ING GROUP

ING GROUP

EMBEDDED VALUE REPORT

2008

18 February 2009

Contents

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 2008 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.

On 20th October 2008 ING reached an agreement to sell ING Life Taiwan to Fubon Financial Holding Co. Ltd for a consideration equivalent to USD 600 million. It is ING's policy that business is removed from the Embedded Value in the year in which a Sale and Purchase Agreement is signed. The ING Life Taiwan transaction was completed on 11 February 2009, and in line with ING policy the sale has been reflected in 2008.

In this report ING Life Taiwan has been included in the figures for the whole of 2007 but has been omitted from the 2008 figures. It is important to recognise that ING Group has reported the ING Life Taiwan VNB in its regular quarterly Financial Report for 1Q to 3Q of 2008, in this report these VNB figures have been excluded. Further details are provided in Section 4 of this report.

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 2008. This report also takes account of the Additional Guidance on EEV Disclosures effective from 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 factored in to set the level of Required Capital.

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 decreased from EUR 26,993 million in 2007 to EUR 23,083 million for the covered life businesses, primarily due to financial variances which are partially offset by a net capital injection**
- **Financial Variances of EUR -7,785 million mainly due to asset revaluations, realised losses, and asset impairments. Net capital injection added EUR 2,251 million to Embedded Value of covered business**
- **Value of New Business falls 17.0% to EUR 924 million**
- **The IRR on sales decreases to 13.9%, from 14.3% in 2007**

Table 1. Analysis of movement

in EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	2008 Total	2007 Total
Free Surplus$_{boy}$ (FS)	3,621	1,280	-3,773	1,128	3,781
Required Capital$_{boy}$ (RC)	3,286	4,623	5,589	13,498	13,873
ViF$_{boy}$	7,249	4,731	388	12,367	10,064
Total EV$_{boy}$	**14,156**	**10,633**	**2,204**	**26,993**	**27,718**
Addition of business / (divested business)	-100	-140	1,267	1,027	-431
Currency effects	-220	303	-271	-188	-996
Model changes	-411	339	23	-49	185
Revised EV$_{boy}$	**13,424**	**11,135**	**3,223**	**27,782**	**26,476**
Value of New Business (VNB)	397	304	222	924	1,113
Financial variances	-3,431	-3,407	-947	-7,785	1,172
Operational variances	-105	15	-6	-95	394
Operating assumption changes	134	202	243	579	123
Embedded Value Profit (EV Profit)	**-3,005**	**-2,886**	**-487**	**-6,378**	**2,802**
Required return - return on RC and ViF	796	807	245	1,847	1,770
Investment return on Free Surplus	-417	1	17	-399	470
Discount rate changes	-545	27	-110	-628	210
Economic assumption changes	-637	-709	-288	-1,635	261
Embedded Value of business acquired	44	0	198	242	472
Capital injections	2,834	1,116	399	4,349	723
Dividends	-804	-1,279	-16	-2,098	-6,191
Subtotal	**1,271**	**-38**	**446**	**1,679**	**-2,285**
EV$_{eoy}$ - after capital injections/(dividends)	**11,690**	**8,212**	**3,182**	**23,083**	**26,993**
EV$_{eoy}$ - before capital injections/(dividends)	9,659	8,375	2,798	20,832	32,460
RoEV% - before capital injections/(dividends)	-28%	-25%	-19%	-26%	21%

Major drivers of change in EV during 2008 are:

- The divestment of ING Life Taiwan removed the negative Embedded Value associated with that business resulting in an increase of EUR 1,267 million in the Embedded Value of Asia/Pacific.
- Currency impacts were positive in the Americas (strengthening of the US dollar) but negative elsewhere.
- Model changes across business lines were largely offsetting.
- VNB at EUR 924 million was lower than in 2007 primarily as a result of the divestment of ING Life Taiwan. Without ING Life Taiwan, the VNB in 2007 would have been EUR 931 million. In Europe, Romania Pension Fund contributed EUR 150 million in 2007, as part of the mandatory Pillar II set up. The sales window for Pillar II was closed mid-January 2008, and produced a VNB of EUR 73 million in 2008. The decrease of EUR 77 million to VNB from 2007 is mostly offset by strong growth in Central

Europe in all other business units. In the Americas, the VNB grew as a result of including the business acquired from Santander for a full year. Excluding the contribution of ING Life Taiwan, the VNB in Asia fell by EUR 38 million from 2007. The quarterly report released by ING Group will still include the VNB contribution from ING Life Taiwan for the first nine months, the 2008 VNB for ING Taiwan is excluded for the full year in this report only.

- Financial variances total EUR -7,785 million. Asset revaluation and realised losses (on equity and fixed interest portfolios) and assets impairments, and lower future fee income has reduced Embedded Value across ING Insurance. The largest financial variances were in the Netherlands, the USFS, and in Japan. Impacts were reductions to Embedded Value amounting to EUR 3,190 million, EUR 3,342 million, and EUR 712 million respectively.
- The impact of operational assumption changes were fairly evenly spread across regions. In Europe the increase in Embedded Value came mainly from lower maintenance expenses and improved morbidity experience. The improvement in the Americas came from higher persistency and lower projected future expenses in USFS. In Asia/Pacific the positive contribution to Embedded Value came from improved mortality and persistency assumptions in Korea, and mortality and expense assumptions in Japan.
- Economic assumption changes followed the changes in financial conditions generally and reflect lower projected returns.
- The risk margin in the discount rate was reassessed and increased as described in Appendix 5. Overall, discount rate changes reduced Embedded Value by EUR 545 million in Europe and EUR 110 million in Asia/Pacific. The change in discount rates in the Americas increased Embedded Value by EUR 27 million, where the improvement in value in USFS has been partially offset by Latin America.
- Earlier in 2008 dividends of EUR 804 million were paid by Insurance Europe and EUR 1,279 million by Insurance Americas. Capital injections of EUR 4,349 million were made as a result of the financial turmoil with the largest amounts going to Insurance Europe of EUR 2,834 million and Insurance Americas of EUR 1,116 million.

FOGs have reduced the 2008 Embedded Value by EUR 741 million (compared to EUR 1,442 million in 2007). More details of this by region is in Sections 2-4.

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 2008 decreased to EUR -6,378 million from EUR 2,802 million in 2007 mainly due to adverse financial variances as a result of the market turmoil. Operational performance variances in the Americas and Asia/Pacific were largely offsetting. In Europe, the operational performance variance of EUR -105 million was mainly due to settlements to increase unit-linked provisions in the Netherlands which reduced Embedded Value by EUR 130 million. Additional provisioning was reflected in the 2008 Embedded Value figures. VNB in 2008 continues to be strong contributing EUR 924 million and operational assumptions changes to incorporate improving experience contributed EUR 579 million to EV Profit.

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. Appendix 3 provides 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 decreased by EUR 6,161 million to EUR 20,832 million mainly due to financial losses, and lower investment earnings and fee income expected in the future. As a result of the sale of ING Life Taiwan, Free Surplus increased by EUR 3,910 million, and Required Capital of EUR 4,527 million was released. The financial turmoil had a significant negative impact on the Embedded Value in 2008 which can be seen in the large financial variance in Table 1, this was partly offset by the large capital injection.

Table 2. Embedded Value - covered life insurance business

In EUR million	2008	2007	% change
Free Surplus (FS)	1,966	1,128	74.3%
Required Capital (RC)	10,304	13,498	-23.7%
Adjusted Net Worth (ANW)	**12,270**	**14,626**	**-16.1%**
Present Value of Future (statutory book) Profits (PVFP)	13,558	17,102	-20.7%
Cost of holding Required Capital (CoC)	-2,745	-4,734	-42.0%
Value of in-Force covered business (ViF)	**10,813**	**12,367**	**-12.6%**
Embedded Value (ViF and ANW)	**23,083**	**26,993**	**-14.5%**

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

In EUR million	2008	2007	% change
ING Group Shareholder's equity	**17,334**	**37,208**	**-53.4%**
Life insurance adjustments for Embedded Value[1]	-6,793	-5,267	29.0%
Adjusted capital	**10,541**	**31,941**	**-67.0%**
Present value of future (statutory book) profits (PVFP)	13,558	17,102	-20.7%
Cost of holding Required Capital (CoC)	-2,745	-4,734	-42.0%
Embedded Value before unrealised pension gains/(losses)	**21,353**	**44,309**	**-51.8%**
Pension deficit (after-tax)			
Life insurance	-487	-24	1929.2%
Non-life insurance and Bank	-1,052	178	-691.0%
Offsets to pensions deficit included in EV expenses	275	0	-
Group Embedded Value	**20,089**	**44,463**	**-54.8%**

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 -2,085 million), policyholder reserves (EUR -3,689 million), DAC assets (EUR 11,100 million), tax reserves/assets (EUR -1,278 million), and EUR 2,745 million 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 20,089 million, a decrease of 54.8% from EUR 44,463 million in 2007. The pension deficit reflects the actuarial gains and losses that will be amortised in the future (in total EUR -1,539 million).

ING Group shareholder's equity is EUR 17,334 million. This includes ING Insurance (covered business) shareholder's equity of EUR 18,475 million. The shareholder's equity for ING Insurance (non-covered business) is EUR -6,583 million, and for ING Bank it is EUR 22,889 million. Eliminations and adjustments to capture the Group subsidiaries will reduce the shareholder's equity by EUR 17,447 million.

1.2 Return on Embedded Value in comparison to 2007 results

Table 4 below shows the Return on Embedded Value (RoEV) after revisions to the year-end 2007 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			
In EUR million	2008	2007	% change
Embedded Value$_{boy}$	26,993	27,718	-2.6%
Revisions to EV	790	-1,242	163.6%
Revised EV$_{boy}$	**27,782**	**26,476**	**4.9%**
Embedded Value Profit (EV Profit)	-6,378	2,802	-327.6%
Required return - return on RC and ViF	1,847	1,770	4.4%
Other returns	-2,662	941	-382.9%
Return on EV (RoEV) before capital injections/(dividends)[1]	**-7,193**	**5,513**	**-230.5%**
RoEV% - before capital injection/(dividends)	-26%	21%	
Embedded Value of business acquired	242	472	-48.7%
Capital injections / (dividends)	2,251	-5,468	141.2%
EV$_{eoy}$ - after capital injections/(dividends)	**23,083**	**26,993**	**-14.5%**

1. Measured on revised EV$_{boy}$

The RoEV is calculated using the revised Embedded Value for 2007 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 fell to -26% in 2008 from 21% in 2007.

1.3 New Business

The profitability of the new life insurance production written in 2008 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. In previous years the fourth quarter VNB assumptions have been the same as the year end Embedded Value assumptions. The fourth quarter VNB assumptions in 2008 use a risk margin of 3.1% whereas the year end Embedded Value use a risk margin assumption of 4.1%.

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								
	Quarterly Results					**Full Year Results**		
In EUR million	4Q 2008	4Q 2007	% change	3Q 2008	% change	2008	2007	% change
Profit-tested Value of New Business (a)	203	419	-51.6%	271	-25.1%	1,010	1,156	-12.6%
After-tax acquisition expense & commission overrun (b)	32	-21	255.9%	34	-5.9%	86	44	95.5%
Value of New Business (a-b)	**170**	**440**	**-61.4%**	**237**	**-28.3%**	**924**	**1,113**	**-17.0%**
Investment in new business	**470**	**603**	**-22.1%**	**413**	**13.8%**	**1,730**	**2,093**	**-17.3%**
Final IRR on new sales				**14.6%**		**13.9%**	**14.3%**	

Note: Taiwan figures are excluded for 2008 quarterly and full year results.

The Value of New Business for 2008 of EUR 924 million has decreased when compared to EUR 1,113 million for 2007. The most significant factor in this reduction was the sale of ING Life Taiwan, which had a VNB in 2007 of EUR 182 million. Excluding the impact of Taiwan the VNB was relatively stable from 2007 to 2008, more details are provided in Sections 2 to 4 of this report.

Profitability of the business as measured by the internal rate of return (IRR) declined by 0.4% to 13.9%. The investment in new business also declined, these falls are consistent with the drop in the VNB.

Acquisition expense overruns increased from EUR 44 million to EUR 86 million. This increase came mainly from Asia/Pacific.

Prior to 2008, renewals for Group product line sold by Nationale-Nederlanden were capitalised as part of the in-force value. This has been revised early in 2008 where renewals are only recognised at the point of transaction as part of new business contributions and future renewals are no longer capitalised. This reclassification of the in-force value of future renewals reduced Embedded Value by EUR 304 million, and in the full year of 2008 renewal transactions contributed EUR 26 million to VNB in the Netherlands. There is also a decrease of EUR 102 million from 4Q 2007 to 4Q 2008 as the Romania Pillar II sales window was closed in mid-January 2008. On a full year basis, the Romania Pillar II contribution in 2008 is EUR 73 million, which is a one-off decrease of 48.7% from EUR 150 million in 2007.

Table 6. New life insurance value by region

	Quarterly Results					Full Year Results		
In EUR million	4Q2008	4Q2007	% change	3Q2008	% change	2008	2007	% change
Insurance Europe	94	200	-53.0%	91	3.3%	397	400	-0.7%
Insurance Americas	49	111	-55.9%	81	-39.5%	304	270	12.6%
Insurance Asia/Pacific	28	128	-78.1%	64	-56.3%	222	442	-49.8%
Total	**170**	**440**	**-61.4%**	**237**	**-28.3%**	**924**	**1,113**	**-17.0%**

Note: Taiwan figures are excluded for 2008 quarterly and full year results.

Table 7. New life insurance IRR by region

In EUR million	4Q2008	4Q2007	change	3Q2008	change	2Q2008	change	1Q2008	change
Insurance Europe	17.1%	15.8%	1.3%	17.9%	-0.8%	18.1%	-1.0%	17.6%	-0.5%
Insurance Americas	12.6%	11.8%	0.9%	13.3%	-0.7%	13.4%	-0.8%	13.7%	-1.1%
Insurance Asia/Pacific	14.0%	16.8%	-2.8%	15.1%	-1.1%	15.0%	-1.0%	14.8%	-0.8%
Total	**13.9%**	**14.3%**	**-0.3%**	**14.6%**	**-0.7%**	**14.7%**	**-0.8%**	**14.7%**	**-0.8%**

Note: Taiwan figures are excluded for 2008 IRR calculations.

The tables above provide quarterly comparisons of the VNBs and IRRs.

In Europe, the VNB has decreased significantly since 4Q 2007. This is due to the one-of item from Romania Pillar II pension fund which was included in 4Q 2007. The Romania Pillar II pension sales window ended mid-January 2008. This is slightly offset by the inclusion of Nationale-Nederlanden Group product line renewals in 4Q 2008, adding EUR 13 million to VNB. On a comparable basis, the 4Q 2007 VNB without the Romania Pillar II pension sales would be revised to EUR 84 million, whereas the 4Q 2008 VNB without the Nationale-Nederlanden Group renewals would be revised to EUR 81 million – the year-on-year quarterly change would then be a decrease of EUR 3 million, which is a 3.6% decrease from 4Q 2007.

The IRR in Europe increased from 15.8% in 4Q 2007 to 17.1% in 4Q 2008 mainly due to the higher anticipated margins on sales in Central Europe as the proportion of sales from pension funds increase, although the IRR fell back from that reported in 3Q 2008.

In the Americas, in USFS a decrease in equity-related variable annuity sales and lower Financial Products production in the second half of the year has more than offset the improved Retail Life VNB results. Over 2008, margin gains made in 4Q 2007 from larger Retail Annuity policy sizes and widening spreads that helped increase sales for Financial Products were mostly eroded as sales shifted to a product mix with a lower profitability profile. This led to a decreasing IRR as 2008 progressed. In Latin America, the pension funds acquired from Santander contributed to the VNB for a full year in 2008 (only the final quarter in 2007), and led to an expense underrun from synergies arising as the Santander businesses were integrated.

In Asia/Pacific the Value of New Business declined as a result of the sale of ING Life Taiwan, The VNB from ING Life Taiwan is included in the table for 4Q 2007 but not 3Q 2008 or 4Q 2008. ING Life Taiwan's contribution to VNB has been excluded from the 2008 annual totals for Asia/Pacific. VNB dropped significantly in 4Q 2008 from 3Q 2008 as a result of lower sales and margins mainly in Japan and Korea.

The IRR in Asia/Pacific reduced from 16.8% in 4Q 2007 to 14.0% in 4Q 2008. The drop occurred mainly in the last quarter of 2008 and was due to expense overruns in Korea as a result of lower sales and the negative impact of higher hedge costs for SPVA due to lower interest rates and higher implied volatilities in Japan.

Table 8. New life insurance production by region – Annualized Premium

	Quarterly Results					Full Year Results		
In EUR million	4Q2008	4Q2007	% change	3Q2008	% change	2008	2007	% change
Annualized Premium								
Insurance Europe	176	220	-20.0%	169	4.1%	697	643	8.4%
Insurance Americas	465	473	-1.7%	419	11.0%	1,825	1,773	2.9%
Insurance Asia/Pacific	244	503	-51.5%	332	-26.5%	1,275	1,777	-28.2%
Total Annual Premium	**885**	**1,196**	**-26.0%**	**920**	**-3.8%**	**3,797**	**4,193**	**-9.4%**
Single Premium								
Insurance Europe	799	871	-8.3%	639	25.0%	3,128	3,256	-3.9%
Insurance Americas	3,706	5,317	-30.3%	4,402	-15.8%	16,777	18,983	-11.6%
Insurance Asia/Pacific	836	2,033	-58.9%	1,513	-44.7%	5,670	9,034	-37.2%
Total Single Premium	**5,341**	**8,221**	**-35.0%**	**6,554**	**-18.5%**	**25,575**	**31,273**	**-18.2%**
APE								
Insurance Europe	256	307	-16.6%	233	9.9%	1,010	969	4.2%
Insurance Americas	836	1,004	-16.7%	859	-2.7%	3,503	3,671	-4.6%
Insurance Asia/Pacific	328	706	-53.5%	484	-32.2%	1,842	2,680	-31.3%
Total APE	**1,419**	**2,018**	**-29.7%**	**1,575**	**-9.9%**	**6,355**	**7,320**	**-13.2%**

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

Note: Taiwan figures are excluded for 2008 quarterly and full year results.

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 lower volumes in 2008 as measured by the PV of Premiums when compared to 2007.

Table 9. New business statistics

	Quarterly Results				Full Year Results			
	PV of Premiums		VNB/PV Premiums		PV of Premiums		VNB/PV Premiums	
In EUR million	4Q2008	4Q2007	4Q2008	4Q2007	2008	2007	2008	2007
Insurance Europe	2,440	4,801	3.9%	4.2%	9,924	11,531	4.0%	3.5%
Insurance Americas	3,827	7,066	1.3%	1.6%	21,790	24,848	1.4%	1.1%
Insurance Asia/Pacific	1,974	4,516	1.4%	2.8%	11,262	17,518	2.0%	2.5%
Total	**8,241**	**16,383**	**2.1%**	**2.7%**	**42,976**	**53,897**	**2.2%**	**2.1%**

Note: Taiwan figures are excluded for 2008 quarterly and full year results.

The table below compares the 2008 Value of New Business production for each quarter of 2008. The VNB in Europe shows steady growth if the one-off effect of the VNB from the Romania Pillar II pension fund is allowed for. The Romania pension sales window mainly affected 4Q 2007 but the positive effect was carried over into 1Q 2008. The VNB in Americas fell significantly in 4Q 2008 due to lower USFS annuity sales despite holding up well throughout the rest of the year given the market turmoil. We note that there have been revisions to the premium definition on sales for pension funds in Latin America, but these have not affected the VNB as the recognition of fee income as revenue is unchanged. The Asia/Pacific figures were flat with the exception of 4Q 2008 when the VNB fell significantly in Korea and Japan.

Table 10. Development of value of new life insurance production

In EUR million	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Insurance Europe	94	91	89	123
Insurance Americas	49	81	84	90
Insurance Asia/Pacific	28	64	61	69
Total	**170**	**237**	**234**	**282**

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 2008 to:

- One percentage point decrease and increase in new-money interest rates
- One percentage point decrease and increase in the discount rates
- One percentage point decrease in assumed investment returns for equity and real estate investments every year into the future
- Ten percent fall in market value of equity and real estate investments
- Holding only the 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

in EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Embedded Value (net of tax)	**11,690**	**8,212**	**3,182**	**23,083**
1% decrease in new-money rates	-233	-536	-440	-1,209
1% increase in new-money rates	185	226	449	859
1% decrease in discount rates	752	460	252	1,464
1% increase in discount rates	-649	-415	-215	-1,279
1% lower equity and real estate returns	-586	-245	-25	-857
10% downward shift in market values of equity and real estate investments	-648	-403	-70	-1,121
Local regulatory minimum capital requirement	67	322	124	512
Net impact of[1]				
1% decrease in new-money & 1% decrease in discount rates	519	-76	-188	255
1% increase in new-money & 1% increase in discount rates	-464	-189	234	-420

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. The removal of the ING Life Taiwan business has a significant impact on the sensitivities as ING Life Taiwan has significant exposure to changes in interest rates.
- ING is now more exposed to rising interest and discount rates, this effect mainly comes from Europe, compared to the reported sensitivities in 2007.

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 2008 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

in EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Embedded Value (net of tax)	**11,690**	**8,212**	**3,182**	**23,083**
10% decrease in maintenance expenses	262	271	121	654
10% decrease in lapse rates	129	226	134	489
5% decrease in mortality and morbidity rates – Life	44	184	137	365
5% decrease in mortality and morbidity rates - Annuity	-53	2	1	-50

Regarding the above results:

- Embedded Value sensitivity to non-economic assumptions in 2008 is broadly similar to 2007.
- A 10% decrease in maintenance expenses will lead to a EUR 654 million increase in the Embedded Value.
- The sensitivity results for a 10% decrease in lapse rates in Insurance Americas are driven by USFS Retail Annuity and Retirement Services.
- The sensitivity to a 5% decrease in mortality and morbidity rates is lower than last year when it was EUR 489 million. This drop is due to the sale of ING Life Taiwan which had a significant exposure to morbidity risk.

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 decreases 17.4% to EUR 11,690 million after capital injections/(dividends)**
- **Value of New Business is stable at EUR 397 million**
- **IRR on new business increases to 17.1% from 15.8% in 2007, driven by Central Europe**

Table 13. Analysis of movement – Insurance Europe

in EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	2008 Total	2007 Total
Free Surplus$_{boy}$ (FS)	2,903	176	543	3,621	7,589
Required Capital$_{boy}$ (RC)	2,623	221	441	3,286	2,826
ViF$_{boy}$	4,197	149	2,903	7,249	5,689
Total EV$_{boy}$	**9,723**	**546**	**3,887**	**14,156**	**16,103**
Addition of business / (divested business)	0	0	-100	-100	-580
Currency effects	0	0	-220	-220	77
Model changes	-399	26	-38	-411	642
Revised EV$_{boy}$	**9,324**	**572**	**3,529**	**13,424**	**16,243**
Value of New Business (VNB)	79	14	304	397	400
Financial variances	-3,190	-73	-168	-3,431	1,201
Operational variances	-79	-11	-14	-105	56
Operating assumption changes	101	-22	54	134	125
Embedded Value Profit (EV Profit)	**-3,090**	**-92**	**177**	**-3,005**	**1,781**
Required return - return on RC and ViF	480	30	285	796	666
Investment return on Free Surplus	-402	-28	13	-417	557
Discount rate changes	-185	-9	-351	-545	35
Economic assumption changes	-575	-26	-36	-637	275
Embedded Value of business acquired	0	0	44	44	-25
Capital injections	2,462	270	102	2,834	135
Dividends	-655	-6	-143	-804	-5,512
Subtotal	**1,125**	**232**	**-86**	**1,271**	**-3,869**
EV$_{eoy}$ - after capital injections/(dividends)	**7,359**	**712**	**3,619**	**11,690**	**14,156**
EV$_{eoy}$ - before capital injections/(dividends)	5,552	448	3,660	9,659	19,533
RoEV% - before capital injections/(dividends)	-40%	-22%	2%	-28%	20%

The most important items impacting the change in Embedded Value during 2008 were:

- ING Insurance ownership in Poland Pension Fund is 80%, with a further 15% owned by ING Bank. An opening adjustment to only recognise the Insurance ownership has reduced Embedded Value by EUR 112 million. There has also been a decrease in the ownership of Russia Life (giving rise to an increase in Embedded Value of EUR 11 million as Russia Life is contributing a negative Embedded Value). Inclusion of the newly acquired Oyak Pension Fund in Turkey at the end of 2008 added EUR 44 million to the Embedded Value. Overall, acquisitions and additions/divestments have decreased the Embedded Value by EUR 56 million.
- Adverse currency movements against the Euro reduced Embedded Value by EUR -220 million, with the largest movements in Embedded Value coming from Poland, Romania and Hungary.
- Model changes in the Netherlands are driven by changes in the recognition of renewals for the Group product line in Nationale-Nederlanden which reduced Embedded Value by EUR 304 million. The elimination of corporate overhead expenses of EUR 84 million in Nationale-Nederlanden (as part of the new expense policy for Embedded Value approved by the ING Executive Board for use in 2008 – refer to

Appendix 5 for more details) at covered business level has resulted in a partial offset. In previous years, the sum of the Adjusted Net Worth was reported as the ANW of the covered business. From 2008, the consolidation was updated to better reflect the net ING Insurance economic ownership – the closing ANW of EUR 170 million has been eliminated from the Embedded Value from the Netherlands as part of model change. Overall, model changes for the Netherlands resulted in a reduction in Embedded Value of EUR 399 million. True-ups from the roll-forward estimates to the actual closing Embedded Value in Belgium and Central Europe & Spain are largely offsetting.

- Value of New Business is stable at EUR 397 million. In Central Europe & Spain, all business units contributed a higher VNB in 2008 than in 2007 except for Romania Pension Fund and Spain. VNB growth is driven mainly by Czech Life, Greece Life and Piraeus, Hungary Pension Fund, Poland Life and Romania Life. This has mostly offset the EUR 127 million one-off decrease in VNB which comes from the Romania Pillar II pension fund sales window closure in mid-January 2008. Overall, Central Europe & Spain generated a VNB of EUR 304 million in 2008, a EUR 9 million decrease from 2007. The renewals included in Nationale-Nederlanden in 2008 generated EUR 26 million of VNB, and this increase has more than offset the impact of lower sales and lower margins for all units in Netherlands, Belgium & Luxembourg which lowered VNB by EUR 20 million (see Section 2.3). Excluding the VNB generated by renewals for Nationale-Nederlanden 2008, the revised VNB for the Netherlands would be EUR 53 million which is a decrease of 24.3% from EUR 70 million in 2007.
- Financial variances reduced Embedded Value across the region by EUR 3,431 million in 2008 (compared to an increase in Embedded Value of EUR 1,201 million in 2007). This was due to the market turmoil experienced during 2008, resulting in revaluation and realised losses (on equity and fixed interest portfolios) and assets impairments, and lower future fee income. The majority of the reduction in Embedded Value is in the Netherlands (with a EUR 3,190 million reduction). Due to the revaluation of assets and the realised losses, the current asset mix in Nationale-Nederlanden has diverged from the strategic target asset mix, and management expects that current asset mix will only converge to the strategic target asset mix over time – this has been included in the projections and reduced Embedded Value by EUR 175 million.
- Operating variances reduced Embedded Value by EUR 105 million. Operating variances for entities excluding those in the Netherlands were mainly due to higher expenses in Luxembourg, lower average pension contribution due to lower salary inflation and higher numbers of zero accounts than expected in Romania, and higher lapses in Spain leading to lower future profits. This is partially offset by larger pension contribution inflows in Poland and a lower maintenance expense in Russia. In the Netherlands, settlements from the Beleggingen-related litigation increased unit-linked provisions and reduced Embedded Value by EUR 130 million, and this is partially offset by savings during the year from expense underruns (net of higher pension cost), and a release of disability reserves as part of an assumption update to reflect emerging morbidity experience. The net impact for the Netherlands is an Embedded Value decrease of EUR 79 million.
- Operational assumption changes increased Embedded Value by EUR 134 million. Lower projected maintenance expenses (net of higher future pension cost) and improving morbidity experience has been reflected in Nationale-Nederlanden, contributing EUR 123 million to Embedded Value profit. A higher future pension cost for RVS and Postbank reduced Embedded Value by EUR 13 million. Other changes in the Netherlands are offsetting. Increases to projected future commission payments reduced Embedded Value in Belgium by EUR 24 million, this is the main driver of the assumption change impact in Belgium & Luxembourg. Operational assumption changes increased Embedded Value in Central Europe & Spain by EUR 54 million. Poland added EUR 83 million with lower anticipated lapse rates and maintenance expenses (Life and Pension Fund), a higher expected fee income from an increase to the career-related salary increase assumption and higher contribution limits (Pension Fund). Embedded Value in Slovakia increased by EUR 24 million as improvement in persistency and maintenance expenses assumptions were reflected. Worsening persistency in Hungary Pension Fund has more than

offset the improvement in mortality experience for Hungary Life and Pension Fund, leading to a net decrease in Embedded Value of EUR 21 million in Hungary. Lower future fee income and worsening persistency reduced Embedded Value in the Czech Republic by EUR 22 million, and other business units were mostly offsetting when assumptions were updated.

- Required return (unwinding of discount rates) is EUR 796 million.
- A negative investment return on Free Surplus in the Netherlands, Belgium & Luxembourg reflects realised losses and asset revaluation to the assets backing Free Surplus. Hungary and Poland are the main contributors to the positive return on Free Surplus in Central Europe & Spain where the asset mix is predominately government bonds and cash.
- Higher discount rates reduced Embedded Value by EUR 545 million, and this is exacerbated by lower economic forecasts leading to a further reduction in Embedded Value of EUR 637 million due to economic assumption changes.
- Early in 2008, dividends were up-streamed. However, due to the market turmoil experienced during the year, significant capital injections to the business were made to ensure regulatory solvency was met adequately. Most of the capital injections were to Nationale-Nederlanden which received an injection of EUR 2,225 million. Belgium required a EUR 220 million capital injection to meet the ‘covered asset’ minimum requirement in addition to the EUR 50 million injection approved in 2007 and executed in 2008.

FOGs have reduced the 2008 Embedded Value by EUR 224 million (vs. EUR 296 million in 2007) and the VNB by EUR 8 million. The main driver for this decrease is in the Group product line in Nationale-Nederlanden, where the removal of future anticipated renewals from the in-force reduced the time value of Financial Options and Guarantees.

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

In EUR million	2008	2007	% Change
Free Surplus (FS)	3,389	3,621	-6.4%
Required Capital (RC)	2,455	3,286	-25.3%
Adjusted Net Worth (ANW)	**5,844**	**6,907**	**-15.4%**
Present Value of Future (statutory book) Profits (PVFP)	6,741	8,162	-17.4%
Cost of holding Required Capital (CoC)	-896	-912	-1.8%
Value of in-Force covered business (ViF)	**5,845**	**7,249**	**-19.4%**
Embedded Value (ViF and ANW)	**11,690**	**14,156**	**-17.4%**

Embedded Value of the covered life business decreased by 17.4% to EUR 11,690 million. Free Surplus decreased to EUR 3,389 million, after including a net capital injection of EUR 2,031 million. Before capital and dividends, the corresponding Embedded Value is EUR 9,659 million and Free Surplus is EUR 1,358 million, which is a deterioration mainly attributable to the investment losses resulting from the market turmoil during 2008.

The movement over the year of the Free Surplus, Adjusted Net Worth and the Value of in-Force covered business can be found in Appendix 1.

2.2 Return on Embedded Value in comparison to 2007 results

The table below shows RoEV after revisions to the year-end 2007 Embedded Value.

Table 15. Change in Embedded Value and EV Profit

In EUR million	2008	2007	% Change
Embedded Value$_{boy}$	14,156	16,103	-12.1%
Revisions to EV	-732	140	-622.9%
Revised EV$_{boy}$	**13,424**	**16,243**	**-17.4%**
EV Profit	-3,005	1,781	-268.7%
Required return - return on RC and ViF	796	666	19.5%
Other returns	-1,599	867	-284.4%
Return on EV (RoEV) before capital injections/(dividends)[1]	**-3,808**	**3,314**	**-214.9%**
RoEV% - before capital injection/(dividends)	-28%	20%	
Embedded Value of business acquired	44	-25	277.0%
Capital injections / (dividends)	2,031	-5,377	137.8%
EV$_{eoy}$ - after capital injections/(dividends)	**11,690**	**14,156**	**-17.4%**

1. Measured on Revised EV$_{boy}$

RoEV% decreased from 20% in 2007 to -28% in 2008. The financial market turmoil has led to a significant reduction in the value of assets, and lowered future investment earnings and fee income. This has more than offset a solid contribution from growth markets in Central Europe, and improvements in in-force business persistency and expense efficiency.

2.3 New Business

The tables below provide an overview of the profitability of the new life insurance production written in 2008 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

	Quarterly Results					**Full Year Results**		
In EUR million	4Q 2008	4Q 2007	% change	3Q 2008	% change	2008	2007	% Change
Profit-tested Value of New Business (a)	106	197	-46.2%	98	8.2%	415	413	0.5%
After-tax acquisition expense & commission overrun (b)	12	-2	611.3%	7	71.4%	17	12	41.7%
Value of New Business (a-b)	**94**	**200**	**-53.0%**	**91**	**3.3%**	**397**	**400**	**-0.7%**
Investment in new business	**126**	**128**	**-1.6%**	**79**	**59.5%**	**395**	**398**	**-0.8%**
Final IRR on new sales				**17.9%**		**17.1%**	**15.8%**	

VNB in Insurance Europe has decreased only marginally, by 0.7%, despite the EUR 77 million one-off item in 2007 which came from the transition of the Romania Pillar II pension from the sales window to regular sales and lottery. In Central Europe & Spain, all countries contributed a higher VNB in 2008 than in 2007 except for Romania and Spain. The impact of the inclusion of renewals as part of VNB for Nationale-Nederlanden Group product line has also increased VNB by EUR 26 million in 2008.

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

Table 17. New life insurance value by country

	Quarterly Results					Full Year Results		
In EUR million	4Q2008	4Q2007	% change	3Q2008	% change	2008	2007	% Change
Netherlands	23	26	-11.5%	15	53.3%	79	70	12.9%
Belgium & Luxembourg	4	4	0.0%	3	33.3%	14	17	-17.6%
Central Europe & Spain	67	170	-60.6%	73	-8.2%	304	313	-2.9%
Total	**94**	**200**	**-53.0%**	**91**	**3.3%**	**397**	**400**	**-0.7%**

Table 18. New life insurance IRR by country

In EUR million	4Q2008	4Q2007	change	3Q2008	change	2Q2008	Change	1Q2008	Change
Netherlands	11.7%	12.2%	-0.5%	12.1%	-0.4%	12.5%	-0.8%	12.0%	-0.3%
Belgium & Luxembourg	14.1%	13.2%	0.9%	13.8%	0.3%	13.2%	0.9%	13.6%	0.5%
Central Europe & Spain	23.8%	18.4%	5.4%	24.5%	-0.7%	24.4%	-0.6%	22.4%	1.4%
Total	**17.1%**	**15.8%**	**1.3%**	**17.9%**	**-0.8%**	**18.1%**	**-1.0%**	**17.6%**	**-0.5%**

The most important items influencing the 2008 results were:

- VNB has decreased significantly since 4Q 2007 due to the one-of item from Romania Pillar II pension fund VNB of EUR 116 million which was included in 4Q 2007. Romania Pillar II pension sales window ended mid-January 2008. This is slightly offset by the inclusion of Nationale-Nederlanden Group product line renewals in 4Q 2008, adding EUR 13 million to VNB. On a comparable basis, the 4Q 2007 VNB without the Romania Pillar II pension sales would be revised to EUR 84 million, whereas the 4Q 2008 VNB without the Nationale-Nederlanden Group renewals would be revised to EUR 81 million – the year-on-year quarterly change would then be a decrease of EUR 3 million, which is a 3.6% decrease from 4Q 2007.
- Without renewals, the VNB for 2008 is EUR 53 million for the Netherlands which is a decrease of 24.3% from EUR 70 million in 2007. In 4Q 2008, if renewals contribution to VNB of EUR 13 million is excluded, the comparable VNB of EUR 10 million reflects a decrease of 61.5% from EUR 26 million of VNB reported for 4Q 2007. Lower sales and lower margins are due to the competitive pricing of immediate annuities in a volatile market and adverse product mix changes.
- In Belgium, lower sales and margin squeeze over the year has led to lower VNB for the full year of 2008. 4Q 2008 IRR for Belgium & Luxembourg has improved quarterly since 4Q 2007 as increasing sales from Luxembourg make up a larger proportion of total sales in the region.
- Central Europe & Spain VNB has decreased 8.2% over the quarter to 4Q 2008 in line with lower sales. 4Q 2007 figures are not directly comparable as the Pillar II pension sales window in Romania was still open in 4Q 2007. Excluding Romania, the VNB in 4Q of 2008 would be unchanged at EUR 47 million from 4Q 2007, and has decreased from EUR 53 million in 3Q 2008 mainly due to lower production and higher acquisition expenses in Poland.

Table 19. New life insurance production by country – Annualized Premium

In EUR million	4Q2008	4Q2007	% change	3Q2008	% change	2008	2007	% Change
	Quarterly Results					Full Year Results		
Annualized Premium								
Netherlands	71	42	69.0%	55	29.1%	236	156	51.3%
Belgium & Luxembourg	5	9	-44.4%	4	25.0%	19	22	-13.6%
Central Europe & Spain	100	169	-40.8%	110	-9.1%	442	465	-4.9%
Total Annual Premium	**176**	**220**	**-20.0%**	**169**	**4.1%**	**697**	**643**	**8.4%**
Single Premium								
Netherlands	330	300	10.0%	246	34.1%	1,132	1,191	-5.0%
Belgium & Luxembourg	181	182	-0.5%	118	53.4%	911	1,037	-12.2%
Central Europe & Spain	287	389	-26.2%	275	4.4%	1,086	1,028	5.6%
Total Single Premium	**799**	**871**	**-8.3%**	**639**	**25.0%**	**3,128**	**3,256**	**-3.9%**
APE								
Netherlands	104	72	44.4%	80	30.0%	349	275	26.9%
Belgium & Luxembourg	23	27	-14.8%	15	53.3%	110	126	-12.7%
Central Europe & Spain	129	208	-38.0%	138	-6.5%	551	568	-3.0%
Total APE	**256**	**307**	**-16.6%**	**233**	**9.9%**	**1,010**	**969**	**4.2%**

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

Annualized premium equivalent sales have decreased when comparing 4Q 2008 and 4Q 2007 due to the one-off item from the Pillar II pension sales window in Romania. In spite of this, the full year results have improved by 4.2% as Nationale-Nederlanden has reclassified Group product line renewals to be included as part of new business instead of a capitalised future renewal in the in-force value. The quarterly improvement from 3Q 2008 is also attributable to the inclusion of the renewals, higher production in Belgium and lower sales in Poland.

Annualized Regular Premiums

Comparing the full year results, the reclassification of renewals from Nationale-Nederlanden combined with strong sales across most of Central Europe & Spain entities have more than offset the lower sales due to the loss of the one-off item from the Pillar II sales window for Romania Pension Fund. Though the sales increased in 4Q 2008 from 3Q 2008 by 4.1% which is due to a higher level of renewals in the Netherlands, sales were still lower when compared to 4Q 2007 due to the loss of Pillar II pension sales for Romania Pension Fund.

Single Premiums

Part of the quarterly increase of single premium sales to 4Q 2008 from the prior quarter is due to the seasonality of sales in the Netherlands and Belgium & Luxembourg. Single premium production in 2008 has increased 5.6% from 2007 in Central Europe & Spain, where the largest change in sales were due to Poland (both Life and Pension Funds, combined increase of EUR 277 million), Spain (decrease of EUR 128 million), Hungary (decrease of EUR 98 million), Greece Piraeus (decrease of EUR 42 million), Czech Life (increase of EUR 27 million), and Slovakia Life (increase of EUR 26 million). The net increase in single premium sales in the region of Central Europe & Spain is EUR 58 million.

The table below shows new business statistics such as new business profit margins (VNB/Present Value of New Premiums), which have decreased for Europe from 4.2% in 4Q 2007 to 3.9% in 4Q 2008. The lower margins in the Netherlands in 4Q 2008 have slightly reduced the overall increase in the new business profit margins when comparing 2007 and 2008.

Table 20. New business statistics

	Quarterly Results				Full Year Results			
	PV of Premiums		VNB/PV Premiums		PV of Premiums		VNB/PV Premiums	
In EUR million	4Q2008	4Q2007	4Q2008	4Q2007	2008	2007	2008	2007
Netherlands	847	648	2.7%	4.0%	2,754	2,433	2.9%	2.9%
Belgium & Luxembourg	225	232	1.8%	1.7%	1,055	1,322	1.3%	1.3%
Central Europe & Spain	1,368	3,921	4.9%	4.3%	6,115	7,777	5.0%	4.0%
Total	**2,440**	**4,801**	**3.9%**	**4.2%**	**9,924**	**11,531**	**4.0%**	**3.5%**

The table below compares the 2008 Value of New Business production for each quarter of 2008. Please note the Romania Pillar II pension sales window closed mid-January 2008, with sales peaking in the final quarter of the year for the Netherlands.

Table 21. Development of value of new life insurance production

In EUR million	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Netherlands	23	15	24	17
Belgium & Luxembourg	4	3	3	4
Central Europe & Spain	67	73	63	102
Total	**94**	**91**	**89**	**123**

2.4 Sensitivity analysis

Economic assumptions

The table below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2008 to economic assumptions. For an explanation of the sensitivities 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)	**7,359**	**712**	**3,619**	**11,690**
1% decrease in new-money rates	-72	-2	-159	-233
1% increase in new-money rates	24	0	161	185
1% decrease in discount rates	456	15	281	752
1% increase in discount rates	-397	-14	-239	-649
1% lower equity and real estate returns	-554	0	-32	-586
10% downward shift in market values of equity and real estate investments	-624	0	-24	-648
Local regulatory minimum capital requirement	7	-23	83	67
Net impact of				
1% decrease in new-money & 1% decrease in discount rates	384	13	121	519
1% increase in new-money & 1% increase in discount rates	-372	-14	-78	-464

Regarding the above results:

- The sensitivities to change in new money rates are largely offsetting between the Group and Individual product lines in Nationale-Nederlanden. 1% lower new money rates will see an increase in Embedded Value as Group profit sharing costs decrease, but this is offset by lower fee income from Individual products - resulting in an overall, marginal reduction of the Embedded Value for the Netherlands. The net impact of new money and discount rates change is dominated by the impact of discount rate change.

- Sensitivity of Embedded Value of Central Europe & Spain is similar to the sensitivity at the end of 2007, and the net impact of a reduction in new money rate and corresponding reduction in discount rate is positive primarily due to the Pension Fund businesses in Hungary, Poland and Romania. Future profits from fee income on pension fund business when discounted at lower discount rates will increase Embedded Value, and if new-money rates fall the future fee income will decrease, and reduce Embedded Value.
- The sensitivity to local regulatory minimum capital requirements is negative for Belgium & Luxembourg because the internal allocation of capital is lower than the regulatory minimum capital. In the Netherlands, Nationale-Nederlanden reflects a cost of capital based on ING Capital Model (please refer to Appendix 5) that is higher than the cost of holding the local regulatory minimum requirement, but Postbank and RVS reflect less. If RVS and Postbank were to hold the minimum regulatory capital, the Embedded Value would decrease by EUR 82 million. The internal allocation of capital for several business units in Central Europe & Spain is less than the regulatory minimum. If these business units were allocated the regulatory minimum the Embedded Value would decrease by EUR 34 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 2008 to the following changes in non-economic assumptions.

Table 23. Sensitivity of Embedded Value to non-economic assumptions

in EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
As reported – Embedded Value (net of tax)	**7,359**	**712**	**3,619**	**11,690**
10% decrease in maintenance expenses	171	15	75	262
10% decrease in lapse rates	36	2	92	129
5% decrease in mortality and morbidity rates – Life	6	0	38	44
5% decrease in mortality and morbidity rates – Annuity	-50	0	-3	-53

The non-economic sensitivity of Embedded Value in Europe in 2008 is similar to 2007. The negative impact of the decrease in mortality and morbidity rates is primarily due to Nationale-Nederlanden as a result of the large portfolio of Group annuity business and the portfolio of immediate annuities.

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 decreases 22.8% to EUR 8,212 million after capital injections/(dividends) and currency effects**
- **Value of New Business increases by 12.6% to EUR 304 million, driven by pension fund sales in Latin America**
- **New sales (as measured in APE) decreased 4.6% as sales slow in USFS**

Table 24. Analysis of movement – Insurance Americas

in EUR million	USFS	Latin America	2008 Total	2007 Total
Free Surplus$_{boy}$ (FS)	1,089	191	1,280	1,170
Required Capital$_{boy}$ (RC)	4,002	621	4,623	4,796
ViF$_{boy}$	3,978	753	4,731	4,305
Total EV$_{boy}$	**9,068**	**1,565**	**10,633**	**10,272**
Addition of business / (divested business)	0	-140	-140	5
Currency effects	496	-193	303	-1,043
Model changes	604	-265	339	-126
Revised EV$_{boy}$	**10,168**	**967**	**11,135**	**9,108**
Value of New Business (VNB)	198	105	304	270
Financial variances	-3,342	-65	-3,407	-69
Operational variances	25	-10	15	271
Operating assumption changes	177	25	202	24
Embedded Value Profit (EV Profit)	**-2,941**	**56**	**-2,886**	**498**
Required return - return on RC and ViF	673	134	807	701
Investment return on Free Surplus	0	1	1	10
Discount rate changes	124	-98	27	81
Economic assumption changes	-626	-83	-709	128
Embedded Value of business acquired	0	0	0	497
Capital injections	1,116	0	1,116	284
Dividends	-1,217	-61	-1,279	-673
Subtotal	**70**	**-107**	**-38**	**1,027**
EV$_{eoy}$ - after capital injections/(dividends)	**7,296**	**916**	**8,212**	**10,633**
EV$_{eoy}$ - before capital injections/(dividends)	7,398	977	8,375	11,022
RoEV% - before capital injections/(dividends)	-27%	1%	-25%	16%

The most important items impacting the change in Embedded Value during 2008 were:

- The US dollar appreciated against the Euro, leading to a EUR 496 million gain but this is offset by most Latin American currencies depreciating by EUR -193 million.
- Divestments in Mexico and the nationalisation of the pension business in Argentina reduced Embedded Value by EUR 330 million. This is partially offset by an increase in ownership in Peru to 80.0% during the year, and the inclusion of the pension business acquired from Santander in Chile, overall for Latin America the net divestment of business is EUR 140 million.
- Model changes total EUR 339 million. USFS contributed EUR 604 million to this (model changes are driven by the Retail Annuity reserve release as a result of a change in methodology and an increased level of reinsurance of EUR 595 million, a true-up of the 2007 year-end estimates to the actual position as at 31 December 2007 of EUR 165 million, offset from USFS Employee Benefits and Group Reinsurance increase in capital requirements of EUR 122 million and other model updates of EUR -30 million). In Latin America, a model change of EUR -265 million is mainly due to an updated valuation of business acquired from Santander in 2007 as models and assumptions were enhanced from a simplified modelling approach.

- Value of New Business of EUR 304 million, which is an increase of 12.6% from 2007. The increase in Latin America was driven by a full-year inclusion of businesses acquired from Santander in 2007 and higher-quality business sales. This is slightly offset by a 7.9% decrease in the USFS VNB.
- USFS Retail Annuity and Retirement Services were the main contributors to the negative financial variance impact on Embedded Value of EUR 3,342 million due to the underperformance of financial markets as assets were impaired and/or realised at a loss. Even though the equity performance is generally passed on to policyholders, reduced account balances lowered the expected future fee income. This is exacerbated by the lower future fee income from lower account balances in Mexico and lower investment income in Chile of EUR -53 million impact and other adverse items, and this totals to a financial variance impact of EUR -3,407 million to Insurance Americas.
- Operational Variances were largely offsetting between USFS and Latin America.
- Non-economic assumption changes in USFS increased Embedded Value by EUR 177 million, of which higher persistency and short-term project delays and staff reductions leading to a lower present value of expenses, this contributed EUR 174 million to the reduction in Embedded Value. The higher value attributable to operating assumption changes in Latin America is mainly due to long term fee-income increase in Peru and a delay in reducing fees in Mexico, which more than offset the additional expenses in Mexico from loss of scale due to divestments. Latin America has a higher Embedded Value of EUR 25 million a result of these changes.
- Required return on beginning in-force (unwind of discount rate) of EUR 807 million.
- Decreased discount rates in USFS impact more than offset the increase in discount rates in Latin America resulting in a net marginal increase in Embedded Value of EUR 27 million. Adverse economic assumption changes reduced Embedded Value by EUR 709 million.
- The net capital outflow of EUR 101 million within the USFS represents a reallocation of capital.
- Investment return on Free Surplus from USFS business units has been included in the financial performance variance and no separate figure is reported. The investment loss on Free Surplus of the Chile Life company has mostly offset the returns of other business units in Latin America. Dividend upstream from Latin America reduced Embedded Value by EUR 61 million.

FOGs reduced Insurance Americas Embedded Value by EUR 144 million, driven by the USFS, a decrease from 2007 reported FOGs of EUR 232 million. In USFS, the FOG cost for the variable annuity business has been calculated net of hedge costs. The estimated FOG cost is therefore reduced by the effect of hedging See Appendix 5 for details on the Financial Options and Guarantees for the USFS.

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

In EUR million	2008	2007	% Change
Free Surplus (FS)	-920	1,280	-171.9%
Required Capital (RC)	6,620	4,623	43.2%
Adjusted Net Worth (ANW)	**5,700**	**5,903**	**-3.4%**
Present Value of Future (statutory book) Profits (PVFP)	3,894	5,927	-34.3%
Cost of holding Required Capital (CoC)	-1,382	-1,197	15.5%
Value of in-Force covered business (ViF)	**2,512**	**4,731**	**-46.9%**
Embedded Value (ViF and ANW)	**8,212**	**10,633**	**-22.8%**

Embedded Value of the covered life business has decreased 22.8% to EUR 8,212 million. Free Surplus decreased to EUR -920 million from EUR 1,280 million, a decrease of 171.9%. 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 2007 results

Table 26 below shows RoEV after revisions to the year-end 2007 Embedded Value.

Table 26. Change in Embedded Value and EV Profit

In EUR million	2008	2007	% Change
Embedded Value$_{boy}$	10,633	10,272	3.5%
Revisions to EV	502	-1,163	143.2%
Revised EV$_{boy}$	**11,135**	**9,108**	**22.3%**
EV Profit	-2,886	498	-679.5%
Required return - return on RC and ViF	807	701	15.1%
Other returns	-682	219	-411.4%
Return on EV (RoEV) before capital injections/(dividends)[1]	**-2,761**	**1,418**	**-294.7%**
RoEV% - before capital injection/(dividends)	-25%	16%	
Embedded Value of business acquired	0	497	-100.0%
Capital injections / (dividends)	-163	-389	58.1%
EV$_{eoy}$ - after capital injections/(dividends)	**8,212**	**10,633**	**-22.8%**

1. Measured on Revised EV$_{boy}$

EV Profit of EUR -2,886 million is 679.5% below the 2007 figure. The global financial turmoil has led to a EUR -3,407 million financial variance which is offset by a higher VNB and the effect of operating assumption changes to reflect lower expenses into the future as part of expense saving initiatives. Operational performance variances in 2008 were largely offsetting in USFS and Latin America.

The RoEV decreased to EUR -2,761 million on a revised EV of EUR 11,135 million, a return percentage of -25%. Other return components in 2008 – increase to discount rates, adverse economic assumption changes and negative investment returns on Free Surplus – resulted in a reduction in value of EUR 682 million, in contrast to an addition of EUR 219 million in 2007.

3.3 New Business

The tables below provide an overview of the profitability of the new life insurance production written in 2008 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

	Quarterly Results					**Full Year Results**		
In EUR million	4Q 2008	4Q 2007	% change	3Q 2008	% change	2008	2007	% Change
Profit-tested Value of New Business (a)	45	113	-60.2%	89	-49.4%	321	300	7.0%
After-tax acquisition expense & commission overrun (b)	-3	2	-255.3%	7	-143.3%	17	29	-41.4%
Value of New Business (a-b)	**49**	**111**	**-55.9%**	**81**	**-39.5%**	**304**	**270**	**12.6%**
Investment in new business	**229**	**324**	**-29.3%**	**221**	**3.6%**	**891**	**1,138**	**-21.7%**
Final IRR on new sales				**13.3%**		**12.6%**	**11.8%**	

Value of New Business of EUR 304 million in 2008 is 12.6% higher than full year 2007, despite a lower new business value creation of EUR 49 million in 4Q 2008, compared to EUR 111 million in 4Q 2007. The VNB is determined based on a risk margin of 3.1% in 2007 and 2008. The tables below provide a comparison of annual and quarterly results for certain countries within Americas.

Table 28. New life insurance value by country

	Quarterly Results					Full Year Results		
In EUR million	4Q2008	4Q2007	% change	3Q2008	% change	2008	2007	% Change
USFS	21	77	-72.7%	56	-62.5%	198	215	-7.9%
Latin America	27	35	-22.9%	25	8.0%	105	55	90.9%
Total	**49**	**111**	**-55.9%**	**81**	**-39.5%**	**304**	**270**	**12.6%**

Table 29. New life insurance IRR by country

In EUR million	4Q2008	4Q2007	Change	3Q2008	change	2Q2008	change	1Q2008	Change
USFS	11.6%	11.3%	0.3%	12.4%	-0.8%	12.5%	-0.9%	12.8%	-1.2%
Latin America	18.1%	15.8%	2.3%	17.7%	0.4%	18.2%	-0.1%	18.7%	-0.6%
Total	**12.6%**	**11.8%**	**0.9%**	**13.3%**	**-0.7%**	**13.4%**	**-0.8%**	**13.7%**	**-1.1%**

In USFS, the most important items influencing the 2008 results are as follows:

- The improvement in the IRR in 1Q 2008 from 4Q 2007 is due to higher margins from larger Retail Annuity policy sizes and Financial Products capitalising on widening spreads. Over the later quarters of 2008, sales shifted to a product mix with a lower profitability profile – decrease in equity-related variable annuity sales and lower Financial Products production in the second half of the year has more than offset the improved Retail Life results leading to a lower IRR achieved over 2008.
- Acquisition overrun has decreased to EUR 17 million when compared to EUR 29 million in 2007 leading to an improvement in IRR. These are mainly due to improved sales numbers in Retail Life and expense control initiatives in all lines of business.
- A decrease in VNB in 4Q 2008 compared to 4Q 2007 and prior quarter is affected by the same drivers, and exacerbated by a significant decrease in sales.

and, in Latin America:

- The pension funds acquired from Santander contributed to the VNB for a full year in 2008 (only the final quarter in 2007), most of which is in Mexico. This, combined with higher fund balances from the transfer-in, and offset marginally by an expense overrun, contributed EUR 68 million to VNB.
- Better quality of business (higher salary base), the continuing transfer-war leading to higher sales volume, increased ownership, and an expense underrun in Peru increased VNB by EUR 26 million.
- Chile's VNB has increased to EUR 13 million driven by high annuity sales, the Santander acquisition and an expense underrun from synergies arising as the Santander business was integrated.

Table 30. New life insurance production by country – Annualized Premium

In EUR million	4Q2008	4Q2007	% change	3Q2008	% change	2008	2007	% Change
	Quarterly Results					**Full Year Results**		
Annualized Premium								
USFS	350	343	2.0%	296	18.2%	1,326	1,419	-6.6%
Latin America	115	129	-10.9%	123	-6.5%	499	354	41.0%
Total Annual Premium	**465**	**473**	**-1.7%**	**419**	**11.0%**	**1,825**	**1,773**	**2.9%**
Single Premium								
USFS	3,174	5,270	-39.8%	3,891	-18.4%	15,585	18,791	-17.1%
Latin America	531	47	1029.8%	511	3.9%	1,191	193	517.1%
Total Single Premium	**3,706**	**5,317**	**-30.3%**	**4,402**	**-15.8%**	**16,777**	**18,983**	**-11.6%**
APE								
USFS	667	870	-23.3%	685	-2.6%	2,885	3,298	-12.5%
Latin America	168	134	25.4%	174	-3.4%	618	374	65.2%
Total APE	**836**	**1,004**	**-16.7%**	**859**	**-2.7%**	**3,503**	**3,671**	**-4.6%**

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

For the Americas, the APE has decreased by 4.6% compared to 2007 mainly due to lower single premium Financial Product sales and lower annualized premium production by USFS Retirement Services. This is offset partially as Latin America sales volumes have increased. On a reported basis, the full year result for APE for Latin America has increased by 65.2% but the figures are not directly comparable due to the definition change for annualized premium and single premium in 2008. The sections below describe the changes in more detail. On an equivalent basis based on the premium definition as at 2008 year end, the APE for the full years of 2007 and 2008 would be EUR 455 million and EUR 672 million respectively. The increase is mainly contributed by Mexico (APE increase of 45%) and Chile (APE increase of 86%) as a result of to the Santander acquisition and higher sales volumes in all countries.

Annualized Regular Premiums

Annualised premium for USFS has decreased by 6.6%, primarily due to lower sales in Retirement Services that more than offset increased production in Retail Life and Employee Benefits. In Latin America, the definition of annualized premium for the pension business was changed in 2008. Annualized premium reported in 2007 included contribution to funds, as well as fee-income, group disability and survivorship insurance charges and other government-based fees. Starting from 2Q 2008, only contributions were included in reporting annualized premium. The recognition of fee income as revenue is unchanged in the determination of VNB. On an equivalent basis, the annualized premium production in 2007 is EUR 327 million, and this has increased by 44.3% to EUR 472 million based on the annualized premium definition at the end of 2008. This increase is driven by the business acquired from Santander (primarily Mexico and Chile) and higher sales volumes.

Single Premiums

Single premium production in USFS has decreased by 17.1%, as sales decreased steeply for Financial Products over the last two quarters of 2008 which more than offset the higher production from Retail Annuity and Retirement Services. In Latin America, the definition of single premium for the pension business was changed in 2008. Single premiums now include asset under management transferred-in for Mexico (from 3Q 2008) and voluntary deposits Chile (in 4Q 2008). Fee income is recognised as revenue in determining VNB for single premium as well. On an equivalent basis, the single premium production in 2007 is EUR 1,280 million, and this has increased by 56.0% to EUR 1,997 million based on the single premium definition at the end of 2008. This increase is driven by the business acquired from Santander (primarily Mexico and Chile) and higher sales volumes.

Table 31. New business statistics								
	Quarterly Results				Full Year Results			
	PV of Premiums		VNB/PV Premiums		PV of Premiums		VNB/PV Premiums	
In EUR million	4Q2008	4Q2007	4Q2008	4Q2007	2008	2007	2008	2007
USFS	3,679	6,867	0.6%	1.1%	21,072	24,228	0.9%	0.9%
Latin America	148	198	18.2%	17.7%	718	620	14.6%	8.9%
Total	**3,827**	**7,066**	**1.3%**	**1.6%**	**21,790**	**24,848**	**1.4%**	**1.1%**

The above table shows new business statistics such as new business profit margins (VNB/Present Value of New Premiums). In USFS, full year results for new business profit margins are stable over the two years. The year-on-year 4Q new business profit margin has dropped consistent with the comments regarding VNB details above and in the following section. In Latin America, new business profit margins in 2008 have increased due to the revision downwards of the annualized premium definition in the denominator. Please note that per unit fee income recognised as revenue is not affected by the revision of reported premium definitions, and the improvements in the underlying margins over the year are consistent with the comments regarding VNB above.

The table immediately below compares the 2008 Value of New Business production for each quarter of 2008. The VNB fell in the last quarter for USFS due to lower margin variable annuity sales and significantly lower production of Financial Products, whereas the value production is stable over the year for Latin America as mandatory pension contribution levels are not directly affected by the market turmoil.

Table 32. Development of value of new life insurance production				
In EUR million	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
USFS	21	56	57	63
Latin America	27	25	26	27
Total	**49**	**81**	**84**	**90**

3.4 Sensitivity analysis

Economic assumptions

The table immediately below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2008 to economic assumptions. For an explanation of the sensitivities refer to Section 1.4.

Table 33. Sensitivity of Embedded Value to economic assumptions			
In EUR million	USFS	Latin America	Total
As reported – Embedded Value (net of tax)	**7,296**	**916**	**8,212**
1% decrease in new-money rates	-503	-34	-536
1% increase in new-money rates	189	36	226
1% decrease in discount rates	392	68	460
1% increase in discount rates	-357	-58	-415
1% lower equity and real estate returns	-233	-11	-245
10% downward shift in market values of equity and real estate investments	-395	-8	-403
Local regulatory minimum capital requirement	313	9	322
Net impact of			
1% decrease in new-money & 1% decrease in discount rates	-111	34	-76
1% increase in new-money & 1% increase in discount rates	-167	-22	-189

Regarding the above results:

- The asymmetry in the sensitivity to new money rates in USFS because interest rate guarantees on many life insurance and annuity products results in a margin squeeze when new money rates are reduced. The decrease in earning rate sensitivities impact to Embedded Value are greater than in 2007 as the best estimates are closer to the guarantee floor.

- The increased sensitivity of the USFS Embedded Value to a change in the capital requirement to the local regulatory minimum, when compared to a reported value of EUR 206 million in 2007, is mainly due to the higher internal ING Required Capital as the parameters were revised for Employee Benefits.
- In Latin America, not including the divested business line in Mexico, the sensitivities are similar when compared to 2007, and Embedded Value remains most sensitive to discount rate changes which affect the pension fund business in the region.

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 2008 to the following changes in non-economic assumptions.

Table 34. Sensitivity of Embedded Value to non-economic assumptions

In EUR million	USFS	Latin America	Total
As reported – Embedded Value (net of tax)	**7,296**	**916**	**8,212**
10% decrease in maintenance expenses	190	81	271
10% decrease in lapse rates	191	35	226
5% decrease in mortality and morbidity rates – Life	163	21	184
5% decrease in mortality and morbidity rates - Annuity	13	-11	2

A 5% decrease in mortality and morbidity rates for USFS annuity business would increase Embedded Value by EUR 13 million. At the end of the accumulation phase, most policies take up a lumpsum payout in place of an annuity payment – the increase in longevity leads to a larger number of policies to draw future fee income from, before the lumpsum payout.

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

- **Embedded Value increases by 27.0% to EUR 2,798 million (before capital injections/ (dividends)) mainly as a result of the ING Life Taiwan sale**
- **Excluding Taiwan, VNB fell by 14.6% to EUR 222 million**
- **IRR on new business fell from 16.8% to 14.0%**

Table 35. Analysis of movement – Insurance Asia/Pacific

in EUR million	Australia & New Zealand	South Korea	Taiwan	Japan	Rest of Asia	2008 Total	2007 Total
Free Surplus$_{boy}$ (FS)	93	305	-3,910	-331	70	-3,773	-4,978
Required Capital$_{boy}$ (RC)	91	313	4,527	390	268	5,589	6,251
ViF$_{boy}$	700	683	-1,833	546	292	388	71
Total EV$_{boy}$	**883**	**1,301**	**-1,216**	**605**	**630**	**2,204**	**1,343**
Addition of business / (divested business)	0	0	1,267	0	0	1,267	143
Currency effects	-155	-281	-51	184	33	-271	-31
Model changes	10	-43	0	32	24	23	-332
Revised EV$_{boy}$	**738**	**977**	**0**	**822**	**687**	**3,223**	**1,124**
Value of New Business (VNB)	45	92	0	38	47	222	442
Financial variances	-191	-11	0	-712	-32	-947	40
Operational variances	-18	7	0	-32	37	-6	66
Operating assumption changes	32	116	0	80	16	243	-26
Embedded Value Profit (EV Profit)	**-132**	**203**	**0**	**-627**	**68**	**-487**	**523**
Required return - return on RC and ViF	68	69	0	60	48	245	403
Investment return on Free Surplus	0	10	0	-1	8	17	-97
Discount rate changes	24	-66	0	-25	-44	-110	94
Economic assumption changes	-50	-61	0	-92	-86	-288	-142
Embedded Value of business acquired	0	198	0	0	0	198	0
Capital injections	8	24	0	198	169	399	304
Dividends	-16	0	0	0	0	-16	-5
Subtotal	**36**	**174**	**0**	**140**	**96**	**446**	**557**
EV$_{eoy}$ - after capital injections/(dividends)	**643**	**1,354**	**0**	**335**	**850**	**3,182**	**2,204**
EV$_{eoy}$ - before capital injections/(dividends)	650	1,330	0	137	681	**2,798**	**1,905**
RoEV% - before capital injections/(dividends)	-12%	16%	n/a	-83%	-1%	-19%	69%

The most important items impacting the change in Embedded Value during 2008 were:

- The divestment of ING Life Taiwan removed the negative value associated with ING Life Taiwan and resulted in an increase of EUR 1,216 million in the Embedded Value of Asia/Pacific – the divestment increased Embedded Value by EUR 1,267 million, net of the currency effects of EUR -51 million. The sale agreement was signed in October 2008 and the sale has been completed on 11 February 2009.
- Currency movements had a negative effect on the Embedded Value. Although the Euro depreciated against the Japanese Yen the effect on Embedded Value was more than offset by the appreciation of the Euro against the Australian and New Zealand dollars and the Korean Won. Impacts were EUR 184 million, EUR -155 million and EUR -281 million respectively. The total currency impact on the Embedded Value was EUR -271 million.
- VNB for 2008 is EUR 222 million which is EUR 38 million lower than the equivalent figure in 2007 after excluding the VNB from ING Life Taiwan.

- Financial variances were EUR -947 million. The most significant components of the negative variance in Embedded Value include EUR -712 million from Japan as a result of lower fee income and higher hedge costs, and EUR -191 million from Australia and New Zealand due to the projected loss of future fee income as a result of lower account values.
- Operating Variances of EUR -6 million were offsetting with negative variances mainly due to poor lapse experience and expense overruns in Japan amounting to EUR -32 million and lower fee income as a result of lower account balances and a shift to lower fee-based fund options in Australia of EUR -18 million being offset by expense underruns of EUR 14 million in Malaysia and EUR 16 million in Thailand.
- Operating Assumption Changes contributed positively to the Embedded Value adding EUR 243 million. The most significant components of the increase in Embedded Value were mortality and persistency assumption changes in Korea of EUR 161 million, mortality and expense assumption changes in Japan worth EUR 92 million and reduced expense assumptions in Australia worth EUR 27 million.
- Required return of EUR 245 million.
- A change in the risk discount rate reduced the Embedded Value by EUR 110 million due to an increase in the risk margin.
- Economic assumption changes resulted in a fall in Embedded Value of EUR 288 million.
- The Embedded Value of business acquired was EUR 198 million (converted from the purchase price of KRW 338,975 million) which came from an increase in the stake in ING Life Korea from 85.1% to 100%. This acquisition was made on the 29th December 2008 and is reflected in the year end Embedded Value but not in the movement analysis.
- Capital injections were made into ING Life Japan of EUR 198 million and Hong Kong of EUR 137 million. Capital injections into other Asia/Pacific other business units totalled EUR 64 million.

FOGs decreased the 2008 Embedded Value by EUR 373 million (vs. EUR 913 million in 2007). 70% of the Asia/Pacific FOG is contributed by Korea. Japan contributes most of the remaining FOG. Thailand, Hong Kong, China and India combine for 3% of the EV. The large decrease of the FOG from 2007 is due to a refinement in the methodology to estimate the time value of guarantees in Japan.

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

In EUR million	2008	2007	% Change
Free Surplus (FS)	-503	-3,773	86.7%
Required Capital (RC)	1,229	5,589	-78.0%
Adjusted Net Worth (ANW)	**726**	**1,816**	**-60.0%**
Present Value of Future (statutory book) Profits (PVFP)	2,923	3,013	-3.0%
Cost of holding Required Capital (CoC)	-468	-2,625	-82.2%
Value of in-Force covered business (ViF)	**2,456**	**388**	**533.0%**
Embedded Value (ViF and ANW)	**3,182**	**2,204**	**44.4%**

Embedded Value of the covered life business increases by 44.4% as a result of the removal of the negative Embedded Value associated with ING Life Taiwan. The Adjusted Net Worth decreased by 60.0% to EUR 726 million, the Free Surplus position and Required Capital moved significantly as ING Life Taiwan required a large amount of capital and had negative Free Surplus.

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.

4.2 Return on Embedded Value in comparison to 2007 results

The table below shows RoEV after revisions to the year-end 2007 Embedded Value.

Table 37. Change in Embedded Value and EV Profit

In EUR million	2008	2007	% Change
Embedded Value$_{boy}$	2,204	1,343	64.1%
Revisions to EV	1,020	-219	565.8%
Revised EV$_{boy}$	**3,223**	**1,124**	**186.7%**
EV Profit	-487	523	-193.1%
Required return - return on RC and ViF	245	403	-39.2%
Other returns	-381	-144	-164.6%
Return on EV (RoEV) before capital injections/(dividends)[1]	**-624**	**781**	**-179.9%**
RoEV% - before capital injection/(dividends)	-19%	69%	
Embedded Value of business acquired	198	0	-
Capital injections / (dividends)	384	298	28.9%
EV$_{eoy}$ – after capital injections/(dividends)	**3,182**	**2,204**	**44.4%**

1. Measured on Revised EV$_{boy}$

EV Profit decreased from EUR 523 million to EUR -487 million. This is due to the large financial variance which more than offsets the positive VNB and operational assumption changes. The RoEV deteriorated substantially, by EUR 1,405 million, primarily due to the financial variance.

4.3 New Business

The tables below provide an overview of the profitability of the new life insurance production in 2008 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.

After excluding the VNB of ING Life Taiwan in 2007, the Value of New Business fell by 14.6% over the year, this reflected a fall in the IRR from 16.8% to 14.0% and a decrease in the investment in new business from EUR 557 million to EUR 444 million.

Table 38. Value of New Business – covered life insurance business

	Quarterly Results					Full Year Results		
In EUR million	4Q2008	4Q2007	% change	3Q2008	% change	2008	2007	% Change
Profit-tested Value of New Business (a)	52	108	-51.9%	84	-38.1%	274	444	-38.3%
After-tax acquisition expense & commission overrun (b)	24	-21	214.3%	20	20.0%	52	2	2500.0%
Value of New Business (a-b)	**28**	**128**	**-78.1%**	**64**	**-56.3%**	**222**	**442**	**-49.8%**
Investment in new business	**115**	**151**	**-23.8%**	**113**	**1.8%**	**444**	**557**	**-20.3%**
Final IRR on new sales				**15.1%**		**14.0%**	**16.8%**	

Note: Taiwan figures are excluded for 2008 quarterly and full year results.

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

	Quarterly Results					Full Year Results		
In EUR million	4Q2008	4Q2007	% change	3Q2008	% change	2008	2007	% Change
Australia & New Zealand	12	14	-14.3%	11	9.1%	45	56	-19.6%
South Korea	12	41	-70.7%	26	-53.8%	92	142	-35.2%
Taiwan	-	56	-100.0%	-	-	-	182	-100.0%
Japan	-4	5	-180.0%	12	-133.3%	38	43	-11.6%
Rest of Asia	9	12	-25.0%	15	-40.0%	47	20	135.0%
Total	**28**	**128**	**-78.1%**	**64**	**-56.3%**	**222**	**442**	**-49.8%**

Table 40. New life insurance IRR by country

In EUR million	4Q2008	4Q2007	change	3Q2008	change	2Q2008	change	1Q2008	Change
Australia & New	19.7%	21.4%	-1.6%	19.2%	0.5%	19.0%	0.7%	20.8%	-1.1%
South Korea	17.5%	22.8%	-5.3%	19.2%	-1.7%	18.7%	-1.2%	17.2%	0.3%
Taiwan	-	20.0%	-	-	-	-	-	-	-
Japan	10.7%	11.1%	-0.5%	11.8%	-1.2%	12.1%	-1.4%	12.1%	-1.4%
Rest of Asia	12.9%	10.2%	2.7%	13.9%	-1.0%	13.7%	-0.8%	14.6%	-1.7%
Total	**14.0%**	**16.8%**	**-2.8%**	**15.1%**	**-1.1%**	**15.0%**	**-1.0%**	**14.8%**	**-0.8%**

The most important items influencing the 2008 results were:

- The VNB in Australia and New Zealand fell from EUR 56 million in 2007 to EUR 45 million in 2008. The drop in VNB comes from lower sales of investment products. The VNB did increase between 3Q 2008 and 4Q 2008 driven by improved margins on risk products (IRR for Australia increased from 19.2% to 20.9%).
- The VNB in Korea fell from EUR 142m in 2007 to EUR 92m in 2008 as a result of reduced sales. The ownership of ING Life Korea increased from 85.1% to 100% at the end of 2008 but as noted above this is not reflected in the reported VNB. The VNB in 4Q 2008 reduced predominantly due to lower sales when compared to 4Q 2007 and 3Q 2008. The combined effect of lower sales and additional commissions for a sales campaign led to an acquisition expense overrun of EUR 14 million and reduced the IRR for the quarter.
- The VNB in Japan decreased by 12% from EUR 43 million in 2007 to EUR 38 million in 2008. VNB reduced to EUR -4 million in 4Q 2008 from EUR 12 million in 3Q 2008 mainly due to the negative impact of higher hedge costs for SPVA due to lower interest rates and higher implied volatilities. This reduced margins on the SPVA business and pulled down the IRR from 11.8% in 3Q 2008 to 10.7% in 4Q 2008. COLI sales reduced which also contributed to a lower VNB, although this was offset by improved margins due to assumption changes.
- For the rest of Asia, the VNB increased from EUR 20 million in 2007 to EUR 47 million in 2008. Part of this increase is explained by a change in expense policy during 2007 which meant that for Greenfield businesses expense overruns were no longer charged to VNB. The change in expense policy explains EUR 12 million of the increase. VNB fell from EUR 15 million in 3Q 2008 to EUR 9 million in 4Q 2008 mainly as a result of reduced sales and an expense overrun of EUR 7 million in 4Q 2008 in Hong Kong. VNB reduced from EUR 12 million in 4Q 2007 to EUR 9 million in 4Q 2008, this was due to the expense overrun in Hong Kong offset by higher VNB from Thailand due to increased bancassurance sales and improved margins.

Table 41. New life insurance production by country – Annualized Premium

In EUR million	4Q2008	4Q2007	% change	3Q2008	% change	2008	2007	% Change
	Quarterly Results					Full Year Results		
Annualized Premium								
Australia & New Zealand	28	36	-22.2%	37	-24.3%	115	101	13.9%
South Korea	114	226	-49.6%	178	-36.0%	688	867	-20.6%
Taiwan	-	124	-100.0%	-	-	-	377	-100.0%
Japan	42	45	-6.7%	52	-19.2%	225	214	5.1%
Rest of Asia	60	72	-16.7%	65	-7.7%	247	218	13.3%
Total Annual Premium	**244**	**503**	**-51.5%**	**332**	**-26.5%**	**1,275**	**1,777**	**-28.2%**
Single Premium								
Australia & New Zealand	299	1,056	-71.7%	615	-51.4%	2,309	4,463	-48.3%
South Korea	43	49	-12.2%	93	-53.8%	378	369	2.4%
Taiwan	-	146	-100.0%	-	-	-	476	-100.0%
Japan	471	709	-33.6%	723	-34.9%	2,713	3,578	-24.2%
Rest of Asia	24	73	-67.1%	82	-70.7%	270	147	83.7%
Total Single Premium	**836**	**2,033**	**-58.9%**	**1,513**	**-44.7%**	**5,670**	**9,034**	**-37.2%**
APE								
Australia & New Zealand	57	142	-59.9%	99	-42.4%	346	547	-36.7%
South Korea	119	231	-48.5%	187	-36.4%	726	904	-19.7%
Taiwan	-	139	-100.0%	-	-	-	425	-100.0%
Japan	90	116	-22.4%	124	-27.4%	496	572	-13.3%
Rest of Asia	62	79	-21.5%	73	-15.1%	274	233	17.6%
Total APE	**328**	**706**	**-53.5%**	**484**	**-32.2%**	**1,842**	**2,680**	**-31.3%**

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

APE has reduced substantially since 2007 as a result of the sale of ING Life Taiwan. The sale of ING Life Taiwan accounts for 50% of the reduction since 2007. In Australia the fall from 4Q 2007 was attributed to falling investor confidence in investment products in 2008, Japan and Korea sales also reduced from 4Q 2007 levels due to market conditions.

Annualized Regular Premiums

The Asia/Pacific total fell from EUR 503 million in 4Q 2007 to EUR 244 million in 4Q 2008. This reduction was largely due to Korea where sales fell substantially in 4Q 2008.

Single Premiums

Sales of single premium products also fell substantially mostly due to Australia and New Zealand where the single premium sales reduced from EUR 1,056 million in 4Q 2007 to EUR 299 million in 4Q 2008 due to reduced investor confidence which affected the sale of investment products.

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 2007.

Table 42. New business statistics

	Quarterly Results				Full Year Results			
	PV of Premiums		VNB/PV Premiums		PV of Premiums		VNB/PV Premiums	
In EUR million	4Q2008	4Q2007	4Q2008	4Q2007	2008	2007	2008	2007
Australia & New Zealand	454	1,234	2.6%	1.1%	2,847	4,914	1.6%	1.1%
South Korea	501	1,106	2.4%	3.7%	3,128	4,083	2.9%	3.5%
Taiwan	-	912	-	6.1%	-	2,940	-	6.2%
Japan	687	886	-0.6%	0.6%	3,866	4,522	1.0%	1.0%
Rest of Asia	331	379	2.7%	3.2%	1,422	1,059	3.3%	1.9%
Total	**1,974**	**4,516**	**1.4%**	**2.8%**	**11,262**	**17,518**	**2.0%**	**2.5%**

The table below compares the 2008 Value of New Business production for each quarter of 2008.

The VNB in Japan reduced over the year as the margins on SVPA products reduced due to lower interest rates and higher implied volatility. The VNB in Korea in 4Q 2008 was lower than the rest of the year due to expense overruns as a result of lower sales. The trend in the Rest of Asia was stable except for 4Q 2008 when there was an expense overrun in Hong Kong.

Table 43. Development of value of new life insurance production

In EUR million	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Australia & New Zealand	12	11	11	11
South Korea	12	26	27	28
Japan	-4	12	12	18
Rest of Asia	9	15	12	12
Total	**28**	**64**	**61**	**69**

4.4 Sensitivity analysis

Economic assumptions

The table below shows the outcomes of sensitivity analysis of the Embedded Value as at 31 December 2008 to economic assumptions. For an explanation of the sensitivities refer to Section 1.4.

Table 44. Sensitivity of Embedded Value to economic assumptions

In EUR million	Australia & New Zealand	South Korea	Japan	Rest of Asia	Total
As reported – Embedded Value (net of tax)	**643**	**1,354**	**335**	**850**	**3,182**
1% decrease in new-money rates	-32	-187	-85	-136	-440
1% increase in new-money rates	27	186	101	134	449
1% decrease in discount rates	43	64	60	85	252
1% increase in discount rates	-32	-57	-54	-71	-215
1% lower equity and real estate returns	-4	-1	-1	-20	-25
10% downward shift in market values of equity and real estate investments	-32	-1	-27	-10	-70
Local regulatory minimum capital requirement	11	-14	98	29	124
Net impact of					
1% decrease in new-money & 1% decrease in discount rates	12	-123	-25	-51	-188
1% increase in new-money & 1% increase in discount rates	-5	129	47	63	234

Regarding the above results:

- The sensitivities are reduced following the sale of ING Life Taiwan with the largest reduction in the sensitivity scenarios coming from the new money, discount rates and local regulatory minimum capital requirement.
- As in 2007, the Embedded Value cost of holding local regulatory capital minimum is higher than the cost of the capital allocated under the ING Capital Model for some business units. This is the case for both South Korean units(ING Life Korea and KB Life), ING Vysya Life in India, and ING Capital in China. The internal allocation of capital is lower than the regulatory minimum capital for these business units.
- The sensitivities in the other business units are fairly stable and are similar to the figures reported in previous year.

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 2008 to the following changes in non-economic assumptions.

Table 45. Sensitivity of Embedded Value to non-economic assumptions

In EUR million	Australia & New Zealand	South Korea	Japan	Rest of Asia	Total
As reported – Embedded Value (net of tax)	**643**	**1,354**	**335**	**850**	**3,182**
10% decrease in maintenance expenses	33	44	23	22	121
10% decrease in lapse rates	36	19	65	13	134
5% decrease in mortality and morbidity rates – Life	24	51	24	38	137
5% decrease in mortality and morbidity rates - Annuity	0	0	1	0	1

The following observations are made on the results:

- The profitability of Japan' COLI business is highly dependent on lapse assumptions and therefore shows a EUR 74 million impact.
- 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 for businesses that sell a significant amount of annuity business, this business is overwhelmingly in the accumulation phase and at risk from death rather than longevity. For a very small block of policies in Japan, the longevity risk arises for variable annuities in drawdown phase.

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 31December 2008 and the Value of its New Business written during 2008. 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
18 February 2009

Appendix 1. Embedded Value movement analysis & Breakdown

The following table provides an analysis of the movement in Embedded Value for the covered business for 2008. The analysis is shown separately for the Free Surplus and the Required Capital plus 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

Table 46. Analysis of movement

In EUR million	Free Surplus (FS)	Required Capital (RC) + Value of in-Force covered business (ViF)	Total
Required Capital$_{boy}$(RC)		13,498	
Value of in-Force covered business$_{boy}$ (ViF)		12,367	
Total EV 2007	**1,128**	**25,865**	**26,993**
Addition of business / (divested business)	3,987	-2,961	1,027
Currency effects	-347	159	-188
Model changes	259	-308	-49
Revised starting EV	**5,027**	**22,755**	**27,782**
Value of New Business	-1,559	2,483	924
Financial variances	-5,064	-2,721	-7,785
Operational variances	-324	229	-95
Operating assumption changes	146	432	579
EV Profit (EV Profit) return	**-6,801**	**423**	**-6,378**
Required return – return on RC and ViF	0	1,847	1,847
Expected earnings - transfer to Free Surplus, from in-force	2,006	-2,006	0
Investment return on Free Surplus	-399	0	-399
Discount rate changes	0	-628	-628
Economic assumption changes	-147	-1,489	-1,635
Embedded Value of business acquired	30	212	242
Capital injections	4,349	0	4,349
Dividends	-2,098	0	-2,098
Subtotal	**3,741**	**-2,062**	**1,679**
EV 2008 – after capital injections/(dividends)	**1,966**	**21,117**	**23,083**
EV 2008 - before capital injections/(dividends)	-285	21,117	20,832

Table 47. Embedded Value 2008 breakdown

in EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
Free Surplus (FS)	3,389	-920	-503	1,966
Required Capital (RC)	2,455	6,620	1,229	10,304
ViF	5,845	2,512	2,456	10,813
Total EV 2008	**11,690**	**8,212**	**3,182**	**23,083**

Table 48. Alternate analysis of movement

In EUR million	Adjusted Net Worth (ANW)	Value of in-Force covered business (ViF)	Total
Required Capital$_{boy}$ (RC)	13,498		
Free Surplus$_{boy}$ (FS)	1,128		
Total EV 2007	**14,626**	**12,367**	**26,993**
Revisions to starting value	-756	1,545	790
Revised EV$_{boy}$	**13,870**	**13,912**	**27,782**
New business contribution at issue	-924	1,848	924
Required return	0	1,847	1,847
Expected earnings - transfer to ANAV - from ViF	1,436	-1,436	0
Experience variances and operating assumption changes	-4,660	-2,642	-7,302
Investment returns on Free Surplus	-399	0	-399
Economic assumption changes and discount rate changes	666	-2,928	-2,262
EEV Return after tax	**-3,882**	**-3,311**	**-7,193**
Embedded value of business acquired	31	212	242
Capital injections / (dividends)	2,251	0	2,251
Subtotal	**2,282**	**212**	**2,494**
- Required Capital	10,304		
- Free Surplus	1,966		
EV 2008 - after capital injections/(dividends)	**12,270**	**10,813**	**23,083**

Insurance Europe

Table 49. Analysis of movement

In EUR million	Free Surplus (FS)	Required Capital (RC) + Value of in-Force covered business (ViF)	Total
Required Capital$_{boy}$(RC)		3,286	
Value of in-Force covered business$_{boy}$ (ViF)		7,249	
Total EV 2007	**3,621**	**10,535**	**14,156**
Addition of business / (divested business)	-6	-95	-100
Currency effects	-28	-192	-220
Model changes	-25	-387	-411
Revised starting EV	**3,563**	**9,861**	**13,424**
Value of New Business	-405	802	397
Financial variances	-2,588	-843	-3,431
Operational variances	-171	66	-105
Operating assumption changes	186	-53	134
EV Profit (EV Profit) return	**-2,977**	**-27**	**-3,005**
Required return – return on RC and ViF	0	796	796
Expected earnings - transfer to Free Surplus, from in-force	1,146	-1,146	0
Investment return on Free Surplus	-417	0	-417
Discount rate changes	0	-545	-545
Economic assumption changes	33	-670	-637
Embedded Value of business acquired	12	32	44
Capital injections	2,834	0	2,834
Dividends	-804	0	-804
Subtotal	**2,804**	**-1,533**	**1,271**
EV 2008 - after capital injections/(dividends)	**3,389**	**8,301**	**11,690**
EV 2008 - before capital injections/(dividends)	1,359	8,301	9,659

Table 50. Embedded Value 2008 breakdown

in EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
Free Surplus (FS)	2,379	399	612	3,389
Required Capital (RC)	1,850	201	405	2,455
ViF	3,131	112	2,603	5,845
Total EV 2008	**7,359**	**712**	**3,619**	**11,690**

Table 51. Alternate analysis of movement

In EUR million	Adjusted Net Worth (ANW)	Value of in-Force covered business (ViF)	Total
Required Capital$_{boy}$ (RC)	3,286		
Free Surplus$_{boy}$ (FS)	3,621		
Total EV 2007	**6,907**	**7,249**	**14,156**
Revisions to starting value	-366	-366	-732
Revised EV$_{boy}$	**6,541**	**6,882**	**13,424**
New business contribution at issue	-283	681	397
Required return	0	796	796
Expected earnings - transfer to ANAV - from ViF	811	-811	0
Experience variances and operating assumption changes	-2,871	-532	-3,403
Investment returns on Free Surplus	-417	0	-417
Economic assumption changes and discount rate changes	20	-1,202	-1,182
EEV Return after tax	**-2,741**	**-1,068**	**-3,808**
Embedded value of business acquired	13	31	44
Capital injections / (dividends)	2,031	0	2,031
Subtotal	**2,043**	**31**	**2,075**
- Required Capital	2,455		
- Free Surplus	3,389		
EV 2008 - after capital injections/(dividends)	**5,844**	**5,845**	**11,690**

Insurance Americas

Table 52. Analysis of movement

In EUR million	Free Surplus (FS)	Required Capital (RC) + Value of in-Force covered business (ViF)	Total
Required Capital$_{boy}$(RC)		4,623	
Value of in-Force covered business$_{boy}$ (ViF)		4,731	
Total EV 2007	**1,280**	**9,354**	**10,633**
Addition of business / (divested business)	-82	-58	-140
Currency effects	26	277	303
Model changes	246	93	339
Revised starting EV	**1,469**	**9,666**	**11,135**
Value of New Business	-711	1,015	304
Financial variances	-1,858	-1,549	-3,407
Operational variances	-172	187	15
Operating assumption changes	0	202	202
EV Profit (EV Profit) return	**-2,741**	**-145**	**-2,886**
Required return – return on RC and ViF	0	807	807
Expected earnings - transfer to Free Surplus, from in-force	514	-514	0
Investment return on Free Surplus	1	0	1
Discount rate changes	0	27	27
Economic assumption changes	0	-709	-709
Embedded Value of business acquired	0	0	0
Capital injections	1,116	0	1,116
Dividends	-1,279	0	-1,279
Subtotal	**351**	**-389**	**-38**
EV 2008 - after capital injections/(dividends)	**-920**	**9,132**	**8,212**
EV 2008 - before capital injections/(dividends)	-757	9,132	8,375

Table 53. Embedded Value 2008 breakdown

in EUR million	USFS	Latin America	Total
Free Surplus (FS)	-938	18	-920
Required Capital (RC)	6,140	480	6,620
ViF	2,094	418	2,512
Total EV 2008	**7,296**	**916**	**8,212**

Table 54. Alternate analysis of movement

In EUR million	Adjusted Net Worth (ANW)	Value of in-Force covered business (ViF)	Total
Required Capital$_{boy}$ (RC)	4,623		
Free Surplus$_{boy}$ (FS)	1,280		
Total EV 2007	**5,903**	**4,731**	**10,633**
Revisions to starting value	335	167	502
Revised EV$_{boy}$	**6,238**	**4,897**	**11,135**
New business contribution at issue	-341	644	304
Required return	0	807	807
Expected earnings - transfer to ANAV - from ViF	262	-262	0
Experience variances and operating assumption changes	-1,078	-2,112	-3,190
Investment returns on Free Surplus	1	0	1
Economic assumption changes and discount rate changes	781	-1,463	-682
EEV Return after tax	**-375**	**-2,385**	**-2,761**
Embedded value of business acquired	0	0	0
Capital injections / (dividends)	-163	0	-163
Subtotal	**-163**	**0**	**-163**
- Required Capital	6,620		
- Free Surplus	-920		
EV 2008 - after capital injections/(dividends)	**5,700**	**2,512**	**8,212**

Insurance Asia/Pacific

Table 55. Analysis of movement

In EUR million	Free Surplus (FS)	Required Capital (RC) + Value of in-Force covered business (ViF)	Total
Required Capital$_{boy}$(RC)		5,589	
Value of in-Force covered business$_{boy}$ (ViF)		388	
Total EV 2007	**-3,773**	**5,977**	**2,204**
Addition of business / (divested business)	4,075	-2,808	1,267
Currency effects	-345	74	-271
Model changes	38	-14	23
Revised starting EV	**-5**	**3,229**	**3,223**
Value of New Business	-444	666	222
Financial variances	-618	-329	-947
Operational variances	19	-25	-6
Operating assumption changes	-40	283	243
EV Profit (EV Profit) return	**-1,083**	**595**	**-487**
Required return – return on RC and ViF	0	245	245
Expected earnings - transfer to Free Surplus, from in-force	346	-346	0
Investment return on Free Surplus	17	0	17
Discount rate changes	0	-110	-110
Economic assumption changes	-179	-109	-288
Embedded Value of business acquired	18	181	198
Capital injections	399	0	399
Dividends	-16	0	-16
Subtotal	**585**	**-140**	**446**
EV 2008 - after capital injections/(dividends)	**-503**	**3,685**	**3,182**
EV 2008 - before capital injections/(dividends)	-886	3,685	2,798

Table 56. Embedded Value 2008 breakdown

in EUR million	Australia & New Zealand	South Korea	Japan	Rest of Asia	Total
Free Surplus (FS)	7	143	-730	78	-503
Required Capital (RC)	85	330	537	276	1,229
ViF	550	881	528	496	2,456
Total EV 2008	**643**	**1,354**	**335**	**850**	**3,182**

Table 57. Alternate analysis of movement

In EUR million	Adjusted Net Worth (ANW)	Value of in-Force covered business (ViF)	Total
Required Capital$_{boy}$ (RC)	5,589		
Free Surplus$_{boy}$ (FS)	-3,773		
Total EV 2007	**1,816**	**388**	**2,204**
Revisions to starting value	-725	1,745	1,020
Revised EV$_{boy}$	**1,091**	**2,132**	**3,223**
New business contribution at issue	-300	522	222
Required return	0	245	245
Expected earnings - transfer to ANAV - from ViF	363	-363	0
Experience variances and operating assumption changes	-711	1	-710
Investment returns on Free Surplus	17	0	17
Economic assumption changes and discount rate changes	-135	-263	-398
EEV Return after tax	**-766**	**142**	**-624**
Embedded value of business acquired	18	181	198
Capital injections / (dividends)	384	0	384
Subtotal	**401**	**181**	**582**
- Required Capital	1,229		
- Free Surplus	-503		
EV 2008 - after capital injections/(dividends)	**726**	**2,456**	**3,182**

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

In EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Value of New Business	**397**	**304**	**222**	**924**
1% decrease in new-money rates	-59	-142	-166	-367
1% increase in new-money rates	40	113	145	298
1% decrease in discount rates	87	83	47	217
1% increase in discount rates (A)	-80	-76	-41	-197
Implied market forward rates (based on year-end economic assumption with 3.1% risk margin) (B)	-44	-45	-32	-121
1% lower equity and real estate returns	-27	-39	-5	-71
Local regulatory minimum capital requirement	1	30	18	49
Net impact of				
1% decrease in new-money & 1% decrease in discount rates	28	-59	-119	-149
1% increase in new-money & 1% increase in discount rates	-40	37	104	101

Note: The Value of New Business based on year end economic assumption and a 4.1% risk margin could be estimated by summing (A) and (B)

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

In EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
As reported – Value of New Business	**397**	**304**	**222**	**924**
10% decrease in maintenance expenses	27	33	35	94
10% decrease in lapse rates	28	30	50	107
5% decrease in mortality and morbidity rates – Life	5	27	18	50
5% decrease in mortality and morbidity rates - Annuity	-1	-1	0	-2

Insurance Europe

Economic assumptions

Table 60. Sensitivity of Value of New Business to economic assumptions

In EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
As reported – Value of New Business	**79**	**14**	**304**	**397**
1% decrease in new-money rates	-28	0	-31	-59
1% increase in new-money rates	11	0	29	40
1% decrease in discount rates	26	3	58	87
1% increase in discount rates (C)	-22	-3	-55	-80
Implied market forward rates (based on year-end economic assumption with 3.1% risk margin) (D)	-33	-4	-8	-44
1% lower equity and real estate returns	-23	0	-4	-27
Local regulatory minimum capital requirement	-4	-4	8	1
Net impact of				
1% decrease in new-money & 1% decrease in discount rates	-2	3	28	28
1% increase in new-money & 1% increase in discount rates	-11	-3	-26	-40

Note: The Value of New Business based on year end economic assumption and a 4.1% risk margin could be estimated by summing (C) and (D)

Non-economic assumptions

Table 61. Sensitivity of Value of New Business to non-economic assumptions

In EUR million	Netherlands	Belgium & Luxembourg	Central Europe & Spain	Total
As reported – Value of New Business	**79**	**14**	**304**	**397**
10% decrease in maintenance expenses	12	1	14	27
10% decrease in lapse rates	6	0	21	28
5% decrease in mortality and morbidity rates – Life	0	-1	5	5
5% decrease in mortality and morbidity rates - Annuity	0	0	-1	-1

Insurance Americas

Economic assumptions

Table 62. Sensitivity of Value of New Business to economic assumptions

In EUR million	USFS	Latin America	Total
As reported – Value of New Business	**198**	**105**	**304**
1% decrease in new-money rates	-97	-44	-142
1% increase in new-money rates	69	45	113
1% decrease in discount rates	61	21	83
1% increase in discount rates (E)	-58	-18	-76
Implied market forward rates (based on year-end economic assumption with 3.1% risk margin) (F)	-41	-4	-45
1% lower equity and real estate returns	-38	-1	-39
Local regulatory minimum capital requirement	26	4	30
Net impact of			
1% decrease in new-money & 1% decrease in discount rates	-36	-23	-59
1% increase in new-money & 1% increase in discount rates	10	27	37

Note: The Value of New Business based on year end economic assumption and a 4.1% risk margin could be estimated by summing (E) and (F)

Non-economic assumptions

Table 63. Sensitivity of Value of New Business to non-economic assumptions

In EUR million	USFS	Latin America	Total
As reported – Value of New Business	**198**	**105**	**304**
10% decrease in maintenance expenses	25	8	33
10% decrease in lapse rates	16	13	30
5% decrease in mortality and morbidity rates – Life	23	4	27
5% decrease in mortality and morbidity rates - Annuity	2	-4	-1

Insurance Asia/Pacific

Economic assumptions

Table 64. Sensitivity of Value of New Business to economic assumptions

In EUR million	Australia & New Zealand	South Korea	Japan	Rest of Asia	Total
As reported – Value of New Business	**45**	**92**	**38**	**47**	**222**
1% decrease in new-money rates	-2	-32	-115	-18	-166
1% increase in new-money rates	1	32	96	16	145
1% decrease in discount rates	7	13	17	10	47
1% increase in discount rates (G)	-6	-12	-15	-9	-41
Implied market forward rates (based on year-end economic assumption with 3.1% risk margin) (H)	-2	-21	-6	-3	-32
1% lower equity and real estate returns	-1	0	-1	-2	-5
Local regulatory minimum capital requirement	5	-8	19	3	18
Net impact of					
1% decrease in new-money & 1% decrease in discount rates	5	-19	-98	-7	-119
1% increase in new-money & 1% increase in discount rates	-5	20	81	8	104

Note: The Value of New Business based on year end economic assumption and a 4.1% risk margin could be estimated by summing (G) and (H),

Non-economic assumptions

Table 65. Sensitivity of Value of New Business to non-economic assumptions

In EUR million	Australia & New Zealand	South Korea	Japan	Rest of Asia	Total
As reported – Value of New Business	**45**	**92**	**38**	**47**	**222**
10% decrease in maintenance expenses	7	14	9	5	35
10% decrease in lapse rates	7	26	14	3	50
5% decrease in mortality and morbidity rates – Life	5	7	3	4	18
5% decrease in mortality and morbidity rates - Annuity	0	0	0	0	0

Appendix 3. Analysis of variances and assumption changes

Table 66. Analysis of variances and assumption changes

In EUR million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
Financial variances				
Investment income	-3,087	-469	-147	-3,702
Policy or fund growth	-137	-1,225	-774	-2,135
Other financial variances	-208	-1,714	-27	-1,948
Total	**-3,431**	**-3,407**	**-947**	**-7,785**
Operational variances				
Mortality/morbidity	25	-32	-8	-15
Persistency	-16	1	-19	-34
Maintenance expenses	-13	-9	26	4
Other operational variances	-101	56	-6	-51
Total	**-105**	**15**	**-6**	**-95**
Operating assumption changes				
Mortality/morbidity	51	-1	142	192
Persistency	-22	19	104	101
Maintenance expenses	65	126	57	247
Other operating assumption changes	40	59	-60	38
Total	**134**	**202**	**243**	**579**

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

In 2007 the long term risk free rates were based on implied market forward swap rates adjusted for spreads between 10 year government bond yields and implied market forward swap rates. In 2008 the long-term risk free rates used for the risk free curves in the most material business units are generally based on government bond rates. This change was made because swap rates for some of the main economies were below government bond rates. Where the long term swap rates were not below the government bond rates then ING continued to base the risk free rate on swap rates with an adjustment. The derivation of fixed interest assumptions employed an algorithm for extending the yield curve for incomplete markets and, in some cases, employed surveys for consensus forecasts. For the economies with the most significant impact on the Embedded Value the economic assumptions have been updated to 31 December 2008, for other economies the economic assumptions are based on data as at 12 November 2008.

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 conditions and, therefore, may differ from the longer term risk free-rates used to calculate Embedded Value.

We note that the discount rate in the Table below is defined as: country risk free rate + country risk premium + risk margin. The risk margin was 3.10% in the 2007 Embedded Value reporting and has been updated at the end of 2008 to 4.10%. This change is explained in Appendix 5. The new business over 2008 has been valued based on a risk margin of 3.10%, consistent with the risk margin from the beginning of the year.

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 + risk margin. The currency exchange rates are summarised in Appendix 6.

Deterministic calculations

For the following regions/countries the key economic assumptions for the extracted period 2009-2028 are shown. A full curve of the fixed interest assumptions have been used to calculate Embedded Values. We note that the Slovakia has joined the Eurozone from 1 January 2009. Embedded Value calculations for Slovakia have been performed based on the krona adjusted in anticipation of the adoption of the Euro. 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
- South Korea

The tables set out the following projected economic assumptions for some sample years:

- Long term risk free rates
- Discount rate – risk premium and the 2028 discount rate
- Net credit spread
- Equity and real-estate risk premium
- Expense inflation

Key economic assumptions

Table 67-I. Key economic assumptions

Netherlands	Long term risk free rates	Fixed income new money rates	Discount rate	United States	Long term risk free rates	Fixed income new money rates	Discount rate
2009	3.2%	3.3%	7.3%	2009	3.8%	4.1%	8.0%
2010	3.5%	3.6%	7.6%	2010	4.2%	4.9%	8.3%
2011	3.7%	3.8%	7.8%	2011	4.3%	5.2%	8.4%
2012	4.0%	4.1%	8.1%	2012	4.4%	5.4%	8.5%
2013	4.3%	4.4%	8.4%	2013	4.4%	5.3%	8.6%
2014	4.4%	4.5%	8.5%	2014	4.5%	5.5%	8.6%
2015	4.4%	4.5%	8.5%	2015	4.5%	5.5%	8.6%
2016	4.4%	4.5%	8.5%	2016	4.6%	5.7%	8.6%
2017	4.4%	4.5%	8.5%	2017	4.6%	5.8%	8.6%
2018	4.4%	4.5%	8.5%	2018	4.6%	5.9%	8.7%
2019	4.4%	4.5%	8.5%	2019	4.6%	6.0%	8.7%
2020	4.2%	4.3%	8.3%	2020	4.6%	6.1%	8.6%
2021	4.0%	4.1%	8.1%	2021	4.5%	6.2%	8.6%
2022	3.8%	3.9%	7.9%	2022	4.5%	6.4%	8.6%
2023	3.5%	3.6%	7.6%	2023	4.5%	6.2%	8.5%
2024	3.3%	3.4%	7.4%	2024	4.5%	6.4%	8.5%
2025	3.2%	3.3%	7.3%	2025	4.5%	6.4%	8.5%
2026	3.2%	3.3%	7.3%	2026	4.5%	6.4%	8.5%
2027	3.2%	3.3%	7.3%	2027	4.4%	6.3%	8.5%
2028	3.1%	3.2%	7.2%	2028	4.4%	6.3%	8.4%

1. Source: Bloomberg at 31 December 2008

Table 67-II. Key economic assumptions

Japan	Long term risk free rates	Fixed income new money rates	Discount rate	South Korea	Long term risk free rates	Fixed income new money rates	Discount rate
2009	1.6%	1.9%	5.7%	2009	5.2%	6.0%	9.3%
2010	1.7%	2.0%	5.8%	2010	5.3%	5.9%	9.4%
2011	1.8%	2.1%	5.9%	2011	5.3%	5.8%	9.4%
2012	1.9%	2.2%	6.0%	2012	5.4%	5.8%	9.5%
2013	2.0%	2.3%	6.1%	2013	5.4%	5.8%	9.5%
2014	2.1%	2.4%	6.2%	2014	5.4%	5.7%	9.5%
2015	2.2%	2.5%	6.3%	2015	5.3%	5.7%	9.4%
2016	2.2%	2.5%	6.3%	2016	5.3%	5.7%	9.4%
2017	2.3%	2.6%	6.4%	2017	5.2%	5.6%	9.3%
2018	2.4%	2.7%	6.5%	2018	5.2%	5.6%	9.3%
2019	2.4%	2.7%	6.5%	2019	5.2%	5.6%	9.3%
2020	2.4%	2.7%	6.5%	2020	5.3%	5.7%	9.4%
2021	2.4%	2.7%	6.5%	2021	5.4%	5.7%	9.5%
2022	2.4%	2.7%	6.5%	2022	5.4%	5.7%	9.5%
2023	2.4%	2.7%	6.5%	2023	5.5%	5.7%	9.6%
2024	2.4%	2.7%	6.5%	2024	5.6%	5.8%	9.7%
2025	2.4%	2.7%	6.5%	2025	5.6%	5.8%	9.7%
2026	2.3%	2.6%	6.4%	2026	5.7%	5.8%	9.8%
2027	2.3%	2.6%	6.4%	2027	5.8%	5.9%	9.9%
2028	2.2%	2.6%	6.3%	2028	5.8%	5.8%	9.9%

1. Source: Bloomberg at 12 November 2008 (used as a proxy for 31 December 2008).

Table 68. Key Economic Assumptions							
	Risk free rates					*Discount rates*	
Region/Country	2009	2010	2011	2018	2028	Risk[1] Premium	2028
Insurance Europe							
Belgium	3.2%	3.5%	3.7%	4.4%	3.1%	4.1%	7.2%
Bulgaria	6.9%	7.1%	7.2%	6.8%	4.5%	4.1%	8.6%
Czech Republic	4.3%	4.4%	4.6%	4.7%	2.3%	4.1%	6.4%
Greece	3.2%	3.5%	3.7%	4.4%	3.1%	4.1%	7.2%
Hungary	10.2%	9.8%	9.4%	7.8%	4.5%	4.1%	8.6%
Luxembourg	3.2%	3.5%	3.7%	4.4%	3.1%	4.1%	7.2%
Netherlands	3.2%	3.5%	3.7%	4.4%	3.1%	4.1%	7.2%
Poland	5.3%	5.4%	5.4%	5.2%	4.9%	4.1%	9.0%
Romania	8.7%	6.6%	5.5%	3.7%	4.4%	4.1%	8.5%
Russia	11.3%	10.4%	9.5%	9.0%	8.0%	4.6%	12.6%
Slovakia[2]	4.6%	4.8%	5.0%	5.1%	4.4%	4.1%	8.5%
Spain	3.2%	3.5%	3.7%	4.4%	3.1%	4.1%	7.2%
Turkey	16.8%	16.0%	15.3%	10.8%	6.8%	6.1%	12.9%
Insurance Americas							
Argentina	21.7%	22.5%	22.8%	16.3%	9.6%	6.1%	15.7%
Chile	6.5%	6.5%	6.5%	6.1%	5.2%	4.1%	9.3%
Colombia	10.5%	10.6%	10.7%	9.9%	5.2%	6.1%	11.3%
Mexico	8.1%	8.1%	8.2%	8.3%	8.6%	5.1%	13.7%
Peru	8.1%	8.3%	8.5%	8.2%	8.2%	6.1%	14.3%
United States	3.8%	4.2%	4.3%	4.6%	4.4%	4.1%	8.4%
Uruguay	10.6%	10.3%	10.0%	7.7%	5.8%	7.1%	12.9%
Insurance Asia/Pacific							
Australia	4.0%	4.0%	4.0%	4.0%	4.0%	4.1%	8.1%
China	3.1%	3.2%	3.4%	4.8%	6.2%	4.1%	10.3%
Hong Kong	2.0%	2.1%	2.1%	2.5%	4.5%	4.1%	8.6%
India	7.8%	7.9%	8.1%	8.1%	7.5%	5.1%	12.6%
Japan	1.6%	1.7%	1.8%	2.4%	2.2%	4.1%	6.3%
Malaysia	4.2%	4.5%	4.7%	5.2%	4.6%	4.6%	9.2%
New Zealand	6.0%	6.1%	6.2%	5.9%	4.4%	4.1%	8.5%
South Korea	5.2%	5.3%	5.3%	5.2%	5.8%	4.1%	9.9%
Taiwan	1.8%	1.9%	2.0%	2.9%	4.3%	4.1%	8.4%
Thailand	4.3%	4.4%	4.6%	5.1%	5.6%	5.1%	10.7%

1. Risk Premium shown in the above table is used for Embedded Value 2008 calculation, where the risk premium for Embedded Value = 4.1% + the ultimate country risk premium$_{2008}$, Risk premium used for Value of New Business during 2008 = 3.1% + the ultimate country risk premium$_{2007}$.

2. Slovakia: Krona-based rates have been adjusted to incorporate adoption of Euro from 1 January 2009

Credit default assumptions

The level of defaults assumed in the projections was reviewed, taking into account the credit outlook in each business, the credit default assumptions used in the Embedded Value projections depend on the individual asset portfolios held. The most significant increases in default assumptions were in USFS where an additional 1.1% of default is assumed between 2009 and 2011, before reducing to the long-term default assumption.

Table 69. Key Economic Assumptions

Region/Country	*Net credit spread above risk free rates* 2009	2010	2011	2018	2028	Equity risk premium	Real estate risk premium	Expense inflation 2028
Insurance Europe								
Belgium	0.2%	0.2%	0.2%	0.2%	0.2%	3.6%	n/a	1.9%
Bulgaria	0.4%	0.4%	0.4%	0.4%	0.4%	4.5%	n/a	1.9%
Czech Republic	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	2.2%
Greece	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%	n/a	1.9%
Hungary	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	1.9%
Luxembourg	0.2%	0.2%	0.2%	0.2%	0.2%	3.6%	n/a	2.8%
Netherlands[2]	0.1%	0.1%	0.1%	0.1%	0.1%	3.6%	2.7%	2.3%
Poland	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	2.2%
Romania	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	1.9%
Russia	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	5.8%
Slovakia	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	2.2%
Spain	0.6%	0.6%	0.6%	0.6%	0.6%	3.6%	n/a	2.3%
Turkey	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	4.0%
Insurance Americas								
Argentina	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	0.0%
Chile	0.7%	0.7%	0.7%	0.7%	0.7%	4.5%	n/a	0.0%
Colombia	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	3.3%
Mexico[4]	1.1%	1.1%	1.1%	1.1%	1.1%	4.5%	n/a	3.4%
Peru	0.2%	0.2%	0.2%	0.2%	0.2%	4.5%	n/a	2.0%
United States[1,3]	0.3%	0.7%	0.9%	1.3%	1.9%	4.0%	n/a	2.3%
Uruguay	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	0.0%
Insurance Asia/Pacific								
Australia	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%	3.0%	2.5%
China	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	3.5%
Hong Kong	1.0%	1.0%	1.0%	1.0%	1.0%	4.5%	n/a	0.0%
India	1.0%	1.0%	1.0%	1.0%	1.0%	4.5%	n/a	5.0%
Japan	0.3%	0.3%	0.3%	0.3%	0.3%	3.6%	n/a	1.5%
Malaysia	0.3%	0.3%	0.3%	0.3%	0.3%	4.5%	1.3%	2.5%
New Zealand	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%	n/a	2.3%
South Korea	0.8%	0.6%	0.5%	0.4%	0.0%	4.5%	n/a	3.0%
Taiwan	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	n/a	0.0%
Thailand	0.2%	0.2%	0.2%	0.2%	0.2%	4.5%	n/a	0.0%

1. The equity risk premium for the US reflects the ultimate risk premium; for USFS assumes 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, and the net credit spreads represent the Nationale-Nederlanden spreads.

3. Reflects a weighted-average assumption

4. Reflects Mexico Afore 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

Region/ Country	***Model***	***Equity***		***10 yr- Bonds***		***Correlation***
		Mean	Volatility	Mean	Standard Deviation	
Netherlands	Vector Auto Regressive (VAR) with lagged variables for the interest rates, equity and real estate returns	Year 5 : 7.87% Year 10: 8.06% Year 20: 7.94%	Year 5: 19.79% Year10: 20.05% Year20: 20.05%	Year 5: 3.87% Year 10: 3.96% Year 20: 4.19%	Year 5: 3.90% Year 10: 3.02% Year 20: 3.58%	Eq.-bonds: -0.02 Eq.-cash: 0.03 Bonds-cash: -0.66
USFS	Interest: Modified log-normal model in TAS software	8.130%	18.0%	Base: 4.01% Year 10: 5.00%	Annual: 8.35%	Between 90 day & 10 year treasuries 0.597
Japan	Interest: 1-factor Realistic Interest Rate Generator in Discrete Time with mean reversion for interest rates Equity: geometric Brownian motion	Domestic equity: 4.91% MSCI Kokusai: 6.56% MSCI World: 5.66%	Domestic equity: 31.29% MSCI Kokusai: 35.80% MSCI World: 32.40%	Domestic bond: 2.04% Global bond: 3.13%	Domestic bond: 2.66% Global bond: 7.29%	Domestic Equities – Domestic Bonds: -0.419
South Korea	Risk-neutral Hull-White model 1year forward rate	NA	NA	1year forward rates: 4.67%	Annual volatility for 1year forward rates: 12.8%	NA

Appendix 5. Methodology

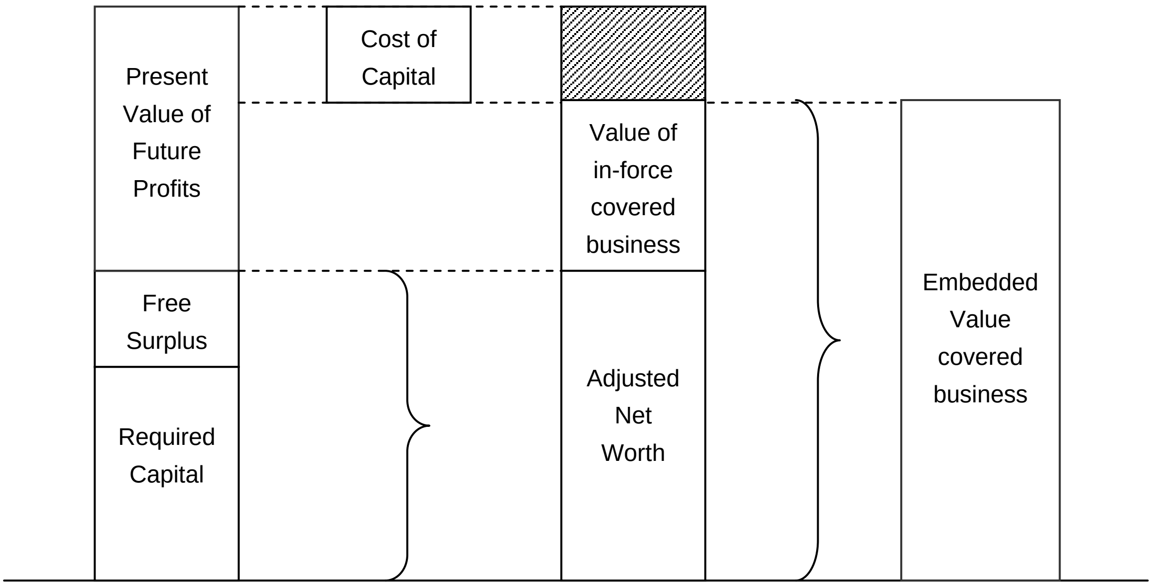
Scope

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 for 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 for 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 swap rates or government bond yields have been used as the basis for fixed income returns. For USFS market-based rates were not used other than in the first few years of the projection, instead best estimate assumptions were used for most durations. 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

With the exception of some corporate overhead expenses, all expenses have been allocated to the business units of the Group. Those attributable to the businesses included in the covered business reported Embedded Value are allocated to acquisition or to maintenance expenses and included in the Embedded Value projections. The unallocated corporate overhead expenses have been attributed in the ING Group Embedded Value, as the ING Group IFRS equity is on a consolidated basis which includes these corporate overhead expenses.

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.

The table below shows before tax expenses above the ultimate levels. The Insurance Europe projected expenses from 2008, have decreased from the figures estimated in 2007 as Nationale-Nederlanden future expense levels have decreased – this led to a lower expected restructuring costs into the future before declining to normal levels when the efforts are realised.

Table 71. Mature business expenses above ultimate levels in EV 2008

In EUR Million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
2009	67	0	0	67
2010	44	0	0	44
2011	28	0	0	28
2012	22	0	0	22
2013	15	0	0	15
2014	9	0	0	9
2015	3	0	0	3
2016	2	0	0	2
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
2022	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 2008 since these changes have not yet been approved.

In incorporating expenses into the Value of in-Force and VNB, it should be noted that:

- Certain business units locked-in maintenance expenses at pricing levels in the past. 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 from 2007 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 to 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 in 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. This change made in 2007 continues to communicate the profitability of the products sold in Greenfield operations in a manner 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 2008

In EUR Million	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Total
2009	19	0	49	68
2010	21	0	49	70
2011	19	0	36	55
2012	13	0	24	37
2013	9	0	15	24
2014	1	0	8	9
2015	1	0	1	1
2016	0	0	0	0
2017	0	0	0	0
2018	0	0	0	0
2019	0	0	0	0
2020	0	0	0	0

The 2008 Embedded Value and VNB have reflected 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 covered business Embedded Value reporting, but are included in the ING Group Embedded Value. In 2008, expenses that fall into this category are EUR 93 million (before tax). These, and future projected expenses in this category, have been eliminated from the covered business Embedded Values. In addition, the Formula 1-related costs are incurred at Group-level but charged back to the business units, and these costs for ING Insurance at business unit level have also been eliminated from covered business Embedded Value, but included in the ING Group Embedded Value.

Strategic M&A expenses are 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 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. For the new business contribution to Embedded Value in 2008, the reported VNB for USFS has excluded these strategic expenses of EUR 28 million.

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 or worse 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 2007 and 2008 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.

In Japan the FOG cost has been estimated using a risk neutral approach as the cost of hedging included in the Embedded Value projection has been estimated using on a risk neutral basis. In USFS the FOG cost for the variable annuity business has been calculated net of hedge costs. The estimated FOG cost is therefore reduced by the effect of hedging.

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 2-6% 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. For the structured annuity products in Korea, the time value of the guaranteed minimum death and accumulation benefits have been reported as the FOG.

Interest and investment guarantees in Thailand, China, India and Hong Kong 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 and 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 and revised impact of assumption changes. 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.

The roll forward methodology has worked reasonably well in previous years as the financial markets were materially stable between the date that the economic assumptions were set and the valuation date. In 2008, as the markets have been very volatile over the last quarter of 2008, the roll forward methodology required adjustment to reflect the year end economic position. For this reason, adjustments using sensitivities carried out based on revisions to reflect the year end market rates have been made to ensure the closing Embedded Value is materially correct. We note that the reported impact in the sensitivities to various economic and non-economic changes remains based on the usual roll-forward calculations.

Operating assumptions

The assumptions used in the Embedded Value calculations for 2008 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 2008 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

ING used the risk margin of 4.1% for the Embedded Value calculation at the end of 2008, which was 100 basis points higher than the discount margin of 3.1% used in 2007. The discount rate used for the Netherlands business is 7.2% in 2028, which implies a 4.1% risk margin over the long term 10 year government bond yield of 3.1%.

The principle followed by ING in determining the discount rate of our life business is that it should reflect ING's weighted average after-tax cost of capital (WACC). 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 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:

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

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%	2013
Poland	0.5%	2012
Romania	2.0%	2014
Russia	0.5%	n/a
Turkey	2.0%	n/a
Mexico	1.0%	n/a
Argentina	2.0%	n/a
Colombia	2.0%	n/a
Peru	2.0%	n/a
Uruguay	3.0%	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 2009 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. 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.

Several business units in Benelux (Belgium, Luxembourg, Postbank, RVS), Central Europe (Bulgaria Pension Fund, Czech Life, Greece Life and Piraeus, Hungary Life, Poland Life, Romania Life, Russia Pension Fund, Slovakia Life and Pension Fund), Spain, Asia (ING Capital (China), ING Vysya Life (India), KB Life (South Korea), ING Life Korea) and Mexico PCA have been charged a cost of capital based on ING Capital Model, which is lower than the cost of capital if the local regulatory level was held. In total, the capital held by these business units is EUR 159 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 2008 we distinguish two types of currency exchange rates, the closing and quarterly average rate. The closing exchange rates were used for almost all Embedded Value amounts. The quarterly average exchange rates were used for new business statistics in that quarter, such as new business sales volumes and VNB. Embedded Value and Value of New Business projections for Slovakia are based on the krona adjusted to reflect the adoption of the Euro as at 1 January 2009.

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

Table 74. Exchange rates

Region/Country	Currency code	***2007*** Closing rate	***2008*** Average rate 1Q2008	Average rate 2Q2008	Average rate 3Q2008	Average rate 4Q2008	Closing rate
Insurance Europe							
Belgium	EUR	1.000	1.000	1.000	1.000	1.000	1.000
Bulgaria	BGN	1.956	1.956	1.956	1.956	1.956	1.956
Czech Republic	CZK	26.560	25.804	24.889	24.311	25.194	26.627
Greece	EUR	1.000	1.000	1.000	1.000	1.000	1.000
Hungary	HUF	252.373	258.873	247.399	236.757	257.457	264.896
Luxembourg	EUR	1.000	1.000	1.000	1.000	1.000	1.000
Netherlands	EUR	1.000	1.000	1.000	1.000	1.000	1.000
Poland	PLN	3.586	3.566	3.425	3.327	3.741	4.175
Romania	RON	3.608	3.697	3.669	3.608	3.802	4.010
Russia	RUB	36.000	36.472	36.929	36.547	37.264	42.570
Slovakia	SKK	33.567	33.120	31.329	30.303	30.280	30.097
Spain	EUR	1.000	1.000	1.000	1.000	1.000	1.000
Turkey	TRY	1.718	1.838	1.973	1.825	1.995	2.143
Insurance Americas							
Argentina	ARS	4.637	4.780	4.878	4.605	4.472	4.818
Chile	CLP	733.107	702.647	744.925	794.474	849.418	892.012
Colombia	COP	2969.896	2884.922	2841.402	2944.749	3066.571	3138.905
Mexico	MXN	16.051	16.329	16.389	15.684	17.022	19.257
Peru	PEN	4.409	4.374	4.463	4.428	4.135	4.386
United States	USD	1.472	1.514	1.566	1.511	1.345	1.396
Uruguay	UYU	31.727	31.783	31.110	29.746	30.957	34.061
Insurance Asia/Pacific							
Australia	AUD	1.676	1.674	1.664	1.694	1.922	2.026
China	CNY	10.753	10.826	10.883	10.337	9.192	9.525
Hong Kong	HKD	11.481	11.796	12.208	11.778	10.432	10.819
India	INR	57.859	60.065	65.019	66.400	65.168	67.599
Japan	JPY	164.818	159.662	162.530	161.518	130.787	126.354
Malaysia	MYR	4.869	4.895	5.037	5.042	4.726	4.820
New Zealand	NZD	1.901	1.921	2.013	2.101	2.266	2.422
South Korea	KRW	1378.100	1438.376	1589.005	1640.584	1748.390	1758.269
Taiwan	TWD	47.752	47.626	47.603	47.076	44.127	45.812
Thailand	THB	43.652	46.536	50.554	51.024	46.762	48.419

Appendix 7. Glossary & abbreviations

Glossary

Assumption change	*Assumption change* 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	*Best-estimate assumptions* 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	*Book profits* 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	*Business in-force* on a given valuation date is the insurance business in-force expected to generate profits in the future.
Commission	*Commission* 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	*Commission allowances* means the Embedded Value commission assumptions, for a specific year, based on each policy.
Current period	*Current period* 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	*Cost of Capital* 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	*Covered business* is the contracts to which the *EVM* has, in line with the *EEV Principles*, been applied.
Discount rate	*Discount rate* 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	*Distributable earnings* 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	*Economic assumption changes* 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	*European Embedded Value Principles* are principles formulated by the forum of European Insurers' (the Forum) for supplementary reporting on Embedded Value.
Embedded Value	*Embedded Value* 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	*Embedded Value Methodology* is the methodology for calculating and reporting *Embedded Value* as set out by the *European Embedded Value Principles.*
Embedded Value Profit	*Embedded Value Profit* (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	*Expense allowances* 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)	*Expense overrun or expense underrun* 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 *internal rate of return*
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	*Free Surplus* 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. Free Surplus* is available for shareholder dividends or to fund future new business investments.
Future distributable earnings	*Future distributable earnings* are all distributable earnings occurring after the valuation date.
Going concern	*Going concern* means that the company continues to be in operation in the future and will keep writing new business.
Internal rate of return	*Internal rate of return* (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. Reported internal rate of return figures in the report are year-to-date figures.

Investment in new business	*Investment in new business* 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	*Model changes* are technical changes in value because of a change in the model used to measure value.
Present value	*Present value* 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	*Profit-tested internal rate of return* 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	*Profit-tested Value of New Business at the point of sale* 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	*Required Capital* is the amount of assets, over and above the value placed on liabilities in respect of *covered business*, whose distribution to shareholders is restricted. It is based on ING's internal capital requirements: the ING Capital Model (ICM).
Required return	*Required return* 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	*Return on Embedded Value* 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	*Statutory basis* is the valuation basis and approach used for reporting financial statements to local regulators.
Valuation date	*Valuation date* is the date at which all items of the Embedded Value and movement analysis are valued.
Value of book profits	*Value of book profits* is the present value of all future book profits (excluding investment income on total surplus).
Value of New Business	*Value of New Business* (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	*Value of in-Force covered business* 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	*Variance* 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.

ING Groep N.V.

Investor Relations
P.O. Box 810
1000 AV Amsterdam
The Netherlands

Analysts & Investors	+31 (0) 20 541 5460
Media	+31 (0) 20 541 5433
E-mail	investor.relations@ing.com

Website: www.ing.com