2007	Change
USFS	11.3%	10.3%	1.0%	10.7%	0.5%	10.2%	1.1%	9.3%	2.0%
Latin America	15.8%	10.5%	5.3%	11.9%	3.9%	11.5%	4.3%	11.8%	4.0%
Total	11.8%	10.3%	1.5%	10.8%	0.9%	10.3%	1.5%	9.5%	2.3%

In the US, the most important items influencing the 2007 results are as follows:

- The US Life insurance business reported VNB of EUR 19 million for 4Q 2007, compared to EUR –19 million in 4Q 2006. In addition to the benefits of sales that more than doubled, a large positive impact on VNB results resulted from the successful completion of on-shore reinsurance agreements. These agreements create value through improving the tax efficiency and reducing the reserve levels for Level Term insurance and Universal Life insurance with secondary guarantees. the impact on the VNB was EUR 11 million in 4Q 2007, including a retroactive impact on sales in the first three quarters of the year.
- Expense assumptions in US Annuity and US Life were revised to increase the maintenance expense assumptions and reduce acquisition expense assumptions. This change added EUR 11 million to the VNB

throughout the year. The adverse impact of this change in maintenance expenses assumptions is reflected as a reduction in the Value of in-Force as a model change.

- US Annuity benefited from higher Variable Annuity sales when compared to both 4Q 2006 and 3Q 2007. The Annuity VNB of EUR 21 million is a significant increase from VNB of zero in 4Q 2006, but because of lower pricing margins, there was a small decrease in VNB from 3Q 2007.
- US ING Financial Products' 4Q 2007 VNB of EUR 18 million compares to 4Q 2006 VNB of EUR 2 million, an increase that resulted from sales that are 41% higher, a more profitable product mix, and increased margins. Due to this better mix and margins, VNB decreased slightly from 3Q 2007, despite sales that are 45% lower.

In Latin America, the most important items influencing the 2007 results are as follows:

- The pension funds acquired from Santander contributed EUR 11 million to the VNB, most of which is in Mexico.
- Mexico's pension fund business contributed EUR 26 million to the VNB in 4Q 2007, partly due to the acquired business, but primarily due to lower assumed expenses, lapses and higher contribution rates. These changes reflect regulatory changes that make transferring between pension fund companies more difficult and also reflect higher quality business.
- Peru's pension fund business maintained its VNB, despite a 20% drop in sales. The slowing of the transfer wars is reflected in lower lapses, increasing the value associated with each sale.

Table 30. New life insurance production by country – Annualized Premium								
<i>In EUR million</i>	Quarterly Results					Full Year Results		
	4Q2007	4Q2006	% change	3Q2007	% change	2007	2006	% Change
Annualized Premium								
USFS	343	338	1.5%	313	9.6%	1,419	1,495	-5.1%
Latin America	129	103	25.2%	75	72.0%	354	322	9.9%
Total Annual Premium	473	441	7.3%	388	21.9%	1,773	1,817	-2.4%
Single Premium								
USFS	5,270	4,104	28.4%	5,654	-6.8%	18,791	16,418	14.5%
Latin America	47	43	9.3%	51	-7.8%	193	210	-8.1%
Total Single Premium	5,317	4,147	28.2%	5,704	-6.8%	18,983	16,628	14.2%
APE								
USFS	870	749	16.2%	879	-1.0%	3,298	3,137	5.1%
Latin America	134	107	25.2%	80	67.5%	374	343	9.0%
Total APE	1,004	856	17.3%	958	4.8%	3,671	3,480	5.5%

1. Annual Premium Equivalent (APE) = Annual Premium + 10% * Single Premium

Annualized premium equivalent sales for 4Q 2007 are 17% above 4Q 2006 levels and 5% above 3Q 2007. For the US, the Life, Annuity, Employee Benefits and ING Financial Products all contributed to the increase from 4Q 2006. For Latin America, the Santander acquisition is the primary driver.

Annualized Regular Premiums

US Life and Employee Benefits' regular premium sales more than doubled from 4Q 2006. These were largely offset by a decrease in Retirement Services.

Latin America's pension funds fuelled the increase in sales for that region. The exception is Peru's pension funds where the transfer war is subsiding.

Single Premiums

In the US, 4Q 2007 single premium sales were up 28% from 4Q 2006. Life, Annuity and ING Financial Products' single premium sales are all up significantly. Low Fixed and Variable Annuity sales in the first half of the year were addressed with a number of product and distribution initiatives that significantly increased sales in the 2nd half of the year. ING Financial Products capitalised on an attractive market environment to also increase sales in this period. The positive sales results were somewhat offset by a decline in Retirement Services' non-core business.

Table 31. New business statistics								
In EUR million	Quarterly Results				Full Year Results			
	PV of Premiums		VNB/PV Premiums		PV of Premiums		VNB/PV Premiums	
	4Q2007	4Q2006	4Q2007	4Q2006	2007	2006	2007	2006
USFS	6,867	4,939	1.1%	-0.1%	24,228	20,692	0.9%	0.7%
Latin America	<u>198</u>	<u>103</u>	17.7%	-8.7%	<u>620</u>	<u>574</u>	8.9%	3.8%
Total	7,066	5,042	1.6%	-0.2%	24,848	21,266	1.1%	0.8%

The above table shows new business statistics such as new business profit margins (VNB/PVNBP). New business profit margins are higher for USFS and for Latin America, which is consistent with the comments regarding VNB that are detailed above.

The table immediately below compares the 2007 Value of New Business production for each quarter of 2007.

Table 32. Development of value of new life insurance production				
<i>In EUR million</i>	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
USFS	77	64	47	27
Latin America	<u>35</u>	<u>9</u>	<u>6</u>	<u>6</u>
Total	111	73	53	33

3.4 Sensitivity analysis

Economic assumptions

The table immediately below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2007 to economic assumptions. For an explanation of the sensitivities please refer to Section 1.4.

Table 33. Sensitivity of Embedded Value to economic assumptions			
<i>In EUR million</i>	USFS	Latin America	Total
As reported – Embedded Value (net of tax)	9,068	1,565	10,633
1% decrease in new-money rates	-471	-61	-532
1% increase in new-money rates	239	65	304
1% decrease in discount rates	426	73	499
1% increase in discount rates	-388	-63	-451
Implied market forward rates (31 Oct 2007)	57	0	57
1% lower equity and real estate returns	-179	-10	-190
10% downward shift in market values of equity and real estate investments	-391	-6	-396
Local regulatory minimum capital requirement	206	14	220
Net impact of			
1% decrease in new-money & 1% decrease in discount rates	-46	12	-34
1% increase in new-money & 1% increase in discount rates	-148	1	-147

There is an asymmetry in the sensitivity to new money rates in USFS because interest rate guarantees on many life insurance and annuity products result in a margin squeeze when new-money rates are reduced.

For the results of a sensitivity analysis to changes in economic assumptions performed on the Value of New Business please refer to Appendix 2.

Non-economic assumptions

The table immediately below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2007 to the following changes in non-economic assumptions.

Table 34. Sensitivity of Embedded Value to non-economic assumptions			
<i>In EUR million</i>	USFS	Latin America	Total
As reported – Embedded Value (net of tax)	9,068	1,565	10,633
10% decrease in maintenance expenses	192	61	252
10% decrease in lapse rates	232	35	267
5% decrease in mortality and morbidity rates – Life	150	16	166
5% decrease in mortality and morbidity rates - Annuity	-10	-12	-22

For the results of a sensitivity analysis to changes in non-economic assumptions performed on the Value of New Business please refer to Appendix 2.

4. Insurance Asia/Pacific

- Value of New Business rises 5.0% to EUR 442 million
- IRR on new business remains steady at 16.8% on investment in new business that is 16.5% higher than in 2006
- Embedded Value increases by 41.8% to EUR 1,905 million before capital injections/(dividends)

<i>in EUR million</i>	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	2007 Total	2006 Total
Free Surplus _{boy} (FS)	4	141	-4,683	-484	44	-4,978	-4,943
Required Capital _{boy} (RC)	96	292	5,174	428	261	6,251	5,845
ViF _{boy}	<u>536</u>	<u>534</u>	<u>-2,061</u>	<u>690</u>	<u>371</u>	<u>71</u>	<u>898</u>
Total EV_{boy}	636	968	-1,570	634	676	1,343	1,799
Addition of business / (divested business)	95	48	0	0	0	143	0
Currency effects	-3	-107	158	-31	-48	-31	-82
Model changes	<u>20</u>	<u>-104</u>	<u>-113</u>	<u>-12</u>	<u>-121</u>	<u>-332</u>	<u>122</u>
Revised EV_{boy}	748	805	-1,525	591	506	1,124	1,840
Value of New Business (VNB)	56	142	182	43	20	442	421
Financial variances	4	1	60	-65	41	40	218
Operational variances	-15	61	-7	34	-7	66	-155
Operating assumption changes	<u>8</u>	<u>18</u>	<u>-27</u>	<u>-7</u>	<u>-18</u>	<u>-26</u>	<u>106</u>
Embedded Value Profit (EV Profit)	53	221	207	5	36	523	590
Required return - return on RC and ViF	82	64	160	57	40	403	402
Investment return on Free Surplus	0	6	-99	-8	5	-97	-90
Discount rate changes	-1	-19	42	25	46	94	255
Economic assumption changes	1	-37	-1	-64	-40	-142	-1,644
Embedded Value of business acquired	0	0	0	0	0	0	0
Capital injections	5	261	0	0	37	304	115
Dividends	<u>-5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-5</u>	<u>-124</u>
Subtotal	82	275	102	10	88	557	-1,087
EV_{boy} - after capital injections/(dividends)	883	1,301	-1,216	605	630	2,204	1,343
EV _{boy} - before capital injections/(dividends)	883	1,040	-1,216	605	593	1,905	1,353
RoEV% - before capital injections/(dividends)	18%	29%	-20%	2%	17%	69%	-26%

The most important items impacting the change in Embedded Value during 2007 were:

- Addition of business of EUR 143 million includes an increase in ING's stake of ING Life Korea from 80% to 85.1% and the inclusion of the Trust and similar mutual fund business in the covered business of Australia. Australia is the only ING business unit for which mutual funds are included in the Embedded Value and Value of New Business.
- The Euro appreciated against most currencies in Asia Pacific which reduced the Embedded Value for the majority of business units. As the Embedded Value is negative in Taiwan the weakening of the Taiwanese dollar improved the embedded value position. Overall the currency effect on the embedded value was EUR – 31 million.
- Model changes total EUR –332 million. These are primarily due to the true-up of year-end 2006 EV from estimates to actual in-force, a change to the capital calculation in Taiwan, changes to the FOG modelling and other coding refinements in Korea. Finally, the present value of projected start-up expenses for the Greenfields in China, India, and Thailand combined to reduce the EV by EUR 173 million.

- VNB of EUR 442 million for 2007 compares to EUR 421 million for 2006, an increase of EUR 21 million.
- Financial variances were generally positive throughout the region, netting to EUR 40 million, reflecting favourable investment income. Offsetting the higher investment income were variances of EUR –65 million in Japan caused by lower than expected fund performance, lower interest rates leading to higher SPVA hedge costs, and lower COLI investment income.
- Operational variances of EUR 66 million primarily reflect favourable experience in a number of ING Life Korea's assumptions – morbidity, mortality, persistency, expenses.
- Operating assumption changes are EUR –26 million. Revised mortality and morbidity assumptions increase value by EUR 57 million, but this was offset by EUR –54 million due to revised persistency assumptions, by higher expense assumptions (EUR –15 million) , and by other assumption changes.
- Required return of EUR 403 million.
- Economic assumption changes decreased EV by EUR 142 million but were largely offset by changes to the discount rates (EUR 94 million).
- Capital injections of EUR 304 million, mainly due to ING Life Korea where capital was added in order to support growth in the business unit.

Investment return on free surplus of EUR –97 million implies 1.9% return.

FOGs decreased the 2007 Embedded Value by EUR 913 million (vs. EUR 580 million in 2006) and decreased the VNB by EUR 328 million. More than 67% of the FOG related to EV and 87% related to VNB is contributed by Japan. Korea contributes most of the remaining FOG. Taiwan, Thailand, Hong Kong, China and India combine for 3% of the EV and 1% of the VNB FOG.

4.1 Embedded Value results for Insurance Asia/Pacific

The table below provides a high level overview of the Embedded Value for Insurance Asia/Pacific. The results presented below should be read carefully in connection with the embedded movement shown in Table 35, including the explanations, and also with the sensitivity analysis in Section 4.4.

Table 36. Embedded Value - covered life insurance business			
<i>In EUR million</i>	2007	2006	% Change
Free Surplus (FS)	-3,773	-4,978	-24.2%
Required Capital (RC)	<u>5,589</u>	<u>6,251</u>	-10.6%
Adjusted Net Worth (ANW)	1,816	1,273	42.7%
Present Value of Future (statutory book) Profits (PVFP)	3,013	2,995	0.6%
Cost of holding Required Capital (CoC)	<u>-2,625</u>	<u>-2,924</u>	-10.2%
Value of in-Force covered business (ViF)	388	71	446.5%
Embedded Value (ViF and ANW)	2,204	1,343	64.1%

Embedded Value of the covered life business increased 64.1% to EUR 2,204 million. The adjusted net worth increased by 42.7% to EUR 1,816 million, and the free surplus position improved by EUR 1,205 million.

4.2 Return on Embedded Value in comparison to 2006 results

The table below shows RoEV after revisions to the year-end 2006 Embedded Value.

Table 37. Change in Embedded Value and EV Profit			
<i>In EUR million</i>	2007	2006	% Change
Embedded Value _{boy}	1,343	1,799	-25.3%
Revisions to EV	<u>-219</u>	<u>41</u>	-634.1%
Revised EV_{boy}	1,124	1,840	-38.9%
EV Profit	523	590	-11.4%
Required return - return on RC and ViF	403	402	0.2%
Other returns	<u>-144</u>	<u>-1,479</u>	-90.3%
Return on EV (RoEV) before capital injections/(dividends)¹	781	-487	-260.4%
RoEV% - before capital injection/(dividends)	69%	-26%	
Embedded Value of business acquired	0	0	-
Capital injections / (dividends)	<u>298</u>	<u>-9</u>	-3411.1%
EV_{boy} – after capital injections/(dividends)	2,204	1,343	64.1%

1. Measured on Revised EV_{boy}

EV Profit decreased by 11.4% from 2006, despite an improvement in the Value of New Business and a large increase in the operational variances. Financial variances were not as substantial as in 2006 and operating assumption changes turned marginally negative. The RoEV increased substantially, improving by EUR 1,268 million, primarily due to the adverse economic assumption change in Taiwan in 2006.

4.3 New Business

The tables below provide an overview of the profitability of the new life insurance production written in 2007 measured by the Value of New Business and internal rate of return. Furthermore the investment in new business is shown and detailed information is provided with respect to sales, measured as annual premium, single premium and annual premium equivalent (APE). Profit margins are shown in Table 42 as percentage of the present value of the new business premiums.

The Value of New Business increased by 5.0%, despite the same level of profitability – measured by IRR – due to an investment in new business that increased by 16.5%.

Table 38. Value of New Business – covered life insurance business								
<i>In EUR million</i>	Quarterly Results					Full Year Results		
	4Q2007	4Q2006	% change	3Q2007	% change	2007	2006	% Change
Profit-tested Value of New Business (a)	108	103	4.9%	132	-18.2%	444	441	0.7%
After-tax acquisition expense & commission overrun (b)	<u>-21</u>	<u>8</u>	-	<u>-1</u>	<u>2000.0%</u>	<u>2</u>	<u>20</u>	-90.0%
Value of New Business (a-b)	128	95	34.7%	133	-3.8%	442	421	5.0%
Investment in new business	151	98	54.1%	142	6.3%	557	478	16.5%
Final IRR on new sales				16.7%		16.8%	16.8%	

The tables below provide a comparison of annual and quarterly results for certain countries within Asia/Pacific.

Table 39. New life insurance value by country								
<i>In EUR million</i>	Quarterly Results					Full Year Results		
	4Q2007	4Q2006	% change	3Q2007	% change	2007	2006	% Change
Australia & New Zealand	14	12	16.7%	15	-6.7%	56	36	55.6%
South Korea	41	39	5.1%	43	-4.7%	142	157	-9.6%
Taiwan	56	48	16.7%	55	1.8%	182	155	17.4%
Japan	5	-5	-200.0%	12	-58.3%	43	65	-33.8%
Rest of Asia	<u>12</u>	<u>1</u>	1100.0%	<u>9</u>	33.3%	<u>20</u>	<u>8</u>	150.0%
Total	128	95	34.7%	133	-3.8%	442	421	5.0%

Table 40. New life insurance IRR by country									
<i>In EUR million</i>	4Q2007	4Q2006	change	3Q2007	change	2Q2007	change	1Q2007	Change
Australia & New Zealand	21.4%	17.7%	3.7%	21.3%	0.0%	20.4%	0.9%	21.3%	0.0%
South Korea	22.8%	33.9%	-11.1%	24.8%	-2.1%	22.6%	0.2%	22.4%	0.4%
Taiwan	20.0%	17.9%	2.1%	19.2%	0.7%	18.2%	1.8%	17.8%	2.2%
Japan	11.1%	12.1%	-1.0%	11.5%	-0.3%	11.7%	-0.6%	10.1%	1.0%
Rest of Asia	<u>10.2%</u>	<u>8.8%</u>	1.4%	<u>9.1%</u>	1.1%	<u>7.3%</u>	2.9%	<u>7.5%</u>	2.7%
Total	16.8%	16.8%	0.0%	16.7%	0.1%	15.6%	1.2%	15.2%	1.6%

The most important items influencing the 2007 results were:

VNB for the region was EUR 442 million in 2007 compared to EUR 421 million in 2006. Taiwan and Korea continue to be the major contributors to the value in 2007.

- The VNB in Australia & New Zealand increased from EUR 36 million in 2006 to EUR 56 million in 2007. The 2007 figure includes Trust business and similar mutual fund business from January 2007. Excluding the Trust business, which contributed EUR 2 million in each of 3Q and 4Q 2007 (and EUR 8 million for the full year 2007), the VNB is flat quarter on quarter.
- For ING Japan the VNB was EUR 65 million in 2006 and fell to EUR 43 million in 2007. The VNB reduced from EUR 12 million in 3Q 2007 to EUR 5 million in 4Q 2007 due to lower sales and margins on the SPVA business. The single premium sales for SPVA dropped from EUR 1,162 million in the third quarter to EUR 709 million in Q4 2007. Margins were lowered by higher hedge costs (EUR -3 million), resulting from lower risk free rates and higher volatility.
- The VNB in South Korea reduced from EUR 157 million in 2006 to EUR 142 million in 2007. The ownership percentage increased to 85.1% from 80% at 30 September 2007; the increase in ownership is reflected in the 4Q VNB figures, contributing EUR 3 million to the 4Q 2007 VNB. The reduction in 4Q 2007 from 3Q 2007 VNB of 43 million was due to a fall in sales volumes together with sales of lower margin products, somewhat offset by a higher acquisition expense underrun.
- For ING Taiwan the VNB for 2006 was EUR 155 million and in 2007 it increased to EUR 182 million. The VNB increased from EUR 48 million in 4Q 2006 to EUR 56 million in 4Q 2007. This increase is due to the addition of a full year top-up production that was included in the 4Q 2007 figures, adding EUR 8 million to the VNB for the quarter.
- The VNB for other Asia Pacific business units increased from EUR 8 million in 2006 to EUR 20 million in 2007. The 2007 figures reflect a change in policy for the Greenfield business units in China, India and Thailand. The policy change removed start-up expenses from their VNB, which explains why the VNB for the Greenfield businesses in 4Q 2006 was EUR -3 million compared to EUR 4 million in 4Q 2007.

Table 41. New life insurance production by country – Annualized Premium								
<i>In EUR million</i>	Quarterly Results					Full Year Results		
	4Q2007	4Q2006	% change	3Q2007	% change	2007	2006	% Change
Annualized Premium								
Australia & New Zealand	36	29	24.1%	16	125.0%	101	102	-1.0%
South Korea	226	202	11.9%	239	-5.4%	867	815	6.4%
Taiwan	124	72	72.2%	117	6.0%	377	253	49.0%
Japan	45	46	-2.2%	57	-21.1%	214	291	-26.5%
Rest of Asia	<u>72</u>	<u>47</u>	53.2%	<u>56</u>	28.6%	<u>219</u>	<u>160</u>	36.9%
Total Annual Premium	503	396	27.0%	485	3.7%	1,777	1,621	9.6%
Single Premium								
Australia & New Zealand	1,056	332	218.1%	1,224	-13.7%	4,463	1,338	233.6%
South Korea	49	141	-65.2%	77	-36.4%	369	381	-3.1%
Taiwan	146	72	102.8%	154	-5.2%	476	188	153.2%
Japan	709	608	16.6%	1,162	-39.0%	3,578	3,603	-0.7%
Rest of Asia	<u>73</u>	<u>40</u>	82.5%	<u>30</u>	143.3%	<u>147</u>	<u>99</u>	48.5%
Total Single Premium	2,033	1,193	70.4%	2,647	-23.2%	9,034	5,609	61.1%
APE								
Australia & New Zealand	142	63	125.4%	138	2.9%	547	236	131.8%
South Korea	231	216	6.9%	247	-6.5%	904	853	6.0%
Taiwan	139	78	78.2%	132	5.3%	425	271	56.8%
Japan	116	107	8.4%	173	-32.9%	572	651	-12.1%
Rest of Asia	<u>79</u>	<u>50</u>	58.0%	<u>59</u>	33.9%	<u>233</u>	<u>170</u>	37.1%
Total APE	706	514	37.4%	750	-5.9%	2,680	2,182	22.8%

1. Annual Premium Equivalent (APE) = Annual Premium + 10% * Single Premium

Annualized Regular Premiums

The Asia Pacific annualised premiums of EUR 503 million in Q4 2007 are higher than the 4Q 2006 figure of EUR 396 million and EUR 485 million for 3Q 2007. About half of the increase in sales is because of unit linked business in Taiwan (EUR 53 million).

Single Premiums

The Asia Pacific single premiums of EUR 2,033 million in Q4 2007 are significantly higher than the 4Q 2006 figure of EUR 1,193 million primarily because of the inclusion of the Trust and mutual fund business in the 2007 figures. If this business is removed the Q4 2007 single premiums would have been EUR 1,455 million, an increase of 22.0% from 4Q 2006. Taiwan and Japan contributed to this increase, which was partially offset by lower single premium sales in South Korea.

The table below shows new business statistics such as new business profit margins (VNB/PV Premiums). New business profit margins, as defined above, decreased in Insurance Asia/Pacific compared to 2006.

Table 42. New business statistics								
<i>In EUR million</i>	Quarterly Results				Full Year Results			
	PV of Premiums		VNB/PV Premiums		PV of Premiums		VNB/PV Premiums	
	4Q2007	4Q2006	4Q2007	4Q2006	2007	2006	2007	2006
Australia & New Zealand	1,234	441	1.1%	2.7%	4,914	1,706	1.1%	2.1%
South Korea	1,106	1,062	3.7%	3.7%	4,083	3,993	3.5%	3.9%
Taiwan	912	679	6.1%	7.1%	2,940	2,160	6.2%	7.2%
Japan	886	821	0.6%	-0.6%	4,522	5,061	1.0%	1.3%
Rest of Asia	<u>379</u>	<u>261</u>	3.2%	0.4%	<u>1,059</u>	<u>832</u>	1.9%	1.0%
Total	4,516	3,264	2.8%	2.9%	17,518	13,752	2.5%	3.1%

The table below compares the 2007 Value of New Business production for each quarter of 2007. Value of New Business improved significantly in the 2nd half of 2007. Taiwan, South Korea and the Other countries in Asia/Pacific

offset a lower 4Q in Japan. Note that the Greenfield expense policy change was implemented in 3Q 2007, and the effect can be clearly seen in the trend.

Table 43. Development of value of new life insurance production				
<i>In EUR million</i>	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Australia & New Zealand	14	15	16	11
South Korea	41	43	29	30
Taiwan	56	55	37	33
Japan	5	12	18	8
Rest of Asia	12	9	-1	0
Total	128	133	99	82

4.4 Sensitivity analysis

Economic assumptions

The table below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2007 to economic assumptions. For an explanation on the sensitivities we refer to Section 1.4.

Table 44. Sensitivity of Embedded Value to economic assumptions						
<i>In EUR million</i>	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	Total
As reported – Embedded Value (net of tax)	883	1,301	-1,216	605	630	2,204
1% decrease in new-money rates	-35	-146	-1,256	-116	-104	-1,656
1% increase in new-money rates	39	143	1,137	111	103	1,532
1% decrease in discount rates	42	77	279	56	68	522
1% increase in discount rates	-49	-67	-223	-50	-56	-446
Implied market forward rates (31 Oct 2007)	-30	33	41	1	-28	17
1% lower equity and real estate returns	-6	0	-161	-4	-26	-197
10% downward shift in market values of equity and real estate investments	-46	0	-201	-34	-24	-304
Local regulatory minimum capital requirement	29	-18	2,002	65	28	2,107
Net impact of						
1% decrease in new-money & 1% decrease in discount rates	7	-69	-978	-60	-35	-1,134
1% increase in new-money & 1% increase in discount rates	-10	76	913	61	46	1,086

We make the following observations on the above results:

- Driven by Taiwan, interest rate risk is the most significant risk for Insurance Asia/Pacific, but the sensitivity has decreased slightly from 2006. The sensitivity is lower in Japan than in 2006 because interest rate hedges are reflected in the sensitivities.
- The lower local regulatory capital requirement in Taiwan would increase the Embedded Value by EUR 2,002 million. The difference relates to the higher economic capital requirements applied by ING. Applying local requirements for the whole region would result in an Embedded Value of EUR 4,311 million compared to the EUR 2,204 million that is reported with ING's capital requirements.

For the results of a sensitivity analysis to changes in economic assumptions performed on the Value of New Business please refer to Appendix 2.

Non-economic assumptions

The table below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2007 to the following changes in non-economic assumptions.

Table 45. Sensitivity of Embedded Value to non-economic assumptions						
<i>In EUR million</i>	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	Total
As reported – Embedded Value (net of tax)	883	1,301	-1,216	605	630	2,204
10% decrease in maintenance expenses	20	32	38	21	20	131
10% decrease in lapse rates	27	46	-13	53	12	125
5% decrease in mortality and morbidity rates – Life	21	19	176	23	33	271
5% decrease in mortality and morbidity rates - Annuity	0	0	0	0	0	0

We make the following observations on the above results:

- The significant impact (EUR 176 million) of the decrease in mortality and morbidity rates in Taiwan reflects the product mix and morbidity risk of the in-force business. Note that above sensitivity does not contain a reduction in initial Required Capital.
- The profitability of Japan's COLI business is highly dependent on lapse assumptions and therefore shows a EUR 53 million impact or an 8.8% increase in Embedded Value.
- All of the business units were classified as having life and morbidity risk only because there is an immaterial amount of longevity risk in these businesses. It should be noted that businesses that sell a significant amount of annuity business, this business is overwhelmingly in the accumulation phase and at risk for death rather than longevity.

For the results of a sensitivity analysis to changes in non-economic assumptions performed on the Value of New Business please refer to Appendix 2.

5. Review Statement

Introduction

The Executive Board of ING Group is responsible for the Embedded Value assumptions and calculations contained in this statement. Watson Wyatt Limited ("Watson Wyatt"), an international firm of consulting actuaries, has been retained to review the calculations.

The review was conducted on behalf of ING and designed solely to meet the requirement of the Executive Board of ING Group. To the fullest extent permitted by law, Watson Wyatt does not accept or assume responsibility to anyone other than ING for its work or for the opinions it has formed.

In arriving at its conclusions, Watson Wyatt has relied on the accuracy and completeness of data and information supplied by ING.

Scope

Watson Wyatt has reviewed the calculation of the Embedded Value of ING as at 31 December 2007 and the Value of its New Business written during 2007. All material business units were included in the review. The covered business included all life insurance and other material long-term business lines.

The primary focus of the review was the methodology and assumptions used. Watson Wyatt was also requested to perform a limited high level review of the results of the calculations but was not asked to perform any detailed checks on the models and processes used.

Opinion

Watson Wyatt has concluded that the methodology and assumptions used comply with the European Embedded Value Principles and Guidance.

Watson Wyatt Limited
20 February 2008

Appendix 1. Embedded Value movement analysis & Breakdown

The following table provides an analysis of the movement in Embedded Value for the covered business for 2007. The analysis is shown separately for the Free Surplus and the Required Capital + the Value of the in-Force covered business. This Table shows the amounts transferred to and from the Free Surplus.

The presentation format has been maintained by ING to allow comparisons with prior year results. In order to comply with the Additional Guidance on European Embedded Value Disclosures, an alternate movement analysis has been added, which shows the movement separately for Adjusted New Worth and the Value of in-Force.

ING Group life insurance operations

<i>In EUR million</i>	Free Surplus (FS)	Required Capital (RC) + Value of in-Force covered business (ViF)	Total
Required Capital _{boy} (RC)		13,873	
Value of in-Force covered business _{boy} (ViF)		<u>10,064</u>	
Total EV 2006	3,781	23,937	27,718
Addition of business / (divested business)	-106	-326	-431
Currency effects	362	-1,358	-996
Model changes	<u>-1,182</u>	<u>1,367</u>	<u>185</u>
Revised starting EV	2,855	23,620	26,476
Value of New Business	-2,003	3,117	1,113
Financial variances	1,510	-338	1,172
Operational variances	5	388	394
Operating assumption changes	<u>-90</u>	<u>213</u>	<u>123</u>
EV Profit (EV Profit) return	-578	3,380	2,802
Required return – return on RC and ViF	0	1,770	1,770
Expected earnings - transfer to Free Surplus, from in-force	3,158	-3,158	0
Investment return on Free Surplus	470	0	470
Discount rate changes	0	210	210
Economic assumption changes	692	-431	261
Embedded Value of business acquired	-2	474	472
Capital injections	723	0	723
Dividends	<u>-6,191</u>	<u>0</u>	<u>-6,191</u>
Subtotal	-1,150	-1,135	-2,285
EV 2007 – after capital injections/(dividends)	1,128	25,865	26,993
EV 2007 - before capital injections/(dividends)	6,595	25,865	32,460

<i>in EUR million</i>	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
Free Surplus (FS)	3,621	1,280	-3,773	1,128
Required Capital (RC)	3,286	4,623	5,589	13,498
ViF	<u>7,249</u>	<u>4,731</u>	<u>388</u>	<u>12,367</u>
Total EV 2007	14,156	10,633	2,204	26,993

Table 48. Alternate analysis of movement

<i>In EUR million</i>	Adjusted Net Worth (ANW)	Value of in-Force covered business (ViF)	Total
Required Capital _{boy} (RC)	13,873		
Free Surplus _{boy} (FS)	<u>3,781</u>		
Total EV 2006	17,654	10,064	27,718
Revisions to starting value	-1,155	-88	-1,243
Revised EV_{boy}	16,499	9,976	26,476
New business contribution at issue	-1,316	2,429	1,113
Required return	0	1,770	1,770
Expected earnings - transfer to ANAV - from ViF	2,989	-2,989	0
Experience variances and operating assumption changes	1,261	428	1,689
Investment returns on free surplus	470	0	470
Economic assumption changes	0	471	471
EEV Return after tax	3,404	2,109	5,513
Embedded value of business acquired	189	283	472
Capital injections / (dividends)	-5,468	0	-5,468
Subtotal	-5,278	283	-4,996
- Required Capital	13,498		
- Free surplus	<u>1,128</u>		
EV 2007 - after capital injections/(dividends)	14,626	12,367	26,993

Insurance Europe

Table 49. Analysis of movement

<i>In EUR million</i>	Free Surplus (FS)	Required Capital (RC) + Value of in-Force covered business (ViF)	Total
Required Capital _{boy} (RC)		2,826	
Value of in-Force covered business _{boy} (ViF)		<u>5,689</u>	
Total EV 2006	7,589	8,515	16,103
Addition of business / (divested business)	-139	-441	-580
Currency effects	12	66	77
Model changes	<u>-690</u>	<u>1,333</u>	<u>642</u>
Revised starting EV	6,772	9,471	16,243
Value of New Business	-340	740	400
Financial variances	1,083	118	1,201
Operational variances	9	47	56
Operating assumption changes	<u>0</u>	<u>125</u>	<u>125</u>
EV Profit (EV Profit) return	752	1,029	1,781
Required return – return on RC and ViF	0	666	666
Expected earnings - transfer to Free Surplus, from in-force	816	-816	0
Investment return on Free Surplus	557	0	557
Discount rate changes	0	35	35
Economic assumption changes	100	174	275
Embedded Value of business acquired	0	-25	-25
Capital injections	135	0	135
Dividends	<u>-5,512</u>	<u>0</u>	<u>-5,512</u>
Subtotal	-3,903	34	-3,869
EV 2007 - after capital injections/(dividends)	3,621	10,535	14,156
EV 2007 - before capital injections/(dividends)	8,998	10,535	19,533

Table 50. Embedded Value 2007 breakdown

<i>in EUR million</i>	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
Free Surplus (FS)	2,903	176	543	3,621
Required Capital (RC)	2,623	221	441	3,286
ViF	<u>4,197</u>	<u>149</u>	<u>2,903</u>	<u>7,249</u>
Total EV 2007	9,723	546	3,887	14,156

Table 51. Alternate analysis of movement

	Adjusted Net Worth (ANW)	Value of in-Force covered business (ViF)	Total
<i>In EUR million</i>			
Required Capital _{boy} (RC)	2,826		
Free Surplus _{boy} (FS)	<u>7,589</u>		
Total EV 2006	10,415	5,689	16,103
Revisions to starting value	-358	497	140
Revised EV_{boy}	10,057	6,186	16,243
New business contribution at issue	-211	612	400
Required return	0	666	666
Expected earnings - transfer to ANAV - from ViF	847	-847	0
Experience variances and operating assumption changes	1,034	348	1,381
Investment returns on free surplus	557	0	557
Economic assumption changes	0	309	309
EEV Return after tax	2,227	1,087	3,314
Embedded value of business acquired	0	-25	-25
Capital injections / (dividends)	-5,377	0	-5,377
Subtotal	-5,377	-25	-5,402
- Required Capital	3,286		
- Free surplus	<u>3,621</u>		
EV 2007 - after capital injections/(dividends)	6,907	7,249	14,156

Insurance Americas

Table 52. Analysis of movement

<i>In EUR million</i>	Free Surplus (FS)	Required Capital (RC) + Value of in-Force covered business (ViF)	Total
Required Capital _{boy} (RC)		4,797	
Value of in-Force covered business _{boy} (ViF)		<u>4,305</u>	
Total EV 2006	1,170	9,101	10,272
Addition of business / (divested business)	0	5	5
Currency effects	-126	-916	-1,043
Model changes	<u>-102</u>	<u>-24</u>	<u>-126</u>
Revised starting EV	942	8,166	9,108
Value of New Business	-1,122	1,393	270
Financial variances	165	-233	-69
Operational variances	-39	311	271
Operating assumption changes	<u>3</u>	<u>21</u>	<u>24</u>
EV Profit (EV Profit) return	-993	1,491	498
Required return – return on RC and ViF	0	701	701
Expected earnings - transfer to Free Surplus, from in-force	1,713	-1,713	0
Investment return on Free Surplus	10	0	10
Discount rate changes	0	81	81
Economic assumption changes	0	128	128
Embedded Value of business acquired	-2	499	497
Capital injections	284	0	284
Dividends	<u>-673</u>	<u>0</u>	<u>-673</u>
Subtotal	1,331	-304	1,027
EV 2007 - after capital injections/(dividends)	1,280	9,354	10,633
EV 2007 - before capital injections/(dividends)	1,669	9,354	11,022

Table 53. Embedded Value 2007 breakdown

<i>in EUR million</i>	USFS	Latin America	Total
Free Surplus (FS)	1,089	191	1,280
Required Capital (RC)	4,002	621	4,623
ViF	<u>3,978</u>	<u>753</u>	<u>4,731</u>
Total EV 2007	9,068	1,565	10,633

Table 54. Alternate analysis of movement

	Adjusted Net Worth (ANW)	Value of in-Force covered business (ViF)	Total
<i>In EUR million</i>			
Required Capital _{boy} (RC)	4,797		
Free Surplus _{boy} (FS)	<u>1,170</u>		
Total EV 2006	5,967	4,305	10,272
Revisions to starting value	-673	-490	-1,163
Revised EV_{boy}	5,294	3,814	9,108
New business contribution at issue	-784	1,055	270
Required return	0	701	701
Expected earnings - transfer to ANAV - from ViF	1,676	-1,676	0
Experience variances and operating assumption changes	-94	321	227
Investment returns on free surplus	10	0	10
Economic assumption changes	0	209	209
EEV Return after tax	808	609	1,417
Embedded value of business acquired	189	307	497
Capital injections / (dividends)	-389	0	-389
Subtotal	-200	307	108
- Required Capital	4,623		
- Free surplus	<u>1,280</u>		
EV 2007 - after capital injections/(dividends)	5,903	4,731	10,633

Insurance Asia/Pacific

Table 55. Analysis of movement

<i>In EUR million</i>	Free Surplus (FS)	Required Capital (RC) + Value of in-Force covered business (ViF)	Total
Required Capital _{boy} (RC)		6,251	
Value of in-Force covered business _{boy} (ViF)		<u>71</u>	
Total EV 2006	-4,978	6,321	1,343
Addition of business / (divested business)	33	110	143
Currency effects	476	-507	-31
Model changes	<u>-390</u>	<u>58</u>	<u>-332</u>
Revised starting EV	-4,858	5,982	1,124
Value of New Business	-540	983	442
Financial variances	262	-222	40
Operational variances	34	31	66
Operating assumption changes	<u>-94</u>	<u>68</u>	<u>-26</u>
EV Profit (EV Profit) return	-337	860	523
Required return – return on RC and ViF	0	403	403
Expected earnings - transfer to Free Surplus, from in-force	629	-629	0
Investment return on Free Surplus	-97	0	-97
Discount rate changes	0	94	94
Economic assumption changes	592	-733	-142
Embedded Value of business acquired	0	0	0
Capital injections	304	0	304
Dividends	-5	0	-5
Subtotal	1,422	-866	557
EV 2007 - after capital injections/(dividends)	-3,773	5,977	2,204
EV 2007 - before capital injections/(dividends)	-4,072	5,977	1,905

Table 56. Embedded Value 2007 breakdown

<i>in EUR million</i>	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	Total
Free Surplus (FS)	93	305	-3,910	-331	70	-3,773
Required Capital (RC)	91	313	4,527	390	268	5,589
ViF	<u>700</u>	<u>683</u>	<u>-1,833</u>	<u>546</u>	<u>292</u>	<u>388</u>
Total EV 2007	883	1,301	-1,216	605	630	2,204

Table 57. Alternate analysis of movement

<i>In EUR million</i>	Adjusted Net Worth (ANW)	Value of in-Force covered business (ViF)	Total
Required Capital _{boy} (RC)	6,251		
Free Surplus _{boy} (FS)	<u>-4,978</u>		
Total EV 2006	1,273	71	1,343
Revisions to starting value	-124	-95	-219
Revised EV_{boy}	1,149	-25	1,124
New business contribution at issue	-321	763	442
Required return	0	403	403
Expected earnings - transfer to ANAV - from ViF	465	-465	0
Experience variances and operating assumption changes	321	-240	81
Investment returns on free surplus	-97	0	-97
Economic assumption changes	0	-48	-48
EEV Return after tax	369	412	781
Embedded value of business acquired	0	0	0
Capital injections / (dividends)	298	0	298
Subtotal	298	0	298
- Required Capital	5,589		
- Free surplus	<u>-3,773</u>		
EV 2007 - after capital injections/(dividends)	1,816	388	2,204

Appendix 2. Sensitivity analysis – value new business

ING Group life insurance operations

Economic assumptions

Table 58 below shows the outcomes of sensitivity analysis of the Value of New Business to changes in economic assumptions. For an explanation of the sensitivities please refer to Section 1.4.

Table 58. Sensitivity of Value of New Business to economic assumptions				
<i>In EUR million</i>	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Value of New Business	400	270	442	1,113
1% decrease in new-money rates	-57	-77	-199	-334
1% increase in new-money rates	44	69	174	286
1% decrease in discount rates	94	35	89	218
1% increase in discount rates	-90	-33	-75	-197
Implied market forward rates (31 Oct 2007)	5	18	-6	17
1% lower equity and real estate returns	-21	-37	-8	-66
Local regulatory minimum capital requirement	1	45	48	94
Net impact of				
1% decrease in new-money & 1% decrease in discount rates	37	-42	-110	-116
1% increase in new-money & 1% increase in discount rates	-46	36	99	89

Non-economic assumptions

Table 59 below shows the outcomes of sensitivity analysis of the Value of New Business to changes in non-economic assumptions. For an explanation of the sensitivities please refer to Section 1.4.

Table 59. Sensitivity of Value of New Business to non-economic assumptions				
<i>In EUR million</i>	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Value of New Business	400	270	442	1,113
10% decrease in maintenance expenses	22	26	34	83
10% decrease in lapse rates	27	29	43	99
5% decrease in mortality and morbidity rates – Life	6	18	26	50
5% decrease in mortality and morbidity rates - Annuity	-1	0	0	-2

Insurance Europe

Economic assumptions

Table 60. Sensitivity of Value of New Business to economic assumptions				
<i>In EUR million</i>	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
As reported – Value of New Business	70	17	313	400
1% decrease in new-money rates	-17	0	-40	-57
1% increase in new-money rates	8	0	36	44
1% decrease in discount rates	22	3	70	94
1% increase in discount rates	-18	-2	-69	-90
Implied market forward rates (31 Oct 2007)	2	0	4	5
1% lower equity and real estate returns	-16	0	-4	-21
Local regulatory minimum capital requirement	-2	-2	4	1
Net impact of				
1% decrease in new-money & 1% decrease in discount rates	5	2	30	37
1% increase in new-money & 1% increase in discount rates	-10	-2	-33	-46

Non-economic assumptions

Table 61. Sensitivity of Value of New Business to non-economic assumptions				
<i>In EUR million</i>	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
As reported – Value of New Business	70	17	313	400
10% decrease in maintenance expenses	8	2	12	22
10% decrease in lapse rates	6	0	21	27
5% decrease in mortality and morbidity rates – Life	1	0	5	6
5% decrease in mortality and morbidity rates - Annuity	0	-1	0	-1

Insurance Americas

Economic assumptions

Table 62. Sensitivity of Value of New Business to economic assumptions			
<i>In EUR million</i>	USFS	Latin America	Total
As reported – Value of New Business	215	55	270
1% decrease in new-money rates	-67	-10	-77
1% increase in new-money rates	60	8	69
1% decrease in discount rates	25	10	35
1% increase in discount rates	-22	-11	-33
Implied market forward rates (31 Oct 2007)	18	0	18
1% lower equity and real estate returns	-37	-1	-37
Local regulatory minimum capital requirement	43	3	45
Net impact of			
1% decrease in new-money & 1% decrease in discount rates	-42	0	-42
1% increase in new-money & 1% increase in discount rates	38	-2	36

Non-economic assumptions

Table 63. Sensitivity of Value of New Business to non-economic assumptions			
<i>In EUR million</i>	USFS	Latin America	Total
As reported – Value of New Business	215	55	270
10% decrease in maintenance expenses	24	3	26
10% decrease in lapse rates	22	7	29
5% decrease in mortality and morbidity rates – Life	18	0	18
5% decrease in mortality and morbidity rates - Annuity	0	0	0

Insurance Asia/Pacific

Economic assumptions

Table 64. Sensitivity of Value of New Business to economic assumptions						
	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	Total
<i>In EUR million</i>						
As reported – Value of New Business	56	142	182	43	20	442
1% decrease in new-money rates	-3	-25	-25	-131	-16	-199
1% increase in new-money rates	3	25	25	106	15	174
1% decrease in discount rates	8	22	38	12	10	89
1% increase in discount rates	-7	-19	-31	-10	-8	-75
Implied market forward rates (31 Oct 2007)	-4	3	-2	0	-2	-6
1% lower equity and real estate returns	-1	0	-3	-1	-3	-8
Local regulatory minimum capital requirement	6	-5	25	19	3	48
Net impact of						
1% decrease in new-money & 1% decrease in discount rates	5	-3	14	-119	-6	-110
1% increase in new-money & 1% increase in discount rates	-4	6	-6	95	7	99

Non-economic assumptions

Table 65. Sensitivity of Value of New Business to non-economic assumptions						
	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	Total
<i>In EUR million</i>						
As reported – Value of New Business	56	142	182	43	20	442
10% decrease in maintenance expenses	9	10	6	5	5	34
10% decrease in lapse rates	8	18	9	6	2	43
5% decrease in mortality and morbidity rates – Life	4	8	10	2	3	26
5% decrease in mortality and morbidity rates - Annuity	0	0	0	0	0	0

Appendix 3. Analysis of variances and assumption changes

Table 66. Analysis of variances and assumption changes				
<i>In EUR million</i>	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
Financial variances				
Investment income	1,131	74	33	1,238
Policy or fund growth	5	-171	-40	-206
Other financial variances	<u>65</u>	<u>28</u>	<u>47</u>	<u>140</u>
Total	1,201	-69	40	1,172
Operational variances				
Mortality/morbidity	34	-28	33	39
Persistency	33	1	-37	-3
Maintenance expenses	-7	-39	16	-30
Other operational variances	<u>-5</u>	<u>337</u>	<u>55</u>	<u>387</u>
Total	56	271	66	394
Operating assumption changes				
Mortality/morbidity	-104	44	56	-5
Persistency	29	5	-54	-19
Maintenance expenses	-38	-192	-14	-244
Other operating assumption changes	<u>239</u>	<u>167</u>	<u>-15</u>	<u>391</u>
Total	125	24	-26	123

Above Table provides more details on the breakdown of the EV Profit components as shown in Table 1 in Section 1. Please refer to Appendix 5 for more detailed explanations on the above items.

Appendix 4. Economic assumptions

Starting with the 2006 Embedded Value reporting, fixed interest assumptions have been derived from implied market forwards, employing an algorithm for extending the yield curve for incomplete markets and, in some cases, employing surveys for consensus forecasts. The long term risk-free interest rates for 2008, 2009, and 2010 are based on these market-based rates but adjusted for spreads between the government bond yields and the implied market forwards. The rates were produced as of 6 August 2007 and were approved by ING's Executive Board.

The major economic assumptions employed in the development of the Embedded Value results are included in the sections below. These include the long term risk-free interest rates, the new money reinvestment rates (incorporate assumed credit spreads and investment expenses), expense inflation, equity and real estate returns and discount rates. Each of these is shown for each country in which ING has life insurance operations reporting Embedded Value results. We note that, for calculating the quarterly VNB, the investment rates used reflect the then current investment opportunities and, therefore, may differ from the longer term risk free-rates used to calculate EEV.

We note that the discount rate in the Table below is defined as: country risk free rate + country risk premium + 3.10% risk margin. For most countries, the country risk free rate was derived as the ultimate (e.g., 2027) 10 year forward swap yield less swap spread. In 2006 this result was adjusted by a market value margin that was developed to account for the uncertainty related to incomplete markets. This market value margin was eliminated in determining the 2007 assumptions because the margin is already accounted for in the capital the businesses are required to hold. For Taiwan, survey results are used in place of the ultimate 10 year forward swap yield. For more detailed explanation on the discount rates please refer to Appendix 5. Furthermore, we note that for the sensitivity test on the implied market forward rates, the discount rates were also adjusted based on the above described formula i.e. discount rate = long term risk-free bond yields + country risk premium + 3.10%.

We note that the long-term risk free rate is generally the 10-year government bond rate. The currency exchange rates are summarised in Appendix 6.

Deterministic calculations

For the following regions/countries the key economic assumptions for the period 2008-2027 are shown. Included are rates for:

- Netherlands (note that the implied market forward rates were applied for Eurozone countries: Netherlands, Belgium, Luxembourg, Spain and Greece)
- Unites States
- Japan
- Taiwan
- South Korea

After these detailed tables we show per country the following economic assumptions

- Long term risk free rates for the years 2008 – 2010 and the ultimate risk free rate
- Discount rate – risk premium and the ultimate discount rate and the year in and after which this ultimate rate is applied
- Net credit spread for the years 2008-2010 and the ultimate credit spread applied to the risk free rates.
- Equity and real-estate risk premium
- Expense inflation (ultimate rate).

Key economic assumptions

Table 67-I. Key economic assumptions									
<i>Netherlands</i>					<i>United States</i>				
	Long term risk free rates	Fixed income new money rates	Implied market forward rates ¹	Discount rate		Long term risk free rates	Fixed income new money rates	Implied market forward rates	Discount rate
2008	4.4%	4.4%	4.3%	7.5%	2008	4.9%	5.3%	4.7%	8.0%
2009	4.4%	4.5%	4.4%	7.5%	2009	5.0%	5.4%	4.8%	8.1%
2010	4.4%	4.5%	4.5%	7.5%	2010	5.1%	5.4%	5.0%	8.2%
2011	4.5%	4.6%	4.5%	7.6%	2011	5.2%	5.4%	5.0%	8.3%
2012	4.5%	4.6%	4.6%	7.6%	2012	5.3%	5.4%	5.1%	8.4%
2013	4.6%	4.7%	4.6%	7.7%	2013	5.3%	5.5%	5.1%	8.4%
2014	4.6%	4.7%	4.7%	7.7%	2014	5.3%	5.6%	5.2%	8.4%
2015	4.6%	4.7%	4.7%	7.7%	2015	5.3%	5.6%	5.2%	8.4%
2016	4.6%	4.7%	4.7%	7.7%	2016	5.4%	5.7%	5.2%	8.5%
2017	4.6%	4.7%	4.7%	7.7%	2017	5.4%	5.8%	5.2%	8.5%
2018	4.6%	4.7%	4.7%	7.7%	2018	5.4%	5.8%	5.2%	8.5%
2019	4.6%	4.7%	4.7%	7.7%	2019	5.4%	5.9%	5.2%	8.5%
2020	4.5%	4.6%	4.6%	7.6%	2020	5.3%	5.9%	5.1%	8.4%
2021	4.5%	4.6%	4.6%	7.6%	2021	5.3%	5.9%	5.1%	8.4%
2022	4.5%	4.6%	4.6%	7.6%	2022	5.3%	5.9%	5.1%	8.4%
2023	4.5%	4.6%	4.6%	7.6%	2023	5.3%	6.0%	5.1%	8.4%
2024	4.4%	4.5%	4.5%	7.5%	2024	5.2%	6.0%	5.1%	8.3%
2025	4.4%	4.5%	4.5%	7.5%	2025	5.2%	6.0%	5.0%	8.3%
2026	4.3%	4.4%	4.4%	7.4%	2026	5.1%	6.0%	5.0%	8.2%
2027 and thereafter	4.3%	4.4%	4.4%	7.4%	2027 and thereafter	5.1%	5.9%	5.0%	8.2%

1. Source: Morgan Markets, JP Morgan at 31 October 2007

Key economic assumptions – continued

Table 67-II. Key economic assumptions									
<i>Japan</i>					<i>Taiwan</i>				
	Long term risk free rates	Fixed income new money rates	Implied market forward rates ¹	Discount rate		Long term risk free rates	Fixed income new money rates	Implied market forward rates ²	Discount rate
2008	1.9%	2.2%	1.8%	5.0%	2008	2.7%	3.1%	2.9%	5.8%
2009	2.1%	2.4%	2.0%	5.2%	2009	2.8%	3.2%	3.0%	5.9%
2010	2.2%	2.5%	2.1%	5.3%	2010	3.0%	3.4%	3.2%	6.1%
2011	2.4%	2.7%	2.3%	5.5%	2011	3.1%	3.5%	3.3%	6.2%
2012	2.5%	2.8%	2.4%	5.6%	2012	3.2%	3.5%	3.4%	6.3%
2013	2.6%	2.9%	2.5%	5.7%	2013	3.3%	3.6%	3.5%	6.4%
2014	2.6%	2.9%	2.6%	5.7%	2014	3.5%	3.7%	3.6%	6.6%
2015	2.7%	3.0%	2.7%	5.8%	2015	3.6%	3.8%	3.7%	6.7%
2016	2.8%	3.1%	2.8%	5.9%	2016	3.7%	3.9%	3.8%	6.8%
2017	2.8%	3.1%	2.9%	5.9%	2017	3.8%	4.1%	3.9%	6.9%
2018	2.8%	3.1%	2.9%	5.9%	2018	3.8%	4.1%	3.9%	6.9%
2019	2.9%	3.2%	2.9%	6.0%	2019	3.8%	4.1%	3.9%	6.9%
2020	2.9%	3.2%	3.0%	6.0%	2020	3.9%	4.1%	3.9%	7.0%
2021	3.0%	3.3%	3.0%	6.1%	2021	3.9%	4.1%	3.9%	7.0%
2022	3.0%	3.3%	3.0%	6.1%	2022	3.9%	4.1%	3.9%	7.0%
2023	3.0%	3.3%	3.0%	6.1%	2023	3.9%	4.1%	3.9%	7.0%
2024	3.0%	3.3%	3.0%	6.1%	2024	3.9%	4.1%	3.9%	7.0%
2025	2.9%	3.2%	3.0%	6.0%	2025	3.9%	4.1%	3.9%	7.0%
2026	2.9%	3.2%	3.0%	6.0%	2026	3.9%	4.1%	3.9%	7.0%
2027 and thereafter	2.9%	3.2%	3.0%	6.0%	2027 and thereafter	3.9%	4.2%	3.9%	7.0%

1. Source: Morgan Markets, JP Morgan at 31 October 2007

2. Ultimate rate based on survey results

Table 67-III. Key economic assumptions				
<i>South Korea</i>				
	Long term risk free rates	Fixed income new money rates	Implied market forward rates ¹	Discount rate
2008	5.7%	5.6%	6.0%	8.8%
2009	5.7%	5.7%	6.1%	8.8%
2010	5.8%	5.7%	6.1%	8.9%
2011	5.8%	5.7%	6.2%	8.9%
2012	5.9%	5.8%	6.3%	9.0%
2013	5.9%	5.8%	6.3%	9.0%
2014	5.9%	5.8%	6.4%	9.0%
2015	5.9%	5.8%	6.4%	9.0%
2016	5.9%	5.8%	6.4%	9.0%
2017	5.9%	5.8%	6.5%	9.0%
2018	5.9%	5.9%	6.5%	9.0%
2019	5.9%	5.9%	6.5%	9.0%
2020	5.9%	5.9%	6.6%	9.0%
2021	5.9%	5.9%	6.6%	9.0%
2022	5.9%	5.9%	6.6%	9.0%
2023	5.9%	5.9%	6.6%	9.0%
2024	5.9%	5.9%	6.6%	9.0%
2025	5.9%	5.9%	6.5%	9.0%
2026	5.9%	5.9%	6.5%	9.0%
2027 and thereafter	5.9%	5.9%	6.5%	9.0%

1. Source: Morgan Markets, JP Morgan at 31 October 2007

Table 68. Key Economic Assumptions

Region/Country	<i>Risk free rates</i>				<i>Discount rates</i>		Year ultimate rates are reached
	2008	2009	2010	Ultimate	Risk ¹ Premium	Ultimate	
Insurance Europe							
Belgium	4.4%	4.4%	4.4%	4.3%	3.1%	7.4%	2026
Bulgaria	4.0%	4.0%	4.0%	4.3%	3.1%	7.4%	2025
Czech Republic	4.6%	4.7%	4.7%	4.3%	3.1%	7.4%	2027
Greece	4.6%	4.6%	4.6%	4.3%	3.1%	7.4%	2027
Hungary	6.6%	6.5%	6.3%	4.3%	3.1%	7.4%	2027
Luxembourg	4.4%	4.4%	4.4%	4.3%	3.1%	7.4%	2026
Netherlands	4.4%	4.4%	4.4%	4.3%	3.1%	7.4%	2026
Poland	5.7%	5.7%	5.7%	4.3%	3.1%	7.4%	2027
Romania	6.6%	6.4%	6.2%	4.3%	3.1%	7.4%	2027
Russia	6.9%	7.0%	7.1%	7.2%	4.1%	11.3%	2017
Slovakia	4.7%	4.8%	4.8%	4.3%	3.1%	7.4%	2027
Spain	4.4%	4.4%	4.4%	4.3%	3.1%	7.4%	2026
Insurance Americas							
Chile	6.5%	6.5%	6.5%	6.5%	3.1%	9.6%	2008
Mexico	8.6%	8.6%	8.7%	8.7%	4.1%	12.8%	2010
Peru	6.0%	6.0%	6.0%	6.0%	5.1%	11.1%	2008
United States	4.9%	5.0%	5.1%	5.1%	3.1%	8.2%	2026
Insurance Asia Pacific							
Australia	6.1%	6.0%	5.9%	5.7%	3.1%	8.8%	2015
China	4.6%	4.8%	4.9%	5.1%	3.1%	8.2%	2026
Hong Kong	4.7%	4.8%	4.9%	5.0%	3.1%	8.1%	2012
India	8.3%	8.3%	8.4%	8.4%	4.1%	12.5%	2010
Japan	1.9%	2.1%	2.2%	2.9%	3.1%	6.0%	2025
Malaysia	4.0%	4.1%	4.3%	4.6%	3.6%	8.2%	2014
New Zealand	6.7%	6.6%	6.5%	6.2%	3.1%	9.3%	2014
South Korea	5.7%	5.7%	5.8%	5.9%	3.1%	9.0%	2012
Taiwan	2.7%	2.8%	3.0%	3.9%	3.1%	7.0%	2020
Thailand	5.2%	5.4%	5.5%	5.7%	4.1%	9.8%	2012

1. 3.1% plus the ultimate country risk premium

Table 69. Key Economic Assumptions

<i>Net credit spread above risk free rates</i>					Equity risk premium	Real estate risk premium	Expense inflation (ultimate rate)
Region/Country	2008	2009	2010	Ultimate			
Insurance Europe							
Belgium	0.2%	0.2%	0.2%	0.2%	3.6%	n/a	1.8%
Bulgaria	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	1.9%
Czech Republic	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	2.2%
Greece	0.0%	0.0%	0.0%	0.0%	3.6%	n/a	1.9%
Hungary	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	1.9%
Luxembourg	0.2%	0.2%	0.2%	0.2%	3.6%	n/a	2.7%
Netherlands	0.0%	0.1%	0.1%	0.1%	3.6%	2.7%	2.5%
Poland	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	2.2%
Romania	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	2.2%
Russia	0.2%	0.3%	0.2%	0.2%	4.5%	n/a	5.5%
Slovakia	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	2.0%
Spain	0.5%	0.5%	0.5%	0.5%	3.6%	n/a	2.0%
Insurance Americas							
Chile	0.9%	0.9%	0.9%	1.0%	4.5%	n/a	0.0%
Mexico	0.2%	0.2%	0.2%	0.2%	4.5%	n/a	0.0%
Peru	0.2%	0.1%	0.0%	0.0%	4.5%	n/a	0.0%
United States ^{1,3}	0.4%	0.4%	0.3%	0.8%	3.9%	n/a	2.3%
Insurance Asia Pacific							
Australia	0.2%	0.2%	0.3%	0.6%	5.5%	3.0%	2.5%
China	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	3.5%
Hong Kong	1.0%	1.0%	1.0%	1.0%	4.5%	n/a	0.0%
India	-0.3%	-0.3%	-0.4%	-0.4%	4.5%	n/a	5.0%
Japan	0.3%	0.3%	0.3%	0.3%	1.3%	n/a	1.2%
Malaysia	1.0%	1.1%	1.1%	0.9%	4.5%	2.5%	2.5%
New Zealand	0.0%	0.0%	0.0%	0.0%	3.6%	n/a	2.5%
South Korea	-0.1%	0.0%	-0.1%	0.0%	4.5%	n/a	3.0%
Taiwan	0.5%	0.4%	0.4%	0.3%	4.5%	3.0%	2.0%
Thailand	0.5%	0.5%	0.5%	0.5%	4.5%	n/a	3.0%

1. The equity risk premium for the US reflects the ultimate risk premium; for the US we assume a flat equity return of 9.0% for all years

2. The Netherlands equity return is on an after-tax basis. This is assumed because the tax treatment of 5% holdings

3. Reflects US Annuity assumption

Stochastic calculations

The stochastic calculation of the time value of options and guarantees have been performed by business units using a range of real-world economic scenario generators. The returns in these files have been calibrated to reflect on average the new money interest rate assumptions in the base calculation. Volatilities and correlations are derived from historic observations. The number of random scenarios is typically limited to around 100-200.

Table 70. Summary statistics for selected countries						
<i>Region/ Country</i>	<i>Model</i>	<i>Equity</i>		<i>10 yr- Bonds</i>		<i>Correlation</i>
		Mean	Volatility	Mean	Standard Deviation	
Netherlands (NN)	Vector Auto Regressive (VAR) with lagged variables for the interest rates	Year 5: 8.05% Year 10: 8.07% Year 20: 8.19%	Year 5: 15.57% Year 10: 15.08% Year 20: 16.09%	Year 5: 4.12% Year 10: 4.27% Year 20: 4.51%	Year 5: 2.59% Year 10: 1.93% Year 20: 2.93%	Eq.-bonds: -0.28 Eq.-cash: 0.29 Bonds-cash: -0.96
Insurance Americas						
USFS	Interest: TAS 9.5 scenario generator Equity: Geometric Brownian motion	8.125%	18.0%	Year 5: 4.99% Year 10: 4.96% Year 20: 5.24%	Year 5: 1.63% Year 10: 1.71% Year 20: 2.11%	Between 90 day & 10 year treasuries 0.596
Insurance Asia Pacific						
Japan	Interest: 1-factor Realistic Interest Rate Generator in Discrete Time with mean reversion for interest rates Equity: geometric Brownian motion	Domestic equity Fund: 4.17%	Domestic equity Fund: 18.5%	Domestic Bond Fund 2.45%	Domestic Bond Fund 2.2% (yield volatility)	Domestic Equities – Domestic Bonds -0.43
South Korea	Risk-neutral Hull- White model 1yr forward rate	NA	NA	NA	NA	NA

Appendix 5. Methodology

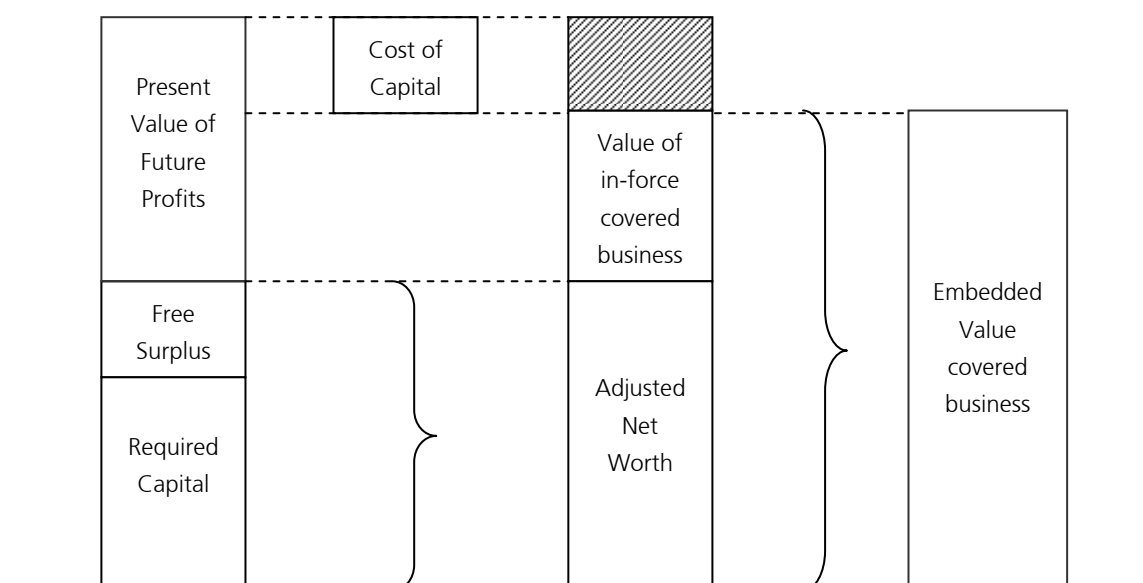
Scope

The Group sets the economic assumptions and prescribes a set of principles to provide guidance to the life insurance business units so that Embedded Value is determined consistently throughout ING. This set of principles is in addition to the EEV principles as published by the CFO Forum.

Methodology and definitions

Embedded Value

Embedded Value reflects the value that is expected to arise from the in-force block of business (on a going concern basis) and does not include a value for future new business. Below we define the various components from which Embedded Value is built-up:



Embedded Value is defined as the sum of the Adjusted Net Worth plus the Value of in-Force covered business. Adjusted Net Worth represents the capital invested in our insurance operations and equals the Free Surplus and the Required Capital. The Free Surplus component of the Embedded Value represents the accumulated profits that are held within the life insurance business that are not needed to back the life insurance business. In addition to policyholder reserves, capital is required to support the life insurance business. This Required Capital is an allocation of surplus that is not available to shareholders until it is no longer needed to support the business in-force.

The Value of in-Force covered business (ViF) is defined as the present value of future after-tax book profits expected to arise from the in-force business, including new business written in the reporting period, including the Cost of Capital (CoC). The Cost of Capital arises because the discount rate used to value future cash flows – including the release of capital when it is no longer required – is higher than the assumed after-tax investment returns on the assets backing this capital. Cost of Capital has a negative value.

Future profits are estimated using actuarial methods and ING's best estimates for future assumptions except for economic assumptions where market-based forward rates are used as the basis for fixed income returns. Local regulatory accounting restricts the profits that can be distributed to shareholders. ING reflects these constraints by reporting Embedded Values using after-tax book profits calculated according to the local accounting requirements.

Distributable earnings

Distributable earnings are defined as earnings arising from the business on the books, including its Required Capital. Local accounting requirements establish the profits that can be distributed from the business unit. For this reason, the book profits are used as the basis for the earnings in the Embedded Value calculations. The interest earned on Required Capital as well as the release of capital is a component of distributable earnings. Present value of distributable earnings (PVDE) can therefore be defined as the sum of Value of in-Force covered business and Required Capital ($PVDE = ViF + RC$).

Expenses and taxes

All expenses, including corporate overhead expenses, are allocated to the business units of the Group. Those attributable to the businesses included in the Embedded Value are allocated to acquisition or to maintenance expenses and included in the Embedded Value projections.

In general, a mature business unit does not reflect productivity gains in its projected expenses. Immature business units may reflect productivity gains where future growth is expected to reduce the per unit expense levels. Declining expense overruns are reflected in regions as shown below. Nationale-Nederlanden is currently undergoing significant restructuring that is generating large additional expenses. These are expected to decline to normal levels as the impact of restructuring efforts are realised.

The table below shows before tax expenses above the ultimate levels.

Table 71. Mature business expenses above ultimate levels in EV 2007				
<i>In EUR Million</i>	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
2008	125	0	1	126
2009	117	0	1	118
2010	93	0	0	93
2011	77	0	0	77
2012	61	0	0	61
2013	46	0	0	46
2014	32	0	0	32
2015	18	0	0	18
2016	9	0	0	9
2017	0	0	0	0
2018	0	0	0	0
2019	0	0	0	0
2020	0	0	0	0
2021	0	0	0	0

Taxes are reflected based on current regulation as officially approved. This means that future expected reductions in the tax rate to lower levels are not reflected in the Embedded Value 2007 since these changes have not yet been approved.

The 2007 Embedded Value and VNB reflect some changes to the way that ING incorporates expenses into our values:

- Certain business units locked-in maintenance expenses at pricing levels. As a result, any expense overruns were reflected as acquisition expenses. This had a significant impact on VNB for some of these business units. This practice was changed so that the maintenance expenses were reset to best estimates, which reduced the Value of in-Force but increased the VNB for the affected business units.
- Greenfields have initial start-up costs, which are anticipated will diminish to zero as the businesses mature and gain scale. ING's Greenfields have been reducing the VNB by the expense overruns associated with these start-up costs each reporting period as the expenses are incurred. This practice was changed in 2007

to reduce the Embedded Value by the present value of start-up costs related to Greenfields and remove them from the new business overruns. The change was made so that the VNB reported for Greenfields better communicates the profitability of the products sold in Greenfield operations, making these VNBs comparable to those reported for mature businesses. The table below shows the before tax Greenfield start-up costs reflected in the Embedded Value.

Table 72. Greenfields Start-up costs included in EV 2007				
<i>In EUR Million</i>	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
2008	28	0	55	83
2009	31	0	59	90
2010	23	0	55	79
2011	24	0	42	66
2012	18	0	30	48
2013	13	0	20	33
2014	1	0	13	14
2015	1	0	4	5
2016	0	0	0	0
2017	0	0	0	0
2018	0	0	0	0
2019	0	0	0	0

The 2008 Embedded Value and VNB will reflect additional changes to the treatment of expenses. Under certain conditions, specific categories of expenses will be excluded from the acquisition and maintenance expense assumptions. These changes include:

- Corporate Overhead Expenses,
- Strategic M&A Expenses,
- Strategic Restructuring Expenses,
- Charitable Contributions.

Corporate staff department expenses that represent “shareholder services” for covered business. These amounts will no longer be assigned to the covered business for the purpose of Embedded Value reporting. In 2008, expenses that fall into this category are estimated at EUR 80 million (before tax). These, and future projected expenses in this category, will be eliminated from the Embedded Values.

Strategic M&A expenses associated with the acquisition, merger or sale of a business. These expenses include external advice/support and are passed through EV Profit as incurred.

Strategic restructuring expenses will be allocated to the business units but will pass directly through EV Profit in the period in which they are incurred. Expenses qualifying for treatment should meet at a minimum the following criteria: Represent a fundamental restructuring of the business, leading to fundamental consolidation of IT platforms, personnel, etc., which cannot be considered part of on-going operational improvements, are not consistent with standard IT systems amortisation and renewal processes and are one-off and exceptional in character, and material in an absolute sense. If these expenses had been eliminated in the 2007 reporting, the reported Embedded Value and VNB would have been EUR 169 million and EUR 14 million higher, respectively.

Large and unusual charitable contributions. These pass directly through EV Profit in the year they are incurred.

Movement analysis including new business

Financial variances primarily reflect better than anticipated investment income across all business lines. This includes the impact that financial variances have on future distributable earnings, which is for instance the case if current favourable investment performance results in higher closing fund values and therefore in higher future fees.

Operational Variances reflect both a current year earnings variances and the impact that operational variances have on future distributable earnings, this includes expenses, mortality and lapse experience. Current year earning variances reflect the earnings from the in-force business that are above the expected earnings. A positive variance is reflected as a reduction to the business line Embedded Value as the additional earnings are distributed to Free Surplus.

Assumption changes reflect a revision to for instance expense and lapse assumptions which can impact the Embedded Value.

The **Required return** is the roll-up of the discount rate on the Value of in-Force covered business at the beginning of the year and of new business written during the year.

Expected earnings are the amounts that are expected to flow from the business line to Free Surplus. Note that positive earnings in the business line are reflected as a reduction to the business line Embedded Value as these amounts are distributed to Free Surplus. A rapidly growing block of business may require a capital injection because new business production typically incurs high expenses and an allocation of Required Capital. A more mature block of business is expected to make a contribution to Free Surplus as earnings emerge from the in-force business.

Financial Options and Guarantees (FOGs)

In addition to the risk discount rate and the cost of holding Required Capital, risk costs are also accounted for in the Embedded Value through an explicit reduction in the Embedded Value for the time value of financial options and guarantees (FOG).

Both the 2006 and 2007 Embedded Values are reduced for the time value of financial options and guarantees in accordance with the European Embedded Value Principles. The additional impact of including the full time value is separately identified as FOG in the results. This cost was determined by comparing the average of shareholder profits over a range of economic scenarios to the shareholder profits under a single representative economic scenario. Using this approach, the costs associated with unexpected economic developments are estimated and reflected.

The projected profits under each stochastic scenario are discounted using a cumulative risk-discount rate that reflects realised risk free rates in the economic scenario until the time of the cash flow, supplemented by a risk margin consistent with the deterministic scenario throughout each of the scenarios.

Financial Options and Guarantees By Business line

The options and guarantees in the life insurance products are as follows:

Europe

Traditional profit-sharing business with minimum interest guarantees typically have FOG related to these guarantees as well as a FOG related to the profit-sharing component. For most of the business units the profit-sharing component is by formula – based on the overall portfolio return or on an index.

The Netherlands also has a significant block of individual business with a minimum interest rate guarantee but where the profit-sharing is at the management discretion. For this block, the impact of the FOG is estimated by basing the profit-sharing on the profit-sharing statements to clients.

USFS

The USFS products with FOGs fall into three categories. The first are annuities and life insurance products that credit interest rates to policyholder accounts, but which have minimum interest rate guarantees. The second are single premium variable annuities with guaranteed minimum death benefits and guaranteed minimum living benefits. A third block of business is variable life insurance with guaranteed minimum death benefits. The products with minimum interest rate guarantees reflect the time value of these guarantees by incorporating these guaranteed minimum interest rates into stochastic Embedded Value projections. These products also have FOGs that result from management's discretion in setting the crediting rates to policyholder balances. These are typically reflected by linking the crediting rate formula to a percentage of a US government bond yield. The variable annuities and variable life insurance have payouts that are determined by formula and are not subject to management discretion.

Latin America

Chile has a small reduction in the Embedded Value related to universal life products with minimum interest rate guarantees. These products are no longer sold.

Asia/Pacific

Japan has single premium variable annuities with guaranteed minimum death benefits and guaranteed minimum surrender benefits. Japan also has a non-participating Corporate Owned Life Insurance (COLI) product that is sold to small/medium sized enterprises. The dynamic lapse behaviour and associated FOG cost for the COLI business was set to zero based on a study of historical policyholder behaviour.

Korea has a minimum interest rate guarantee of 2-5% on a deferred annuity product. The crediting interest rate can be set by the company, but with a minimum constraint. In addition, the policyholder can surrender as interest rates rise without a market value adjustment. The minimum guarantee and option to surrender are both valued as a FOG.

Interest and investment guarantees in Thailand, China, India, Hong Kong and Taiwan are reflected in the reported FOG for Asia/Pacific.

Roll forward methodology

Most ING business units use the in-force at 30 September (or 30 November) for the initial Embedded Value calculations. A roll forward process is used to produce 31 December figures. This roll forward process is employed so that the Embedded Value results can be published concurrently with the other year-end financial information. This initial calculation of the Embedded Value is based on projected year-end balance sheets using 30 September data. This includes both the projected experience of the in-force and new business sold in the fourth quarter. Movement analyses as well as the impact of assumption changes are developed based on this data.

At year-end, all business units update the Embedded Value results incorporating all known fourth quarter variances, revised impact of assumption changes and revised Value of New Business for the year. In the initial calculation, variances were quantified based on the expected level of in-force as of 31 December; business units then quantify those impacts using a better estimate of the 31 December in-force. Assumptions changes previously quantified as of 30 September are adjusted for changes in the size or mix of the in-force since that time

Operating assumptions

The assumptions used in the Embedded Value calculations for 2007 are based on the most recent review by the business unit actuaries with regard to historical, current and expected future experience. The business units have provided a sign-off that their assumptions represent their best estimates based on their 2007 assessment. For this sign-off, the business units rely on ING Group to provide the base economic assumption set. All assumptions fall within the scope of the external review and reflect a going concern basis.

Economic Assumptions

For details of the economic assumptions please refer to Appendix 4.

Risk Discount Rate

In 2007, ING benchmarked the risk margin used in setting our discount rate against that of our peers and came to the conclusion that the 3.10% discount margin used for the 2006 Embedded Value discount rate is consistent with our peer group and, therefore, the 3.10% would remain in effect for 2007. With an ultimate government bond rate in the Netherlands of 4.30%, the ultimate discount rate is 7.4%, a drop of 10bps from 2006.

This benchmarking is a departure from the approach used through 2006 in which the discount rate for our life business reflects ING's weighted average after-tax cost of capital (WACC), where the WACC is calculated using a gross risk-free interest rate, an equity risk premium, a market-assessed risk factor (beta) and an allowance for the gearing impact of debt financing (including subordinated debt). The WACC determined in this way for 2007 (assuming an equity risk premium of 3.60% and a beta of 1.2 would have produced a risk discount rate of 7.3% to 7.4%, which is consistent with that resulting from our benchmarking study.

The risk discount rate is only one component of the overall allowance for risk in the Embedded Value calculations. Risk is also allowed for in the cost of holding local statutory reserving margins, additional Required Capital and in the cost of financial options and guarantees. ING believes that the discount rate already reflects a deduction for all these types of risk on our business.

In formula for deriving the discount rate in each country in each year of the projection can be described as follows:

$$\text{Discount rate}_{\text{year T}} = \text{Risk free rate}_{\text{year T}} + \text{Country Risk Premium}_{\text{year T}} + 3.10\%.$$

In the Table below we show the country risk premiums for the countries. For the countries not mentioned below the country risk premium is 0.0% for all years.

Table 73. Country risk premiums		
Country	Country Risk Premium	Year country risk premium is reduced to 0.0%
Bulgaria	2.0%	2013
Hungary	1.0%	2012
Poland	0.5%	2012
Romania	2.0%	2014
Russia	1.0%	n/a
Mexico	1.0%	n/a
Peru	2.0%	n/a
India	1.0%	n/a
Malaysia	0.5%	n/a
Thailand	1.0%	n/a

For countries in the Central Europe region the country risk premium is reduced over time as most of these countries are assumed to join the Euro in the future. The year in which these countries are assumed to join the Euro is reflected in above right column and this is the year in which the country risk premium is projected to be no longer applicable. For the period 2008 to the ultimate year linear interpolation is assumed. For the other countries in above Table the country risk premium is constant for the whole projection period.

Required Capital

ING assesses internal capital requirements by using its own risk-based methodologies. The ING capital model (ICM) is developed to measure the amount of capital ING believes is necessary to be considered an AA rated insurance business by Standard and Poor's (S&P). This capital formula in the ICM is based on asset and liability factors with adjustments to provide additional calibrations to internal economic capital results. This capital formula does not calculate economic capital, but is considered to be an estimate of economic capital for the ING insurance businesses

in total. The calibrations also partially reflect the additional adequacy in the liabilities for some businesses. ING expects to continue to refine economic capital models and to potentially move to those in the future. Note that for ING Antai (Taiwan), the Required Capital already reflects economic capital requirements since Taiwan ICM is set equal to economic capital. Therefore, the ING Antai Embedded Value results are impacted by capital movements that result from assumption changes.

The ICM was recalibrated in 2007. As a result of that calibration, the Embedded Value increased by EUR 184 million in the US, EUR 23 in Latin America, EUR 23 in Asia/Pacific and EUR 40 million in Central Europe. This is reflected as an economic assumption change.

Belgium Retail, Luxembourg, Postbank, RVS, ING Life Korea and several Central European business units (Bulgaria pension funds, Poland Life, Romania Life, Slovakia Life and pension funds, and Spain Employee Benefits) hold capital at below the local regulatory level. In total, the capital held by these business units is EUR 221 million less than regulatory minimum capital because the margins in the reserves reduce the need for capital on these businesses when evaluated on an economic basis. This reflects ING's desire to measure and manage the business on a basis that reflects the economic risks in the business as well as partially reflecting the adequacy of reserves in excess of the ING standard. Therefore, the requirement to meet the local regulatory capital minimums is applied for the life operations in total and sufficient capital is always maintained in the appropriate legal entities.

For the outcomes of the Embedded Values had the minimum regulatory capital been used in the calculation, see sub-section 4 of sections 1 through 4 of this report.

Appendix 6. Exchange Rates

The currency exchange rates used in this report are reflected in Table 70 below. For 2007 we distinguish two types of currency exchange rates, the closing and average rate. The closing exchange rates were used for almost all Embedded Value amounts. The average exchange rates were used for new business statistics such as new business volumes and VNB. Note that this is a change compared to previous years when these new business statistics were converted at the closing rates.

The average exchange rates are calculated based on the monthly closing rates.

Table 74. Exchange rates				
		2006	2007	
Region/Country	Currency code	Closing rate	Average rate	Closing rate
Insurance Europe				
Belgium	EUR	1.000	1.000	1.000
Bulgaria	BGN	1.955	1.956	1.956
Czech Republic	CZK	27.488	27.717	26.560
Greece	EUR	1.000	1.000	1.000
Hungary	HUF	251.694	251.350	252.373
Luxembourg	EUR	1.000	1.000	1.000
Netherlands	EUR	1.000	1.000	1.000
Poland	PLN	3.832	3.781	3.586
Romania	RON	3.380	3.345	3.608
Russia	RUB	34.688	35.073	36.000
Slovakia	SKK	34.462	33.832	33.567
Spain	EUR	1.000	1.000	1.000
Insurance Americas				
Chile	CLP	702.924	717.469	733.107
Mexico	MXN	14.306	15.010	16.051
Peru	PEN	4.214	4.299	4.409
United States	USD	1.318	1.375	1.472
Insurance Asia Pacific				
Australia	AUD	1.669	1.639	1.676
China	CNY	10.292	10.440	10.753
Hong Kong	HKD	10.250	10.719	11.481
India	INR	58.323	56.762	57.859
Japan	JPY	156.786	161.685	164.818
Malaysia	MYR	4.653	4.716	4.869
New Zealand	NZD	1.873	1.863	1.901
South Korea	KRW	1225.973	1275.553	1378.100
Taiwan	TWD	42.936	45.051	47.752
Thailand	THB	46.765	44.368	43.652

Appendix 7. Glossary & abbreviations

Glossary

Assumption change	<i>Assumption change</i> is a change in the view of the world and company, the impact of which is determined as the change in Embedded Value, quantified at the end of the current period, between the old and new assumptions.
Best estimate assumptions	<i>Best-estimate assumptions</i> are assumptions that represent the expected outcome from the range of possible outcomes for future experience of that assumption. In practice, the realisation will differ from the best-estimate forecast because we cannot predict the future with certainty. However, best estimates imply that the expected value of future deviations in performance is zero, so that the Embedded Value is neither overestimated nor underestimated.
Book profits	<i>Book profits</i> are the profits as they appear in the local accounts for the life insurance company, taking into account regulatory requirements, taxes, and actuarial provisions.
Business in-force	<i>Business in-force</i> on a given valuation date is the insurance business in-force expected to generate profits in the future.
Commission	<i>Commission</i> is any commission that is reported as such in the local accounts (before DAC). (It may also include reinsurance allowances, which are in some countries not reported as commissions in the local accounts)
Commission allowances	<i>Commission allowances</i> means the Embedded Value commission assumptions, for a specific year, based on each policy.
Current period	<i>Current period</i> is the period over which the movement analysis is performed. It covers the time span from the prior valuation date to the current valuation date.
Cost of Capital	<i>Cost of Capital</i> is the cost related to hold Required Capital that will constrain distributions to shareholders. The cost relates to the fact that after-tax income earned on the assets backing this capital is lower than the discount rate.
Covered business	<i>Covered business</i> is the contracts to which the EVM has, in line with the <i>EEV Principles</i> , been applied.
Discount rate	<i>Discount rate</i> is the rate that is used to determine the present value of the future distributable earnings back to the valuation date and reflects the weighted average cost of capital as well as the business unit risk to ING Group.
Distributable earnings	<i>Distributable earnings</i> are the after-tax future regulatory book profits emerging from the business in-force on the valuation date less the change in Required Capital plus the after-tax investment income on Required Capital.
Economic assumption changes	<i>Economic assumption changes</i> are those assumption changes that occur due to economic assumptions and which are deemed beyond the business unit management control. These changes include the impact that these changes may have on categories such as profit-sharing or separate account fund growth.
European Embedded Value Principles	<i>European Embedded Value Principles</i> are principles formulated by the forum of European Insurers' (the Forum) for supplementary reporting on Embedded Value.
Embedded Value	<i>Embedded Value</i> is defined as the present value of future distributable earnings of the business in-force plus the portion of capital and surplus that is not needed to support the business in-force.
Embedded Value Methodology	<i>Embedded Value Methodology</i> is the methodology for calculating and reporting <i>Embedded Value</i> as set out by the <i>European Embedded Value Principles</i> .
Embedded Value Profit	<i>Embedded Value Profit</i> (EV Profit) is a measure of the increase in value over the period over that required by equity and debt holders of ING Insurance. EV Profit is equal to the Value of New Business, variances in the period and changes to Embedded Value that are due to non-economic assumption changes.
Expense allowances	<i>Expense allowances</i> represent the amount assumed available to meet the expenses of a given year and are the sum of the expense factors applied to the appropriate policy components.
Expense overrun / (underrun)	<i>Expense overrun or expense underrun</i> for any year means the difference between the total actual expenses and the expenses reflected in the Embedded Value projections through the expense assumptions.
Final internal rate of return	See definition of <i>internal rate of return</i>
Financial Options and Guarantees (FOGs)	Features of the covered business conferring potentially valuable guarantees underlying, or options to change, the level or nature of policyholder benefits and exercisable at the discretion of the policyholder, whose potential value is impacted by the behaviour of financial variables.
Free Surplus	<i>Free Surplus</i> is the amount of any capital and surplus (company's net worth) allocated to, but not required to support, the in-force business covered by the EVM. <i>Free Surplus</i> is available for shareholder dividends or to fund future new business investments.
Future distributable earnings	<i>Future distributable earnings</i> are all distributable earnings occurring after the valuation date.
Going concern	<i>Going concern</i> means that the company continues to be in operation in the future and will keep writing new business.
Internal rate of return	<i>Internal rate of return</i> (final internal rate of return) is the discount rate at which the present

	value of the distributable earnings from new business equals the investment in new business i.e. the projected return on the investment in new business.
Investment in new business	<i>Investment in new business</i> is the negative expected distributable earnings one new business in the first policy year. If negative distributable earnings are expected to continue into later policy years, the distributable earnings for these additional policy years should be included in the investment in new business.
Model changes	<i>Model changes</i> are technical changes in value because of a change in the model used to measure value.
Present value	<i>Present value</i> is the value of a future cash flow at the valuation date, discounted at the risk discount rate applied to that cash flow.
Profit-tested internal rate of return	<i>Profit-tested internal rate of return</i> is the internal rate of return based on earnings assuming that the company is a mature going-concern in normal conditions. In practice this means that no expense overruns or underruns are assumed.
Profit-tested Value of New Business at the point of sale	<i>Profit-tested Value of New Business at the point of sale</i> is the value that is added to the company by the business written during the current period, assuming that the company is a mature going-concern in normal conditions. The distributable earnings that generate the profit-tested Value of New Business also generate the profit-tested internal rate of return.
Required Capital	<i>Required Capital</i> is the amount of assets, over and above the value placed on liabilities in respect of <i>covered business</i> , whose distribution to shareholders is restricted. It is based on ING's internal capital requirements: the ING Capital Model (ICM).
Required return	<i>Required return</i> is the cost of capital for the business being valued which reflects the expectations of equity shareholders and debt holders in the company. Required return is equal to the discount rate used to calculate the present value of the cash flows used to calculate the Embedded Value.
Return on Embedded Value	<i>Return on Embedded Value</i> is the change in Embedded Value over the period, including EV Profit, required return and assumption changes deemed by ING to be outside management control such as changes to economic assumptions and discount rates changes
Statutory basis	<i>Statutory basis</i> is the valuation basis and approach used for reporting financial statements to local regulators.
Valuation date	<i>Valuation date</i> is the date at which all items of the Embedded Value and movement analysis are valued.
Value of book profits	<i>Value of book profits</i> is the present value of all future book profits (excluding investment income on total surplus).
Value of New Business	<i>Value of New Business</i> (final Value of New Business) is the profit-tested Value of New Business minus (plus) any acquisition expense overrun (underrun), minus other adjustments. The distributable earnings that generate the Value of New Business also generate the final internal rate of return.
Value of in-Force covered business	<i>Value of in-Force covered business</i> is the present value of all expected future distributable earnings for the business in-force discounted at the company's discount rate. It equals the sum of the "present value of future book profits" and the "cost of holding Required Capital".
Variance	<i>Variance</i> is the difference between actual and expected experience related to assumptions.

Abbreviations

ANW	Adjusted Net Worth
CoC	Cost of holding Required Capital
COLI	Corporate owned life insurance
EEV	European Embedded Value
EV	Embedded Value
EVM	Embedded Value Methodology
EV Profit	Embedded Value Profit
FOG	Financial Options and Guarantees
FS	Free Surplus
GAAP	Generally Accepted Accounting Principles
GIC	Guaranteed investment contracts
IRR	Internal Rate of Return
PVDE	Present value of distributable earnings
PVFP	Present value of future (statutory book) profits
PV NBP	Present Value of New Business premiums
RC	Required Capital
RoEV	Return on Embedded Value
ViF	Value of in-Force covered business
WACC	Weighted average after-tax cost of capital

Disclaimer

Cautionary note regarding forward looking statements

Certain of the statements contained herein are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING's core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates (viii) general competitive factors, (ix) changes in laws and regulations, (x) changes in the policies of governments and/or regulatory authorities. ING assumes no obligation to update any forward-looking information contained in this document.

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